

## Circular

**Istanbul, 25 December 2018**

**Circular No: 124**

**Subject: Significant tax regulations to take effect as of 1 January 2019.**

Some of the significant tax regulations to take effect as of 1 January 2019 within the scope of amendments to the tax legislation in 2018, notably the laws no.7103 and 7104 are briefly as follows:

-The sub-clause (ö) within the 1<sup>st</sup> clause of Article 4 in Corporate Tax Law containing corporate tax exemption to regional headquarters has been repealed. This provision will be enacted on 1 January 2019 (to be effective from 1 January 2022 for the regional headquarters already established as of 1 January 2019).

- Regarding advertising services supplied on the internet, the payments made to those providing this service or acting as an intermediary in delivering advertising services on the internet have been included into the scope of withholding. The aforementioned withholding rate is identified as 15 % for payments made within the scope of Article 94 of the ITL (Income Tax Law) and Article 30 of the CTL (Corporate Tax Law) while the rate for payments under the Article 15 of CTL is set as 0%.

- Taxpayers keeping books on operating account basis will start to use the Electronic Bookkeeping Declaration System starting from 1 January 2019. The taxpayers intending to use this system should apply for it until 31 December 2018.

-Taxpayers will be able to use their VAT deduction rights until the end of the calendar year following the calendar year in which the taxable event occurred.

-The requirement of demanding the VAT incurred for transactions arising a refund right and could not be compensated through deduction until the end of the second calendar year following the period in which the transaction was performed has been introduced.

-Inspection period for VAT refund inspections is identified as 3 months. In compulsory cases and only by the relevant unit, this period may be extended for a further 2 months.

-Deduction of the VAT incurred concerning certain deliveries and services under partial exemption is allowed. However, taxes incurred for those exempted transactions and subject to deduction cannot be requested for refund if they were not compensated through deduction.

-Revenue based taxation was established for small-scale liabilities. Accordingly, those operating within the sector and occupational groups determined by the Council of Ministers, if requested, may pay a certain percentage of their proceeds including VAT by declaring it without considering the discount VAT amount.

-Since the rate reductions on VAT, SCT and title deed fees will expire on 31.12.2018 if any period extension does not come, the taxes and fees prior to these decisions will be applied as of 1 January 2019.

*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.