

## **Planned amendments to the tax legislation through the Draft Law approved in Planning and Budget Commission**

The Draft Law containing amendments to several laws, mainly certain tax laws and legislative decrees had been presented to the Grand National Assembly of Turkey on 27 September 2017. Negotiations on the Draft within Parliament Planning and Budget Commission were completed during the past few days. It is expected to pass into law this month following negotiations at the General Assembly and published in the Official Gazette afterwards if approved by the President.

In this article, the significant amendments planned for the tax legislation will be emphasized based on the Commission Report.

- Regulation proposing an increase on the tax rate applied over the 3rd income bracket to 30 % from 27 % has been removed off the draft's text during the negotiations in the Commission.
- The rate taken into account for lump sum expense applicable to the taxpayers declaring rental income (real property income) is proposed to be reduced to 15 % from 25 %. This provision will be effective for the declaration of income acquired as of 1 January 2017.
- For the wage earners seeing their net income lowered under TL 1.404,06 for the months September, October, November and December of 2017 caused by the income tax tariff, opportunity of compensating the amount remaining under TL 1.404,06 through additional minimum living allowance is introduced. This regulation will be effective from 1 September 2017.
- Regulation requiring an increase in corporation tax rate just for banks, financial institutions and insurance companies from 20 % to 22 % has been extended to include all corporate taxpayers during the negotiations at the Commission. Pertaining to that, corporate taxpayers will be subject to a corporation tax rate of 22 % over their income acquired through the taxation periods for the years 2018, 2019 and 2020. This provision will be effective from the date of publication.
- Regulation requiring withholding tax on distributable profits of fully amenable corporations that are not added to the capital or distributed has been removed off the Draft's text during the negotiations at the Commission.
- The current 75 % exemption rate applied over the income derived by corporate taxpayers from the sale of immovable property (real estate) held for at least two years is proposed to be reduced to 50 %. This provision will be taking effect as of the publication date of the Law.
- The duty fee that should be paid during application and renewal related to the advance pricing agreements is planned to be eliminated. This regulation will be enacted as of the Law's date of publication.
- All special provisions reserved by financial leasing and financing companies are proposed to be considered as expenditure during the corporation tax base assessment for

the concerning year. The aforementioned regulation excludes factoring companies. The effective date for this provision has been set as 1 January 2019.

- The VAT arising from the services provided electronically to the real persons who are not taxpayers of VAT by whom not having any residence, workplace, legal center and business center in Turkey is proposed to be declared and payed by the suppliers of those services. This provision will be taking effect as of the beginning of the month following the month in which the Law is published.

- Roaming services received under international roaming agreements and activities of delivering those services to the clients in Turkey are proposed to be included in the scope of exemption. This provision will be taking effect as of the beginning of the month following the month in which the Law is published.

- Imposing a restriction on passenger cars with an engine capacity of not more than 1.600 cm<sup>3</sup> that can be purchased without special consumption tax (SCT) by the handicapped (goods under the HS Code 8703) is proposed. Pertaining to that, the handicapped will not be able to purchase the passenger cars within the scope of exemption with an untaxed price over TL 90.000 without paying SCT. The effective date for this provision is set as 1 January 2018.

- Rates of increase proposed for motor vehicles taxes (MTV) regarding 2018 on passenger cars registered prior to 31.12.2017 has been reduced somewhat during the negotiations in the Commission. The rate of increase for passenger cars with engine capacity at 1300 cm<sup>3</sup> and lower is set as 15 % while the rate of increase is set as 25 % for the passenger cars with higher engine capacity. It will be enacted as of 1 January 2018.

- Adapting a new taxation system for the passenger cars to be registered from 01.01.2018 is proposed. Pertaining to that, motor vehicle taxes of the mentioned passenger cars will not only be differentiated according to the engine cylinder capacity and age, but also depending on the market value of those vehicles. Also, the Draft provides context on the MTV amounts to be applicable on these passenger cars for 2018. The concerning tables show the changes on increase rates between 15 % and 50 %. This provision will be enacted as of 1 January 2018 as well.

- Mobile communication services, services for the transmission of radio/TV broadcasting through satellite and cable platforms, wired, wireless and mobile internet service supplying are subject to special communication taxes (SCT) of 25 %, 15 % and 5 % respectively. Through the Draft, SCT rate for each of the services above is proposed to be set as same at 7,5 %. This provision will be enacted as of 1 January 2018.

- Transactions based on derivatives and options contracts within the exchanges established in Turkey and the money retained for one's own arising from those transactions are exempt from banking and insurance transaction tax (BITT). Through the Draft, by repealing the wording of "performed at exchanges established in Turkey", transactions based on derivatives and options contracts and the money retained for one's own arising from those transactions are proposed to be exempt from BITT regardless of the place in which the transaction was performed. This regulation will be in force from the beginning of the month following publication of the law.

- Introduction of a fee (excluding judgement fees) and stamp tax exemption is proposed for the transactions and documents issued concerning the utilization of funds by special purpose companies established with the aim of obtaining funds in return for securities issued abroad for the financing of public private sector cooperation projects through project management companies; transactions and documents issued for their collaterals and repayment. These regulations will be enacted as of the Law's publication date.

- The inheritance and transfer tax levied on gains from the chance games, lottery or other similar contests held by real and legal persons is proposed to be increased from 10% to 20%. This regulation will be in force from the beginning of the month following publication of the law.

- Imposing an upper limit for high unit square meter values on lands and fields assigned for 2018 by Assessment Commissions is proposed through a temporary article to be added into the Real Estate Tax Law. Pertaining to that, in case the minimum unit square meter values on lands and fields assigned in 2017 for the year 2018 exceed the 50 % of the unit values implemented in 2017, in calculating the assessed value of lands and buildings for 2018, 50 % more of the minimum unit values for lands and fields implemented in 2017 will be taken as basis. This provision will be taking effect as of the publication date.

- Within the Law no.6183; terms granted for the circumstances provided below are proposed to be increased from 7 days to 15 days. This provision will be enacted as of 1 January 2018.

- Term of litigation for lien existing in Article 15,
- Pay period granted through a notice sent to the debtor prior to the monetization of secured receivables within Article 56,
- Term of litigation against the order of payment arranged within Article 58,
- Term for the declaration of wealth as of the notification on order of payment, arranged within Article 60,

- Through the Draft, including the payments with bank card and similar to the regulation regarding cutting out commission from the public indebted by the banks during the payments of public receivables through credit card is proposed. That will be taking effect as of the publication date.

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