

Circular

Istanbul, 25 July 2017

Circular No: 90

Subject: *Procedure and principles for the implementation of "invitation to explanation" identified.*

The Article 370 of Tax Procedures Law has been re-arranged under the title "Invitation to Explanation" through the Article 22 of the Law no.6728 published in the Official Gazette dated 9 August 2016.

Invitation to Explanation may be defined as demanding an explanation by the competent authorities from taxpayers concerning the preliminary findings reached by the same authorities referring to a tax loss. This implementation prevents any tax inspection or assessment regarding the matter over the taxpayers that did not cause any tax loss while preserving the taxpayers from tougher penalties through applying reduced penalty under certain conditions in the circumstance that they caused tax loss.

Through the Tax Procedures Law General Communique no.482 published in the Official Gazette dated 25 July 2017, scope and the way of invitation to explanation, qualification of the preliminary findings, authorities that would send the invitation for explanation and make the assessment on that explanation, taxpayers that would be sent invitation, information and documents to be used for the explanation, other procedure and principles concerning the implementation have been identified.

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.