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Turkey issues Communiqué on Ultimate Beneficial Owner declaration requirement

Executive summary

On 13 July 2021, Turkey's Ministry of Treasury and Finance published General Communiqué No.529 on Tax Procedural Law (the Communiqué) in the *Official Gazette*. The Communiqué entered into force on the same date.

The Communiqué sets forth the taxpayers who are required to declare the ultimate beneficial owner (UBO), as well as the format of the declaration, the period to be declared, the due date of first declaration and penalties in the case of non-compliance.

This Alert summarizes the Communiqué on the UBO declaration requirements.

Detailed discussion

According to the Communiqué, it is compulsory to declare the individual/s who ultimately control or have ultimate influence over the legal entities or the entities without legal status.

Accordingly, as of 1 August 2021, corporation taxpayers and other types of companies (i.e., commandite companies, trusts and similar institutions established in a foreign country that have their headquarters in Turkey with resident managers in Turkey, or with management centers in Turkey) are required to declare UBO information under the new regulation.

In addition to those listed above, certain parties such as banks, payment agencies, financing and factoring companies, financial leasing companies, asset management companies, notary publics, lawyers, Sworn-in Financial Advisors, CPAs, among others are also required to declare UBO information, related with the transactions that are performed by their clients, when requested by the Revenue Administration.

Determination of the UBO

The following entities are considered to be the UBO and are subject to declaration.

For legal entities:

- Individual shareholders with shares exceeding 25% of the legal entity
- If the individual shareholders holding more than 25% of the legal entity are suspected of not being the UBO or there is no individual shareholder holding such shares, the individual/s who have ultimate control of the legal entity
- In cases where the UBO cannot be determined, individual/s with the highest managerial authority

For entities that do not have legal status such as business partnerships:

- Individual/s who have ultimate control
- In cases when the UBO cannot be determined, the individual/s with the highest level of executive power
- In Trust and similar institutions, those who have the title of founders, trustees, managers, auditors or beneficiaries or those who have influence over these organizations

Declaration period

Corporation taxpayers have to declare UBO information in their advance tax returns and annual corporation tax returns.

Parties other than corporation taxpayers have to declare their UBO information to the Turkish Revenue Administration via electronic forms by the end of August of every respective year.

In cases where the above-mentioned taxpayers have a new tax registration or if there is a change in the information previously reported, those changes must be declared within one month of the following date of their occurrence.

Penalties

All the UBO documents and records must be kept for five years by the parties. The relevant penalties under the Turkish Tax Procedural Code will be also applicable for parties who do not report the requisite information, or who make incomplete or misleading declarations.

Due date of the first declaration

For the first UBO declarations, all taxpayers and other parties mentioned in the Communiqué should declare the UBO information to the Turkish Revenue Administration via electronic form by the end of August 2021 at the latest.

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