

Circular

Istanbul, 18 May 2018

Circular No: 58

Subject: Regulations on tax base and tax increase within the Law no.7143 concerning the restructuring of tax receivables.

The Law no.7143 has been published in the Official Gazette dated 18 May 2018. Our brief explanation on the relevant Law's provisions concerning the tax base and tax increase (article 5) enacted as of publication date are provided below:

In the circumstance that tax base or tax increase is made for the income and corporation tax, value-added tax and income (withholding), corporations (withholding tax) by the taxpayers within the terms indicated below; they will not be subject to any tax inspection and assessment in terms of the years they have raised taxes, provided that the calculated amounts are paid in the indicated period and way.

1. Tax base increase on income and corporation tax

Income and corporation taxpayers may benefit from the aforementioned arrangement by increasing their tax base, taken as basis over the tax returns they submitted by not less than 35% for 2013, 30% for 2014, 25% for the year 2015, 20% for the year 2016 and 15% for the year 2017.

2. Tax increase on income (withholding) and corporation (withholding tax) taxes

Through the Article 94 of the Income Tax Law and articles 15 and 30 of the Corporation Tax Law, tax increase is possible for wages, payments for construction works, rental and self-employment payments, and the withholding tax that must be calculated on the payments made to the beneficiaries of farmers and trades exemption.

3. Tax increase on VAT

VAT taxpayers will be able to declare the value added tax to be determined not to be less than 3.5% for 2013, 3% for 2014, 2.5% for 2015, 2% for 2016 and 1.5% for 2017 as a tax increase over the annual sum of the VAT calculated in their tax returns with respect to each taxation period.

-Taxpayers who want to make a tax base and tax increase within the scope of the law are required to apply until the end of the third month following the Law's date of the publication (31 August 2018).

-Payment of the calculated taxes in advance or through instalments is possible. If paid in advance, the whole taxes should be paid within the first instalment payment period (until October 1, 2018). Also, the concerning amounts may be paid bimonthly in maximum six equal instalments.

-In case the calculated taxes are not paid in accordance with the way indicated above, follow-up and collection continue with the late fee, however this provision cannot be benefited.

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.