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Turkey approves Tax Amnesty Law

Executive summary

On 9 June 2021, the Turkish Government published the Law on Restructuring of Certain Receivables and Amending Certain Laws (the Law) in the Official Gazette. The Law entered into force on the same date.

The objective of the Law is to increase revenue for the Government and reduce the collection burden on Turkish tax and judicial authorities by accelerating the collection of accumulated public receivables while providing taxpayers with the opportunity to be in compliance in terms of restructuring unpaid public debts and mitigating prior year taxes.

As part of the tax amnesty, the Law provides for the payment of additional tax on increased tax bases, the restructuring of taxes, customs taxes, receivables related to social security law and other certain receivables pertaining to periods ended before 30 April 2021.

Under the Law, taxpayers can:

- Restructure unpaid public debts under favorable conditions
- Terminate ongoing tax lawsuits in return for a discount on the litigated amounts
- Receive relief for tax differences that may be assessed during ongoing inspections
- Obtain more favorable conditions in cases of voluntary declarations
- Arrange for the guarantee of not being subject to future tax inspections for the years 2016, 2017, 2018, 2019 and 2020, in return for an increase in the tax bases (corporate income tax, value added tax and certain withholding taxes) for these years
- Ensure that accounting records in respect of inventory, match the actual situation through an inventory adjustment
- Revalue real estate and immovable property recognized and subject to amortization and depreciation

This Alert summarizes the regulations regarding the tax base increase under the Law.

Detailed discussion

According to the Law, taxpayers will be able to benefit from voluntary increase provisions for years 2016 to 2020 (inclusive). Companies are able to choose certain years and certain taxes to benefit from under the Law.

Taxpayers who voluntarily increase their previously declared tax bases at the rates determined in the Law and who pay tax on this additional base, will not be subjected to any further tax inspection related to the years and types of taxes for which tax payers have increased their tax base.

Tax base increase regarding income and corporation tax

Income and corporate taxpayers can benefit from the regulation by increasing their tax bases by not less than 35% for FY16, 30% for FY17, 25% for FY18, 20% for FY19 and 15% for FY20 in their tax returns. Increased tax bases will be taxed at 20% rate.

Taxpayers who have submitted their income and corporate tax returns for the relevant year in due time, have paid these taxes on time, and have not benefited from debt restructuring opportunities for the relevant years will pay tax at the rate of 15%.

However, if a taxpayer utilizes provisions of the Law relating to the corporate income tax (CIT) base increase, 50% of the tax losses of the year for which the CIT base increase has been realized, should be disregarded.

Tax base increase regarding withholding tax

Within the scope of Article 94 of the Income Tax Law and Articles 15 and 30 of the Corporate Tax Law; it is possible to increase taxes for the withholding tax that should be calculated on wages, multi-year construction works, rental and individual payments, and payments made to farmers and tradesmen who benefit from exemption.

Tax base increase regarding value added tax

Value Added Tax (VAT) taxpayers, over the annual total of VAT calculated in their VAT returns for each taxation period, will be able to declare the VAT, which will be determined as 3% for FY16, 3% for FY17, 2.5% for FY18, 2% for 2019 and not less than 2% for FY20, as a tax increase.

With respect to ongoing tax inspections, the Law stipulates that the inspections must be finalized by the tax authorities by 2 August 2021 (including this date) following the application for a tax base increase on the taxes that are subject to tax inspection.

Taxpayers wishing to benefit from the voluntary tax base increase provisions are required to apply to their respective tax office by 31 August 2021.

Taxes calculated on the increased base may be paid in one payment (by 30 September 2021) or in a maximum of six equal installments (the installments will be paid on a bimonthly basis, starting from September).

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