

Latest tax regulations and their impact on 2021

The most hotly-debated topic of the Law no.7256, published last month was the restructuring of public debts (SSI, penalties, etc.), particularly the specified tax debts of taxpayers. As a matter of fact, it continues to be at the top of the agenda as the application period is still ongoing.

Of course, this law did not only contain restructuring. It brings many amendments to the tax laws, also. In this article, we will focus on some of the essential regulations of Law no.7256, other than debt restructuring and asset peace.

Accommodation tax postponed

The overnight service provided in accommodation facilities such as hotels, motels, holiday villages, pensions, apart hotels, guesthouses, camping, chalets, housing at highlands and all other services offered within the accommodation facility by being sold with this service (food, drink, activity, entertainment services and the use of pool, sports, thermal and similar areas) are subject to accommodation tax.

This tax was postponed to 2021 due to the pandemic without being implemented. This time it is postponed once again through the law no.7256. If there is no change, implementation will start as of the beginning of 2022.

Temporary article 67 extended

Temporary Article 67 of the Income Tax Law is the provision regulating the taxation of securities income through withholding. It's applied since 2006. Although it was extended several times before, the implementation period was ending at the close of this year. The implementation period of the Article has been extended until the end of 2025 through the law no.7256. The Law also authorizes the President to extend this period up to five years.

Deduction on forex transactions

Income from leveraged trading (forex) transactions carried out through banks and brokerage houses have been included in the scope of temporary Article 67 for taxation through deduction at source. However, this withholding implementation will be valid for the income acquired as of 1 January 2021.

Impact of other exemptions on taxes deducted

With this regulation, in cases where there is no exception or exemption provision that includes the taxes withheld explicitly in other laws, it has been added to the text of the Article that withholding will be applied to these incomes within the scope of the temporary Article 67.

Companies buying their own shares

Through the regulation made, it is imposed that the buyback of their own shares by fully liable capital companies will be considered as distributed dividends under certain conditions and to apply a 15% withholding tax on the amounts calculated according to the following principles. In the Law's preamble, it is stated that in this way, fully taxpayer capital companies are prevented from distributing their profits without tax by acquiring their own shares and a tax security institution has been established for the tax to be collected through withholding regardless of whether the company profits are distributed or not.

Companies with shares offered to the public initially

Pursuant to the law, the corporate tax rate will be applied with a 2 points reduction to the income of companies with shares offered to the public at a rate of at least 20% to be traded for the first time on the Borsa Istanbul Equity Market. However, this reduced rate will be valid for the earnings of 5 accounting periods, starting from the accounting period in which the shares were offered to public initially.

On the other hand, the concerning rate reduction is not applicable to banks, leasing companies, factoring companies, financing companies, payment and electronic money institutions, authorized foreign exchange offices, asset management companies, capital market institutions, insurance and reinsurance companies and pension companies.

This regulation will be applied to income acquired from 1 January 2021. For taxpayers subject to a special accounting period, it will be applied from the beginning of the special accounting period starting within the 2021 calendar year.

Computer donations to the Ministry of National Education

In accordance with a temporary article in the VAT law, free deliveries of computers and hardware to the Ministry of National Education and related software delivery and services are exempt from VAT until the end of 2020. The delivery and execution of these goods and services to those who will donate are likewise considered as an exception. Period of this exemption has been extended until the end of 2023 through the Law no.7256.

Period extension in reduced withholding on interest

Tax (withholding) rates on the interest paid on Turkish lira deposits and the profit share paid to participation accounts by participation banks were lowered until the end of the year. Through the Presidential Decision dated 23 December, the period of these reductions have been extended until 31 May 2021.

Reduced withholding rate on rentals

Tax (withholding) rates on real estate rents from real persons, associations or foundations were reduced from 20 percent to 10 percent until the end of the year. Period of this rate reduction has been extended until 31 May 2021 with the Presidential Decision dated 23 December.

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