

Circular

Istanbul, 25 May 2018

Circular No: 63

Subject: The Law no.7144 containing provisions on the revaluation of real estates published in the Official Gazette.

The Law no.7144 has been published in the Official Gazette dated 25 May 2018. Our explanations on the regulations of the law allowing revaluation on real estates are provided below:

- Income and corporation taxpayers that are fully amenable and keeping books on the basis of balance will be able to revalue the immovable under their assets as of 25 May 2018 (except the ones subject to a sale and lease back transaction or lease certificate issuance) until 30 September 2018.

However, the taxpayers dealing with finance and banking industry, insurance and re-insurance companies, pensions companies and pension investment funds, the taxpayers exclusively dealing with purchase, sale and manufacturing of gold and taxpayers who are allowed to make entries through a currency unit other than the Turkish Lira (TPL Article 215) will not be able to benefit from this opportunity.

- Value of the immovable and depreciation of them disclosed in the legal books as of 25 May 2018 would be considered during revaluation.

- An increase to be seen on the value of the immovable as a consequence of revaluation should be within a special fund account under the balance sheet's debit side. The value increase is the difference between the net balance sheet asset values after the revaluation of the immovable and before revaluation.

- Depreciation will be based on the values of real estates that are found after revaluation.

- A tax of 5 % must be calculated over the value increase amount disclosed within a special fund account under the balance sheet's debit side.

- This tax is declared to the affiliated tax office for income or corporation tax with a tax return until the end of the 25th day following the date of revaluation and paid within the same period.

- The tax paid is not deducted from income and corporation tax, it is not regarded as expense during the detection of income and corporation tax base.

- In the circumstance that the declaration is not made on time or if the accrued taxes are not paid in due date, the provisions of this article would not be utilized.

- It's possible to include the value increase amount disclosed within a special fund account under the balance sheet's debit side into the capital is possible. Other than that, the portion of this fund transferred to another account for any reason or withdrawn from the operation will be subject to income or corporation tax in his period, regardless of being associated with the income of the period in which the transaction has been performed.

The Law has been enacted as of its publication (25 May 2018) 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.