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Turkey reduces withholding tax rate on dividend distributions to 10%

On 22 December 2021, Turkey's Presidential Decision No. 4936 (the Decision) was published in the *Official Gazette*. The Decision reduces the general withholding tax (WHT) rate on dividend distributions from 15% to 10%. The Decision entered into force and is effective on the date of its publication.

Accordingly, 10% WHT will apply on the dividends to be distributed by Turkish resident entities (fully liable corporate taxpayers) to:

- Turkish resident individuals
- Turkish residents who do not have any tax liability or are exempt from income and corporation taxes
- Nonresident (limited liable) entities, excluding those who receive dividends through a permanent establishment and representative in Turkey
- Nonresident individuals
- Nonresidents who are exempt from income and corporation taxes

In addition, the branch remittance tax that is applied over the amount transferred to the headquarters by the nonresident entities who declare annual and special tax return in Turkey has also been reduced from 15% to 10%.

This local WHT rate will apply on the dividends once distributed as of the effective date of said Decision.

Some of the double tax treaties signed by Turkey (e.g., Double Tax Treaties signed with the Netherlands, Luxembourg) already limit the WHT rate on dividends to 10% under certain conditions. With the above-mentioned legislative change, the local WHT rate of 10% will be applied on the dividends to be distributed to any non-Turkish residents, regardless of the treaty eligibility conditions and tests.

There are also double tax treaties signed by Turkey (e.g., Double Tax Treaties signed with Switzerland, Germany, Austria) which provide WHT rates less than 10% on dividends under certain conditions. Treaty benefits will continue to be applicable subject to the fulfillment of the Treaty eligibility conditions and tests.

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