

Circular

Istanbul, 7 March 2017

Circular No: 38

Subject: Interest rate to be applied within the implementation of deduction concerning cash capital increases during 2016 announced at 13.57 %.

Corporation Tax Law's Article 10 titled as "Other Deductions" contains the deductions that may be applied over the corporation income during the detection of corporation tax base. Through the Law no.6637 published in the Official Gazette dated 7 April 2015, the sub-clause (i) had been added to the first clause of the article above.

Pursuant to the sub-clause aforementioned, over the cash capital increase on issued or paid-in capital amounts and cash compensated portion of the paid-in capital at newly established equity companies; 50 % of the interest amount computed in line with the annual weighted average interest rate applied on TL denominated commercial loans extended by banks can be deducted from corporation tax base.

It had been indicated in the Corporation Tax General Communique series no. 9 published in the Official Gazette dated 4 March 2016 that interest rate for commercial loans (extended as TL denominated) (excluding legal entity overdraft accounts and corporate credit cards) would be taken into account among Weighted Average Interest Rates Applied on Loans Extended by Banks, declared latest by the Central Bank of Turkey (CBTR) for the year in which the deduction is benefitted.

The Revenue Administration has announced through the Corporation Tax Circular no.43 dated 15 February 2017 published on its website (www.gib.gov.tr) that the rate of 13.57 %, most recently announced by CBTR for the implementation of deduction concerning the 2016 accounting period will be taken into account.

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.