

# Tax Agenda Türkiye




May 2023



No.	Fact	Action
1	<p><b>Corporation tax exemption on the foreign currency converted into Turkish Lira (TRY) by the end of</b></p> <p>If foreign currencies that are available in the balance sheet dated 31 March 2022 are converted and utilized in TRY deposit accounts with a maturity of at least three months, interest earned at the end of maturity, including income from period-end revaluation and other income will be exempt from corporation tax.</p> <p>President is authorized to extend this exemption for the balance sheets dated 30 June 2022 and 30 September 2022.</p> <p>With the Presidential Decree No. 6563 published in the Official Gazette on 17 December 2022, the exemption is extended until 31 December 2023.</p>	<p>Assess the foreign currency accounts and whether this exemption is applicable.</p>
2	<p><b>Continuous monthly reporting requirement for certain service providers from 1 August 2022</b></p> <p>Intermediary service providers, social network providers, and hosting providers that mediate the publication of movable and immovable properties, goods and services listings for purchase, sale, or rental, are required to report certain information pertaining to the said transaction and the publisher.</p>	<p>Complete the necessary technical infrastructure and provide appropriate conditions to receive such information from the publishers.</p>

Use text boxes above the timeline to plan your actions for coming months

● Compliance    ● Risk management    ● Cash-flow and ETR impact

No.	Fact	Action
3	<p><b>Istanbul Finance Center is introduced</b></p> <p>The Law introducing Istanbul Finance Center (IFC) is enacted. Participants of the IFC who perform exportation of financial services within the designated IFC office area, will have certain incentives, including the ability to keep their legal books in foreign currency and the eligibility to freely choose a law of a different jurisdiction as the governing law for their private law contracts.</p> <p>According to the amendments made with Law No. 7421, 50% of the earnings derived from transit trade through IFC will be exempted from corporation tax.</p>	<p>Assess whether all incentives are utilized in the IFC.</p> 
4	<p><b>Banking Regulation and Supervision Agency (BRSA) limits the use of TRY denominated loan for certain companies whose TRY equivalent of foreign currency assets are more than TRY 10 m</b></p> <p>With the Decision No. 10389 published by BRSA on 21 October 2022, the thresholds are decreased to TL 10m and 5% to be applicable from 01 November 2022.</p> <p>If companies, subject to independent audit, except for banks and financial institutions, have foreign currency cash assets at an amount higher than TRY 10m (foreign currency deposit in banks and effective foreign currency including gold) as of date on which they would make loan application, such companies will not be extended a new cash commercial TRY denominated loan where foreign currency cash assets of companies in question exceeds 5% of total assets or annual net sales revenue (the one having a higher amount shall be selected) according to their most current financial statements.</p>	<p>Consider this limitation in your operations.</p> 
5	<p><b>Notional Interest Deduction (NID) limitation on cash capital contributions</b></p> <p>The implementation period, which was previously indefinite, of the NID on cash capital contributions has been limited to five years.</p>	<p>For companies making cash capital contribution in 2022, analyze your corporate income tax (CIT) calculations by taking into account that NID will be applied only for five fiscal periods, including the FY 2022. Also consider that NID rate is increased to 75% for cash capital contributions made abroad.</p> 
6	<p><b>New tax amnesty to repatriate cash, gold and certain securities - deadline by 31 March 2023</b></p> <p>The tax amnesty law which entered into force on 9 June 2021 expired on 30 June 2022. The Turkish Government has enacted a new tax amnesty law for foreign assets. A tax of 3% will be charged on the value of the notified assets.</p>	<p>Taxpayers can choose to notify and repatriate overseas money, gold, foreign currency, certain securities and other capital market instruments by 31 March 2023. Review the procedures set by the Communiqué published on 9 August 2022 to benefit from the amnesty.</p> 
7	<p><b>Stamp tax exemption on the immovable property sales agreements executed by notary publics</b></p> <p>Under the Law No. 7413, the immovable property sales agreements executed by notary publics are exempt from stamp tax, and papers issued in relation to these transactions will also be exempt from valuable paper fees.</p>	<p>Review your agreements in terms of available stamp tax exemptions.</p> 

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8	<p><b>Corporation tax rate</b></p> <p>Corporation tax rate is 20% for 2023 fiscal year.</p> <p>The corporation tax rate will be applied with one-point reduction for income exclusively derived from export transactions and on the income exclusively derived from manufacturing activities by corporations that has an industrial registry certificate.</p>	<p>Verify the relevant corporation tax rates on current tax and deferred tax calculations made for quarterly financials. Verify the corporation tax rates on your tax calculations if the Turkish entity is performing export or manufacturing activities.</p>
9	<p><b>Corporation tax rate for financial institutions</b></p> <p>Corporate income tax rate is applied at 25%, instead of 23%, effective from FY2022, on corporate earnings of financial institutions (e.g., banks, electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies and pension companies).</p>	<p>Banks and other financial institutions apply 25% CIT rate for FY 2022 and the following fiscal years.</p>
10	<p><b>Dividend withholding tax rate has been decreased to 10%</b></p> <p>Dividend payments made to non-resident shareholders are subject to withholding tax in Türkiye. Local rate for dividend withholding tax was decreased from 15% to 10% on 22 December 2021. Double-tax treaties (DTT) should also be taken into consideration.</p>	<p>Check the WHT rates applied on the dividend distributions.</p>
11	<p><b>Türkiye increases ratio for time spent outside of Technology Development Zones and R&amp;D Centers</b></p> <p>Companies established in Technology Development Zones (Techno parks) and Research and Development (R&amp;D) Centers in Türkiye benefit from certain incentives. Specifically, the ratio for the time spent outside of techno parks and R&amp;D Centers was increased to 75% from 50%. This ratio is applicable with respect to the total number of personnel or total time spent by personnel, for the purposes of the income withholding tax incentive on wages. This ratio is applicable until 31 December 2023.</p>	<p>Consider certain tax incentives for technology and R&amp;D operations in Türkiye. Make a detailed review on the incentives application of your companies that are located in these zones and assess whether they are fully benefiting from the given tax incentives.</p>
12	<p><b>Default interest rate has been increased to 2.5% per month</b></p> <p>Default interest rate has been increased to 2.5% per month effective from 21 July 2022.</p>	<p>Consider the new default interest rate to the extent applicable to tax calculations.</p>
13	<p><b>Circular on the determination of the Ultimate Beneficial Owners (UBOs)</b></p> <p>Companies in Türkiye are required to report information of UBOs who are either individual shareholders holding directly or indirectly more than 25% of the legal entity or have ultimate control of the legal entity.</p>	<p>Ensure that the UBO of the company is determined and reported properly.</p>

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14	<p><b>Tax ruling clarifies non-taxable status of liaison offices that are licensed as regional management centers and that do not perform any commercial activities</b></p> <p>If liaison offices perform regional management center activities as listed in their licenses and do not engage in any other commercial or income generating activities, it is clarified that the liaison offices will not constitute a permanent establishment, will not have corporation tax liability in Türkiye and salaries paid to the personnel will be exempt from income tax.</p>	<p>If the activities go beyond the licensed activities, then there would be a corporation tax liability and the salaries paid to the personnel would be taxable in Türkiye. Consider performing an in-depth tax analysis on the activities of liaison offices established in Türkiye to understand the potential tax implications by considering the activities that liaison offices are actually performing.</p>
15	<p><b>Tax treatment of capital reduction</b></p> <p>New law No. 7420 published on 9 November 2022 clarifies the order and tax treatment of reduction on the share capital that includes capital elements other than cash or in-kind capital.</p>	<p>Consider the outcome of the capital reduction if the capital of the Turkish entity consists of capital elements other than cash and capital in-kind contributions.</p>
16	<p><b>Income tax exemption on the salaries of the employees who work abroad</b></p> <p>Wages of the workers employed by employers in construction, repair, installation, and technical services that are carried out abroad, will be exempted from income tax if the respective wages are paid from the employer's earnings derived from outside of Türkiye.</p> <p>This provision entered into force on 1 December 2022.</p>	<p>Assess whether your company is applying the tax exemption, if your company operates with employees in construction, repair, installation and technical services abroad.</p>
17	<p><b>Income tax exemption for meals paid in cash to employees</b></p> <p>Where an employer does not provide meals to employees, daily meal payments (110 Turkish Lira per day for the year 2023) made in cash directly to employees will be exempted from income tax.</p> <p>This provision entered into force on 1 January 2023.</p>	<p>Check the income tax treatment of the meal payments made to the employees.</p>
18	<p><b>The revaluation rate is announced</b></p> <p>The revaluation rate was determined as 122.93% for 2022. This rate will be applied for certain fees and penalties to reduce the effects of the inflation for the government.</p>	<p>Consider that the penalties and fees may be higher than in the previous year.</p>

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19	<p><b>Taxpayers' obligation to notify the tax office for some legal transactions is abolished</b></p> <p>Companies such as joint stock and limited liability companies, will not be required to notify the tax offices for starting work, branch opening, closing, head office or branch address change, start of liquidation, withdrawal from liquidation, close of liquidation and changing the legal name of the company.</p> <p>However, closing notifications and address change notifications of branches opened before February 1, 2023 will continue to be notified to the tax office.</p>	Companies will not be required to notify these transactions to the tax office.	
20	<p><b>New Mining Directive is published</b></p> <p>The new Mining Directive is published by Ministry of Energy and Natural Resources. The directive regulates the definition of the resources, licensing of the mines and audit of the mining companies.</p>	Consider this legislation in your operations.	
21	<p><b>Thresholds are updated for companies subject to independent audit</b></p> <p>The current sales revenue and employee thresholds for companies subject to the independent audit have been increased by the Presidential Decree No. 6434.</p>	Assess the new requirements to determine if the threshold covers your company.	
22	<p><b>Türkiye extends period for reduced withholding tax rates on some income within the scope of Provisional Article 67 of the Income Tax Code</b></p> <p>It was regulated that the interest, participations, and other earnings derived from the governmental bonds, bonds issued by banks, lease certificates, F/X protected bank accounts, bank deposit and participation accounts will be subject to reduced withholding rate until the end of 2022.</p> <p>With the amendments made by the Decree No. 6618, the deadline of 31 December 2022 is extended to 30 June 2023.</p>	Review the dates set by the regulation to assess eligibility for reduced withholding rates.	
23	<p><b>Türkiye updated the income tax brackets to be applicable for 2023 calendar year earnings</b></p> <p>Income brackets are increased by approximately 100% in line with the current high inflation. Although changes were made in income brackets, no changes were made in the tax rates.</p>	Ensure that the withholdings are made correctly in your employees' payroll calculations.	

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24	<p><b>The thresholds for cash refund of taxes deducted through withholding have been amended for 2023</b></p> <p>According to the amendment, the amended thresholds are as follows::</p> <ul style="list-style-type: none"> <li>The cash refund amount for the taxes deducted through withholding is TRY 151.000₺.</li> <li>The cash refund amount to be refunded in accordance with the full certification report is TRY 1.518,000.</li> </ul>	<p>Consider the limitations while applying for cash refunds.</p> <p>●</p>
25	<p><b>Resource Utilization Support Fund (RUSF) is reduced for loans obtained by financial leasing companies</b></p> <p>According to Presidency Decree No. 6657, published on 10 January 2023, RUSF rate in terms of loans obtained by financial leasing companies from abroad has been determined as 0%.</p>	<p>Turkish financial leasing companies may consider this legislation in their financing transactions.</p> <p>●</p>
26	<p><b>The Central Bank of the Republic of Türkiye (CBRT) supports the TRY conversion of foreign-sourced foreign currencies</b></p> <p>Companies who sell at least 40% of the foreign-sourced foreign currency to the CBRT, they will be able to deposit the rest of the foreign currency in F/X-protected bank accounts. The companies will receive foreign currency conversion support up to 2% of the amount converted into Turkish Lira in return for their commitment.</p>	<p>Assess the foreign currency earnings derived from abroad and whether CBRT support is applicable.</p> <p>● ● ●</p>
27	<p><b>Türkiye introduced new tax amnesty</b></p> <p>«The Restructuring of Certain Receivables and the Amendment of Some Laws» (Law) was published in the Official Gazette and entered into force on 12 March 2023.</p> <p>Tax amnesty provides restructuring of the finalized and non-finalized tax receivables, tax base increase for income and corporate income tax, VAT and Withholding Tax on certain payments. Tax amnesty will cover calendar years 2018, 2019, 2020, 2021 and 2022.</p> <p>The Law introduces 10% additional tax to corporations that benefit from certain exemptions and deductions in their corporate tax returns for 2022. In some cases, additional tax will apply at a rate of 5%, rather than 10%.</p>	<p>Tax amnesty is a possibility for both non-resident and resident corporations to settle with the Turkish tax authority.</p> <p>● ● ●</p>

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28	<p><b>Türkiye reduces WHT rate to 0% on share-buy-back transactions</b></p> <p>According to the Presidential Decision No. 6791, the WHT rate is reduced to 0% from 15% on the amounts considered as dividends distributed as a result of share-buy-back transactions.</p> <p>This provision entered into force on 14 February 2023.</p>	<p>Subsidiaries generating cash in Turkey may consider the share-buy-back transactions with 0% WHT.</p>
29	<p><b>A state of force majeure was declared for taxpayers in the earthquake zone</b></p> <p>The Ministry of Treasury and Finance has declared a state of force majeure for taxpayers in 11 provinces (Kahramanmaraş, Hatay, Osmaniye, Adıyaman, Diyarbakır, Şanlıurfa, Gaziantep, Kilis, Adana and Malatya) until 31 July 2023.</p> <p>As of the earthquake date, tax liabilities of the taxpayers located in these provinces between 6 February 2023 and 31 July 2023 have been postponed.</p> <p>The deadlines for submitting tax returns and notifications that must be submitted during force majeure have been extended until the end of 15 August 2023, and the payment periods for taxes accrued on these returns and notifications have been extended until 31 August 2023.</p>	<p>Assess if you are eligible to benefit from the postponement.</p>
30	<p><b>General Communiqué No. 21 has been published</b></p> <p>Detailed explanations were made regarding the applications of notional interest deduction and discounts on earnings of institutions operating in the Istanbul Finance Center.</p>	<p>Consider this legislation in your operations.</p>
30	<p><b>Provinces affected by the earthquake included in the «Attraction Centers Program»</b></p> <p>“The Decree on the Amendment of the Decree on Supporting Investments within the Scope of the Attraction Centers Program” was published in the Official Gazette dated 5 April 2023.</p> <p>Investments made in provinces that are considered disaster areas are enabled to benefit from the 6th region incentives which are the highest regional incentives.</p>	<p>Assess these incentives if your investments are eligible to benefit.</p>

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EYG no. 004054-23Gbl

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