

14-year implementation of withholding on free (FX) funds is changing

Merih Tümkiye

The withholding rate on portfolio management gains of free (FX) funds that are exempted from corporate tax, has been increased from 0 percent to 15 percent through the Presidential Decision no.2604 published in the Official Gazette dated 3 June 2020.

There are no amendments to the withholding tax of 10 percent on the income obtained by individual investors from mutual fund participation certificates (excluding certain exceptional cases). Therefore, in addition to the 10% withholding tax on the income obtained from the participation certificates of free (FX) funds, a 15% withholding tax will be required on the gains of these funds arising from portfolio management. The Decision has been enacted on the date of publication (3 June 2020) and it does not contain any other statement about the effective date.

However, in the announcement released on the website of the Revenue Administration, it is indicated that the aforementioned Decision has been enacted as of its publication date and that the withholding tax will be made at the new rate determined on the income to be obtained from the gains of free (FX) funds arising from portfolio management from this date.

From this statement made by the Revenue Administration, it is concluded that for the 2020 fiscal period, a withholding tax of 15% should be paid on the gains of these funds arising from portfolio management between 03.06.2020 and 31.12.2020 and a 0% withholding tax should be paid on the gains obtained prior to 03.06.2020.

Summarized from the article published in the "Institutional Investor" magazine.

Explanations in this article reflect the writer's personal view on the matter. EY and/or Kuzey YMM ve Bağımsız Denetim A.Ş. disclaim any responsibility in respect of the information and explanations in the article. Please be advised to first receive professional assistance from the related experts before initiating an application regarding a specific matter, since the legislation is changed frequently and is open to different interpretations.