



Turkey issues guidance regarding withholding taxes imposed on online advertising services

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Turkish Presidential Decision No. 476, published on 18 December 2018, introduced new tax rates on payments made for online advertising services.¹ Pursuant to Decision No. 476, such payments are subject to withholding tax as of 1 January 2019.

On 15 February 2019, Communiqué No: 17, *Amending General Corporation Tax Communiqué No: 1* was published in the *Official Gazette* and entered into force. The Communiqué explains the application of the withholding taxes and the withholding tax rates on payments made to resident and nonresident entities and individuals who deliver online advertising services, and those who intermediate the provision of such services.

The party who purchased the online advertising services and is responsible to withhold tax would be obliged to apply:

- 15% withholding tax on the payments made to nonresident entity or individual service providers or those nonresident entities or individuals who intermediate the provision of such services
- 15% withholding tax on the payments made to resident individual service providers or those resident individuals who intermediate the provision of such services
- 0% withholding tax on the payments made to resident entity service providers or those resident entities who intermediate the provision of such services

If the intermediary entity is a Turkish resident entity required to pay the main nonresident online advertising service provider, the payments to the nonresident main service provider would be subject to withholding tax at the rate of 15% in Turkey.

The withholding tax will be imposed on payments made after 1 January 2019 (the date included), even if such payments relate to services received prior to the date that the Presidential Decision entered into force.

In the case of payments made in cash or on account to online advertising service providers, or those who intermediate the provision of such services, prior to the date that the Presidential Decision entered into force, no withholding tax shall be imposed on payments made after 1 January 2019 for services constituting the basis of related payments.

The Communiqué regulates the withholding tax liability without making any reference to the Double Tax Treaties signed by Turkey. In fact, an example provided within the Communiqué does not refer to the application of the Double Tax Treaty.

Accordingly, this new withholding tax liability may give rise to tax controversies for those nonresidents who provide online advertising services to Turkish customers.

1. See Global Tax Alert, [**Turkey introduces new taxes on electronic commerce**](#), dated 20 December 2018.

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