

Circular

13 March 2023

Circular No: 43

Subject: Regulations of Law numbered 7440 regarding “Correction of records of enterprise”.

Our explanations regarding the provisions of the Law No. 7440, published in the Official Gazette dated March 12, 2023, regarding the correction of records of enterprises (Article 6), which entered into force on the date of publication, are presented to your attention below:

- Income and corporate tax taxpayers can recognize commodities, machinery, equipment and fixture, not included on their books, as available at their entities based on their market value through notifying tax office accompanied with an inventory list. Taxpayers who want to benefit from this application must carry out the said transactions until May 31, 2023.

A reverse charge VAT, calculated based on half of rates applicable on declared prices of machinery, equipment, fixtures and commodities, should be paid within the declaration submission period. This tax shall be paid within declaration submission period through being declared as reverse charge with a separate declaration.

- Income and Corporate taxpayers may register and include commodities, machinery, equipment and **fixtures**, which are available on their records however not physically available at their workplaces, provided that they issue invoice and fulfill all tax liabilities through taking into account gross profit rate calculated according to current year records in terms of commodities and market values of machinery, equipment and fixtures determined by themselves or their associated professional institutions.

Such transactions should be carried out until May 31, 2023.

VAT payable in the above framework is paid in three equal installments. First installment is paid within the declaration submission period while following two installments are paid in first and second month following the declaration submission period.

- Corporate taxpayers keeping their books on balance sheet basis, may adjust their records in terms of cash balances, which are demonstrated on their balance sheets dated December 31, 2022, however not included physically at their workplaces and the net receivable amount between amounts which are considered as receivables from shareholders and due to their transactions out of their main field of activity (arising due to borrowing and similar reasons) and associated transactions under other accounts through making a declaration to tax offices.

It is necessary to make declarations and amendments of records to the tax office by May 31, 2023.

The tax calculated at the rate of 3% over the declared amounts will be paid within the period of submitting the declaration.

The above regulations have entered into force on the publication date of the Law (March 12, 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.