

Farewell to tax incentives, welcome new taxes!

Even though there is no bill of law presented to Grand National Assembly of Republic of Türkiye as of June 12, 2024, a speculation exists regarding a preparation including the following regulations:

- 1- Gains from appreciation exemption arising from disposal of immovables and rights in this nature under Income Tax Law within five years as of acquisition date shall be abolished.
- Income arising in 2024 shall be subject to taxation if it is more than TRY 87,000.
 - Income exemption arising due to disposal of immovables held for five years according to current regulation shall be limited to single housing.

Regulation should cover immovables acquired subsequent to effective date. Similarly, a provisional article stating that immovables which were acquired before the effective date of regulation are not covered should be ensured. Otherwise, the regulation shall be in contradiction to the Constitution.

- 2- The exemption of gains arising from the disposal of stocks that are not traded on Istanbul Stock Exchange (BIST) after being held for more than two years in the Income Tax Law will be abolished. The proposed amendment will be applicable for the shares acquired as of the effective date.

A provisional article stating that shares which were acquired before the effective date of regulation are not covered should be ensured. Otherwise, the regulation shall be in contradiction to the Constitution

- 3.1- With the amendment to the Corporate Tax Law, the exemption of income obtained from the sale of acquired participation shares will be abolished. The 75% exemption for the sale of existing subsidiary shares is reduced to 25% for sales proceeds to be made after the anticipated amendment comes into force.

However, as in the provisional article 16, which was created when the similar exemption for real estate was removed with the amendment made in 2023, the pre-amendment provisions should be applied for the participation shares that were acquired before the amendment and included in the assets of the entities.

- 3.2- With the amendment to be made in the Corporate Tax Law, participation shares are excluded from the scope of partial spin-off. For the partial spin-off of existing subsidiary shares, such as the exclusion of immovable properties from the scope of partial spin-off in 2023, the amendment must come into force after a few months. The practice of spin-off of service and production enterprises will remain in practice.

- 4- Benefiting from the exemption in the taxation of the earnings of real estate investment trusts and real estate investment funds will depend on 50% of the earnings from real estate being distributed as dividends.

- 5- Crypto asset purchases and sales will be subject to transaction tax.

- 6- 25% of the income, 75% of the income and 100% of the income shall be exempted from tax for holding such share options by the employees for 3-6 years, 7-12 years and more than 12 years respectively in terms of granting "share option to employees of techno initiative companies" according to an amendment to be made on Income Tax Law.

7- With the amendment made to the Tax Procedure Law, value increases will be taxed by "valuation of the precious metals (gold, platinum, etc.) acquired by institutions in their assets with the stock market value".

8- Within the framework of the OECD agreement, it is foreseen to make a regulation in the Corporate Tax Law regarding the 15% minimum corporate tax application for multinational companies.

9- "Local minimum corporate tax application" is foreseen for Turkish resident companies (companies which are not multinational companies). It is foreseen that "2% of the company's revenue will be taken as corporate tax base and a "domestic minimum corporate tax" will be applied at the rate of 10%" or "10% of the base without deducting discounts and exemptions".

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