

Turkey increases BITT rate for F/X transactions and withholding rate on income from short-term lease certificates and commercial papers

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Increase in BITT rate

In accordance with Presidential Decision No. 2568, published in the *Official Gazette* dated 24 May 2020, the Banking and Insurance Transaction Tax (BITT), which must be calculated over the amount of sales in foreign exchange (f/x) transactions, has been increased to 1%. Presidential Decision No. 2568 entered into force on the date of publication.

The BITT rate will continue to be applied at a 0% rate as in previous Presidential Decisions in the following exchange transactions:

- ▶ F/X sales of banks and authorized institutions among themselves or to each other
- ▶ F/X sales to the Ministry of Treasury and Finance
- ▶ F/X sales to the borrower by the bank using or intermediating foreign currency loans intended for the payment of foreign-currency loan
- ▶ F/X sales to enterprises with industrial registration certificates and to exporters who are members of Exporters' Associations

Increase in withholding tax (WHT) rate

In accordance with Presidential Decision No. 2569 published in the *Official Gazette* dated 24 May 2020, according to Law No. 6362 on Capital Markets, the WHT rate on income obtained by individuals from commercial papers issued by

the Capital Markets Board and short-term lease certificates issued by asset leasing companies and gains arising from disposal of these is determined as 15%. Presidential Decision No. 2569 entered into force on the date of publication.

The WHT rate on certain earnings and revenues included in the provision on Article 67 of the Income Tax Law was set by the Council of Ministers Decision No. 2006/10731 published in the *Official Gazette* dated 23 July 2006.

In accordance with the said Decision; a 0% WHT rate is imposed on income obtained from derivatives and options contracts based on stock certificates and stock certificate indices, stock certificates (excluding securities investment trusts stock certificates) traded on Borsa Istanbul, and

income from participation certificates of stock-intensive funds and gold-based government debt securities issued by Secretariat of Treasury and in accordance with Law No. 4749 on Public Finance and Debt Management earnings obtained from the gold-based lease certificates issued by asset leasing companies.

With the Presidential Decision No. 2569, published in the *Official Gazette* of 24 May 2020, a provision was added to the sub-section of the said Decision above. Accordingly, the WHT rate for the income obtained by individuals from commercial papers approved by the Capital Markets Board and short-term lease certificates issued by asset leasing companies and gains from their disposal is determined as 15%.

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