

Circular

Istanbul, 15 February 2019

Circular No: 28

Subject: Circular released on considering the receivables within the scope of concordat as part of the doubtful receivables provisions.

The Tax Procedure Law (TPL) Circular no.112 released through the Revenue Administration's web site (www.gib.gov.tr) on 14 February 2019 contains the statements indicated below concerning the situation of receivables from debtors under the process of concordat within the context of "doubtful debt" provision existing in Article 323 of the TPL.

-If any provisions of doubtful receivables are reserved for the receivables transferred into a lawsuit or enforcement process prior to the verdict on temporary period, there is no requirement for the cancellation of previously reserved provision since any verdict for a temporary period does not lead changes in the state of doubtfulness of the receivable.

- Concerning the receivables that are not transferred into a lawsuit or enforcement process prior to the verdict on temporary period, provisions for doubtful receivables may be reserved as of the accounting period in which the temporary period verdict was declared.

-If any provisions of doubtful receivables are not reserved as of the accounting period in which the temporary period verdict was declared, provisions for doubtful receivables cannot be reserved in the circumstance that final period verdict is declared within the following accounting period.

-Since the lawsuit or enforcement processes cannot be executed by the creditors within the final period stage as well, there is no requirement for the cancellation of previously reserved provisions.

-It should be indicated in the decision certifying the concordat that to what extent creditors give up their receivables and the schedule to be followed by the debtor in paying debts. Within that context, the portion of receivables given up in favour of the debtor will become bad debt and the bad debt and the reserved provisions corresponding to this receivable will be cleared off in accordance with the terms of Article 322 in TPL. This process must be performed by the accounting period in which the decision certifying the concordat is declared (becomes binding).

-Among the receivables that were not transferred into the lawsuit or enforcement process since they did not become due, the ones with maturity corresponding to the

temporary and final periods may be subject to the implementation of doubtful receivables in the accounting period in which the maturity expires.

-Pursuant to the Tax Procedure Law, reserving provisions for the receivable becoming doubtful is required in this period, it is not possible for the provision that has not been reserved during the relevant accounting period to be considered in the following accounting periods.

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.