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## Türkiye enacts new law amending various tax laws

- *Law No. 7420 was published in the Turkish Official Gazette on 9 November 2022.*
- *The Law sets forth amendments to the Turkish Income Tax Code No 193, Turkish Corporation Tax Code No. 5520, and other various tax laws.*

### Executive summary

On 9 November 2022, Law No. 7420 (the Law) was published in the *Turkish Official Gazette*. The Law sets forth amendments to the Income Tax Code No. 193, the Corporation Tax Code No. 5520, and other various laws.

The key provisions of the Law are summarized below.

### Detailed discussion

#### ***Extension of the 31 December 2022 deadline for foreign exchange (FX)-protected accounts***

At the end of 2021, it was regulated that the interest, participations, and other earnings derived from the FX-protected deposit and participation accounts which were converted from foreign currency to Turkish lira would be exempted from corporation tax until the end of 2022.

With the amendments made by the Law No. 7420 in provisional article 14 of the Corporation Tax Code, the deadline of 31 December 2022 is extended to 31 December 2023.

The Turkish President is empowered to apply the exemption separately or together for foreign currencies on the balance sheets of institutions as of the end of each provisional tax or annual accounting period until 31 December 2023.

This provision enters into force on the date of publication of the Law.

### ***Tax treatment on the Capital Reduction is enacted***

The Law No. 7420 adds a new provision to the Corporation Tax Code No. 5520 on the tax treatment of the reduction of share capital that includes capital elements other than in-kind or cash capital. This new provision was enacted without further changes from the proposed Bill. For background and detailed explanations on the proposed Bill, see EY Global Tax Alert, [Türkiye proposes new bill that clarifies the tax treatment of capital reduction](#), dated 20 October 2022.

This provision enters into force on the date of publication of the Law.

### ***Income tax exemption for meals paid in cash to employees***

Where an employer does not provide meals to employees, daily meal payments (51 Turkish Lira per day for the year 2022) made in cash directly to employees will be exempted from income tax.

This provision will enter into force on 1 December 2022.

### ***Income tax exemption on the salaries of the employees who work abroad***

Wages of the workers employed by employers in construction, repair, installation, and technical services that are carried out abroad, will be exempted from income tax if the respective wages are paid from the employer's earnings derived from outside of Türkiye.

This provision will enter into force on 1 December 2022.

### ***Extension of the 31 December 2022 deadline for the tax benefits granted to angel investors***

Full tax liable individuals (angel investors) can deduct 75% or 100% of the sale price of company shares that are held for more than two years from their income and gains that they declare annually.

The Law No. 7420 extends the 31 December 2022 deadline for this tax benefit granted to angel investors to 31 December 2027. In addition, the Law increases the upper limit of the annual discount amount from TRY1 million to TRY2.5 million.

The regulation will enter into force on the date of its publication to be applied to income or earnings derived from 1 January 2023.

### ***The upper limit of the installed household renewable energy production facility has been increased to promote renewable energy production***

Income tax exemption was introduced in 2018 for individuals who sell excess electrical energy produced from renewable sources from only one production facility installed on the roofs or walls of the buildings they own or rent with a maximum installed power of 10kW, which was later increased to 25kW.

The Law No. 7420 increases the maximum installed power of 25kW to 50 kW to promote the renewable energy production.

This provision enters into force on the date of publication of the Law.

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