Kuzey YMM ve Bağımsız
Denetim A.Ş.
Eski Büyükdere Cad.
Orjin Maslak No:27
Maslak, Sarıyer 34398
İstanbul - Turkey

Tel: +90 212 315 3000
Fax: +90 212 234 1067
ey.com
Ticaret Sicil No : 479919
Mersis No: 0-6010-2772-0400010

Latest amendments to the Turkish tax legislation through the Law no. 7061

M. Fatih Köprü

The draft law presented to the Turkish Parliamentary Speaker's Office in late September was never off the agenda since then. Finally, it has been published in the Official Gazette dated 5 December 2017 following the approval at the Turkish Grand National Assembly and the President's endorsement.

Although many of its articles have been enacted as of publication date, some of its articles will be taking effect from 2018, even early 2019.

In this article, we will be dealing with the taxational regulations in this law consisting of 126 articles in total with two of them temporary articles.

- The rate taken into account for lump sum expense applicable to the taxpayers declaring rental income (real property income) has been 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.

- 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 has been enacted as of the publication date.

- The current 75 % exemption rate applied over the income derived by corporate taxpayers from the sale of immovable property (real estate) held within assets for at least two years is reduced to 50 %. This provision has been enacted 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 has been eliminated effective from the Law's date of publication.

- Increase rate for motor vehicles taxes (MTV) regarding 2018 on passenger cars registered prior to 31.12.2017 will be 15 % for passenger cars with engine capacity at 1300 cm^3 and lower while the rate of increase is set as 25 % for others.

- A new taxation system for the passenger cars to be registered from 01.01.2018 will be adapted. 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 Law 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 %.

- All special provisions reserved by financial leasing and financing companies will 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 condition requiring that engine cylinder capacity of passenger cars that can be purchased without paying SCT by the handicapped only once in 5 years should not be exceeding 1.600 cm^3 has been removed. As of the beginning of 2018, the handicapped will be able to purchase passenger cars valued under TL 200.000 without SCT regardless of its engine cylinder capacity.

- An upper limit for high unit square meter values on lands and fields assigned for 2018 by Assessment Commissions is imposed through a temporary article 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 has been enacted as of the publication date.

- Taxpayers failing to pay tax debt by due date are notified through an order of payment to pay in within 7 days or submit a wealth declaration. The taxpayer had a 7 day permit as of the notification date for contesting the payment order or wealth declaration. Through the new law, the aforementioned deadlines permitted as 7 days have been extended to 15 days as of the beginning of 2018.

-Special Communication Tax (SCT) rate for mobile communication services and mobile internet service supplying is set as 7,5 % effective from 1 January 2018. Thus, the tax on talking with mobile phone is lowered while the tax on mobile internet has been increased.

-The inheritance and transfer tax levied on gains from the chance games, lottery and other similar contests held by real or legal persons is increased to 20 % from 10 %. That will be applicable as of the new year.

- Several drinks including fruit and vegetable juices, plain and fruity soda drinks, lemonade, mineral water and alcohol free beer will be subject to SCT effective from the start of the new year. The tax rate has been set as 10 %. Tobacco rolling paper has also been included within the scope of SCT as of 5 December.

- 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 will be declared and payed by the suppliers of those services. This will be taking effect as of the new year starts.

- Roaming services received under international roaming agreements and activities of delivering those services to the clients in Turkey has been included in the scope of VAT exemption from the beginnig of 2018.

- Banking and insurance transaction tax (BITT) was applied only on transactions based on derivatives and options contracts within the exchanges established in Turkey. This provision has been changed and transactions based on derivatives and options contracts and the money retained for one’s own arising from those transactions are now exempt from BITT regardless of the place in which the transaction was performed effective from the beginning of 2018.

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