

Circular

4 July 2022

Circular No: 73

Subject: Regulations of the Law No. 7417, including the application of discount in cash capital increase and changes in the effective date of the Corporate tax ratio of financial institutions.

The amendments made to the Corporate Tax Law with the Law No. 7417 adopted in the General Assembly of the Parliament on July 1, 2022 are as follows:

- In subparagraph (1) of the first paragraph of Article 10 of the Corporate Tax Law titled "Other discounts", it is stated that this discount can be benefited separately for each subsequent period, starting from the accounting period in which the decision regarding the cash capital increase or the articles of association was registered at the initial establishment stage.

With the article 49 of the Law No. 7417, the duration of benefiting from the discount application is limited to 5 years. Accordingly, the said reduction will be used separately for the accounting period in which the decision regarding the capital increase or the articles of association was registered at the initial establishment stage, and for the four accounting periods following this period.

In cash capital increases made before the publication date of the Law, this discount will be applied for 5 accounting periods, including the 2022 accounting period.

- The corporate tax rate was increased to 25% for banks according to Law numbered 7394 and companies, electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies and pension companies within the scope of Financial Leasing, Factoring, Financing and Saving Financing Companies Law. The regulation on the 2023 taxation period corporate income in the effective article of this provision has been amended by Law No. 7417 as it will be applied to the corporate earnings of 2023 and the following taxation periods.

- Pursuant to sub-paragraph 4 of subparagraph (d) of paragraph 1 of Article 5 of the Corporate Tax Law, the earnings of real estate investment funds or partnerships are exempt from corporate tax. With the Law No. 7394, the provision in parentheses in this subparagraph was added that the earnings of infrastructure real estate investment trusts cannot benefit from the said exception.

The regulation on the 2023 taxation period corporate income in the effective article of this provision has been amended by Law No. 7417 as it will be applied to the corporate earnings of 2023 and the following taxation periods.

Regulation above shall enter into force on the publication date of related Law.

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 Bağımsız Denetim A.Ş.