

Global Withholding Tax Alert

For Immediate Action

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TURKEY: CHANGE IN WITHHOLDING RATES FOR DEPOSIT INTEREST

With effect from August 18, 2001, new withholding tax rates will be applied to deposit interest opened or renewed on or after August 18, 2001. According to the New Council of Ministers Decree, which was published in the Official Gazette on August 17, 2001, the new withholding tax rates are as follows:

For income derived from foreign currency denominated deposits paid from August 18, 2001:

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|-----------------------------|-------------------------------|
| Maturity less than one year | 18% + 10% fund surtax = 19.8% |
| Maturity one year and over | 16% + 10% fund surtax = 17.6% |

For income derived from Turkish Lira denominated deposits paid from August 18, 2001:

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|--|-------------------------------|
| Demand deposit accounts | 16% + 10% fund surtax = 17.6% |
| Maturity up to three months | 16% + 10% fund surtax = 17.6% |
| Maturity up to six months | 14% + 10% fund surtax = 15.4% |
| Maturity between six and twelve months | 10% + 10% fund surtax = 11.0% |
| Maturity one year and over | 6% + 10% fund surtax = 6.6% |

For income derived from repurchase agreements (REPO) from August 18, 2001:

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|------------------------|-----------------------------|
| Regardless of maturity | 20% + 10% fund surtax = 22% |
|------------------------|-----------------------------|

Please note that from January 1, 2001 through August 17, 2001 all of the above types of income were subject to a statutory withholding rate of 16%, which was effectively increased to 17.6% by the 10% "fund surtax." Note that the "fund surtax" is generally eliminated through tax treaties. Please see footnote (b), Turkey Statutory Rates, of the *Global Withholding Tax Reporter* for more information.

If you have any questions about this Tax Alert, please contact:

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