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Turkiye provides income tax exemption on share-based incentive plans of technology startups

A new law (Law No. 7524) exempts from income tax the benefits of share certificates that employees receive from technology startups, under certain criteria. This stipulation is in effect as from 2 August 2024.

Background

Generally, the fair market value (FMV) of shares, or the difference between the FMV and the cost of shares to employees, is considered employment income and taxed accordingly. The related income tax reporting obligation is on the employer.

New law

The new legislation introduces an amendment to Article 17 of Turkish Income Tax Code. Specifically, under Article 17, the value of shares that technology startup companies grant to employees free of charge, or at a discount, will be exempt from income tax, up to the amount of the employee's gross salary for that year. The technology startup companies within this scope will be determined by Ministry of Industry and Technology.

If the employee disposes of the shares within 12 years of acquiring them, the exempted income tax, plus interest, will be collected from the employer (technology startup company). The percentage of income tax collection will be based on holding periods, as follows:

Holding period of shares	Percentage of income tax to be collected
Up to 3 years	100%
Between 4- 6 years	75%
Between 7-12 years	25%
After 12 years	None

What is new?

Based on these developments, companies should assess whether they can benefit from this exemption and evaluate the effects of this development on their business by receiving professional assistance if necessary.

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