

“Cash Repatriation” with taxation

When we examine the last decade, we observe that cash repatriation regulations are made at intervals of 2 or 3 years, sometimes even every year. Although there seems to be one or a few years between such regulations, it would not be inaccurate to state that with the time extensions, the cash repatriation has become an almost continuous practice. As a matter of fact, the implementation period of the regulation in 2020 had just ended (on 30 June) after various extensions.

Nowadays, cash repatriation has come to the fore again. An article (article 50) in the law numbered 7417 regulates this practice. The law was promulgated on July 5 and entered into force as of the same date.

Declaration of Overseas assets

Overseas money, gold, foreign currency, securities and other capital market instruments are covered by this law. Such assets can be declared to banks and intermediary institutions in Turkey. All individuals and legal entities can benefit from provision of this law whether they are taxpayers or not. Related declaration should be made until March 31, 2023.

Loan can be paid-off

The said assets located overseas can be used to pay off the loans used from banks or financial institutions abroad until 31 March 2023 at the latest. These closed loans must be recorded in the legal books as of July 5th.

Lower rate of taxation for early declarations

Banks and intermediary institutions are required to collect the following

Tax rates in advance from the declarer based on value of assets declared:

- 1% for declarations made until September 30, 2022,
- 2% for declarations made between October 1, 2022 and December 31, 2022 (including this date,

- 3% for declarations made until March 31, 2023. This tax is declared by banks and intermediary institutions until the evening of the 15th day of the month following the declaration to the their respective tax offices and is paid within the same period.

Advantage of holding such assets more than one year

If the declared assets are transferred to accounts opened in banks or intermediary institutions in Turkey or are kept for at least one year from the date they are brought from abroad and deposited in these accounts, the tax rate is applied as 0%. In this case, tax paid to tax office through being collected during such declaration by the bank or intermediary institution is refunded upon the application made to the tax office by the declarer.

Domestic Assets

Provision regarding domestic assets only includes the adjustment of records. Therefore, only income and corporate taxpayers may benefit from such regulation.

In this framework; Income and corporate taxpayers will be able to declare their money, gold, foreign currency, securities and other capital market instruments and immovables in Turkey, which are not included in the legal book records, to the tax offices until March 31, 2023 and benefit from provisions of this Law.

3% of tax is levied by the tax office based on values of above assets declared. This tax is required to be paid until the end of the month following the month in which tax assessment is made.

Recognition of taxes paid as expense

It is not possible to recognize taxes paid due to declaration of overseas assets or domestic assets as expense and deduct such taxes from other taxes.

Withdrawal from the entity

Notified or declared assets are not taken into account for the determination of profit of the period. Assets can be withdrawn from the enterprise without being taken into account in the determination of taxable income and distributable income for corporations, provided that two years have passed from the date of notification or declaration.

No tax inspection

It is mentioned in the law that no tax inspection shall be made due to assets notified and declared in this scope. However, in order to benefit from above provision;

- Tax assessed regarding notified or declared amounts should be paid in due time and
- Overseas assets should be brought to Turkey within 3 months as of the date of the declaration or transferred to an account which shall be opened in banks or intermediary institutions in Turkey by the declarer.

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