

Circular

15 July 2023

Circular No: 84

Subject: Law numbered 7456 generating additional Motor Vehicle Tax and including various amendments on tax legislation has been published.

The regulations containing amendments to the Tax legislation, of Law No. 7456 published in the Official Gazette dated July 15, 2023 are called to your attention below:

- Additional Motor Vehicle Tax is generated for vehicles subject to taxation according to tariffs numbered (I), (I/A), (II) and (IV) of Motor Vehicle Tax.

- An additional tax will be paid for once only for vehicles registered and recorded in the relevant registry on July 15, 2023 for vehicles that will be registered and recorded for the first time in the relevant registry from July 15 until 31 December 2023.
- Additional tax shall be identical to motor vehicle tax accrued for 2023 year.
- The first installment of the additional tax for vehicles registered and recorded with the relevant registries on 15 July 2023 will be paid until 31 August 2023 while the second installment will be paid until 30 November 2023.
- Additional tax regarding vehicles which shall be registered for the first time in July 15- December 31, 2023 shall be paid in advance with motor vehicle tax of such vehicles. (Effective Date: July 15, 2023)

- Corporate tax rate of 25% will be % 30 for companies within the scope of Law No. 6361, electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies and pension companies while it has been increased from 20% to 25% for other corporate Taxpayers.

- Corporate tax shall be applied with a reduction of 5 point to income, gained exclusively from export, of companies carrying out exportation.

These two regulations regarding change of rate will be applied to the income of corporations in 2023 and the following taxation periods, starting from the declarations that must be submitted as of October 1, 2023.

Exemption towards income obtained from other investment funds of entities is abolished except for exemption granted to income obtained from venture fund participation shares and share income from venture capital investment partnerships. (It will be applied on its publication date for investment fund participation shares acquired as of July 15, 2023.)

- The VAT exemption applied to the income obtained by the entities from the sales of real estate and the corporate tax exemption applied to the 50% of the income has been abolished. The above provisions before amendments shall be applied for immovables included in assets of entities before July 15, 2023. However corporate tax exemption rate shall be taken into account as 25% instead of 50%.

- Immovables have been omitted from the scope of partial spin-off. (Effective Date: January 01, 2024)

Regulations have been made for goods under list numbered (I) attached to SCT Law to update lump-sum tax amounts at the rate domestic producer price index (D-PPI) for the change rate occurred within last six months. (Effective Date: July 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.