

## Circular

**Istanbul, 15 March 2019**

### **Circular No: 39**

#### **Subject: Refund procedure announced for the tax deducted from compensations paid prior to 27 March 2018 within the scope of mutual rescission.**

Regulation was introduced indicating that the income tax withheld and collected over the payments and benefits under various names such as compensations paid in line with a mutual termination contract or mutual rescission before 27 March 2018, job loss compensation, end of work compensation, job security compensation will be rejected and returned, through the Law no.7162 published in the Official Gazette dated 30 January 2019.

The required procedure for refund of the aforementioned taxes is explained as below, within the Communique series no.306 published in the Official Gazette dated 15 March 2019.

To perform the refund transaction, submitting the sample of the mutual rescission contract obtained from the employer responsible for making the deduction, document disclosing the deduction amounts related to the payments made (such as payroll etc.) and other documents requested by the relevant tax office together petition for refund request existing in the Communique attachment is required in the new applications.

With the above documents, application should be submitted to the tax office where the employer is a taxpayer in terms of withholding tax return. It is possible to apply in electronic environment via the Interactive Tax Office as well.

Since the periods prior to 1 January 2014 are time-barred, new applications for these periods will not be accepted.

It is necessary not to file a claim for these refund proceedings in order to make reject and refund operations upon request for correction. The employees who applied for a correction within the limitation period and request for correction has not been accepted must waive their cases which are not yet finalized in the courts.

Any refund is out of question for the income tax deducted from notice pay that is not in the nature of additional compensation, normal wage, overtime, public holiday fee, annual leave fee, travel fee, food allowance, insurance payments, social benefits, service premium and bonus payments made for past or current period work and similar payments within the context of wage.

Any refund for the taxes deducted from the additional compensation payments to the employee made after 27 March 2018 and exceeding the exemption limit is not possible.



*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.