

Circular

24 June 2022

Circular No: 60

Subject: The Bill of Law, including the establishment of the Istanbul Financial Center (IFC) and tax reductions and exemptions regarding the activities in this center, has entered into force through being approved at Grand National Assembly of Republic of Turkey (TGNA).

The Istanbul Financial Center Law has entered into force on June 22, 2022 through being approved at General Assembly of TGNA. Our explanations regarding the tax exemptions regulations of the Law are called to your attention below:

The following shall be applied in terms of activities and transactions which are in nature of financial service export and made by financial institutions having participant certificate at IFC:

- a) 75% of the income obtained within the scope of the activities will be deducted from the corporate income in the determination of the corporate tax base, provided that it is separately shown on the corporate tax return. According to the Provisional Article 1, this rate will be applied as 100% for the corporate income of the entities for the taxation periods of 2022 to 2031.
- b) Transactions and money received in favor of these transactions will be exempt from banking and insurance transactions tax.
- c) Transactions related to activities will be exempt from all kinds of fees, and papers issued regarding these transactions will be exempt from stamp tax. Financial activity fees, which are required to be collected in accordance with the Fees Law No. 492, from the headquarters and branches of the financial institutions that have obtained the participation certificate in accordance with the Provisional Article 1, shall not be collected for 5 years from the effective date of this Law.

The gross value of the monthly wage paid to the personnel employed by the financial institutions that have received the participant certificate at IFC; 60% of those who have at least five years of professional experience abroad and 80% of those who have at least ten years of professional experience abroad will be exempt from income tax. This exemption will be applied to the wage income of the personnel who have not worked in Turkey in the last three years before starting to work at IFC.

Transactions regarding the leasing of immovables in IFC will be exempt from all kinds of fees and the documents issued regarding these transactions will be exempt from stamp tax.

The above exemption provisions will also apply to the regional treasury and financial management centers of the participants who are active in at least three countries.

The Law will enter into force on the date of publication in the Official Gazette.

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.