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Turkey publishes Communiqué regarding one-point corporation tax rate reduction on certain income generated from manufacturing and exportation

Turkish Law No. 7351, published in the *Official Gazette* dated 22 January 2022, set forth a one-point decrease in the corporation tax rate on specified income. For details, see EY Global Tax Alert, [Turkey reduces its corporation tax rate by one point for certain corporations on specified income](#), dated 1 February 2022.

On 14 May 2022, “The Communiqué Amending the Corporation Tax General Communiqué” (the Communiqué), which introduces clarifications and further details on the one-point reduction in the corporation tax rate on income generated from manufacturing and exportation activities, was published in the *Official Gazette* and entered into force on the date of publication.

Highlights from the explanations in the Communiqué are:

- Corporate taxpayers will be able to apply the one-point reduced corporation tax rate to their earnings from both export and manufacturing activities.
- The earnings of the corporations that perform exportation exclusively from the export activities, and the earnings of the corporations that have an industrial registry certificate and actually perform manufacturing activities will be subject to the one-point reduced corporation tax rate.
- It will be sufficient for the export trading companies to engage in export activities in order to apply the one-point reduction to the corporation tax rate, limited to their earnings from exportation. However, in order for manufacturing companies to apply the one-point reduced corporation tax rate, they are required to meet both conditions at the same time; (i) to have an industrial registry certificate; and (ii) to actually engage in manufacturing activities.
- Corporate taxpayers who use the calendar year as the accounting period will be able to benefit from this application for their earnings from manufacturing and export activities as of 1 January 2022, provided that they meet the conditions specified in the Communiqué. Corporate taxpayers who have been assigned a

special accounting period by the Ministry of Treasury and Finance, will be able to apply the one-point reduction to their earnings from the beginning of the special accounting period starting in the 2022 calendar year.

- If there are earnings other than exportation, the tax base to apply corporation tax at the one-point reduction rate will be determined by proportioning the earnings from exportation to the commercial balance sheet profit.
- If the corporation tax exemption is applied to the income of the corporate taxpayers from manufacturing and export activities, the corporation tax rate will not be applied with a one-point reduction for the manufacturing and export earnings subject to the exemption.
- In the event that profits are derived by engaging in manufacturing and export activities in corporations that are offered to the public for the first time, after a two-point reduction is calculated for all bases of these corporations, an additional point reduction will be applied for the earnings they obtained from manufacturing and export activities.
- If the activities within the scope of the reduction and the activities not included in this scope are carried out together, it is essential to determine separately the revenue, expense and cost elements related to the income to which the reduction will be applied.
- F/X differences, interest and similar earnings corresponding to the receivables arising within the scope of both manufacturing and export activities will be evaluated within the scope of corporate income to which the one-point reduction will be applied. However, F/X differences, interest and similar earnings occurring after the collection of such receivables will not be able to benefit from the reduction.

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