

Circular

Istanbul, 27 February 2017

Circular No: 37

Subject: Amendments announced on income tax exception for earnings and wages at free zones and implementation of real estate tax exemption.

Amendments provided below have been announced on Article 5 titled as temporary exemptions within the Real Estate Tax Law and second clause of temporary Article 3 of Free Zones Law no.3218 arranging tax exemptions, through the Law no.6772 published in the Official Gazette dated 24 February 2017.

- The scope of income and corporation tax exemption existing in the sub-clause (a) of second clause within the temporary article 3 has been extended.

Pursuant to that, income acquired by the business enterprises dealing with activities of maintenance and repair, assembly, dismantling, handling, unbundling, packaging, labeling, testing, storage services and providing all of these services to people non-resident in Turkey, with workplace, legal and business center located abroad would also be considered as exempt from income and corporation tax provided that those products are sent to a foreign country without entering into Turkey from the free zones.

- The concerning clause's (b) sub-clause is amended and the implementation of exempting the employee's wage from income tax under certain terms has been terminated while the implementation of providing income tax incentive to the employer is introduced.

Pertaining to that, the income tax calculated following the application of minimum living allowance over wages paid to the employees hired by taxpayers exporting at least 85 % of FOB cost of goods produced at free zones would be cancelled by being deducted from the accrued taxes on withholding tax return to be submitted.

- The wording of "free zones" has been added to the (f) clause within Article 5 titled as "temporary exemptions" of Real Estate Tax Law. As per that, buildings at free zones will be benefitting of the temporary real estate tax exemption for 5 years as of the budget year following the date that construction ends.

Amendments provided above have been enacted as of the promulgation date of the Law no.6772.

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.