

Circular

13 March 2023

Circular No: 42

Subject: Regulations of Law numbered 7440 regarding “Tax base and tax increase”.

Our explanations regarding the provisions of the Law No. 7440, published in the Official Gazette dated March 12, 2023, regarding the tax base and tax increase (Article 5), which entered into force on the date of publication, are presented to your attention below:

No tax inspection and assessment shall be made on their behalf in terms of years and taxes for which an increase is made provided that taxpayers pay the amounts calculated in case a tax base or tax increase is made for income and corporate tax, value added tax and income (withholding), corporate (withholding) tax.

1. Tax base increase in income and corporate tax

Income and corporate tax taxpayers may benefit from the regulation regarding tax base increase through increasing their tax bases, constituting basis on their respective declaration, at a rate of not less than 35%, 30%, 25%, 20% and 25% for 2018, 2019, 2020, 2021 and 2022 respectively.

20% of tax should be paid based on such increased tax bases. However, taxpayers which have declared their income and corporate tax returns in due time and paid such taxes in due time and have not benefited from such restructuring of tax liabilities shall pay taxes at a rate of 15%.

2. Tax increase in terms of Income (withholding) and corporate (withholding) tax

In the framework of article 94 of Income Tax Law and articles 15 and 30 of Corporate Tax Law, it is possible to increase taxes for the withholding tax to be calculated over wages, construction in progress payments, distributed **dividends**, rent and self-employment payments, and payments made to farmers and tradesmen who benefit from exemption.

3. Tax increase in terms of value added tax

VAT Taxpayers can declare the value added tax as tax increase as long as it is not less than 3% for 2019 and 2020, 2.5% for 2020 and 2% for 2021 and not less than 2% for 2022 based on the annual total VAT calculated on their respective declaration submitted for each taxation period.

- Taxpayers who want to request a tax base and tax increase within the scope of the law must submit their applications until May 31, 2023 (including this date) (October 31, 2023 in terms of apartments located at force majeure locations).

- If the calculated taxes are requested to be paid in advance, they must be paid in full until 30 June 2023 (30 November 2023 where force majeure is declared). It is also possible to pay these amounts in a maximum of 12 equal monthly installments.

- Stamp taxes amounting to TRY 1.000 for the declarations submitted due to tax base or tax increase will be paid in the first installment payment period.



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.