

## **Caution! Implementation on income tax exemption in free zones amended!**

The income tax exemption of the remunerations of the personnel employed in the free zone, which is arranged under the clause b of the 2nd paragraph of the provisional article 3 of the Free Zones Law no. 3218, has been one of the important advantages creating competitive advantage for free zone users in their activities. On the other hand, whether the income tax withholding incentive arranged under this article belongs to the employer or the employee has been one of the debated issues to date.

Under the Law no. 6772 that took effect on 24.02.2017, this exemption implementation has been amended. According to the statement of justification of this amendment, the amendment aims to end the aforementioned debates and the incentive belongs to the employer. In this article, we explain in what way this amendment introduced under the Law no. 6772 may affect the taxpayers in the free zones and the employment contracts they conclude with their employers, as well as how it can increase the remuneration costs, through examples.

*Explanations in this article reflect the writer's personal view on the matter. EY and/or Kuzey YMM ve Bağımsız Denetim A.Ş. disclaim any responsibility in respect of the information and explanations in the article. Please be advised to first receive professional assistance from the related experts before initiating an application regarding a specific matter, since the legislation is changed frequently and is open to different interpretations.*