

## Circular

**Istanbul, 17 November 2020**

**Circular No: 108**

**Subject: The Law introducing restructuring to finalized debts and containing amendments to the tax legislation published in the Official Gazette.**

The restructuring to tax debts and amendments to the tax legislation introduced by the Law no.7256 published in the Official Gazette dated 17 November 2020 are summed up as below:

-In case the payment of the primary obligation regarding the taxes unpaid despite due date arrived as of 31 August 2020 (including this date) and taxes with payment period has not yet passed and the amount to be calculated based on the domestic producer price index (D-PPI) monthly change rates is made; the collection of public receivables such as default interest and late payment charge, tax penalties imposed based on the primary amount and the entire late payment charges linked to these penalties will be abandoned.

Taxpayers demanding the restructuring of their tax debts within the scope of the law are required to apply until 31 December 2020 and pay the first instalment of the amounts to be paid until 31 January 2021, the other instalments in two-month periods following these dates in a maximum of eighteen equal instalments.

-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.

-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.

-Income from leveraged trading (forex) transactions will be subject to withholding 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.

-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.

-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 acquired by associations or foundations and taxed by deduction within the scope of the Income Tax Law 94/5 and temporary Article 67 is extended until 31.12.2025.

-The implementation period of the temporary Article 17 of the VAT Law is 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 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.