

Circular

Istanbul, 24 November 2020

Circular No: 109

Subject: Submission of country-based reports to the Turkish Tax Administration on 31.12.2020 is on the agenda for multinational companies in case of a failure to complete the activation process of the Multilateral Competent Authority Agreement regarding the exchange of country-based reports between tax administrations and in the absence of a postponement on the matter.

-Amendments were made to the Decision on Disguised Profit Distribution through Transfer Pricing with the Presidential Decision no.2151 published in the Official Gazette dated 25 February 2020. Accordingly, corporate taxpayers are required to prepare a general report, annual transfer pricing report and country-based report (Country by Country Reporting/Cbcr) for the 2019 accounting period within the context of transfer pricing documentation obligations. The Communiqué (series no.4) requiring Amendments to the General Communiqué on Disguised Profit Distribution through Transfer Pricing (series no.1) explaining the details of the matter has been published in the Official Gazette dated 1 September 2020.

-Through the repetitive Official Gazette dated 1 October 2020, no. 31261; it has been decided to approve the Multilateral Competent Authority Agreement (the "Agreement") on the exchange of country-based reports. Ratification of the concerning agreement will be able to eliminate the country-based report preparation and submission liability stipulated by Presidential Decision for many businesses operating in Turkey (particularly foreign companies' affiliates in Turkey). However, the initiation of automatic exchange of information among countries party to the Agreement with Turkey depends on the completion of the activation process regarding the Agreement's becoming effective. Automatic information exchange cannot take place between countries before this process is completed.

- In that context, considering that the activation process regarding the Agreement has not been completed and that no postponement provision has been imposed on the issue so far; the submission of country-based reports to the Turkish Tax Administration (Revenue Administration) on 31.12.2020 is on the agenda for multinational companies using the calendar year as fiscal year.

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.