

Circular

13 March 2023

Circular No: 41

Subject: Provisions of Law numbered 7440 regarding “Restructuring of Tax Receivables” and “Transactions under Inspection”.

Law numbered 7440 has been published on Official Gazette dated March 12, 2023. The following are our brief explanations on the provisions of the said Law, which came into force on the date of publication, regarding the structuring of tax receivables and the transactions that are in the inspection/assessment phase:

1. Finalized tax receivables

Accessory public receivables such as default interest and late fee of unpaid taxes with a due payment term or taxes which are not paid with an overdue payment terms as of March 12, 2023 (including this date) shall be renounced provided that the amount which shall be calculated based on domestic PPI monthly fluctuation rates until the publication date of this Law are fully paid.

2. Not finalized or in litigation tax receivables

Collection of 50% of taxes/custom taxes, interest, late fee, default interest and tax penalties/administrative fines levied based on original tax and default interest associated to such penalties shall be renounced provided that the amount which shall be calculated based on domestic PPI monthly fluctuation rates until the publication date of this Law is fully paid instead of interest, late fee and default interest regarding this amount and 50% of taxes/customs taxes.

3. Transactions in inspection and assessment phase

Tax inspection and evaluation, assessment and accrual processes which are commenced before March 12, 2023 of this Law but not yet completed shall continue. Upon the completion of above transactions, collection of remaining 50% of assessed tax, default interest applied to such taxes until the March 12, 2023 and whole of the penalties associated with tax principal shall be renounced if 50% of assessed taxes and the amount to be calculated based on domestic PPI monthly change rates and whole default interest which shall be calculated until the deadline of filing a lawsuit determined following the delivery date of notification are paid in 12 equal installments on a monthly basis for which first installment starting from the month following the delivery of notification through making a written application within thirty days as of the delivery date of such notification.

Except for the special application period in the 3rd article above, taxpayers who request the restructuring of their tax debts within the scope of the Law must apply until 31 May 2023 (31 October 2023 for debts to apartments in places where force majeure is declared).

Receivables restructured in scope of the Law can be paid in cash or with installments except for the special payment periods mentioned under article 3 above. If it is intended to be paid in installments, it is possible to pay in 48 equal monthly installments starting from 30 June 2023 (30 November 2023 for debts to apartments in places where force majeure has been declared).

If it is requested to pay in cash, it is required to pay complete amount of such liabilities within the payment period of first installment (until June 30, 2023). In this case, 90% of Domestic PPI difference is also renounced.

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.