

Circular

Istanbul, 11 November2019

Circular No: 92

Subject:Draft Law containing the Digital Services Tax Law and amendments to certain laws approved in the parliamentary Planning and Budget Commission.

Amendments to the tax legislation proposed through the draft law submitted to the Grand National Assembly of Turkey (TBMM) on 24 October 2019 and approved in the parliamentary Planning and Budget Commission on 1 November 2019 are 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. Effective date: Beginning of the third month following its publication.
- 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. Effective date: Beginning of the month following its publication.
- 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. Shall be applied to income and earnings for the taxation period starting from 01.01.2020.
- Submission of a tax return for the wages taxed by withholding, received from a single employer, exceeding the amount (500.000 TL) in the 4th bracket of income tax tariff is proposed. Shall be applied to the income acquired as of 01.01.2020.
- 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. This provision applies to income other than wages received as of 01.01.2019. In terms of wage income obtained in 2019, the previous tariff will be applied and the new tariff will be implemented starting from 2020 revenues.
- 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. Effective: Date of publication.
- Through the new provision added to Expense Taxes Law, “an accommodation tax” is introduced. Within the draft law, the rate of the tax was proposed as 2%. However, through the amendment made by the Planning and Budgetary Commission, the tax is based on a fixed tariff in line with the type of the accommodation facility and overnight per person (between TL 6 and TL 18).
- 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. Effective date: 01.01.2020.
- 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. Effective: Date of publication.

-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. Effective date: 01.01.2020.

-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. Accordingly, those valued between TL 5 million and TL 7 million 500 thousand will be taxed at a rate of 3 per thousand, those valued between TL 7 million 500 thousand one and TL 10 million will be taxed at the rate of 6 per thousand and those with a value exceeding TL 10 million and one will be taxed at a rate of 10 per thousand. Effective: Date of publication.

Our explanations provided above include general information on the issue. No responsibility can be claimed against EY and KuzeY YMM ve BađımsızDenetim 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 BAĐIMSIZ DENETİM A.Ş.