

Circular

26 October 2021

Circular No: 94

Subject: Regulations Law numbered 7338, including amendments on Income and Corporate Tax.

Amendments made in Income and Corporate Tax Laws through the Law numbered 7338 published on Official Gazette dated October 26, 2021 are summarized below:

- The Law in question was including provisions regarding drawing submission of income and corporate tax returns and installment periods of income tax one month prior when it was presented to Speaker's Office of Grand National Assembly of Turkey. Such regulations were omitted during the discussions made in General Assembly. Therefore, no amendments have been made through this Law regarding the submission and payment terms of income and corporate tax.
- Income of taxpayers subject to simple entry is exempted from income tax.
- Income gained from social content producing and software development for mobile devices are exempted from income tax. In order to benefit from such exemption, it is required to open an account in banks established in Turkey and all the revenue related to such activities should be collected only through this account. 15% of withholding shall be applied by banks based on revenue transferred to accounts in question. Those whose income exceeds the amount in 4th income section of tariff cannot benefit from such exemption. In addition, deliveries and services including income obtained from such activities have been covered in scope of VAT exemption.
- Agricultural support payments made to farmers by public institutions and organizations are exempted from income tax. Such amounts shall not be declared and no withholding shall be applied accordingly. According to provision added through a resolution in General Assembly, taxes levied on agricultural support payments made before October 26, 2021 shall be refunded based on requirements mentioned in Law with respect to applications of farmers.
- Fourth of the advance tax returns filed by corporate taxpayers and income taxpayers, commercial profit holders (except those taxed in the simple entry) and self-employed persons has been abolished.
- One of the conditions to benefit from tax deductions for tax-compliant taxpayers is that there is no supplementary, ex officio or administrative assessment in terms of tax types subject to declaration within the last two years. Assessments made are depending upon finalization condition according to the Law.
- In the discount application regarding the cash capital increase, the discount rate will be applied as 75% instead of 50% for the portion of the capital increase covered by cash brought from abroad.

- In the reduced corporate tax application, 10% of the amount determined by the application of the investment contribution rate to the investment expenditure on the basis of the investment incentive certificate is allowed to be withdrawn from other accrued tax debts excluding SCT and VAT. In this context, it is required to make a request until the end of 2nd month following the month in which corporate tax return should be submitted.

Effective dates of regulations in question are called to your attention under related sections of our circular.

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.