

## **Hesitated matters concerning the implementation of “deduction in cash capital increases”**

So as to strengthen the capital structure of the capital companies, by adding the “i” clause to the Article 10 of Corporate Tax Law in which other deductions to be made from corporate income for the detection of corporate tax base; the opportunity of deducting 50 % of the amount to be calculated over cash capital increases or cash paid portion of the capital paid in newly established capital companies as per the average commercial loan interest rate announced by the CBRT had been provided and the aforementioned regulation was enacted as of July 2017 period.

On the other side, through the Council of Ministers Decision no.2015/7910 dated 26.05.2015, the general rate (50%) identified by the Law has been changed; various arrangements were made through the Corporate Tax General Communiqué series no.9 in order to provide guidance to the implementation which introduced incentives on cash capital increases and consequently explanations have been made about the state of capital advances with the Corporate Tax General Communiqué series no.10. However, despite the aforementioned arrangements, it seems that some significant uncertainties about the implementation continue and this leads to some hesitation among taxpayers.

Within that context, in this article certain important points containing hesitation are tackled concerning if inclusion of the debt to the shareholders into capital should be considered as the deduction of balance sheet items in one another within the implementation of “deduction in cash capital increase”, the outcome of cash capital increases after profit distribution in terms of deduction, in what way the cash capital increases handled through loan/debt procurement by the shareholder should be detected, determination and authentication of the expenditures with investment incentive certificate, how to benefit from the additional rate, in which circumstances that the passive income should be taken into account and other hesitated significant matters related to the land and field investments left apart from incentives have also been dealt.

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