

Circular

Istanbul, 4 December 2018

Circular No: 118

Subject: Regulations within the bill submitted to the Grand National Assembly of Turkey on Nov 30 concerning the tax legislation.

Amendments proposed for income, corporate, VAT, SCT and excise tax laws through the bill submitted to the Grand National Assembly of Turkey on 30 November 2018 are briefly as follows:

- Exempting 70 % of real net value of the wage paid to pilots and cabin attendants working for the Turkish Aviation Association and private airlines resident in Turkey from income tax is proposed. This provision will be enacted to be effective from the beginning of the month following its publication.
- The income and corporate tax exemption applied for the income acquired through disposal of product bills drafted under the Agricultural Products Licensed Warehousing Law until the end of 2018 is extended to the end of 2023.
- The implementation period of the provisional article 9 of the Corporate Tax Law on the application of the advantageous legal ratios concerning the investment contribution rate and the reduced corporate tax rate in the investment expenditures within the scope of the investment incentive certificate for the manufacturing industry is extended to include the year 2019.
- Regarding the construction of renewable and other energy facilities of organized industrial zones and small industrial sites, it is proposed that goods deliveries and services performed for them or economic enterprises created by them will be included into the scope of VAT exemption.
- Through adding foreign exchange differences to the components included in VAT base, in deliveries and services performed based on foreign currency domestically as in imports, ensuring a legal basis for the VAT subjection of exchange differences arising when the price is fully or partially collected afterwards is proposed.
- Continuation of the implementation of refunding the VAT incurred for construction expenditures available for 2017 and 2018 is proposed for 2019 as well.
- Turnip juice, milky drinks flavoured and aromatized as per the Turkish Food Codex, drinks considered as baby follow on milk are proposed to be removed from the scope of special consumption tax (SCT).
- Concerning the drinks indicated above imported or delivered prior to the Law's publication date, adding a provisional article to the SCT Law is proposed ensuring that any tax assessment and tax penalty for SCT and VAT will not be applied. Within that context, the previous assessments, penalties fined, ongoing lawsuits if any will be cancelled on the condition that they are disclaimed, accrued amounts will be cancelled, however the collected amounts will not be rejected and refunded.
- Banking and insurance transaction tax (BSMV) exemption is proposed for the gains obtained by asset financing funds through transactions in capital markets.

Except for the regulation in the first article, other provisions shall be enacted as of the publication date.

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.