

Taxation of income, gained from securities during 2020

Taxation principles of income and profits gained by resident individuals from securities, issued or acquired after 2006, during 2020 are as follows.

I. Taxation of Income gained on the basis of securities

A. Income gained from sales of shares

Income gained from sales of securities investment fund shares, traded on Istanbul Stock Exchange (BIST), are subject to 10% of withholding (no withholding is applicable for those held more than 1 year). Withholding rate for income obtained from sales of other shares traded on BIST is determined as 0%. Such income is not declared since withholding is deemed as final tax.

Trading (buying and selling) income which is not gained through banks and intermediary institutions (e.g. shares not listed on stock exchange) is declared according to general provisions of Income Tax Law.

Income gained from disposal of foreign shares in 2020 is not subject to withholding. Trading income gained in 2020 from such securities is required to be calculated on the basis of Turkish Lira. Indexing method can be used in case the inflation difference (Domestic PPI) is over 10% between buying and selling dates during the calculation of income. Complete amount of such income, calculated accordingly, is required to be declared through income tax return.

B. Stock dividends (Dividend income)

Withholding is required to be made during distributing profit share (dividend) to individual shareholders by resident taxpayer entities. Such withholding rate is applied as 0% in terms of dividend income obtained from shares of securities investment partnership (mutual fund), real estate investment trust and venture-capital trust while as 15% in terms of dividend income obtained from other shares.

50% of gross dividend income obtained from sales of shares during 2020 is exempted from income tax. The remaining amount upon deduction of exemption is compared with the declaration threshold of TL 49.000. If it is less than TL 49.000, it is not required to be declared. If it is exceeding such threshold, whole amount remaining after exemption should be declared. Whole taxes levied by the entity (15% or 0%) making dividend payments can be deducted from the tax calculated based on declared dividend income.

Declaration threshold in terms of dividend income obtained from sales of foreign shares during 2020 is applied as TL 2.600. If the related amount is less than such threshold, such income is not declared. If an income exceeding such threshold is obtained, whole income should be declared.

C. Income from Government Bonds and Treasury Bonds

Interest income and trading profits obtained by individual investors from Government Bonds and Treasury Bonds are subject to 10% of withholding. On the other hand, such withholding is applied as 0(zero)% in terms of interest income obtained from gold-based government debt security.

Such income is not declared since withholding is deemed as final tax in terms of individual investors whether withholding rate is 10% or 0%.

D. Income from Eurobonds

Coupon interest income obtained from Eurobonds is translated to Turkish Lira based on exchange buying rate of Central Bank of Turkey on collection date of such coupon regardless of its issuance date. Capital exchange differences of Eurobonds are not deemed as income. If interest income obtained from such securities exceeds TL 49.000 complete amount should be declared.

The income obtained from disposal of Eurobonds issued after January 1, 2006 in 2020 should be calculated through deducting TL equivalent of foreign exchange amount paid for buying these Eurobonds from the TL equivalent of foreign exchange amount received in return for purchasing such bonds. Cost indexing method can be used during such calculation. However, domestic PP difference should exceed 10% in order to utilize this method.

There is no exemption in terms of income calculated as above and it is required to be declared regardless of income amount.

E. Repo income

A withholding of 15% is required to be made based on repo income obtained by resident taxpayer individuals in 2020. Such income is not declared since this withholding is deemed as final tax in terms of individual investors.

F. Interest on deposits

Withholding rate applicable for foreign exchange deposit accounts are as follows.

	Withholding rates
For drawing and call account and accounts having a maturity up to 1 year (including 1 year)	%20
For accounts having a maturity more than 1 year	%18

Interest paid for deposit accounts opened or whose maturity is renewed between September 30, 2020 and March 31, 2020 (including this date) are subject to withholding at following rate.

	Withholding rates
For drawing and call account and accounts having a maturity up to 6 months (including 6 month)	%5
For time deposit accounts up to 1 year (including 1 year)	%3
For accounts having a maturity more than 1 year	%0

A withholding of 15%, 12% and 10% shall be applied respectively in terms interests paid to accounts opened or whose maturity is renewed as of the day following the date on which the above 6 months period ends.

On the other hand, withholding rate with respect to time deposit interests, having a maturity more than one year and for which variable interest rate is applied based on inflation rate, is determined as 0 (zero)%.

It is not a matter of question for individual investors to declare separately the deposit interests which are taxed through withholding.

Interest income obtained from foreign exchange or TL deposit accounts opened in foreign banks or foreign branches of Banks in Turkey is not subject to withholding. A declaration threshold of TL 2.600 is applied in terms of such income obtained in 2020. Interest income shall not be declared in terms of amounts less than such threshold. If there is an income exceeding such threshold, whole income should be declared.

G. Income from participation documents of mutual funds

Income, obtained from sales of participation documents of investment funds of which their portfolio consists of shares continuously traded on BIST at least at a rate of 51, upon being held by resident individuals for more than one year, is excluded from withholding application.

Withholding rate to be applied based on income obtained from participation documents of funds having intense shares of which at least 80% of their fund total value consists of shares trades on BIST (except for mutual funds) is established as 0(zero)%.

On the other hand, a 0% withholding rate shall be applicable in terms of income obtained from investments funds (except for variable, mixed, Eurobond, external borrowing, foreign, hedge funds and investment funds having foreign currency statement on their title) acquired between December 23, 2020 and March 31, 2021.

Income obtained in 2020 by the resident taxpayer individuals from mutual fund participation documents except for abovementioned funds are subject to 10% withholding.

Since withholding is final tax, no additional declaration is required to be made in terms of such income.

II. Income tax rate, declaration and payment periods

A. Income tax rate

Income tax in declarations to be submitted in March 2021 shall be calculated according to tariff below due to income (securities income, rental income, commercial profit, self-employment etc.) except for wages in 2020:

Income Bracket	Tax Rate
Up to TL 22.000	%15
TL 3.300 for TL 22.000 of TL 49.000, more	%20
TL 8.799 for TL 49.000 of TL 120.000, more	%27
TL 27.879 for TL 120.000 of TL 600.000, more	%35
TL 195.870 for TL 600.000 of more than TL 600.000, more	%40

B. Declaration period

Individuals are obliged to declare income gained from securities through annual income tax declaration until the end of march of following year.

Accordingly, income gained during 2020, is required to be declared until the end of Wednesday, March 31, 2020 starting from March 1, 2021.

C. Payment period of tax

Income tax calculated based on declared income with respect to 2020 should be paid according to following dates:

- The first instalment: Until March 31, 2021, Wednesday
- Second instalment: Until August 2, 2021 Monday (since July 31 is weekend).

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