

Circular

9 June 2021

Circular No: 50

Subject: Regulations of Law numbered 7326 regarding restructuring of tax receivables related to “Adjustment of Legal Books of Entities”.

Law numbered 7326 has been published on Official Gazette dated June 9, 2021. Our explanations regarding provisions of the Law in question related to adjustment of legal books of entities (article 6) are called to your attention below:

Income and corporate tax taxpayers can recognize commodities, machinery, equipment and fixture, not included on their books, as available at their entities based on their market value through notifying tax office accompanied with an inventory list. Taxpayers intending to benefit from such practice are required to carry out their transactions until August 31, 2021.

A reverse charge VAT, calculated based on half of rates applicable on declared prices of machinery, equipment, fixtures and commodities, should be paid within the declaration submission period. This tax shall be paid within declaration submission period through being declared as reverse charge with a separate declaration.

- Income and corporate tax taxpayers may include on their books and declarations the **commodities, machinery, equipment and fixtures included on their books but not available at their entities** through issuing invoices and fulfilling all types of tax obligations based on gross profit rate determined according to current year records regarding commodities of identical type.

Such transactions are required to be carried out until August 31, 2021.

VAT payable in the above framework is paid in three equal installments. First installment is paid within the declaration submission period while following two installments are paid in second and fourth month following the declaration submission period.

Corporate taxpayers keeping legal books on balance sheet basis, may adjust their records in terms of **cash balance, included on their balance sheet issued as of December 31, 2020 and not available at their entities**, through declaring to the tax office the **net receivable amounts** between receivables/payables from/to shareholders due to their transactions out of their main field of activity (arising of lending and similar reasons) their transactions included in other accounts related to aforementioned transactions.

Transactions regarding declaration to tax office and adjustment of records are required to be made until August 31, 2021.

Tax calculated on 3% rate based on declared amounts shall be paid within declaration submission period.

The above provisions has entered into force as of **the publication date of the Law (June 9, 2021)**.



Our explanations provided above include general information on the issue. No responsibility can be claimed against EY and Kuzey YMM ve Bağımsız Denetim A.Ş. due to the implications arising from the context of this document or emerging with respect to its context.

Best Regards,

KUZEY YMM VE BAĞIMSIZ DENETİM A.Ş.