

Circular

28 November 2023

Circular No: 106

Subject: Regulations, including amendment on tax legislation, of Bill of Law presented to Grand National Assembly on November 24.

Regulations, including amendments on tax legislation, of Bill of Law presented to Grand National Assembly Speakers Office on November 24, 2023 are called to your attention below.

- On the condition that at least 50% of paid-in capital of entities which are in nature of joint stock and limited company and not having a registered office and headquarters in Turkey is owned by individuals and dividend earned accordingly is transferred to Türkiye until the date on which the related annual income tax declaration should be submitted, 50% of such dividends shall be exempt from income tax. It shall be applicable for profits obtained as January 1, 2023.
- The lump sum expense application will be discontinued to be applied to earnings earned as of January 1, 2024.

In order to benefit from the discount on earnings obtained from certain services provided in Turkey and exclusively used abroad (such as architecture, engineering, software, call center, education and health) to persons who are not resident in Turkey and to those whose workplace, registered and legal offices are abroad, the requirement to transfer all of such income to Türkiye until the submission of income/corporate tax return and discount rate is determined as 80%. It shall be applicable for income and profits obtained as January 1, 2023.

If the requirement of owning at least 50% of the paid-in capital of the foreign subsidiary and transferring the profit to Türkiye by the date on which the corporate tax return for the calendar year in which the profit is earned are required to be submitted, 50% of dividends obtained shall be exempt from corporate tax without seeking any additional requirements. It shall be applicable for income and profits obtained as January 1, 2023.

The duration of the corporate tax exemption applied to foreign exchange indexed deposit and participation accounts, which will expire on December 31, 2023, is extended until June 30, 2024. (Effective Date: Publication date).

- Corporate tax rate of 25% will not be taken into account 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 in terms of profit/loss difference income determination sourcing from inflation adjustment made in 2024 and 2025 accounting periods. (Effective Date: Publication date).

- Those who are held responsible for withholding taxes will submit their VAT returns by the evening of the 19th day of the month following the taxation period and pay such taxes by the evening of the 21st day. It will enter into force at the beginning of the month following the publication of the Law.

- It is clearly written in the Special Consumption Tax Law that deliveries made from within the country to free zones are not within the scope of export exemption. (Effective Date: Publication date).
- Housing loans used directly or through cooperatives by those who own registered houses as of the date of use of the housing loans, and money received due to insurance related to these loan transactions are excluded from the scope of BITT exemption. (Effective Date: Publication date).

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.