

Assessment on the uncertainties about tax deduction introduced for the compliant taxpayers

Through the repetitive Article 121 added to the Income Tax Law by Article 4 of the Law no.6824, the opportunity of tax deduction has been introduced for compliant taxpayers to be applied in the annual income and corporate tax returns that should be submitted as of 01.01.2018.

The aforementioned opportunity of tax deduction will be benefitted by;

- Income taxpayers due to commercial, agricultural or professional activities,
- Corporate taxpayers excluding the ones dealing with activities within finance and banking sectors, insurance and reinsurance companies, pension companies and pension investment funds.

The concerning taxpayers would be able to deduct 5 % of the calculated income and corporate tax from the income and corporate tax that should be paid by them as long as they meet the conditions indicated below.

So as to benefit from tax deduction;

- Submission of the tax returns for the year that the deduction will be calculated and last two years prior to that year within the legal period (Tax returns submitted following the expiration of the legal period with the purpose of correction or due to repentance concerning a timely submitted return are not deemed as violation of this requirement.),
- Payment of the taxes accrued on tax returns within the legal period (Missing payments up to TL 10 in terms of each tax return are not deemed as violation of this requirement.),
- Any assessment handled additionally, ex-officio or administratively in terms of the tax types subject to declaration should not exist concerning the indicated period (In the circumstance that the assessments are entirely ruled out through a final judicial resolution or reconciliation and correction terms of the Tax Procedures Law, this condition will not be deemed as violated.),
- As of the date that the tax return in which the deduction will be computed is submitted, any payables overdue exceeding 1.000 TL for taxes (including tax penalties) should not exist.

Unfortunately, there are a number of deficiencies in this implementation which was introduced with good purposes to ensure voluntary compliance. The lack of clear terms within the Law such as 3 years or 5 years regarding their total operating background for the newly established several-year-old companies although they comply with all the

requirements causes uncertainties in implementation. Also, many taxpayers are excluded from the scope due to very small amount of assessments. Concerning the assessment, moderation of the provisions by imposing a restriction on the size of the taxpayer may undoubtedly be a more appropriate practice. So as to make the tax deductions more effective, we are of the opinion that changes should be made to cover more favourable taxpayers by addressing wider audiences. So that the negative impacts of the frequent tax amnesties in our country over taxpayers declaring and paying taxes in a timely manner will be eliminated to some extent.

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