

## **Adding up income items and declaration of them through annual tax return**

The people domiciled or deemed to be domiciled in Turkey are accepted as “fully liable” pursuant to the Income Tax Law. They are taxed for the whole earnings and revenues derived in Turkey and abroad.

The following requirements should be met to be considered as domiciled in Turkey:

- Holding a certificate of residence in Turkey,
- Residing in Turkey continuously more than six months in the course of one calendar year (Provisional absence shall not interrupt the continuity of residing in Turkey).

Pertaining to the Income Tax Law, people non-resident in Turkey are seen as “limited taxpayers”. These people are only taxed for the earnings and revenues derived in Turkey.

As per the Income Tax Law no.193, income of real persons is subject to income tax. Income items subject to income tax consist of commercial income, agricultural income, wages, self-employment income, real property income, revenues from securities and other incomes and revenues. (ITL art.2)

The principle of adding the aforementioned income items and declaring them through the annual income tax return is adopted within the Income Tax Law. (ITL art. 85) The taxable amount (tax base subject to taxation) is detected by totalling the income items following the required deductions based on the declared incomes.

### **Declaration of commercial income and self-employment income**

Article 37 of the Income Tax Law provides context on the activities considered as commercial income. Article 65 of the Income Tax Law contains the definition of self-employment income while the way how the income should be detected is indicated within Article 67. Pursuant to the Article 85 of the Income Tax Law; commercial income taxed under simple entry and commercial, agricultural and self-employment incomes taxed under real taxation system should be declared through annual income tax return regardless of the amount (even there is an incurred loss).

### **Declaration of wage income**

Pertaining to the Article 86 of Income Tax Law, an annual income tax return would not be submitted for the wage income received from a single employer and taxed by withholding regardless of the amount. However, in the circumstance that wage income is derived from more than one employer, if the total of the income derived from the employer following the first one exceeds the amount indicated in the second bracket of income tax tariff (TL 30.000 for 2017) the whole wage income including the amount derived from the first employer should be declared.

### **Declaration of real property income (rental income)**

Pertaining to the Article 21 of Income Tax Law, for 2017 TL 3.900 portion of the proceeds obtained through residential leasing within a calendar year are exempted from income tax. In case the rental income amount exceeds the exemption amount for the concerning year, that should be declared with the annual income tax return.

On the other side, if the real properties are rented to the people and companies on workplace purposes that are liable for applying withholding, a 20 % income tax deduction is applied over the rental payments. Taxes deducted by those people and companies from workplace rental payments made to the real persons can be withheld from the income tax calculated on the tax return in the circumstance that the real persons declare that income. Pursuant to the Article 86 of Income Tax Law, provided that they were subject to withholding in Turkey, if the immovable and movable capital revenues subject to declaration remain below TL 30.000 for 2017, those incomes will not be declared. Accordingly, if the gross amount of rental income derived from real properties rented with workplace purposes in 2017 and subject to deduction exceed TL 30.000, that income should completely be declared through the annual income tax return.

On the other side, the aforementioned declaration limit is applied as TL 1.600 for the rental income that are not subject to any tax deduction and exemption implementation.

### **Declaration of the income from securities**

A portion of the income from securities derived by the fully liable real persons in 2017 would not be declared by annual income tax return regardless of the amount since they are subject to withholding during the year while some part of it will not be declared as well since the derived income does not exceed a certain amount.

Pursuant to the Article 86 of Income Tax Law, income derived through private pension system and individual insurance that are subject to withholding would not be declared by annual income tax return regardless of the amount. Also, as per the temporary Article 67 of the aforementioned Law, for the income derived through depository interest, repurchase, private financing institutions subject to taxation through withholding by banks or brokerage houses as of 01.01.2006, submitting an annual income tax return is not required.

Also, as per the Article 94 of Income Tax Law, income derived from securities subject to withholding and did not exceed the declaration limit of TL 30.000 for 2017 should not be declared. Securities income subject to withholding exceeding that limit should be declared and taxes withheld within the year would be deducted from the income tax calculated on the tax return.

Pertaining to the Article 86 of Income Tax Law, submission of an annual income tax return is not required for the income derived from securities and real property obtained within a single calendar year and not exceeding TL 1.600 for 2017 totally, that are not subject to withholding and exemption implementation.

## **Declaration of other earnings and incomes**

Incomes within the context of other earning and incomes are classified under two groups as “earnings from increase in value” and “incidental earnings”. Revenues taxed as “earnings from increase in value” are obtained through the sale of goods and rights indicated in the Article 80 of Income Tax Law. Revenues to be taxed as “incidental income” are the ones acquired through non-continuous activities indicated in the Article 82 of Income Tax Law.

Fully liable real persons should declare their other income and revenues exceeding the exemption limit through an annual income tax return. The aforementioned exemption limit is set as TL 11.000 for “earnings from increase in value” derived in 2017 while TL 24.000 for “incidental earnings”.

## **Declaration and payment of income tax**

The basic rule for income tax is that the tax return should be submitted to the tax office of the place in which the real person acquiring that income is resident. Besides that, it is possible to submit the tax returns electronically through the declaration system of internet tax office.

Regarding the Income Tax Law, the principle of adding up and declaration of the whole income items is adopted and the taxpayers should declare the income and revenue derived from those items within 2017 calendar year through annual income tax return between 1-25 March 2018.

The first instalment of income tax calculated over the tax return should be paid until the end of March and the second instalment should be paid until the end of July.

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