

Circular

Istanbul, 6 March 2018

Circular No: 33

Subject: Regulations within the Draft Law dated 2 February 2018, approved in the Planning and Budgetary Commission, concerning the tax legislation.

Summary: Amendments to several laws are proposed including Income Tax, Corporation Tax, Tax Procedures, VAT, SCT and MVT through the Draft Law submitted to the Turkish Grand National Assembly on 2 February 2018. The significant regulations within the Draft Law approved in the Planning and Budgetary Commission are provided below in brief:

-Implementing income tax exemption to the benefits supplied by employers to the female employees for nursery and day care services is proposed. In the circumstances that those services are not supplied by the employers at the workplace, provided that the payment is made directly to the income or corporate taxpayer supplying those services, this exemption may be benefitted as long as it does not exceed the 15% of the monthly gross amount of the minimum wage for each child.

-Compensations paid within the scope of mutual rescission or ...and compensations for labor loss, termination pay and employment security will be considered as exempted from income tax. However, the total of that type of payments and benefits would be taken into account during the calculation of exemption amount for severance pay.

-For wage earners seeing their net income lowered under the net income acquired in January of the current year caused by the income tax tariff, concerning the minimum wage earners (single) whose income is applied a minimum living allowance for just himself/herself, the amount of difference regarding the months with lowered net income will be added into the minimum living allowance of the wage earner separately.

-Taxpayers with continuous commodity extermination operations due to spoilage, decay or expired products will be able to do valuation pursuant to the procedures set by the Ministry of Finance and extermination rate to be fixed, without the requirement of an assessment commission decision.

-Absence of submission and reception of the documents that should be issued electronically (invoice, note of expenses, producer receipt, self-employed invoice, waybill, cash register slip, etc...), issuance of them in printed form instead of being issued electronically will be taken into the scope of special irregularity penalty.

-Irregularity and special irregularity penalties are removed out from the scope of pre-assessment reconciliation (excluding the applications submitted prior to the publication date of the Law).

-The reduction rate within the Article 376 of the Tax Procedures Law will be increased to 50% from one thirds for irregularity and special irregularity penalties.

The provisions provided above will be enacted as of the Law's publication date.

-Deliveries of new machinery and equipment to the VAT taxpayers with industrial registry certificate solely to be used in manufacturing industry and the deliveries of new machinery and equipment to the taxpayers dealing with activities of R&D, innovation and design in R&D and design centers and research laboratories located in technological development sites and specialty technological development sites solely to be used in these activities will be exempted from VAT until 31 December 2019. This provision on exemption will be enacted as of the start of the second month following the Law's publication date.

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.