Kuzey YMM ve Bağımsız
Denetim A.Ş.
Eski Büyükdere Cad.
Orjin Maslak No:27
Maslak, Sarıyer 34398
İstanbul - Turkey

Tel: +90 212 315 3000
Fax: +90 212 234 1067
ey.com
Ticaret Sicil No : 479919
Mersis No: 0-6010-2772-0400010

# A new era for bilateral agreements

As the existing double tax treaties are not adequate to prevent tax related problems arising from legislative gaps resulted from today's globalizing and digitalizing world, the BEPS Action Plan with 15 components has been developed by the OECD and the "Multilateral Agreement (MLI)" has been put into effect for the implementation of the reforms created by the BEPS to the existing bilateral agreements. The Agreement has been signed by 99 countries currently, and it is expected that more countries will sign the Agreement in the following periods.

The MLI is expected to modify the implementation of approximately 3000 bilateral tax treaties in order to eliminate double taxation. In order to apply the provisions of the Agreement for a specific double tax treaty, related countries should add the regarding bilateral agreement to their list. It also requires the implementation of agreed minimum standards to eliminate treaty abuse and to improve dispute resolution, while it provides flexibility to the countries regarding the optional standards.

The Agreement was also signed by Turkey and it will bring about significant changes to the existing bilateral agreements to which Turkey is a party. Considering Turkey's approach to the Agreement, significant changes to be brought by the MLI can be summarized as principal purpose test to be used to determine the main purpose of a transaction, taxation of capital gains, elimination of double taxation by including several options.

Although the MLI covers some of the BEPS Actions, it does not include any provisions related to BEPS Action Plan no.1 which is developed to overcome tax related issues arising from digitalization. OECD has developed a separate work in relation to such issues, but they should also be included within the MLI structure for the implementation. However, currently it is a gray area whether the additional work of OECD will be included in the MLI or not.