

**Circular**

**Istanbul, 31 October 2017**

**Circular No: 115**

**Subject: Draft Law containing amendments to certain tax laws approved in Parliament Planning and Budget Commission.**

The draft law presented to the Grand National Assembly of Turkey on 27 September 2017 has been approved in Parliament Planning and Budget Commission. Over the course of negotiations at the Commission;

- Regulation proposing an increase on the tax rate applied over the 3rd income bracket to 30 % from 27 % has been removed off the draft's text.
- Regulation requiring withholding tax on distributable profits of corporations that are not added to the capital or distributed has been removed off the draft's text.
- Regulation proposing an increase in corporation tax rate just for banks, financial institutions and insurance companies from 20 % to 22 % has been extended to include all corporate taxpayers. As per that, corporate taxpayers will be subject to a corporate tax rate of 22 % over their income acquired through the taxation periods for the years 2018, 2019 and 2020.
- Pertaining to the financial leasing transactions, a term allowing the immovable property subject to financial leasing of which the entire possession rights are transferred to the lessor through a bilateral reconciliation among parties in return for financial leasing receivables under legal proceeding caused by the default of the lessee to benefit of a 50 % exemption within the scope of Corporation Tax Law 5/1-f has been added to the text of the concerning article.
- Rates of increase proposed for motor vehicles tax regarding 2018 on passenger cars has been reduced during the consultations in the commission. The rate of increase for passenger cars with engine capacity at 1300 cm<sup>3</sup> and lower is set as 15 % while the rate of increase will change between 25 % and 50 % depending on the higher engine capacity.
- The term indicating a VAT exemption to be applied on transfers and deliveries of immovable property and participation stocks by financial leasing and financing companies has been added into the related context concerning sales of property and participation stocks to banks, financial leasing and financing companies resulting from the debts to those institutions.
- Through the draft, imposing a restriction on passenger cars with engine capacity under 1.600 cm<sup>3</sup> that can be purchased without special consumption tax (SCT) by the handicapped (goods under the HS Code 8703) was proposed. As per that, the handicapped were not able to purchase the passenger cars within the scope of exemption without an untaxed price over TL 70.000 without paying SCT. The mentioned limit amount has been increased to TL 90.000 from TL 70.000 in the Commission and that amount is stated within the law also.
- Alcohol-free beer has been included into the scope of SCT through attaching to the column (A) of the list no (III) within the SCT Law; through the draft, the good named under "Others (except lemonade) with HS Code 2202.10.00.00.19 was defined, exceptional occasions have been extended and SCT at a rate of 20 % has been re-set for all of those goods.

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.**