



# AS BAĞIMSIZ DENETİM VE YMM A.Ş.

Dear Sir/Madam

We would like to inform you about tax issues in Turkey.

In this context, we present summary of important tax issues in 2018.

Please contact us for more information.

# SUMMARY OF TAX ISSUES



## 1. Amendments on Capital Commitment in Limited Companies:

- With the amendment made in the Turkish Commercial Code, the obligation to pay at least 25% of the capital shares committed by the shareholders in cash during the establishment of the limited companies before the registration to the trade registry has been abolished.

# SUMMARY OF TAX ISSUES



## 2. Benefits Have Been Provided Related to Set Up New Company for Foreigners in Turkey:

- The new currency valuation method has been introduced for the foreign currencies of the foreigners who will make investments within the scope of the investment incentive certificate.
- Accordingly, it is ensured that the positive exchange rate differences for the portion of the foreign currencies introduced as capital from abroad and not used until the end of the following calendar year and the part used for the investment incentive certificate are not taken into consideration as income.

# SUMMARY OF TAX ISSUES



## 3. Within the Scope of Tax Amnesty, Restructuring of Debts to Public was Provided:

With the Law, which was shortly called as "Tax Amnesty" and published on 18.05.2018, the taxpayers' ease of payment to final tax and other debts to the public, privileges to taxpayers who increased their tax base and tax in the previous periods, the possibility of unpenalized correction regarding the commodity, machinery, equipment and fixture records in enterprises and the adjustment of cash and receivables from shareholders accounts without penalty and interest, and settlement of the disputes with the public by agreement have been provided.

# SUMMARY OF TAX ISSUES



## 3. Continued

a) The following debts are included in the scope of the restructuring:

- - Finalized Debts,
- - Interim debts or Debts at the lawsuit stage,
- - Debts which are at the examination and assessment stage

The debts included in the aforementioned restructuring are covered with the main headings;

- Tax Debts and penalties,
- Customs Duties and penalties,
- Administrative Fines,
- Debts and Penalties to Social Security Institutions, etc.

# SUMMARY OF TAX ISSUES



## 3. Continued

### b) In addition, the taxpayers declared in 2013-2017;

- - Income tax bases,
- - Corporate tax bases,
- - Income / Corporations withholding taxes,
- - In the event that the value added taxes are increased at the rates stipulated by the Law and they pay a certain amount of tax, no tax examination and tax assessment shall be made due to the years that basis and tax increases were made because of the tax types and due to restricted to the tax types.

# SUMMARY OF TAX ISSUES



## 3. Continued

### c) In addition to these regulations;

- Adjustment of record regarding Machinery, Equipment and Fixtures which are not included in the records although they are present in the company is provided.
- It was ensured that the non-existing commodity was registered in the records although it was included in the records.
- It was provided that the business records were adjusted with the cash balance which was not present in the company although it is included in the records and declaration of Receivables from Shareholders.

The application periods of the tax advantages and restructures listed above are expired in 2018.



# SUMMARY OF TAX ISSUES



## 4. Some Assets in the Context of Repatriation of Capital were Achieved to contribute to the National Economy:

With the Law, which was shortly referred to as “Repatriation of Capital” and published on 18.05.2018;

### **a) Present in Abroad;**

- Money,
- Currency,
- Gold,
- Securities and other capital market instruments,

# SUMMARY OF TAX ISSUES



## 4. Continued

In case of reporting until the date of 31.05.2019 (including this date) by real person and legal entities to the banks and intermediary institutions in Turkey, the tax will be calculated 2%. The calculated tax is paid by the banks and intermediary institutions to the tax office to which they are affiliated with a declaration as tax responsible party until 30.06.2019 and paid in the same period.

The real and legal entities, who brought the mentioned assets to Turkey, can save these assets freely.

No tax inspection and tax assessment shall be made due to the reported assets.

# SUMMARY OF TAX ISSUES



## 4. Continued

In addition, in order to benefit from the application;

- Payment of the tax imposed at due date regarding the amounts reported;
- Reported assets must be brought to Turkey within 3 months from the date of notification or transferred to an account which will be opened at banks or intermediary institutions in Turkey.

In addition, the assets located abroad which were used in banks or financial institutions abroad and the loans which are included in the legal books as of 18.05.2018, can be also used to cover the loans until 31.05.2019. In this case, there will not be an obligation of bringing the assets in question to Turkey.

# SUMMARY OF TAX ISSUES



## 4. Continued

### **b) Owned by the income and corporate taxpayers and present in domestic;**

- Money,
- Gold,
- Currency,
- Securities and other capital market instruments,
- The immovable property,

# SUMMARY OF TAX ISSUES



## 4. Continued

Until 31.05.2019 (including this date), it is possible to be declared to tax offices and recorded in legal books. 2% of the value of the assets declared to the tax offices is taxed and this tax is paid until 30.06.2019.

The mentioned declared assets can be recorded in the legal books until 31.05.2019, regardless of the period gain determination.

In this case, the assets in question may be withdrawn from the entity regardless of the taxable income and the determination of the distributable income. No tax inspection or tax assessment shall be carried out due to the declared assets.

# SUMMARY OF TAX ISSUES



## 4. Continued

### **c) Exemption application regarding some foreign earnings;**

Companies and individuals subject to full liability, including those obtained until 30.04.2019;

- Gains from the sale of subsidiary shares regarding the legal and main offices of institutions are not located in Turkey,
- Subsidiary gains from institutions without legal or business center in Turkey,
- Trade gains through work places and permanent representatives located abroad

are excluded from income and corporate tax.

## SUMMARY OF TAX ISSUES



### 4. Continued

In order to benefit from the exemption application, mentioned earnings must have been transferred to Turkey until 30.06.2019.

In addition, the gains arising from the liquidation of institutions without legal and business centers in Turkey and gains transferred to Turkey as of 30.06.2019 (including this date) are in the scope of the exception.

# SUMMARY OF TAX ISSUES



## 5. Revaluation of real estates:

According to Turkish Tax Law, real estates cannot be revaluated and the real estates are valued with cost value. As of 25 May 2018, with the new regulation, the assets of the immovables in their assets have been enabled to be determined by taking into consideration the rate of increase in D-PPI value until 30 September 2018 and the application is not mandatory. Value increase will not be included in the revaluation funds account in the shareholders' equity and will not be included in the corporate income in the related period.



## SUMMARY OF TAX ISSUES



### 5. Continued

In case of benefiting from this application, tax that is calculated as 5% on the value increase amount should be paid to the tax office with a declaration until the evening of the 25th of the following month when revaluation transaction was made. Taxes paid cannot be taken into account in determining the tax base of the company.

In case of disposal of the revalued immovables subject to revaluation, the increase in value shown in a special fund account in the liability shall not be taken into account in the determination of the gain. For real estates subject to revaluation, depreciation can be allocated over the new value.

# SUMMARY OF TAX ISSUES



## 6. The Obligation of Bringing the Export Costs to Turkey:

As of August 4, 2018, the costs related to the export of goods performed by companies in Turkey, following the importer's payment of at least 80% of the costs related to the export transactions of goods, must be transferred or brought to the bank mediating in exports in 180 days.

The application will be valid for 6 months starting from 04.08.2018 and will be valid for the exports after 04.08.2018.

## SUMMARY OF TAX ISSUES



### 6. Continued

The prices related to the export transactions can be brought to the country by letter of credit, cash against documents, cash against goods, letter of credit with acceptance credit, and payment against prepaid credit and cash payment. It is mandatory that the exports made in advance of foreign exchange must be realized within 24 months.

The relevant decision specifies different dates and situations for some sectors and you can ask us for further information.

# SUMMARY OF TAX ISSUES



## **7. Restrictions on Foreign Exchange Credit Borrowings:**

With the decisions which is valid as of May 2, 2018, a restriction was introduced for the foreign currency loans to be used domestically and abroad for the companies established in Turkey. Some exceptions have been granted to the foreign currency loan borrowing limit.

Companies with a loan balance of \$ 15 million or more on the date of credit use, will be able to borrow with foreign currency loans.

Companies with a credit balance of less than \$ 15 million at the date of loan use, can only borrow foreign currency loans in the amount of currency income for the last three years.

## SUMMARY OF TAX ISSUES



### 7. Continued

In addition, it has been obliged to provide notification liabilities and to present audited financial statements for the companies with a foreign currency loan balance of \$ 15 million or more.

There are exceptions to the foreign currency loan borrowing according to different activity and investment conditions and you can ask us for further information.

## SUMMARY OF TAX ISSUES



### **8. Some contracts are to be made between Residents in Turkey, in "Turkish Lira" became mandatory:**

With the regulation, residents in Turkey, the contract price and other payment obligations arising from real estate trading among themselves, including vehicle and leasing all kinds of movable and immovable property rental, leasing business, service and works contracts except for specified transactions cannot be agreed indexed to foreign exchange.

In the issued declaration regarding the mentioned regulation, some exceptions have been introduced to the parties of the contracts and you can ask us for further information.

## SUMMARY OF TAX ISSUES



### **9. VAT and Special Consumption Taxes and Title Deed Fees Has Been Reduced for a Temporary Duration**

With the arrangement made, until 31.12.2018;

- Value Added Tax rates in residential and office deliveries have been reduced from 18% to 8%, and there has been a reduction in the title deed fee in relation to these residences and workplaces.

- Value Added Tax rates applied in the delivery of some furniture and commercial vehicles have been reduced from 18% to 8%,

# SUMMARY OF TAX ISSUES



## 9. Continued

- Special Consumption Tax rate applied to the delivery of some white appliances and
- The Special Consumption Tax rate applied for the delivery of some passenger cars has been reduced.

For some goods and residence and business deliveries, the duration of the tax rates applied until 31.12.2018 has been extended with the decision taken until 31.03.2019.



## SUMMARY OF TAX ISSUES



### **10. VAT exemption has been introduced for the sale of real estate to foreigners:**

VAT will not be calculated for residences made for foreigners or the delivery of workplace, on condition that building was built as a residence or workplace to be implemented in the first delivery and bringing the price as foreign currency to Turkey.

# SUMMARY OF TAX ISSUES



## **11. Incentive for Additional Labor:**

In addition to the number of current employees, the income tax and insurance premiums paid for these workers are covered by the Treasury in case of employment of the workers and providing the conditions specified in the Law. This incentive was entered into force in 2018 and 2019.

## SUMMARY OF TAX ISSUES



### **12. The Reduction of Employer's Share of Unemployment Insurance for the Workplaces In Very Dangerous Class Without Work Accident**

In workplaces that are located in very dangerous class and have more than ten employees and who do not have a work accident resulting in mortal or permanent disability in three years, the employer's share of unemployment insurance will be taken as 1% instead of 2% for three years.

The establishments that meet the conditions in the period between 2016 / January and 2018 / December will benefit from this incentive starting from 2019 / January.

## SUMMARY OF TAX ISSUES



### **13. The opportunity of benefiting from Social Security Incentives Retrospectively have been provided:**

The opportunity of Retrospectively benefiting from social security premium incentives, support and discounts which were not benefited although they have right to benefit from or the opportunity to change the benefitted social security premium incentives, support and discounts with other social security premium incentives, support and discounts, have been provided by employers within the scope of Social Security Regulation.

# SUMMARY OF TAX ISSUES



## 13. Continued

The opportunity of benefiting from mentioned incentives were provided to employers in two ways.

- Opportunity of benefiting from Incentive Implementation for the periods before 01.04.2018:

Regarding the periods before 01.04.2018, social security premium incentives, support and discounts which were not benefited, can be benefited retrospectively or benefitted social security premium incentives, support and discounts can be changed with other social security premium incentives, support and discounts on condition that applied to Social Security Institution between 01.05.2018-31.05.2018.

The mentioned application has expired.

# SUMMARY OF TAX ISSUES



## 13. Continued

- Opportunity of benefiting from the Incentive Implementation for the periods after 01.04.2018:

Since the date of 01.04.2018, under the conditions that all necessary conditions have been met for the months that have not benefited from any premium incentives, support and reductions, and applying to the institution in the following 6 months, which were not benefited, unused premium incentives, support and reductions can be benefited or used premium incentives, support and reductions can be changed with other premium incentives, support and reductions retrospectively regarding maximum six months from the application date.

## SUMMARY OF TAX ISSUES



### **14. Additional Insurance Premium Incentive is implemented in the Development Priority Provinces:**

In addition to the five-point premium incentive in employer's share of disability, elderliness and death insurance premium in places with the status of developmental priority provinces, the insurance premium incentive is applied by adding six points to be calculated based on the lower limit of the insurance premium.

The mentioned incentive will be implemented in 2019 as it was implemented in 2018.

The provinces that will benefit from the 6% additional SSI incentive and the end dates of the incentive are as follows:

## SUMMARY OF TAX ISSUES

Expiry date of the incentive		Expiry date of the incentive		Expiry date of the incentive	
31.12.2019		31.12.2019		31.12.2019	
<b>(I) COUNTED LIST</b>		<b>(II) COUNTED LIST</b>		<b>(III) COUNTED LIST</b>	
1	Afyonkarahisar	1	Adıyaman	1	Ağrı
2	Amasya	2	Aksaray	2	Ardahan
3	Artvin	3	Bayburt	3	Batman
4	Bartın	4	Çankırı	4	Bingöl
5	Çorum	5	Erzurum	5	Bitlis
6	Düzce	6	Giresun	6	Diyarbakır
7	Elazığ	7	Gümüşhane	7	Hakkari
8	Erzincan	8	Kahramanmaraş	8	Iğdır
9	Hatay	9	Kilis	9	Kars
10	Karaman	10	Niğde	10	Mardin
11	Kastamonu	11	Ordu	11	Muş
12	Kırıkkale	12	Osmaniye	12	Siirt
13	Kırşehir	13	Sinop	13	Şanlıurfa
14	Kütahya	14	Tokat	14	Şırnak
15	Malatya	15	Tunceli	15	Van
16	Nevşehir	16	Yozgat	16	Bozcaada-Gökçeada ilçeleri
17	Rize				
18	Sivas				
19	Trabzon				
20	Uşak				



## SUMMARY OF TAX ISSUES



### **15. Amendments in Investment Incentive Legislation were made:**

- In order to begin to benefit from the tax benefits provided to the taxpayers under the Investment Incentive Legislation, it was obligatory to make at least 10% of the investment expenditure incurred in the investment incentive certificate, this obligation has been abolished with the amendment.
- The fee for the issuance of the investment incentive certificate has been removed.

## SUMMARY OF TAX ISSUES



### 15. Continued

- All kinds of transactions and transactions related to the investment incentive certificate will be carried out via electronic information system and the transactions are facilitated.
- Investments in freight and / or passenger transportation by air are included in priority investments and more financial incentives are provided.

## SUMMARY OF TAX ISSUES



### **16. The Situation of Companies Losing Their Capital Due to Exchange Rate Difference:**

In accordance with the Turkish Commercial Code, in case the companies' owner's equity lose all of their capital, one third and two thirds of the capital, the decisions of the committees and the shareholders responsible for the management of the Company and the actions to be taken are explained in a letter.

# SUMMARY OF TAX ISSUES



## 16. Continued

With this article, a provisional article has been published regarding melting of the Companies' equity due to TL value losses that occurred in Turkey in the second half of 2018. Accordingly, temporary financial statements can be prepared without taking into account the foreign exchange losses arising from the foreign currency liabilities that have not yet been fulfilled, and the calculations related to the loss of capital or the situation of deep in debt of the companies will be made.

It is stated that the relevant boards should take precautions if the temporary financial statements formed without calculating the foreign exchange losses are still negative.

The mentioned provisional application became valid on 15 September 2018 and will be valid until 01.01.2023.

## SUMMARY OF TAX ISSUES



### **17. Regulation Regarding the Restructuring of Debts to the Financial Sector Was Made:**

Regulation prepared by the Banking Regulation and Supervision Agency; Regulations have been made to allow banks and other financial institutions to restructure these debts of borrowers with loan debts.

## SUMMARY OF TAX ISSUES



### **18. Mediation has become mandatory for Trade Receivables and Claims of Compensation:**

To be valid on 1 January 2019; applying to the mediator for the claims before filing a suit about receivables and claim of compensation which are the payment of some amount of money from commercial lawsuits, has been brought as cause of action.

# SUMMARY OF TAX ISSUES



## **19. Obligation for Independent Audit:**

According to the Turkish Commercial Code, the companies established in Turkey are obliged to make an independent audit if they are above certain limits. The scope is expanded by revising these rates annually.

## SUMMARY OF TAX ISSUES



### 19. Continued

Hereunder, according to the 2018 figures in 2016 and 2017

- Total assets totaling 35 million Turkish Liras,
- Annual net sales revenue of 70 million Turkish Liras,
- Number of employees 175 people

Those who exceed at least two of the criteria in two accounting periods are obliged to have an independent audit of the 2018 financial statements.



## SUMMARY OF TAX ISSUES



**20. For Corporate Tax Payers, In order to set off the taxes paid abroad from Abroad Earnings which was declared in Turkey, documents of paid taxes must be submitted to the Tax Office:**

The gains which were reflected to the income accounts in Turkey by obtaining from abroad, corporate tax and similar taxes paid abroad, can be deducted from calculated corporate tax based on those earnings in Turkey.

## SUMMARY OF TAX ISSUES



### 20. Continued

However, in order to be able to make this reduction, the documents received from the competent authorities in which foreign countries pay taxes are required to be verified. Otherwise, the taxes paid in foreign countries will not be deducted from the tax payable in Turkey.

Taxes paid in foreign countries via the overseas earnings of the Corporation are included in the Corporate Tax Declaration in Turkey, if they cannot be deducted because of financial loss in Corporate tax in Turkey, the deduction of taxes paid abroad can be used until the end of following the third accounting period.

**AS/NEXIA TURKEY**

**AS CPA & Auditing Co.**

**nexia@nexiaturkey.com.tr**

Buyukdere Caddesi No: 23 Kat: 7  
34381 Sisli / İSTANBUL / TURKEY

Office Phone  
+90(212) 225 68 78

For Urgent Calls  
+90(533) 931 16 82