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Turkey publishes Communiqué on inflation adjustment for revaluation purposes

Turkish Law No. 7338, published in the *Official Gazette* dated 26 October 2021, introduced additional provisions (Paragraph (Ç) of the Repeated Article 298 and Temporary Article 32 of Tax Procedural Code No. 213 (TPC)) regulating the inflation adjustments in Turkey. For details, see EY Global Tax Alert, *Turkey enacts new tax Law*, dated 5 November 2021.

On 14 May 2022, the General Communiqué of the Tax Procedural Code (the Communiqué), which contains the procedures and principles regarding the implementation of the above-mentioned provisions, was published in the *Official Gazette* and entered into force on the date of publication.

The Communiqué provides:

- In accordance with Paragraph (Ç) of the Repeated Article 298 of the TPC; the income or corporate taxpayers, including the collective, ordinary limited partnership and ordinary companies, who are subject to full liability and keep books on the balance sheet basis, will be able to re-valuate their depreciable financial assets (except those subject to sale-lease-repurchase transactions or issuance of lease certificates as long as they maintain these qualities) that are recoded in their balance sheet and the depreciation shown in the liabilities of the balance sheet in the periods in which they cannot apply inflation accounting because the conditions for implementing inflation accounting did not take place in that period.

- In accordance with Temporary Article 32 of TPC; prior to the revaluation adjustment to be made as per Paragraph (Ç) of the Repeated Article 298 of the TPC, taxpayers who would like to make a revaluation, will have the ability to re-valuate their immovables and other economic assets subject to depreciation that are recoded in the balance sheet, under certain conditions, by the end of fiscal period prior to the fiscal period in which they will be revalued for the first time.

    - As a result of the revaluation under Temporary Article 32 of TPC, the increase in the value of immovables and other economic assets subject to depreciation will be shown in a special fund account in the liabilities of the balance sheet.

  - A tax of 2% must be calculated on the value increase amount shown in this special fund account. This tax will be declared to the relevant tax office in terms of income or corporation tax with a declaration until the end of the month following the date of revaluation. The first installment of the tax must be paid in three equal installments, within the filing period, and the following installments in the second and fourth months following the filing period.

Paragraph (Ç) of the Repeated Article 298 of the TPC is a continuous application whereas Temporary Article 32 of TPC will only be used temporarily once prior to the application of Paragraph (Ç) of the Repeated Article 298 of the TPC for the first time.

For additional information with respect to this Alert, please contact the following:

Kuzey Yeminli Mali Müsavirlik A.S., Istanbul

- Ates Konca, *International Corporate Tax Advisory Leader* | ates.konca@tr.ey.com

Ernst & Young LLP (United States), Turkish Tax Desk, New York

- Gamze Durgun | gamze.durgun1@ey.com
