

## Tax regulations at the Grand National Assembly of Turkey

Two bill of law including tax regulations were submitted to the Speaker's Office of the Grand National Assembly of Turkey on October 7 and October 20 respectively.

In this article, we will focus on certain regulations regarding income and corporate taxes and tax procedure of the aforementioned bill of law based on the versions accepted by the Commission. However, we would like to remind you that these bills of law can only be implemented after they are approved both by the General Assembly of the Parliament and the President and published in the Official Gazette afterwards.

- In cases where food is not served to the personnel at the workplace or its premises, it is foreseen that the condition of paying the meal fee to the taxpayers who provide the food delivery service will be abolished. Thus, the income tax exemption can be benefited if the meal costs that do not exceed the determined amount (51 TL as of 1 July 2022) are deposited into the bank account of the personnel. (Effective Date: Beginning of the month following its publication.)

- It is foreseen that the 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, will be exempt from income tax and indirectly from stamp tax. (Effective Date: Beginning of the month following its publication.)

- It is foreseen that the 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, this exemption will be valid for payments made between the date the Bill of Law is enacted and published in the Official Gazette and the date of 30 June 2023. (Effective Date: Publication date.)

- The discount application for individual participation investors (angel investors), which will expire on 31 December 2022, is expected to be extended until 31 December 2027. In addition, the maximum discount amount that can be benefited from TRY 1,000,000 is increased to TRY 2,500,000. (Effective Date: at the date of publication, to be applied to income and earnings from 1 January 2023.)

- 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 is amended as "up to 50 kW (including 50 kW)". (Effective Date: Publication date.)

- It is foreseen that article 32/B titled "Taxation in capital reduction" will be 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, it is foreseen that the

deadline for conversion to Turkish lira at the conversion rate/price will be changed to 31.12.2023. (Effective Date: Publication date.)

- The Ministry of Treasury and Finance is authorized to impose a guarantee obligation on taxpayers engaged in the "motor vehicle trade" defined in the Special Consumption Tax Law. A guarantee at an amount of up to TRY 30 million can be received from such taxpayers. (Effective Date: Publication date.)

50% of income, obtained exclusively from sales of goods, purchased from overseas exclusively in scope of this activity, at overseas again without transferring the goods in question to Turkey or acting as an intermediary for such trading of goods at overseas, of the entities carrying out their activities at Istanbul Finance Center through receiving participation certificate according to provisions of Istanbul Finance Center Law, shall be deductible from corporate tax base.

In order to be able to benefit from such deduction, the abovementioned income should be transferred to Turkey until the submission date of corporate tax declaration. (Effective Date: Publication date.)

*This is the summary of the article published in the Economist magazine's issue 2022/22, dated 30.10.2022.*

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