

ANKARA: (H/Q)
BILLUR SOK. 23/5
06700 KAVAKLIDERE
ANKARA TURKIYE
TEL: +90- 312-4266573 / 4260153
4266890 / 4260057
FAX: +90-312-4260058

MS SELHEP OFFICE
CHARTERED PUBLIC ACCOUNTANTS CO.LTD.
TAX CONSULTANCY LEGAL ADVISORY
ACCOUNTING BOOK KEEPING

e-mail Ankara e-mail Istanbul
sarper@selhep.com seref@selhep.com
info@selhep.com

ISTANBUL:(BRANCH)
KORESEHITLERI CAD.
NO. 37/6
34394 ZINCIRLIKUYU
ISTANBUL, TURKIYE
TEL:+90-212-2880293 / 2880294
2754066 / 2880054
FAX:+90-212-2720535

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Subject: Amnesty Law No. 7143

Law Related to Making Amendments on Certain Laws by Restructuring of Taxes and Some Other Receivables No. 7143 was entered into force on 18.05.2018 by being published in the Law No. 30425. The Law consists of 28 articles together with executive and enforcement articles and the first 12 articles are regulations regarding the structuring of taxes and some other receivables.

The receivables, which have not yet been paid although being overdue as of the enforcement date of the Law, 18/5/2018, shall be subject to restructuring with the Article 2 of Amnesty Law No. 7143. Debts to the Ministry of Finance, Ministry of Customs and Trade, Ministry of Forestry, Social Security Institution, Provincial Special Administrations, Municipalities (including Metropolitan municipalities) and the Metropolitan Municipalities Water and Sewerage Administrations are restructured. Facilities for the payment of many administrative fines such as the adequate payments especially regarding the debts with tax penalties, debts related to default interest and late payments, RTUK shares, real estate taxes, customs taxes, SSI premium debts and traffic fines, insurance premiums, community insurance premiums, retirement pension and institutional fee, unemployment insurance premium, social security support premium, administrative monetary penalties and all kinds of late payments and delay penalties, water and wastewater charges of Municipalities, TOBB membership fees, TURMOB membership fees and TESK membership fees are offered.

• **Debts Covered and Not Covered by the LAW**

Debts Not Covered

- Administrative fines (except those covered), legal fines, state share and state right on the petroleum, sugar price difference, fuel price difference and fuel price stabilization share, state right and special administration share on the mines and mining fund, guidance and trailer service share are not included within the scope of restructuring.

○ Debts Covered

The date of 31.03.2018 is generally taken as the basis for the period of the debts

Type of the Debt Covered	Period	Scope
Declaration based taxes, duties and charges	Taxation Period Duration of submitting declaration	Those before 31.03.2018
Taxes not based on declaration (MTV, property tax, fees, etc.)	Accrual date	Those accrued before 31.03.2018
Tax penalties deducted with reference to the original tax (loss of tax penalty)	It shall be decided based on original tax	It shall be decided based on original tax
Tax penalties deducted without reference to the original tax (Irregularity and Special Irregularity Penalties)	Detection date	Detections made before 31.03.2018
Other public receivables	Due date	Those with due date before 31.03.2018
Administrative fines (TPC, Highway Illegal Transition Penalty, Military Service, Election, Population Fines)	Decision date	Those decided before 31.03.2018
Customs Duties	Period in which Obligations Arise	Those before 31.03.2018
Administrative Fines Deducted Based on Original Customs Duties	It shall be decided based on the original Customs Duties	It shall be decided based on original tax
Administrative Fines Deducted without Reference to the Original Customs Duties	Due date	Those with due date before 31.03.2018
Social Security Debts	Current Period	March 2018 and previous months

Social Security Support Premium	Current Period	March 2018 and previous months
Incomplete Labour Insurance Premium	Construction Completion Date	Private constructions completed until the date of 31.03.2018
The receivables of the municipalities, water receivables, wastewater and solid wastes receivables, and water and wastewater receivables of the Water and Sewerage Administration of Metropolitan Municipality	Due date	Those with due date before 31.03.2018

- **Period and Beneficiaries of the Debt Restructuring**

Those wanting to benefit from the debt restructuring should apply to the relevant administration until 31.07.2018 at the latest.

- **Beneficiaries**

Taxpayers, who appear to be in debt in the tax office records, those subjecting to a penalty, those considered as public debtors, inheritors, guarantors, partners and legal representatives of limited liability company shall be able to benefit by taking the amount they are liable for into consideration.

Those, who are in debt to the public institutions and organizations, whose receivables are structured under the law, shall also be able to benefit from the debt restructuring.

Certified public accountants, who are jointly and severally liable for the payment of debts together with the taxpayer, may apply for the debt restructuring of certified public accountants.

- **Restructuring of the Debts**

- **Finalized Debts**

Debts, which are not paid as of 18.05.2018 although being overdue, debts, which have been settled before the publication date of the Law by utilizing the provisions of Law No. 213 regarding both the conciliation and conciliation before assessment however still undue, debts, whose term of litigation has come but still undue and the instalment amounts of debts, which have been deferred and paid in accordance with the deferment conditions and whose payment period has not expired as of 18.05.2018, shall be restructured as finalized debts.

The taxes, whose reservation is declared as of 18.05.2018 however still unpaid, shall be restructured as finalized debt, regardless of whether they have been subjected to lawsuit or not. Debts, which are not notified to pay the taxpayer in spite of being finalized as of 18.05.2018 by judicial decision, shall be restructured as finalized debts. Among the non-tax debts, those, which have been subjected to lawsuits, shall considered as finalized debts.

All of the original taxes, Amount of YI- CPI, 50% of General and Special Irregularity Penalties, 50% of the tax loss penalties deducted due to participation in the Smuggling Act and all of the administrative fines shall be paid. All of the tax loss penalties, 50% of General and Special Irregularity Penalties, 50% of the tax loss penalties deducted due to participation in the Smuggling Act and all of the secondary receivables such as delay penalty, default interest and delay interest shall be cancelled.

○ Unfinalized debts

The taxes which have been assessed additionally, as ex-officio or by the administration, the lawsuit filing period of which is not expired or against which lawsuit has been filed or the period of applying to legal remedy against the decision taken by the first instance judicial authority of which is not expired or for which the legal remedy has been applied as of 18.05.2018 are structured as unfinalized debt. The receivables for which an application has been made in order to take advantage of the conciliation provisions after the assessment, for which the conciliation date has not been given or the conciliation date of which has not arrived yet or upon which the conciliation could not be achieved, but the lawsuit filing period of which is not expired as of the same date shall be structured as unfinalized debt or the taxes which are at the lawsuit stage shall be structured as debt.

The adjudication which will be taken as basis in the determination of the amount of the structured receivable shall be the decision taken with respect to the assessment and notified to one of the parties before 18.05.2018 and including this date.

Amounts to be paid

	Those against which lawsuit has been filed, about which no decision has been taken yet or the lawsuit filing period of which is not expired	If Acceptance Decision has been taken	If Rejection Decision has been taken	If Partially Rejection Decision and Partially Acceptance Decision have been taken
Tax Originals	50% of the initial assessment amount	20% of the initial assessment amount	All of the certified taxes	All of the certified taxes, 20% of the cancelled taxes
General and Special Irregularity Fines	25% of the initial assessment amount	10% of the initial assessment amount	50% of the certified Fine Amount	50% of the certified Fine Amount, 10% of the cancelled fine
Administrative fines	50% of the initial assessment amount	20% of the initial assessment amount	All of the certified fine	50% of the certified part 20% of the cancelled fine
YI-CPI Amount	Amount calculated by applying YI-CPI monthly change rate	Amount calculated by applying YI-CPI monthly change rate	Amount calculated by applying YI-CPI monthly change rate	Amount calculated by applying YI-CPI monthly change rate

Amounts to be cancelled

	Those against which lawsuit has been filed, about which no decision has been taken yet or the lawsuit filing period of which is not expired	If Acceptance Decision has been taken	If Rejection Decision has been taken	If Partially Rejection Decision and Partially Acceptance Decision have been taken
Tax Originals	50% of the initial assessment amount	80% of the initial assessment amount	---	80% of the cancelled taxes
General and Special Irregularity Fines	75% of the initial assessment amount	90% of the initial assessment amount	50% of the initial assessment amount	50% of the certified fine amount, 90% of the cancelled fine
Administrative fines	50% of the initial assessment amount	80% of the initial assessment amount	50% of the certified fine	50% of the certified fine, 80% of the cancelled fine
Secondary receivables	All of the secondary receivables such as delay penalty, delay increase, delay interest	All of the secondary receivables such as delay penalty, delay increase, delay interest	All of the secondary receivables such as delay penalty, delay increase, delay interest	All of the secondary receivables such as delay penalty, delay increase, delay interest

About the Debts at the Examination and Assessment Stage:

The taxes which will be assessed as a result of the tax examinations, appreciation, assessment and accrual transactions started and completed before 18.05.2018 shall be structured as debt at the examination stage. The debts for which conciliation request has been made in accordance with the conciliation provisions of the Tax Procedural Law no 213 before the assessment, but the conciliation date of which has not been arrived yet or for which the conciliation could not be achieved and the tax/penalty notices have not been notified to the taxpayer as of 18.05.2018 shall be able to be paid by being structured as debt at the tax examination stage. In the cases that the conciliation could not be achieved before the assessment or the conciliation could not be achieved in the conciliation negotiation or the taxpayers withdrew from the conciliation request before the assessment, the provision of the article shall be applied upon the transfer of the examination report issued to the tax office. At this stage as well, in the determination of the amount to be paid, the amounts specified in the tax/penalty notices issued with respect to the assessment shall be taken into account. The necessary assessment and notification transactions shall be made upon the valuation commission decisions and tax examination reports which were transferred to the tax office records after the date when the Law is published even though they were completed before the date when the Law is published with respect to the periods within the scope of the Law.

After the completion of these transactions, 50% of the tax assessed, the amount to be calculated by taking the update rate (YI-CPI) as basis until the date when the Law is published instead of the delay interest, all of the delay interest to be calculated until the expiration date of the lawsuit filing period determined upon the notification of the written notice after the date when the Law is published, 25% of the penalties not depending on the tax original and 25% of the penalty in the penalties deducted due to participation shall be paid. The remaining 50% of the tax assessed, all of the penalties depending on the tax original, 75% of the penalties not depending on the tax original, all of the delay interest and 75% of the penalty in the penalties deducted due to participation shall be cancelled.

Following the completion of the examinations, an application shall be made within 30 days as of the date of notification of the written notice. The initial instalment should be paid in 6 equal instalments in two-month periods starting from the month following the notification of the written notice.

Structuring of the Debts arising from the Returns submitted contritely or automatically

For the taxes based on return, a return can be submitted contritely or automatically **until 31.07.2018** with respect to the periods before 31.03.2018. Those who must give their returns in electronic environment should send their returns which will be submitted contritely or automatically in electronic environment and the other taxpayers should send their returns in paper environment. While sending a return, the box of the Amnesty Law should be marked in the electronic environment and the petition to be determined for the article 4/10 of the Amnesty Law should be necessarily given in paper environment. YI-CPI amount shall be paid

until the date when the Law is published instead of all of the tax assessed, repentance increase or delay interest. All of the General and Special Irregularity Fines, all of the repentance increase and delay interest and all of the tax loss penalty shall be cancelled.

Taxes for which Tax Base and Tax Increase can be made:

Income Tax

TAX BASE INCREASE AND TAX RATES AND MINIMUM INCREASE AMOUNT				
YEAR	TAX BASE INCREASE RATES	MINIMUM INCREASE AMOUNT (TL) (ENTERPRISE)	MINIMUM INCREASE AMOUNT (TL) (BALANCE SHEET BASIS AND SELF-EMPLOYMENT EARNING)	TAX RATE
2013	% 35	12.279	18.095	% 20
2014	% 30	12.783	19.155	% 20
2015	% 25	13.558	20.344	% 20
2016	% 20	14.424	21.636	% 20
2017	% 15	16.350	24.525	% 20
<p>The tax rate to be applied for those who have submitted their annual returns for the year in which the increase is made within the legal periods, who have paid their accrued taxes over these returns in time and who have no finalized or controversial debt for these tax types shall be 15%.</p>				

Corporate Tax

CORPORATE TAX BASE INCREASE RATES AND TAX BASE AMOUNTS TO BE INCREASED IN MINIMUM			
YEAR	TAX BASE INCREASE RATES	MINIMUM INCREASE AMOUNT (TL)	TAX RATE
2013	% 35	36.190	% 20
2014	% 30	38.323	% 20
2015	% 25	40.701	% 20
2016	% 20	43.260	% 20
2017	% 15	49.037	% 20

The tax rate to be applied for those who have submitted their corporate tax returns for the year in which the increase is made within the legal periods, who have paid their accrued taxes over these returns in time and who have no finalized or controversial debt for these tax types shall be 15%.

The taxes paid by withholding shall not be able to be set off from the taxes calculated over the increased tax bases. 50 % of the losses for the years in which the increase is made, which have been deferred to the year of 2018 shall be able to be set off from the profits of 2018 and following years. The losses which have been transferred to the incoming years due to the exemptions and discounts and the retained losses shall not be able to be set off from the increased tax bases. If the refund of the taxes paid by withholding is requested, the tax examination and assessment right is reserved. In the determination of the minimum tax bases about the taxpayers which operated within the pro-rata period, the pro-rata period shall be taken into account. The assessments finalized before the date when the law is published shall be taken into account together with the period return in the tax base increase. The withholding application depending on profit distribution is not within the scope of the tax base increase.

Income Withholding Tax

The tax calculated by applying the rates given in the following table over the annual total of the gross amounts regarding the included payments set forth in the withholding tax return given by years shall be paid.

Yıl	Increase Rate in the Wage Payments (%)	Increase Rate in the Self-Employment and Rental Payments (%)	Increase Rate in the Long-term Construction Works Payment Amounts (%)
2013	6	6	1
2014	5	5	1
2015	4	4	1
2016	3	3	1
2017	2	2	1

If additional tax is paid by using the rates established over the annual total of the gross amount in the payments subject to withholding, the withholding income tax examination shall not be able to be made in terms of the payments related to these taxation periods. The wage payments set forth in the item 1 of the first paragraph of the article 94 of the Income Tax Law, the long term construction works payment amounts set forth in the item 3 and the rental payments set forth in the item 5 have been included into the scope. The long-term construction works payment amounts set forth in the item of the first paragraph of the article 15 of the Corporate Tax Law and the rental values paid to the cooperatives set forth in the item (b) have been included into the scope.

Value Added Tax

If additional tax is paid by using the rates established over the annual total of the calculated value added tax set forth in the VAT Returns within the relevant periods, no value added tax examination and assessment for the relevant periods shall not be able to be made.

VALUE ADDED TAX INCREASE RATE	
YEAR	TAX INCREASE RATE
2013	3,5 %
2014	3,0 %
2015	2,5 %
2016	2,0 %
2017	1,5 %

- **Application Period and Payment Period in the Tax Base Increase**

The tax base increase should be made until 31.08.2018. It is possible for the income, corporate and value added taxes calculated or increased to be paid in advance or for their first instalment to be paid in maximum 6 equal instalments in two-month periods.

In the Article 15 titled Tax Base and Tax Increase of "the Law No 7143 on Restructuring of the Taxes and Other Certain Receivables and Amendment to Certain Laws", those who cannot take advantage of the provisions regarding the tax base and tax increase are listed. If it is determined that no document has been forged after the tax examinations made, a relevant report is issued. The taxpayers shall be able to take advantage of the provisions of the article 5 of the Law no 7143, provided that they will apply to in written within 1 month as of the date of notification of this report to the taxpayers, they will pay the taxes calculated as a result of the tax base and tax increase in 6 equal instalments in two-month periods starting from the month following the notification of the report or the letter and they will fulfill the other terms stipulated in the article.

- **Adjustment of the Records**

With this law, the opportunity to registering the goods, machinery, equipment and fixtures not available in the records even though they are available in the enterprise and the opportunities to make adjustment transactions for the goods not available in the enterprise even though they are available in the records and the cash balances and receivables from shareholders have been introduced.

- Those not available in the records even though they are available in the enterprise

The commodity shall be recorded over the market value in the machinery, equipment and fixtures. If it is subject to the general rate, 10% VAT payment shall be made and if it is subject to the discounted rate, the reverse charge VAT payment equal to the half of the rate shall be made. The VAT which has been declared and paid shall not be subject to discount. The VAT Return No 2 and annex thereof shall be given together with the Inventory List until 31.08.2018 and its tax shall be paid within the same period. For these goods declared, liability application shall not be made pursuant to the second paragraph of the article 9 of the Value Added Tax Law. The taxpayers who declare the goods subject to the special consumption tax and who cannot submit their receiving reports regarding these goods should declare also their special consumption tax calculated over the quantity and value of equal on the date of declaration with a separate return within the period of giving return regarding the value added tax. The sales price of the assets declared shall not be able to lower than their price registered into the book. The assets declared should be declared with Ba form.

- Inventories - Non-Invoiced Sales not available in the Enterprise even though they are not available in the Records

This regulation was introduced only for the commodities. The cost and profit of the commodity shall be recorded. The VAT rate to which the commodity is subject shall be paid. An invoice shall be issued. An adjustment shall be made until 31.08.2018. The VAT payable shall be paid in 3 instalments, the first instalment of which shall be paid on 31.08.2018, the second instalment of which shall be paid on 31.10.2018 and the third instalment of which shall be paid on 31.12.2018. On the invoices to be issued, the expression "Various Purchasers (It is regulated within the framework of the article 6/2 of the Law no 7143)" shall be written instead of the information regarding the purchaser. The invoices issued due to the commodity, which are not available in the enterprise even though they are available in the records shall be notified to the taxpayers, who must give Bs form, with Bs form. For the commodity for which invoice has been issued and which has been recorded, no retrospective penalty and delay interest shall be applied.

- Cash or Receivables from Shareholders not available in the Enterprise even though they are available in the Records

The corporate taxpayers keeping books as per the balance sheet principle shall be able to take advantage of the opportunity of adjustment. The declaration shall be made by comparing the balances in the balance sheet dated 31.12.2017 with the balances on the date of declaration. In the event that the balance in the balance sheet dated is lower than the balance on the date of declaration; the declaration shall be able to be made only as much as the balance amount in the balance sheet dated 31.12.2017.

- **Adjustment of the Accounts**

If the cash account is available in the book records and is not available in the enterprise, the amount forming the basis of the taxation shall be the registered amount. The tax liability shall be at the rate of 3%. The partners' current account shall be made available in the book records and in the enterprise as the Amounts occurring due to the Transactions other than the Main Activities of the enterprise. The debts or receivables from the partners shall be the amount that forms the basis of the taxation. The tax liability shall be at the rate of 3%. The duration of them shall be declared until 31.08.2018 and their tax shall be paid within the same duration. The taxpayer can make the preference for "**689. Other Extraordinary Expenses and Losses Account**" or **296- Provisional Account** (Adjustment Account pursuant to the article 6/3 of the Law no 7143) which is a provisional account in the assets of the balance sheet due to the transactions arising from the adjustment while making the accounting records related to his declaration. No assessment shall be made due to the declared amounts.

Yours respectfully,

MS SELHEP OFFICE

CHARTERED PUBLIC ACCOUNTANTS CO.LTD

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