

Circular

Istanbul, 3 October 2017

Circular No: 105

Subject: Regulations on Corporation Tax Law within the draft law containing amendments to certain tax laws.

The regulations on Corporation Tax Law within the draft law presented to the Grand National Assembly of Turkey on 27 September 2017 are provided below:

- *An increase in corporation tax rate from 20% to 22% is proposed for companies operating in the finance industry stated as banks, financial leasing companies, factoring companies, financing companies, payment and electronic cash entities, authorized foreign exchange offices, asset management companies, capital market entities, insurance and reinsurance companies and pension companies. The increased rate will be applied to taxes calculated on tax returns submitted following 1 January 2018.*
- *The current 75% exemption rate applied over the income derived by corporate taxpayers from the sale of immovable property is planned to be reduced to 50%. The reduced rate will be applied as of the date of publication of the regulation.*
- *Through the draft law, scope of the term on exemption in the sub-clause (f) of 1st clause within the Corporation Tax Law's Article 5 which is applied on debts only to the banks has been extended to include the debts to financial leasing and financing companies. Also, as well as the exemption rate on the income acquired through immovable sales, within the scope of this sub-clause, the current 75% exemption rate applied over the sales of immovable property handled by the mentioned institutions (banks, financial leasing and financing companies) is planned to be reduced to 50 % to be effective as of 1 January 2018.*
- *Withholding tax is proposed on distributable profits of corporations that are not added to the capital or distributed till the end of the second month following the month that corporation tax returns should be submitted (end of June for the taxpayers with account period as calendar year). This provision will be taking effect as of the date of publication to be applied on corporate income acquired within the accounting period comprising the corporation tax returns that should be submitted following the publication date of the Law.*
- *The duty fee that should be paid during application and renewal related to the advance pricing agreements is planned to be eliminated. This regulation will be enacted as of the Law's date of publication.*
- *Regulation existing in the temporary article 9 of the Corporation Tax Law is permitted to be implemented in 2018 as well. It will be enacted as of the Law's date of publication.*
- *It contains a re-arrangement on what should be understood from non-partner transactions on corporation tax exemption for cooperatives and transactions that would not be considered among those are listed. Within the context of this amendment, the provision concerning the exemption on return for cooperatives is also re-arranged. The concerning terms are proposed to be enacted as of January 2018.*

Our explanations provided above include general information on the issue. No responsibility can be claimed against EY and Kuzey YMM ve Bağımsız Denetim A.Ş. due to the implications arising from the context of this document or emerging with respect to its context.

Best Regards,

KUZEY YMM VE BAĞIMSIZ DENETİM A.Ş.