

Taxation of earnings from X

After a very sensational acquisition, Twitter first changed its name to X and then made some changes on its business model to allow users to generate revenue directly from X. Now users can receive a share from X's advertising revenues and receive payments from other users who subscribes them.

Naturally, it is safe to say that the earnings obtained by users over X will also bring some tax liabilities.

The Revenue Administration considers such earnings in the category of "commercial earnings" and requests concerned individuals to fulfill their duties (keeping books, submitting quarterly - annual declarations, issuing invoices, etc.) related to commercial income taxpayers. On the other hand, it will be possible for people to benefit from a kind of simplified tax application which is effective as of January 2022.

Individuals who want to benefit from this application must obtain an exemption certificate by making an application online or by visiting the tax office; They are required to open a special account at the bank by presenting this exemption document and share the information regarding this bank account with the tax office within one month.

It will be possible to benefit from the application as of the date of opening the aforementioned account in the bank. The application is carried out in the form of a 15% withholding tax on the amounts paid to the bank account. Therefore, an important condition for those who want to benefit from the exemption application will be to ensure that all earnings from X are deposited into this bank account.

Another condition is that the amount valid for the last tax bracket in the income tax tariff is not exceeded. This amount is applied as TL 1,900,000 for 2023 calendar year (updated annually based on inflation). Therefore, if the total income from X (if there are incomes from other similar platforms, they will need to be added as well) is higher than TL 1.900.000, the income generated will need to be declared to the tax office through annual income tax return and pay taxes in accordance to the income tax tariff. In cases where this amount is not exceeded, the 15% withholding tax applied by the bank will be the final taxation.

In practice, it seems possible for foreigners in Turkey to benefit from this application as well, since it does not make a difference whether applicants are tax residents or non-tax residents.

It is also worth noting that users who will start generating income from X will need to start paying social security contributions if they are not enrolled into Turkish social security scheme already.

As a result, it will be beneficial for individuals who started / will start to generate income from X, make their own assesment regarding their position in terms of tax and social security liabilities and if an exemption application is to be made, it will be beneficial to do it as soon as possible.

Explanations in this article reflect the writer's personal view on the matter. EY and/or Kuzey YMM ve Bağımsız Denetim A.Ş. disclaim any responsibility in respect of the information and explanations in the article. Please be advised to first receive professional assistance from the related experts before initiating an application regarding a specific matter, since the legislation is changed frequently and is open to different interpretations.