

Turkey introduces new taxes on electronic commerce

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Executive summary

Turkish Presidential Decision No. 476 amending provisions regarding withholding taxes on online advertising services under the Corporation Tax Law and the Income Tax Law, in accordance with Tax Procedural Code Article 11 Paragraph 7, was published in the *Official Gazette* dated 19 December 2018 and entered into force upon publication.

In addition, Presidential Decision No. 475 also published in the *Official Gazette* and entered into force on 19 December, amends provisions regulating Value Added Tax (VAT) rates on newspapers, magazines and electronic books sold online and electronic book/newspaper or magazine reading devices (such as tablets etc.).

This Alert summarizes the amendments on the withholding tax on income derived from online advertising services, with amendments to the Income Tax Law and Corporation Tax Law. It also summarizes the amendments on the VAT rates imposed on newspapers, magazines and electronic books sold online and electronic book/newspaper or magazine reading devices.

Detailed discussion

Amendments regarding Withholding Tax (WHT)

Tax Procedural Code Article 11 Paragraph 7 states that:

"The Ministry of Finance is authorized to determine the extent of withholding tax for the parties or the intermediaries of the taxable transactions without taking into consideration whether: the receiver of the payment is a taxpayer or not, payers or intermediaries of payments are obliged to withhold according to tax laws or not, the subject of the payment is trade of goods or service or not, realized in the electronic media or not, the receiver of the payment has deducted the amount from its tax base or not; and to determine various withholding tax rates for the transactions which are subject to withholding providing that these rates are between the sub and upper limits according to tax laws in respect of business classes, business genres, sectors and commodity groups."

Accordingly, the following new provision regulating WHT is introduced to Article 30 (regulating WHT on payments made to nonresidents) of the Corporation Tax Law and Article 94 of the Income Tax Law:

"Pursuant to Article 11 Paragraph 7 of the Tax Procedural Law;

a) 15% withholding tax shall apply to payments made to online advertising service providers or to those who act as an intermediary regarding the provision of advertising services through the Internet."

In addition, the following new provision regulating WHT is introduced to Article 15 (regulating WHT on domestic payments) of Corporation Tax Law:

"Pursuant to Article 11 Paragraph 7 of the Tax Procedural Law;

a) 0% withholding tax shall apply to payments made to online advertising service providers or to those who act as an intermediary regarding the provision of advertising services through the Internet."

The Decision enters into force on the publication date. Provisions of this Decision will be applied to payments made from 1 January 2019.

Amendments Regarding Value Added Tax (VAT)

Presidential Decision no. 475 amends the VAT Law, imposing a VAT rate of 18% on the sale of online newspapers, magazines, electronic books; electronic book/newspaper or magazine reading devices.

The Decision enters into force as of 1 January 2019.

For additional information with respect to this Alert, please contact the following:

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EYG no. 012576-18Gbl

1508-1600216 NY
ED None

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