

## Restructuring to tax debts is on the way

Provisions on debt restructuring have been added to the draft law submitted to the Presidency of the Turkish Grand National Assembly on 16 October 2020 during the negotiations in the Planning and Budgetary Committee. Renamed as the "Draft Law for the Restructuring of Certain Receivables and Amendments to Certain Laws", it has been sent to the General Assembly after the approval by the Commission on 23 October.

In this article, we will be focusing on the regulations of the proposal approved by the Commission regarding the restructuring of the taxpayers' finalized tax debts.

### Debts within the scope

The date of 31 August 2020 is important in terms of the scope of the law. In general, we can say that the tax debts related to the periods before this date and the taxes on the tax returns submitted until this date are within the scope of restructuring.

In addition, tax penalties and default interest and late payment charges related to these taxes are also within the scope of the law. Tax penalties (such as irregularity and special irregularity) imposed on the detections made before the same date are also within the scope of restructuring.

### Estate taxes

Receivables monitored by the collection offices of municipalities are also within the scope of restructuring. Accordingly, in addition to the above-mentioned taxes especially the estate tax; water, wastewater and solid waste fees collected by municipalities are also within the scope of restructuring.

### Some part of the interest written off

There is no reduction for taxes that have not been paid or have not yet expired despite being matured as of the publication date of the law, Taxpayers requesting restructuring have to pay the whole primary obligation any case. Tax penalties based on the principal tax debt (such as tax loss penalty) are completely written off. Debts such as default interest and late payment charge are also written off, but instead, an amount calculated based on the domestic producer price index (D-PPI) monthly change rates until the publication date of the Law should be paid. We can briefly call this PPI difference calculated as inflation difference.

## **Half of the irregularity fine**

For tax penalties that have not been paid or have not yet expired despite being matured as of the publication date of the law and not based on the principal tax debt (such as irregularity and special irregularity), half of the amount is written off. It will be possible to get rid of the debt by paying the remaining half and the calculated inflation difference instead of the increase. The same applies to tax penalties imposed due to participation.

## **Application and time of payment**

It's indicated in the draft that the taxpayers intending to restructure their debts should apply to the relevant administration until 31 December 2020 (including this date). The first installment of the restructured amount will be paid until 31 January 2021 (including this date). Other installments are to be paid every two months instead of every month. It's required for the taxpayers intending to benefit from this opportunity not to file a lawsuit, give up lawsuits and not to resort to legal remedies.

## **Advantageous to pay in advance**

If the restructured amount is paid in advance within the first installment or the second installment payment period, there are some additional advantages. If the whole amount is paid in advance until 31 January 2021 (the first installment period), a 90 percent reduction is made from the inflation difference calculated instead of the default interest and late payment charge over the tax amount. If the entire amount is paid in advance in the second installment payment period (until 31 March), the 90 percent reduction rate drops to 50 percent.

## **Payment in installments possible**

There is also the possibility to pay the restructured debt amount in installments. For that, one of the payment options of 6, 9, 12 or 18 equal installments should be preferred during the application. In this case, the amount to be paid is multiplied by the following coefficients and the installment amount to be paid is calculated by dividing the reached amount to the number of installments:

- (1,045) for 6 equal installments,
- (1,083) for 9 equal installments,
- (1,105) for 12 equal installments,
- (1,15) for 18 equal installments,

## **Restructuring right lost if installments are delayed**

If payment in installments is preferred, it is so important that the first two installments are paid on time. If these are not paid on time or if at least 3 installments in a calendar year are not paid on time or paid incompletely, the restructuring right is lost.

Provided that the two installments are paid on time and if the other installments are delayed by twice or less in a calendar year; the restructuring right is not lost if the unpaid or incompletely paid installments are paid until the end of the month following the last installment together with the late payment interest calculated at the rate of late payment charge (1.6% per month).

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