

Circular

15 February 2023

Circular No: 30

Subject: Withholding tax rate applied over the amounts considered as distributed dividends regarding their own shares and partnership shares acquired by capital companies is reduced to 0%.

According to Presidential Decree numbered 6791, published on repeating Official Gazette dated February 14, 2023, withholding tax rate applied over the amounts considered as distributed dividends regarding their own shares and partnership shares acquired by Turkish resident capital companies is reduced to 0% from 15%.

The Decree has entered into force on its publication date (February 14, 2023).

As you may recall, according to article 17 of the Law numbered 7256 (OG: 17.11.2020), a new paragraph has been added to article 94 "Tax Withholding" of Income Tax Law. According to regulation, in case own shares or partnership shares acquired by Turkish resident capital companies:

- are redeemed by reducing the capital,
- are disposed at a price below the acquisition price,
- are not disposed of or redeemed by reducing the capital within two years from the date of acquisition,

such shares are deemed as distributed dividend as of the dates mentioned in the article and a tax withholding at the rate of 15% was required be made on respective amounts.

On the other hand, withholding rates to be made on income and revenues mentioned under article 94 of Income Tax Law are listed in 17 clauses under paragraph 1 of article 1 of Cabinet Decree numbered 2009/14592.

According to Presidential Decree numbered 6791 published on repeating Official Gazette dated February 14, 2023, paragraph numbered 2 has been added to article 1 of Decree numbered 2009/14592.

In this framework, 0% withholding tax rate shall be applied over the amounts considered as distributed dividends regarding their own shares and partnership shares acquired by Turkish resident capital companies.

The Decree has entered into force on February 14, 2023.

Our explanations provided above include general information on the issue. No responsibility can be claimed against EY and Kuzey YMM ve Bağımsız Denetim A.Ş. due to the implications arising from the context of this document or emerging with respect to its context.

Best Regards,

KUZEY YMM VE BAĞIMSIZ DENETİM A.Ş.