

## Depreciation practices during transition to special accounting period

According to tax legislation, although the principle of taxation on a calendar year basis is accepted, in terms of income and corporate tax, taxpayers have the opportunity to request taxation according to the special accounting period in exceptional cases.

In such a case, depreciation practices are significant for the pro-rata accounting period from the first day of the year to the starting date of the special accounting period and the special accounting periods.

In the Serial No. 245 General Communiqué on Tax Procedure Law, it is explained that pro-rata depreciation can be allocated during the transition to the special accounting period or in the pro-rata accounting periods that occur during the conversion from the special accounting period to the calendar year basis.

In the advance rulings given by the administration, it is stated that these pro-rata accounting periods for which depreciation is allocated should be taken into account as a separate year in the calculation of the amortization period. It additionally dictates that the residual value corresponding to the period without depreciation in the accounting periods for which pro-rata depreciation is allocated should be amortized in the last year of the amortization period.

Since the pro-rata accounting period is considered a separate year, in the calculation of the economic life of the economic asset, full-year depreciation is required for the economic assets that will be amortized in the year to which the pro-rata accounting period belongs.

In the event that pro-rata depreciation is allocated for the economic assets that will be redeemed in the mentioned period, it will not be possible to amortize in the first special accounting period and the following periods since the depreciation of each year of the non-amortized balance can only be taken into account in the valuation of that year.

In accounting periods shorter than one year, the pro-rata depreciation application and the remaining value corresponding to the period without depreciation should be amortized in the last year of the economic life of the economic asset.

It would be beneficial for taxpayers to take into account the opinions based on the advance ruling given by the administration in order not to face any criticism in terms of the depreciation amounts allocated.

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