

Circular

Istanbul, 13 February 2017

Circular No: 22

Subject: *Announcements made over reduced CT on SME mergers and exemption implementation in transferring ships registered to TISR.*

Through the Corporation Tax General Communique series no.12 published in the Official Gazette dated 11 February 2017, announcements provided below have been made over the implementation of reduced corporation tax on mergers of small and medium sized enterprises (SME) and corporation tax exemption implementation concerning income acquired through the transfer of ships registered to Turkish International Ship Registry (TISR).

- Income acquired through the transfer of ships and yachts registered to TISR by cancelling them out of that registry and enrolling to another one or by another way will be considered as exempt from income and corporation taxes.

- Income of SMEs merged under first clause of Article 19 in Corporation Tax Law, holding industrial registry certificate and dealing with manufacturing activities will be subject to reduced corporation tax rate temporarily. The reduced rate would be applicable on the income of the acquired SME only until the merger date while the acquiring SME's three years of income including the accounting period in which the merger took place is applicable. The reduction rate will be set by the Council of Ministers provided that it should not be exceeding 75 %.

Pertaining to that, for the implementation of reduced corporation tax rate on income acquired by SMEs through exclusive manufacturing activities;

- The merger should be meeting the transfer conditions stated in Article 19 of the Law,

- Merging companies should be operating as SMEs,

- As of the date of transfer, merging companies should be holding an industrial registry certificate and actually dealing with manufacturing activities.

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.