

Circular

Istanbul, 8 May 2018

Circular No: 53

Subject: The threshold exempt from income tax set as 50 % of minimum wage for each child in payments made by employers to the suppliers of nursery and day care services.

Pursuant to the paragraph added to Article 23 of the Income Tax Law through the Law no.7103, published in the second repetitive Official Gazette dated 27 March 2018, the benefits supplied by employers to the female employees for nursery and day care services are exempted from income tax.

In the circumstances that those services are not supplied by the employers, provided that the payment is made directly to the income or corporate taxpayer supplying those services, this exemption was benefitted as long as it does not exceed the 15% of the monthly gross amount of the minimum wage for each child.

Through the Council of Ministers Decision no.2018/11674 published in the Official Gazette dated 5 May 2018, the aforementioned rate of 15 % has been increased to 50 % effective from publication date. Accordingly, in the circumstances that nursery and day care services are not supplied to the female employees by the employers, costs paid for these externally received services will be subject to income tax exemption under the terms provided below:

- Making the payments directly to income and corporate taxpayers providing these services without paying the employee in cash,
- For each child, 50 per cent of monthly gross amount of monthly minimum wage should not be exceeded (for 2018 $2.029,50 * \% 50 = 1.014,75$ TL/month).

The portion of the payment above the amount of the exception and cash payments made to the service person for this purpose and benefits provided will be taxed as a fee.

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.