

Turkey introduces Economic Stability Shield Package to reduce the impact of COVID-19

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On 18 March 2020, Turkey unveiled a stimulus package, the Economic Stability Shield, involving a number of measures aimed at mitigating the potential economic fallout of the coronavirus (COVID-19) and providing businesses with the liquidity required to continue operations. The aim of the package is to reduce the effects of COVID-19.

The following measures are implemented by the Turkish Economic Stability Shield package:

- ▶ Payment of concise tax withholding, value-added tax (VAT) and insurance premiums for April, May and June related to the retail, shopping mall, iron and steel, automotive, logistics and transportation, cinema, theater, accommodation, food and beverage, textile and garment, and event and organization sectors is postponed for six months.
- ▶ The application and implementation of the accommodation tax is postponed until November 2020.
- ▶ Payment of easement fees and revenue shares related to hotel rentals for April, May and June are postponed for six months.
- ▶ The VAT rate for domestic air transportation is reduced from 18% to 1% for three months.

- ▶ The loan principal and interest payments of the companies whose cash flows have deteriorated will be delayed for a minimum of three months, while additional financial support will be provided if necessary.
- ▶ Inventory financing support to exporters will be provided to maintain the capacity utilization rates during the temporary slowdown in exports.
- ▶ April, May and June principal and interest payments to Halkbank by tradesmen and artisans who declare that their businesses have been negatively affected during this period will be postponed for three months.
- ▶ The creditable amount for houses valued less than TL500,000 will be increased from 80% to 90% and the minimum down payment will be reduced to 10%.
- ▶ The Credit Guarantee Fund limit will be increased from TL25 billion to TL50 billion and it will be provided to small- and medium-sized enterprises (SMEs) and companies with liquidity needs and collateral deficit.
- ▶ The Government will encourage the introduction of loan packages for social purposes under favorable and advantageous conditions for citizens.
- ▶ The Government will also ensure that the firms that have fallen into default in April, May and June have a “force majeure” note in their credit registry.
- ▶ Minimum wage support will be continued, and it will be ensured that the flexible and remote working legislation becomes more effective.
- ▶ The minimum retirement salary will be increased to TL1,500.
- ▶ The Short Work Allowance will be implemented, and the processes required to benefit from it will be facilitated and expedited. Thus, while temporary income support to the workers in the workplaces that suspend their activities will be provided, the cost to the employers will also be reduced.
- ▶ According to the Tax Procedural Code Circular No. 125 published on 17 March 2020, the submission date of the income tax return for individuals and the first installment payment date of the same have been extended by the Revenue Administration until 30 April 2020.

For additional information with respect to this Alert, please contact the following:

Kuzey Yeminli Mali Müşavirlik A.Ş., Istanbul

- ▶ Ateş Konca ates.konca@tr.ey.com
- ▶ Gamze Durgun gamze.durgun@tr.ey.com

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