

Circular

Istanbul, 19 October 2020

Circular No: 103

Subject: Amendments to the tax legislation proposed through the Draft Law submitted to the Parliament.

The amendments to the tax legislation proposed through the Draft Law submitted to the Grand National Assembly of Turkey (TBMM) on 16 October 2020 are indicated below:

- Those selling goods that they produce in their house without opening a separate workplace and using industrial or mass production machines and tools electronically, e.g. internet will be able to benefit from the tradesman exemption. Banks will withhold income tax at the rate of 4% as of the date of transfer over the amounts transferred to the commercial accounts to be opened by these taxpayers.
- 50% of the earnings obtained by full taxpayer real persons within the scope of exportation of goods with the electronic trade customs declaration issued by the Postal Administration or companies engaged in fast cargo transportation will be deducted from the income in the income tax return.
- Withholding at a rate of 15% will be imposed in order to prevent fully taxpayer capital companies from tax-free dividend distribution by acquiring their own shares.
- The implementation period of the temporary Article 67 of the Income Tax Law (ITL) which includes withholding tax on securities income and effective since 2006 is extended until 31 December 2025.
- Taxation of the income from leveraged trading (forex) transactions carried out through banks and brokerage houses will be provided by deduction at source within the scope of temporary Article 67.
- The period of the fixed rate (20%) income tax withholding implementation over wage payments made to jockeys, apprentice and trainers is extended until 31.12.2025.
- Income tax and stamp tax exemptions will be introduced to service personnel accepting to work part-time.
- In the circumstance that certain assets located abroad and within the country are notified, implementation of not handling a tax inspection and assessment will be re-introduced.
- The deadline for notification of these assets is set as 30 June 2021. Assets abroad should be brought to Turkey within 3 months from the date of declaration or transferred to an account to be opened at banks or brokerage houses in Turkey. Any tax will not be paid on the declared domestic and foreign assets.

- The President is authorized to reduce the 20% corporate tax rate up to 5 points (to 15%) and to increase it back to the legal level.

-Corporate tax rate will be applied with 2 points reduction on the corporate earnings in 5 accounting periods for the companies with shares offered to the public at least at a rate of 20% on Borsa Istanbul Equity Market to be traded for the first time, starting from the accounting period when their shares are offered to the public for the first time.

- The implementation period of the provision indicating that an economic enterprise will not be deemed to have been established due to the income and revenues acquired by associations or foundations and taxed by deduction within the scope of the Income Tax Law 94/5 and temporary Article 67 will be extended until 31.12.2025.

- The implementation period of the temporary Article 17 of the VAT Law will be extended to 31.12.2025 and the implementation period of the temporary Article 23 to 31.12.2023.

-The effective date of the accommodation tax which is expected to be enacted as of 1 January 2021 is postponed to 1 January 2022.

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.