

Circular

Istanbul, 24 October 2019

Circular No: 87

Subject: Draft Law containing amendments to the Income Tax Law and other tax laws submitted to the Grand National Assembly of Turkey.

Amendments to the tax legislation proposed through the draft law submitted to the Grand National Assembly of Turkey (TBMM) on 24 October 2019 is summed up as below:

- Introduction of a “digital services tax” to be paid through certain digital services, especially all advertising services delivered in the digital environment is proposed. The tax will be paid at a rate of 7.5% per month over the revenue obtained from services that are included in the subject of the tax.

- In cases where shuttle service is not provided to employees by employers, on the condition that the daily transportation cost of the working days does not exceed 10 liras and the related payments are made in the form of public transportation card or ticket, an income tax exemption is proposed to be introduced.

-Through the amendments to Article 40 of Income Tax Law containing the deductible expenses in commercial income and Article 68 indicating the deductible expenses for the self-employed, certain restrictions are imposed on the costs of rented or purchased passenger cars.

-Submission of a tax return for the wages taxed by withholding, received from a single employer, exceeding the amount in the 4th bracket of income tax tariff is proposed.

-For income exceeding 500,000 TL (including wages), a new bracket is proposed to be added to the income tax tariff. A tax at a rate of 40% will be paid on these income.

-The rate for banking and insurance transaction tax (BSMV) applied as 1 per thousand in foreign exchange transactions is proposed to be increased to 2 per thousand.

-Through the new provision added to Expense Taxes Law, “an accommodation tax” is introduced. Although the rate of tax is 2%, it will be applied as 1% until 31.12.2020.

-Regarding the implementation of invitation to disclosure, the duration of the disclosure and the period of submitting tax returns and payment of those invited to the disclosure are increased from 15 days to 30 days.

-Article 376 regulating the deduction of tax penalties is amended and the discount rate is set as 50% regardless of whether the tax loss penalties are committed for the first time or not.

-An article titled as “abandonment of legal remedy” is added to the Tax Procedure Law in order to resolve the tax disputes between the taxpayer and the administration.

-With the new provision added to the Real Estate Tax Law, “valuable housing tax” is introduced. The residential immovable property located within the borders of Turkey with a value of exceeding 5 million Turkish liras will be subject to a residential tax.

-The effective dates of these regulations are presented to your attention in the relevant sections of our circular.

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.