

ANKARA: (H/Q)
BILLUR SOK. 23/7-8
06700 KAVAKLIDERE
ANKARA TURKIYE
TEL: +90- 312-4266573 / 4260153
4266890 / 4260057
FAX: +90-312-4260058

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

ISTANBUL:(BRANCH)
KORESEHITLERI CAD.
NO. 37/6
80300 ZINCIRLIKUYU
ISTANBUL, TURKIYE
TEL:+90-212-2880293 / 2880294
2754066 / 2880054
FAX:+90-212-2720535

October, 5th 2017
Ref. 17/24

CIRCULAR 17/24

Subject: Bill Drafting on the Amendment of Some Tax Laws, Laws and Statutory Decrees

New Omnibus Bill Drafting titled "Bill Drafting on the Amendment of Some Tax Laws, Laws and Statutory Decrees" was submitted to the Turkish Grand National Assembly on the date of 27 September 2017. Regarding this, the regulations planned to be made are explained in this circular herein. Detailed explanations in relation to each title shall be made through circulars when the law enters into force.

1. Income Tax Law No. 193

With the amendment planned to be made in the third paragraph of the 74th article of the Income Tax Law, titled "Expenses", the lump sum expense ratio, which was applied at the rate of 25% of its earnings, is reduced to 15%, against the real expenses of the taxpayers in terms of real estate capital revenues. It is said that it would enter into force on the date of publication to be applied to income generated from the date of January, 1st 2017.

2. Withholding

A regulation is being made in the direction of applying withholding within the corporation from the distributable corporation profit which are not added to the capital until the end of the second month following the month, in which it is required to be given in relation with the accounting period, when the corporation tax return is obtained, and/or not subject to profit distribution.

3. Basic Rate

The rate of 27% included in the 103rd article titled "Basic Rate" of the Income Tax Law is increased to 30%. It is said that this article would enter into force on the date of its publication in order to be applied to the income generated from the date of 1/1/2017. A regulation is being made regarding that the regulation made in the 103rd article of the Income Tax Law would be applied for the wage incomes generated from the date of 1/1/2018 therefore, the amendment made with the mentioned article would not be applied for the wage incomes generated in 2017.

4. Those Remain Below the Net Minimum Wage of 1.404,06 TL

With the Provisional Article 87 stipulated to be added to the Income Tax law, for those remaining below the net wage at the amount of 1.404,06 TL paid to those with minimum wage only for whom the minimum living allowance is calculated, the difference between this amount and the net wage calculated monthly with respect to September, October, November and December of 2017 is aimed to be separately added to the minimum living allowance of the worker.

5. Corporate Tax Law No. 5520

5.1. Corporate Tax Ratio

In the 32nd article titled "Corporate Tax and Provisional Tax Rate" of the Corporate Tax Law, it is regulated that the corporation profits of the banks, financial leasing companies, factoring companies, financing companies, payment and electronic fund organizations, authorized foreign exchange institutions, asset management companies, Capital market institutions operating under the Capital Markets Law numbered 6362, insurance and reinsurance companies and pension companies shall be subject to corporate tax at a rate of 22%. The Council of Ministers is authorized to change this rate. As the entry into effect date, it is stated that the date would be the date of publication to be applied to the earnings required to be declared in the declarations to be submitted after the date of 1/1/2018.

5.2. Investment Incentive Certificate

The inscription of "in the calendar year of 2017" included in the first paragraph of the Provisional Article 9 of the Corporate Tax Law, shall be amended to "in the calendar years of 2017 and 2018 " and the regulation, which allows to benefit from the investment incentives, under Article 32 / A of the Corporate Income Tax Law for manufacturing industry investments, at higher ratio, is enabled to be applied in 2018.

5.3. Returns generated from the sale of immovable

The exemption of 75%, applied to the returns generated from the sales of immovable included in the assets of the corporations for two full years, is reduced to 50%.

5.4. From the Debtors' Point of View

The corporation tax exemptions for the returns generated from the transfer of the immovable and participation stocks of bank debtors and their guarantors in exchange for their debts to the bank and the returns generated from the sale of the assets acquired by the banks in this way is expanded to include financial leasing and financing companies which are non-bank financial institutions. In addition, the 75% exemption rate included in the current regulation is re-set as 50% for immovable and 75% for other assets. The entry into effect date is stipulated to be 01.01.2018.

6. Value Added Tax Law No. 3065

- By making amendment in the 17th article of the Value Added Tax Law regarding the exemption, the price for the roaming service provided by the operator located abroad to the domestic operator in relation with the use of mobile phones abroad by the subscribers and this fee being refunded by the domestic operator from the subscriber are exempted from value added tax. Therefore, the prices related to the mentioned services shall also be exempted from the private communication tax in accordance with the provisions of Article 39 of the Expenditure Taxes Law No. 6802.
- It is ensured to apply the added value exemption, which is allowed for the transfer and assignment of the immovable and participation stocks of those, whom are the debtors to the bank and their guarantors, in exchange of their debts for the transfer and assignment made to the financial leasing and financing companies as well. The entry into effect date is stipulated to be 01.01.2018.

- By making amendment in the Provisional Article 37 of the Value Added Tax Law No. 3065 on the investment incentive certificates for the manufacturing industry, with the intention of eliminating the financing burden caused by the value added tax on the manufacturing industrial investments, it is aimed that the application of value added tax to be carried on due to the construction expenditures to be made in 2017 due to these investments to be continued in 2018 as well.

7. Motor Vehicle Tax Law No. 197

- The values, which constitute the basis of value added tax, except the private consumption tax to be calculated during the delivery, the first acquisition and export of the vehicle are defined as the vehicle values. The entry into effect date is stipulated to be 01.01.2018. Vehicle values are added to existing taxation measures by changing the taxation method of cars, station wagons, land vehicles and the like. The existing tariff is regulated in the provisional article (I/A) to be applied for the old model vehicles and year 2017, and the amendment made in the tariff numbered (I) for the vehicles, which are recorded and registered as of 1.1.2018, is being applied. On the other hand, the measures for taxation of motorcycles are not changed, and the tax amounts are preserved without the columns of "Vehicle Value" and "Line Number" in the existing tariff. The entry into effect date is stipulated to be 01.01.2018.

8. Stamp Tax Law No. 4158

- By making amendments to the 30th Repeating Article of the Stamp Tax Law, the authority granted to the Council of Ministers on the increase and reduction of the fixed and relative stamp taxes is allowed to be used jointly or separately according to the paper types.
- Financing costs of the special purpose institutions, established to provide funds for the issuance of securities abroad for the financing of public-private partnership projects, are reduced by providing stamp to the papers organized for the utilization of these funds by the project contractor firm and the papers issued for the transactions related to their repayment and repayment.

9. Act of Fees No. 492

- It is stipulated that the special purpose institutions, established to provide funds for the issuance of securities abroad for the financing of public-private partnership projects, shall be exempted from the fees other than the judicial fees for the transactions related to the utilization of these funds by the project contractor firm and for the processes of their repayment and repayment.
- The application fee and renewal fee, which are included in the Tariff numbered (8) under the Act of Fees and which are required to be paid in the agreement process, are abolished.

10. Real Estate Tax Law

It is ensured that minimum square meters per unit values of land and plots appraised for 2018 do not exceed a certain percentage of unit values applied in 2017. Also in the following years of 2019, 2020 and 2021, it is aimed to make transactions on the basis of the unit values for the year 2018 in the calculation of building and land tax values.

11. Expenditure Tax Law No. 6802

- With the regulation made in the 39th Article of the Expenditure Tax Law No. 6802, the rates of private communication tax are determined at the same rate as 7.5% for each service. The entry into effect date is stipulated to be 01.01.2018.

- Regardless of where the transaction is made the money, taken to advantage as a result of forward transaction and options contracts, is exempt from the bank and insurance transaction taxes. The entry into effect date is stipulated to be the beginning of the month following the month of publication.

12. Law on Collection Procedure of Assets No. 6183

- Article 22/A titled "Transactions not to be made without payment of the assets and the liabilities of those, who carry out transaction" of Law on Collection Procedure of Assets is regulated again and procurement of goods or services including those within the scope of exemptions by corporations and organizations having public legal entities and the payments to be made to the beneficiaries due to construction works are included in this scope. Professional organizations and foundation universities are excluded from the scope of the new regulation.
- In addition, in cases where deductions should be made from the payment to be done for the receivables of Social Security Institution in accordance with the 90th Article of Social Security and General Health Insurance Law No. 5510 and for the receivables of the collection administration in accordance with Article 22/A of the Law No. 6183, the principle of allocate a gross amount in exchange for their receivables for two public administrations.
- Domestic banks, which are to mediate when their public receivables are paid by foreign citizens or foreign nationals with debit cards and similar cards belonging to foreign banks, are allowed to receive commissions for the expenses to be incurred by them.
- The 7-day period included in the 15th Article, titled "Objection to conservatory attachment", in which the period for filing a lawsuit regarding the conservatory attachment is regulated, is extended to 15 days.
- The 7-day period stipulated in the 55th Article, titled "Payment order", which includes provisions stating that payment of debt within 7 days or notification of goods should be made for debt owed by the payment order, is extended to 15. In addition, also 7-day period specified for the third parties, who are the holders of the goods of those, who fall into arrears, to notify these goods to the revenues office, is re-regulated as 15. The 7-day payment period given by the notification, which is made to the debtor before the secured receivables are converted into money included in Article 56th, titled "Removing the conservatory attachment:" is extended to 15 days. The period for filing a lawsuit against the payment order and the period for declaring goods for those, whose cases are rejected, included in the first and seventh paragraphs of article 58th, titled "Objection to payment order" is extended from 7 days to 15 days. The 7-day period for giving imprisonment sentence against those, who do not carry out the notification of goods included in the 60th Article, titled "Those who do not carry out the notification of goods:" is extended to 15 days. The entry into effect date is stipulated to be 01.01.2018.

Best regards,

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

