

Circular

Istanbul, 25 December 2017

Circular No: 134

Subject: Statement issued concerning the amendments on the Corporation Tax Law enacted through the Law no.7061.

Statements provided below have been issued through the Corporation Tax General Communique series no.14, published in the Official Gazette dated 23 December 2017, concerning the amendments on the Corporation Tax Law enacted through the Law no.7061.

- Pertaining to the Law no.7061, corporate taxpayers will be subject to a corporation tax at the rate of 22 % over their income acquired through the taxation periods for the years 2018, 2019 and 2020. Regarding the taxation periods referred within the Communique, pursuant to the principles indicated in the Income Tax Law, the advance tax rate to be applied is pointed out as 22 %.
- Through the Law no.7061, the current 75 % exemption rate applied over the income derived from the sale of immovable property (real estate) within the scope of sub-clause (e) in the first clause of Article 5 of Corporation Tax Law has been reduced to 50 % from 75 %. This term was enacted as of the publication date.
- The Communique indicates that the exemption will be applied to the 50 % portion of the income derived from the sale of immovable property handled following 5 December 2017 (including this date) the day when the aforementioned amendment took effect; while the exemption will be applied to the 75 % portion of the income derived from the sale of immovable property handled prior to that date.
- As of 1 January 2018, the whole income corresponding to the portion used in debt liquidation of the remittances arising from the transfer of the immovables, participation stocks, founders' shares, dividend shares and option to call to financial leasing and financing companies within the scope of the sub-clause (f) of 1st clause within the Corporation Tax Law's Article 5 will be subject to a corporation tax exemption.
- Exemption will be applied to the 50 % portion of the income derived from the sale of immovable property acquired as of 1 January 2018 by the financial leasing or financing companies in return for their receivables that are under legal proceeding while the 75 % portion of the income derived from the sale of participation stocks, founders' shares, dividend shares and option to call will be subject to a corporation tax exemption.
- Special provisions reserved by the financial leasing and financing companies may entirely be considered as expense during the corporation tax assessment for the year in which they were reserved. Since this term would be taking effect from 1 January 2019, the special provisions reserved by the mentioned corporations prior to that date cannot be considered as expense during the detection of corporate income.

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.