

Does tax amnesty offer any benefits?

It is still being discussed whether tax amnesties are beneficial or harmful. In this case, it is established upon the examination of “Tax Amnesties: Theory, Trends and Certain Alternatives” publication of IMF that results arising from “theoretic literature, economical proofs and selected countries and case studies of US states” are explained through drawing attention to advantages and disadvantages of such amnesties. Summary of explanations:

This publication also covers Turkey and it is stated that tax amnesties in Turkey are neither successful in providing net revenues in long term nor increasing tax compliance and the reason behind is explained as tax amnesty programs applied in Turkey are implemented separately from full scale tax policy amendments or fundamental improvements made regarding increase the capacity of tax liabilities and social security premium collection.

Fundamental tax policy target was “not to announce any tax amnesties during the program” within the Medium-Term Financial Program of 2021-2023 period. However, due to COVID-19 outbreak, two tax amnesty laws have been introduced within the last one year.

“Tax base increase” regulations and “tax inspection exemption”, granted to those benefiting from tax amnesties, which are frequently repeated increases “non-compliance” instead of “tax compliance” as explained in the preamble of the Law and creates the expectation of “future tax amnesties” sooner or later. Therefore, tax inspection could be made within statute of limitation of tax assessment period and tax inspection exemption should not be included in such tax amnesties even though tax amnesties including “tax base increase” are introduced. Tax inspection exemption should not be included in case of a tax base increase and if a different tax base is established as a result of inspection, options such as calculated tax base and crediting from increased amount are required for “sustainable taxation” and “tax equity”.

Tax amnesty expectation in Turkey has become permanent. However, continuing of tax amnesties with their current positions shall cause negative results in terms of “tax administration, tax complied taxpayers and other stakeholders” and tax compliance shall continue to decline.

Let’s review the regulation introducing the opportunity to adjust records in the light of above explanations.

Those which are currently available but off the record

With the regulation, taxpayers can declare “commodities, machinery, equipment and fixtures”, which are not recognized on their legal books, to tax office for which they are VAT taxpayer until 31.8.2021^(*). Sales fee to be recognized on legal books shall not be less than their book value upon their sales and if it is lower, profit shall be determined according to book value.

Declaration shall be made based on “market values” which shall be determined by taxpayers or related professional organizations. 50% of VAT rate applicable for assets recognized accordingly based on their “market values”; and 4% of VAT rate for “printed

books and periodicals” whose deliveries are subject to VAT exemption shall be calculated and declared as reverse charge on hard copy or soft copy until 31.8.2021^(*). Calculated VAT shall be paid in this period as well.

Those subject to balance sheet basis should open separate provision accounts in the liabilities of the balance sheet for assets which are recognized. If the provision for commodities are paid to shareholders or if the enterprise is liquidated, it shall not be taxed through being deemed as an item of the capital. However, provision for “machinery, equipment and fixtures” shall be deemed as “accumulated depreciation”.

Those which are not available in the enterprise but recognized on legal books

Taxpayers shall ensure demonstration of actual position of their records through issuing invoices for commodities, machinery, equipment and fixtures, which are not physically available in the enterprise but recognized on its legal books, until 31.8.2021^(*) and fulfilling all types of related obligations. First installment of VAT to be paid due to above transactions shall be paid within the declaration period while other installments shall be paid in 2nd and 4th months following the declaration submission period.

() Application, notification and declaration periods, expiring on 31.8.2021, have been extended for one month according to Presidency Decree numbered 4420.*

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