

## Circular

14 January 2022

Circular No: 10

**Subject: Bill of Law, including corporate tax exemption for income earned from foreign-exchange indexed deposit accounts and postponement for inflation adjustment, has been presented to Speaker's Office of Grand National Assembly of Turkey.**

“Bill of Law regarding Making Amendments on Corporate Law” has been submitted to Speaker's Office of Grand National Assembly of Turkey on January 13, 2022.

In accordance with article 1 of above Bill of Law, financial statements shall not be subject to inflation adjustment regardless of whether requirements for inflation adjustment have occurred or not in 2021 and 2022 accounting periods including advance tax periods (as of accounting periods ending in 2022 and 2023 for those assigned a special accounting period) and advance tax period of 2023 accounting period. On the other hand, financial statements dated 31/12/2023 shall be subject to inflation adjustment regardless whether requirements for inflation adjustment have occurred or not.

In accordance with article 2 of above Bill of Law, the following income shall be exempted from corporate tax in case foreign currency (US Dollar, EUR, British Pound) included on balance sheet, dated 31/12/2021, of companies are translated into Turkish Lira until the submission date of 4th advance tax return and such amounts are utilized under Turkish Lira deposit and participation account for at least 3 months:

- Portion of foreign exchange gains, arising from year-end valuation of such foreign currencies, which are corresponding to period between 01/10/2021 and 31/12/2021,
- Foreign exchange gain which shall emerge between the translation date of such foreign currencies to Turkish Lira until the submission date of 4th advance tax return of 2021 and interest and dividends and other income including year-end valuation of Turkish Lira deposit and participation accounts which shall be earned at the end of maturity.

Article 2 of above Bill of Law also covers regulations regarding exemption implementation in scope of foreign currency and gold accounts translated into Turkish Lira in 2022.

The above provisions shall enter into force on the date of publication if the Bill of Law enters into force identically.

*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.