

Circular

Istanbul, 27 January 2017

Circular No: 9

Subject: *The Law no.6770 containing amendments on tax legislation published in the Official Gazette.*

The amendments and arrangements provided below have been made through the Law no.6770 published in the Official Gazette dated 27 January 2017:

- *Income acquired by the small and medium sized enterprises (SMEs) merged within the scope of first clause in Article 19 of Corporation Tax Law, holding an industrial registry certificate and dealing with manufacturing activities will temporarily be subject to a reduced corporation tax rate. The reduced rate will be applied over the acquired SME's income until the date of merger only, the acquiring SME's 3 years of income including the accounting period in which the merger took place. The Council of Ministers would be identifying the reduction rate provided that not to exceed 75 %.*
 - *VAT exemption will be applicable on documented software, intangible rights deliveries and leasing to the taxpayers with incentive certificate.*
 - *VAT refund may be demanded regarding the construction business handled within the scope of investments with incentive certificate intended to the manufacturing industry, however this implementation is only valid for 2017. Pertaining to that, VAT incurred in 2017 for the aforementioned construction businesses that could not be compensated through deductions may be refunded following the demands from taxpayers.*
 - *Taxes that could not be refunded on account caused by the transactions subject to reduced rate will be refunded in cash throughout their year in respect of sectors, goods/services groups and periods set by the Finance Ministry.*
 - *Income acquired through the transfer of ships and yachts registered at Turkish International Ship Registry aimed to record them to another registry or for other reasons (as scraping or export) will also be considered as exempted from income and corporation tax.*
 - *The goods located abroad as of 27 January 2017 and foreign flagged that are classified under HS codes of 8901.10.10.00.11 and 8901.10.90.00.11 and yacht, cruiser, boats and excursion snips existing under 89.03 tariff position are exempt from;*
 - . *Inheritance and gift tax in case of unpaid transfer to real and legal persons resident in Turkey,*
 - . *All sorts of taxes including customs duty regarding the tasks and transactions concerning their imports to Turkey, registry and enrollment.*
- However, this exemption does not contain fees to be applied on swifter block licenses.
The Law no.6770 is provided within the attachment of our circular.*

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.