

Circular

İstanbul, 18 January 2019

Circular No: 21

Subject: Amendments to the tax legislation through the Law no.7161 published on 18 January 2019.

Amendments to income, corporate, VAT, SCT and excise tax laws through the Law no.7161 published in the Official Gazette dated 18 January 2019 are briefly as follows:

-The 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 will be exempted from income tax. This provision is enacted to be applied as of 1 February 2019.

-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. This provision is enacted to be effective from 1 January 2019.

-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, goods deliveries and services performed for them or economic enterprises created by them has been included into the scope of VAT exemption.

-VAT exemption has been introduced for the delivery of books and periodical publications performed by the publishers entitled with a publishing certificate by the Ministry of Culture and Tourism. This provision is enacted to be applied as of 1 February 2019.

-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, a legal basis for the VAT subsection of exchange differences arising when the price is fully or partially collected afterwards is ensured.

-The implementation of refunding the VAT incurred for construction expenditures available for 2017 and 2018 will be continued in 2019 as well.

- Turnip juice, milky drinks flavoured and aromatized as per the Turkish Food Codex, drinks considered as baby follow on milk have been removed from the scope of special consumption tax (SCT).

-Concerning the drinks indicated above imported or delivered prior to 18 January 2019, 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 introduced for the gains obtained by asset financing funds through transactions in capital markets.

Regulations without information above on their effective date have been enacted as of publication date (18 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.