

Circular

7 November 2022

Circular No: 101

Subject: Regulations Law numbered 7420, including amendments on Income and Corporate Tax.

The amendments made to the Income and Corporate Tax Laws with the Law No. 7420 adopted at General Assembly of the Parliament on November 3, 2022 are summarized as follows:

- The phrase "up to 25 kW (including 25 kW)" in the exemption provision for electricity generation facilities based on renewable energy sources established in households has been amended as "up to 50 kW (including 50 kW)". (Effective Date: Publication date.)
- In cases where food is not served to the personnel at the workplace or its premises, the requirement of paying the meal fee to the taxpayers who provide the food delivery service has been abolished. Thus, the income tax exemption can be benefited if the meal costs that do not exceed 51 TL are deposited into the bank account of the personnel. (Effective Date: At the beginning of the month following the publication of the Law).
- Wage payments made to the employees working in the construction, repair, installation works and technical services abroad, which are paid by the employer's foreign income in return for their actual work abroad, are exempt from income tax and indirectly from stamp tax. (Effective Date: At the beginning of the month following the publication of the Law).
- The discount application for individual participation investors (angel investors), which will expire on 31 December 2022, has been extended until 31 December 2027. In addition, the maximum discount amount that can be benefited from TRY 1,000,000 has been increased to TRY 2,500,000. (Effective Date: at the date of publication, to be applied to income and earnings from 1 January 2023.)
- Monthly payments not exceeding TRY 1,000 made by the employers to the employees in addition to their current wages, in return for electricity, natural gas and other heating expenses, are exempt from income tax. However, such exemption shall be applicable for the payments made between the publication date of the Law and June 30, 2023. (Effective Date: Publication date.)
- Article 32/B titled "Taxation in capital reduction" has been added to the Corporate Tax Law. In case the equity items added to the capital by the institutions are subject to capital reduction within five full years from the date of addition to the capital; first of all, it will be accepted that the capital elements that need to be taxed are distributed.

In case of a capital reduction after the expiration of 5 full years, the capital elements within the amount subject to the reduction will be determined by proportioning the cash or in-kind capital and other elements added to the total capital. (Effective Date: Publication date.)

- Within the scope of supporting the conversion of foreign currencies and gold account balances into Turkish lira deposit and participation accounts, the deadline for conversion to Turkish lira at the conversion rate/price has been amended to 31.12.2023. (Effective Date: Publication date.)

(Note: Law numbered 7420 has been published on Official Gazette dated November 9, 2022).

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.