

Circular

Istanbul, 8 January 2019

Circular No: 18

Subject: Severance pay upper limit and child allowance amounts exempt from income tax (01.01.2019-30.06.2019).

The salary and base salary coefficients to be referred in calculating civil servants' earnings concerning 2018 and 2019 had been set within the 4th term joint agreement published in the Official Gazette dated 25 August 2017. Increase rate regarding the first half of 2019 was proposed at 4 % while the rate for second half was 5 %.

Article 8 within the joint agreement contains a term concerning the payment for inflation adjustment. Accordingly, in the circumstance that the six months rate change on the (CPI) December index for 2018 compared to the June 2018 index (CPI) exceeds 3,5 %, coefficients should be increased as much as the exceeding portion as of the first day (Jan 2019) of the month in which the inflation data for the concerning 6 month periods was released.

Within the context of the joint agreement's aforementioned terms, the salary coefficient applicable to 01.01.2019-30.06.2019 period is calculated as 0,130597 while the base salary coefficient is calculated as 2,044187.

Concerning the 01.01.2019-30.06.2019 period, through using these coefficients;

- The ceiling for severance pay exempt from income tax will be implemented as TL 6.017,60,
- The monthly child allowance amount exempt from income tax will be implemented as TL 65,30 for children at the ages of 0-6 and 32,65 for other children.

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.