

One more debt restructuring...

The Law (no.7143) containing the restructuring of public debts particularly the tax debts has been enacted following its publication on May 18. It's a widely comprehensive law not only including debt reduction but also tax base and tax increase, correction of operational entries and wealth amnesty. In this article, we'll be dealing with the regulations of the aforementioned law concerning the restructuring of taxpayers' specified tax debts.

Receivables within the scope

The scope of restructuring covers tax debts relating to the periods prior to 31 March 2018 and taxes within the returns submitted until that date. Also, it would be appropriate to remind that taxes accrued before 31 March 2018 concerning the year 2018 are within the scope, as well.

The law covers not only the taxes indicated above but also the tax penalties, interest for delay and late fee linked to all these taxes. However, the advance taxes that should be paid in 2018, second instalment of the income tax concerning 2017 and the second instalment of motor vehicles tax for 2018 do not exist within the scope of the restructuring.

In addition to the taxes mentioned above, taxes collected by the municipalities notably the real estate tax and service charges are within the scope of the restructuring, as well.

Some part of the interest will be written off

Any deduction cannot be made over primary taxes among the debts unpaid as of May 18 despite matured liability. The taxpayers claiming for restructuring are required to pay the whole primary tax amount in any case. Tax penalties issued according to the primary tax (such as the tax loss penalty) are written off completely. The receivables as delay interest and late fee will also be cancelled, but instead of them an interest to be calculated over the primary tax by taking the domestic PPI index monthly change rates until the law's date of publication as basis should be paid. Namely, if we sum up, debts are being restructured through paying the primary tax and domestic PPI difference.

Half of the irregularity fine

Also the half of tax penalties (irregularity and special irregularity fines) issued regardless of the primary tax which are unpaid as of May 18 despite matured liability are written off. It will be possible to get rid of this debt by paying the amount to be calculated by taking the domestic PPI index monthly change rates until May 18 as basis instead of late fee for the remaining half and this amount.

Time of application

The law indicates that application should be submitted until the end of second month following the law's publication date. Accordingly, taxpayers intending to benefit from the restructuring are required to apply until the end of July.

However, we would like to remind that the terms for application and first instalment may be extended up to one month by the Council of Ministers.

Payment in instalments possible

Taxpayers have an opportunity to pay the restructured debt amount in instalments. For this, payment options referring to 6, 9, 12 or 18 equal instalments should be preferred during the application. In that occasion the amount that should be paid will be multiplied by the coefficients provided below and the amount reached will be divided to the number of instalments to find out the instalment amount to be paid;

- for 6 equal instalments (1.045),
- for 9 equal instalments (1.083),
- for 12 equal instalments (1.105),
- for 18 equal instalments (1.15),

In the circumstance that payment in instalments is preferred, the first one should be paid until the end of 4th month following the law's publication date. Accordingly, the first instalment for the restructured tax debts should be paid until October 1 at the latest. Other instalments will be paid by skipping one month.

Advance payment more advantageous

The restructured debt may be paid in advance as well. If this option is preferred, the whole payment should be made within the first instalment period, in other words until October 1. On that occasion, an additional monthly 90% reduction is also applied over the domestic PPI difference. If the whole restructured debt is paid within the first two instalments period, namely until 30 November, the rate of reduction applied over domestic PPI difference will decrease to 50%.

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