

Circular

Istanbul, 11 April 2017

Circular No: 53

Subject: Tax ruling on whether to consider SSI premiums concerning Dec/2016 period and deferred to October as expense or not during the detection of corporate profit for 2016 published.

The temporary Article 72 has been added into the Social Security and General Health Insurance Law through the Article 28 of the Law no.6770 published in the Official Gazette dated 27 January 2017. Through the aforementioned article, payments of a certain portion of SSI premium amounts for private sector employers engaging insured under 4/a, concerning Dec/2016 and Jan-Feb 2017 have been postponed to Oct-Nov-Dec 2017 respectively.

Article 88 of the Social Security and General Health Insurance Law contains a provision as “Premium amounts that are not actually paid to the institution cannot be recorded as expense within the income and corporate tax implementation”.

The only exception for that provision is the explanation made through the Income Tax General Communique series no.174 concerning the payment of SSI premiums for the December period. It's indicated within the Communique that, in case the SSI premiums concerning December are paid in January of the following year, those premiums may be considered as the expense of December since the premiums of a certain month can be paid until the end of the following month pursuant to the Social Security and General Health Insurance Law.

Some hesitation emerged on whether SSI premiums concerning Dec/2016 period and deferred to October 2017 under the arrangement performed through the Law no.6770 would be considered as an expense on the corporate tax return of 2016 or not.

The last part of the tax ruling no. 18008620-125[2017-721-1]-16071 dated 11 April 2017, issued by Mersin Tax Office on the matter and published on the Revenue Administration's website contains the following statement;

“Therefore, pertaining to the arrangement performed through the temporary Article 72 of the Law no.5510, although the payment of SSI premiums concerning Dec/2016 period in October of 2017 calendar year is possible, under the explanation existing in the Income Tax General Communique series no.174, since the SSI premiums concerning December are paid in January of the following year may be considered as the expense of December, **it would not be possible to consider the SSI premiums concerning Dec/2016 that are not paid in Jan/2017 as expense during the detection of the profit for 2016.**”

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.