

Turkey issues draft Bill to amend various tax laws

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On 24 October 2019, the Turkish Government submitted a draft bill to the Turkish Parliament. The new bill introduces new taxes namely, the digital services tax, luxury housing tax and hospitality tax. It also covers changes in income tax rates for individuals' income. This Alert provides a brief summary of the changes to be introduced by the new draft bill.

Introduction of new taxes

New taxes	Scope of new Tax Bill
Digital services tax	A digital services tax will be introduced at the rate of 7.5% over the revenue derived from certain activities in the digital environment. ¹
Luxury housing tax	<ul style="list-style-type: none">▶ A luxury housing tax will be imposed for residential houses located in Turkey with a value of over TL5 million▶ The value of the housing will be determined by the General Directorate of Land Registry and Cadastre▶ The luxury housing tax rates are:<ul style="list-style-type: none">– Between TL5,000,000 - TL7,500,000: %0.3– Between TL7,500,000 - TL10,000,000: % 0.6– L10,000,000 and above: %1

New taxes	Scope of new Tax Bill
Hospitality tax	Accommodation services in hotels, hostels, guesthouse, camping sides and other facilities related with food and entertainment services provided during stays are subject to a hospitality tax rate at 2%. Through temporary article in this draft bill, the hospitality tax rate will be applied 1% until 31 December 2020

Changes in Banking and Insurance Transaction Tax (BITT) applied on money transactions

The BITT rate applied on money transactions is increased to 0.2% from 0.1%.

Increase in withholding tax rates on wages of 1st league Athletes

Athletes that perform activities in 1st league will be subject to a 20% withholding tax on the wages paid to them and if their income bracket falls under the 4th group, they will be required to file an income return.

Changes in income tax rates for individuals

The draft bill proposes a new bracket and tax rate into the income tax rate tariff as follows:

	Tax Brackets	Tax Rates
Income other than wages	Up to TL18,000	15%
	Up to TL40,000; TL2,700 TL for the first TL18,000 TL, any amount exceeding	20%
	Up to TL98,000; TL7,100 TL for the first TL40,000, any amount exceeding	27%
	Up to TL500,000; TL22,760 for the first TL98,000, any amount exceeding	35%
	Above TL500,000; TL163,460 for the first TL500,000, any amount exceeding	40%
For wages	Up to TL18,000	15%
	Up to TL40,000; TL2,700 for the first TL18,000, any amount exceeding	20%
	Up to TL148,000; TL7,100 for the first TL40,000, any amount exceeding	27%
	Up to TL500,000; TL36,260 for the first TL148,000, any amount exceeding	35%
	Above TL500,000; TL159,460 for the first TL500,000, any amount exceeding	40%
	People who earn wages of TL500,000 and above annually will now have to file tax declarations. Unlike being under a payroll, they will be allowed to discount some personal expenses from their tax bases.	

Changes in exempted self-employment income

If self-employed taxpayers whose exempted income defined under article 18 of the Income Tax Code No. 193 exceeds the 4th income tax bracket, they will no longer be subject to this exemption. These taxpayers will have to file a tax return not only for the parts exceeding the 4th bracket but also for all income previously under exemption.

Endnote

1. See EY Global Tax Alert, [Turkey introduces digital service tax](#), dated 25 October 2019.

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EYG no. 004847-19Gbl

1508-1600216 NY
ED None

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