

Turkey amends various tax legislation provisions

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The Turkish Government made amendments to various tax laws including income tax, corporate income tax (CIT), value added tax (VAT), special consumption tax (SCT) and excise tax through Law no.7161 published in the *Official Gazette* dated 18 January 2019.

The amendments, unless noted below, are effective as of the publication date (18 January 2019).

The key changes include:

- ▶ 70% of real net value of the wages paid to pilots and cabin attendants working for the Turkish Aviation Association and private airlines resident in Turkey will be exempted from income tax. This provision is effective as of 1 February 2019.
- ▶ The income and corporate tax exemption applied for income acquired through the disposal of product bills drafted under the Agricultural Products Licensed Warehousing Law until the end of 2018 is extended to the end of 2023. This provision is effective from 1 January 2019.
- ▶ The implementation period of provisional article 9 of the Corporate Tax Law on the application of the beneficial legal ratios for the investment contribution rate and the reduced corporate tax rate for investment expenditures within the scope of the investment incentive certificate for the manufacturing industry is extended to include the year 2019.

- ▶ The construction of renewable and other energy facilities of organized industrial zones and small industrial sites, goods deliveries and services performed for them or economic enterprises created by them are now included under the scope of the VAT exemption.
- ▶ The VAT exemption has been expanded for the delivery of books and periodical publications performed by the publishers with a publishing certificate issued by the Ministry of Culture and Tourism. This provision is effective as of 1 February 2019.
- ▶ By adding foreign exchange rate differences to the components included in the VAT base, with respect to deliveries and services performed based on foreign currency domestically as in imports, a legal basis for the VAT subjection of exchange differences arising when the price is fully or partially collected afterwards is ensured.
- ▶ Implementation of refunding the VAT incurred for construction expenditures available for 2017 and 2018 will be continued in 2019 as well.
- ▶ Turnip juice, milky drinks flavored and aromatized as per the Turkish Food Codex, drinks considered as baby follow on milk have been removed from the scope of special consumption tax (SCT).
- ▶ Concerning the drinks indicated above, imported or delivered prior to 18 January 2019, any tax assessment and tax penalty for SCT and VAT will not be applied. Within that context, the previous assessments, penalties fined, ongoing lawsuits if any will be cancelled on the condition that they are disclaimed, accrued amounts will be cancelled, however the collected amounts will not be rejected and refunded.
- ▶ The banking and insurance transaction tax exemption is introduced for gains obtained by asset financing funds through transactions in capital markets.

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

Kuzey Yeminli Mali Müşavirlik ve Bağımsız Denetim A.Ş. İstanbul

- ▶ M. Fatih Köprü fatih.kopru@tr.ey.com
- ▶ Hüseyin F. Saltık huseyin.saltik@tr.ey.com

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