

Circular

17 April 2023

Circular No: 55

Subject: Communique regarding application of addition corporate tax introduced through Law numbered 7440 has been published.

With the Communique serial number 3 published in the Official Gazette dated April 15, 2023, the following explanations have been made regarding the implementation of the additional corporate tax introduced by the Law No. 7440.

- Additional tax must be paid by corporate taxpayers over the exemptions and deductions subject to deduction from corporate income and their tax bases subject to reduced corporate tax, by demonstrating them in the corporate tax return for the year 2022, without being associated with the period's income.
- Some of the exemptions and discounts are as follows: Participation earnings exemption, foreign participation earnings exemption, foreign participation share sales income exemption, emission premium exemption, real estate, participation shares and fund sales income exemption, foreign branch earnings, overseas construction, repair, assembly and technical services earnings exemption, industrial property rights sales income exemption, income earned in free zones exemption, software, engineering, education and health services income discount given abroad, interest discount arising from cash capital increase, R&D and design discount, within the scope of article 32/A of Corporate tax Law bases subject to reduced corporate tax...
- The rate of the additional tax is 10%. However, an additional tax of 5% will be calculated over the exemption for participation earnings, which is regulated in Article 5/1-a of the Corporate Tax Law, and the exemption for foreign participation earnings, which are certified to have a tax burden of at least 15%.
- The first installment of the tax shall be paid within the payment period of the corporate tax, and the second installment is paid in the fourth month following this period. As of February 6, 2023, those who have corporate tax liability in Adana, Adıyaman, Diyarbakır, Elazığ, Gaziantep, Hatay, Kahramanmaraş, Kilis, Malatya, Osmaniye and Şanlıurfa provinces and Gürün District of Sivas Province are exempt from additional tax.
- Although it is demonstrated in the "Other deductions" or "Other deductions and Exemptions" lines of the corporate tax return for the 2022 accounting period, it is not within the scope of discount or exception in nature, and no additional tax will be calculated over the amounts written in these lines of the tax return in order to calculate the tax base correctly (such as valuation differences, cancellation of severance pay and tax-compliant taxpayer discount).
- The amounts deducted from the tax base within the scope of double taxation agreements are not subject to additional tax.

- Additional tax will be calculated over the discounts, exemptions and reduced corporate tax bases in the corporate tax returns submitted for the accounting period ending in 2023 by the taxpayers assigned to the special accounting period.

-Calculated Additional tax cannot be considered as an expense and deduction and cannot be deducted from any tax including those paid overseas.

The communique has entered into force on its publication date (April 15, 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.