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CIRCULAR 17/26

Subject: Amending Law no 7061 on “Amendments on Certain Taxation Laws and Certain Other Laws”

The Amending Law no 7061 on “Amendments on Certain Taxation Laws and Certain Other Laws” has been published in the Official Gazette dated 5th December 2017 and numbered 30261. Changes introduced by this law are described below:

A) Amendments on the Income Tax Law No. 193

1) Previous Lump-Sum Expense ratio of %25 applicable on rental revenues is now reduced to %15.

Article 14 of the Law amends the Article 74, Paragraph 3 of the Income Tax Law, titled “**Expenses**” and **reduces** the previous **lump-sum expense ratio** of %25 for actual expenses of the taxpayers over the income from immovable property **to %15**.

Entry into force: Has entered into force on the date of 05th December 2017 to be applicable to revenues generated since **01st January 2017** .

2) Additional payment to those that receive a salary less than net minimum wage of 1.404,06 TL

Article 15 of the Law added the Provisional Article 87 to the Income Tax Law which stipulates that for those who are paid a salary less than net minimum wage of 1.404,06 TL and who receive minimum living allowance, a sum equal to the amount of difference between this sum and the net minimum wage calculated for the months September, October, November and December of the year 2017, shall be separately added to the minimum living allowance.

The General Communiqué 299 on Income Tax has been published in the Official Gazette dated 6th December 2017 and numbered 30262 concerning application of additional sum to the minimum living allowance for those whose salary is less than 1.404,06 TL. Accordingly;

- Additional minimum living allowance shall be given only to those employees whose net salaries for the **months September, October, November and December of the year 2017** reduces below the net minimum wage of 1.404,06 TL due to income tax tariff practices.
- Those, **whose net salary is NOT reduced below 1.404,06 TL**, after any reduction of salary due to income tax tariff cannot benefit from this arrangement.
- Said additional minimum living allowance shall not be applied in case where the salary of the employee is **reduced below 1.404,06 TL due to start or termination of service, unpaid leave and similar** in the said period.

- The wages of the employees whose net salaries reduced below 1.404,06 TL for the months September, October, November and December of the year 2017 shall be increased only to 1.404,06 TL **with the additional minimum living allowance**.
- **The amount of difference** between 1.404,06 TL and the amount calculated for months September, October, November and December of the year 2017 shall be separately added to the minimum living allowance calculated in “Living Allowances Payroll Account” of the employees.
- Then the total sum of the minimum living allowance, including the additional amount in the payroll, shall be transferred to the “Minimum Living Allowance” line of the payroll of the period of payment of the wages.
- The difference amounts not benefited the additional minimum living allowance calculated **for the months of September and October 2017** shall be offset by addition of this sum to the minimum living allowance of the employee as shown in the **Minimum Living Allowance Payroll of November**. In case where **any such amounts are not offset by this method, such amounts shall be offset on the tax statements to be submitted later following the principles explained above and no adjustments shall be made on tax statements of said periods** for this purpose.
- Additional minimum living allowance cannot be offset unless said amounts are duly paid to the employee.
- The total sum of minimum living allowance cannot exceed the amount of income tax applied to the salary of the employee for the given month.

Entry into Force: Has entered into force on the date of 05th December 2017 to become applicable on the date of **1/9/2017** .

B) Amendments on the Corporate Tax Law 5520

1) Application of a different corporate tax ratio (%22) for a certain period

Article 91 of the Law added the **Provisional Article 10** to the Corporate Tax Law which stipulates that the original corporate tax ratio of %20 shall be applied differently (%22) for the tax periods of 2018, 2019 and 2020 (or the tax periods starting within the year for the businesses assigned with a special tax period).

Entry into force: Has entered into force on the date of 5th December 2017 to become applicable for the revenues of the corporations in the years 2018, 2019 and 2020. The new ratio will be applied in the first advance tax period of the year 2018 for the first time.

2) Ratios concerning investment expenses to be realized exclusively in the manufacturing industries in the calendar year 2018 within the scope of investment incentives certificates

Article 30 of the Law 6770 added the Provisional Article 9 to the Corporate Tax Law which authorized the Council of Ministers with powers to increase the investment contribution rate up to 15 points for investments with an investment incentive certificate for their investment expenses occurred in the year 2017 within the scope of their investment incentive certificate in the manufacturing industry; to apply discounts up to %100 for the corporate tax over their revenues; and to allow deduction of %100 of the investment contribution amount they have become entitled in the investment period from the earnings generated by other activities.

Article 90 of this present Law, amended the wording “in the calendar year of 2017” in the First Paragraph of Provisional Article 9 of the Corporate Tax Law and replaced it with the working **"in calendar years of 2017 and 2018"** hence expanding the term of the previous arrangement

that allows for benefiting higher ratios of investment incentives under the Article 32/A of the Corporate Tax Law for the investments in the manufacturing industries to the year 2018.

Entry into force: has entered into force on the date of 5th December 2017.

3) Reduction of previous exception ratio of %75 applicable for earnings over sales of immovable assets to %50

Article 89 of the Law amends the Article 5 of the Corporate Tax Law titled “Exceptions”. The first paragraph of the Article:

- **point (a)** : previously allowed for application of %75 of exceptions on the earnings over the sales of immovable assets that remained within the assets of the corporations for a period of 2 years; now allows for a reduced **%50 exception**.

Entry into force: has entered into force on the date of 5th December 2017.

C) Amendments on the Value Added Tax Law numbered 3065

- Article 17 of the Value Added Tax Law on exceptions has been amended so that; the fee of roaming services provided by the foreign operator to the domestic operator for abroad use of mobile telephones by domestic subscribers and reflection of this fee to the subscriber by the domestic operator is now exempted from the value added tax. Therefore, any relevant fees on said service shall also be exempted from special communication tax as per the provisions of the Article 39 of the Expenditure Taxes Law numbered 6802.
- The value added tax exemption granted to transfer and handover of the immovables and participation stocks by debtors of banks and their guarantors to the banks, is now granted to the transfers and handovers to leasing companies and financing companies. Date of entry into force is 01.01.2018.
- With the amendment on Provisional Article 37 of the Value Added Tax Law numbered 3065 on investment incentive certificates for manufacturing industries, it is aimed to continue with the implementation of value added tax returns on expenses over construction investments in the year 2017 also in the year 2018 so as to relieve the manufacturing industry investments from additional financial burdens arising from the value added tax.

D) Amendments on Motor Vehicles Tax Law

Article 22 of the Law, introduced a new provision to the Article 2 titled “**Definitions**” of the Motor Vehicles Tax Law which now defines the values constituting the basis for value added tax during delivery, first acquisition and import of the vehicle, as vehicle value. The delay interest as well as the special consumption tax to be calculated are excluded from this price calculation.

Entry into Force: will enter into force on the date of **1/1/2018**.

Article 23 of the Law, on the other hand, stipulates that the **vehicle value** shall also be considered as a taxation criterion for the vehicles to be registered and recorded as of the date of 1/1/2018 whereupon an increase equal to the revaluation ratio, for vehicles below 1300 cc, or an increase of a certain rate starting from 10 points over the revaluation ratio shall be applied for all other vehicles.

On the other hand, taxation criteria for motorcycles are not amended and the tax rates are preserved as stated in the current tariff, less the “Vehicle Value” and “Line Number” items therein.

Accordingly, as of the date of 1/1/2018 the MVTs of the vehicles to be registered shall be calculated as follows:

Engine Cylinder Displacement (cm ³)	Vehicle Value (TL) (<i>new added column</i>)	Line Number	Annual Tax Amounts to be Paid by the Age of the Vehicle (TL)				
			1 - 3 years	4 - 6 years	7 - 11 years	12 - 15 years	16 years and above
1- Cars, powerboats, off-road vehicles and similar							
1300 cm ³ and lower	Not exceeding 40.000	1	743,00	518,00	290,00	220,00	78,00
	Between 40.000 and 70.000	2	817,00	570,00	319,00	242,00	86,00
	Above 70.000	3	892,00	622,00	348,00	264,00	94,00
Between 1301 - 1600 cm ³	Not exceeding 40.000	4	1.294,00	970,00	563,00	398,00	153,00
	Between 40.000 and 70.000	5	1.423,00	1067,00	619,00	437,00	168,00
	Above 70.000	6	1.553,00	1164,00	675,00	477,00	183,00
Between 1601 - 1800 cm ³	Not exceeding 100.000	7	2.512,00	1964,00	1156,00	705,00	274,00
	Above 100.000	8	2.741,00	2142,00	1262,00	770,00	299,00
Between 1801 - 2000 cm ³	Not exceeding 100.000	9	3.957,00	3048,00	1792,00	1067,00	421,00
	Above 100.000	10	4.317,00	3.326,00	1955,00	1.164,00	459,00
Between 2001 - 2500 cm ³	Not exceeding 125.000	11	5.936,00	4.309,00	2.692,00	1.609,00	637,00
	Above 125.000	12	6.476,00	4.701,00	2.937,00	1.755,00	695,00
Between 2501 - 3000 cm ³	Not exceeding 250.000	13	8.276,00	7.200,00	4.498,00	2.420,00	888,00
	Above 250.000	14	9.029,00	7.854,00	4.907,00	2.640,00	969,00
Between 3001 - 3500 cm ³	Not exceeding 250.000	15	12.603,00	11.340,00	6.831,00	3.410,00	1.251,00
	Above 250.000	16	13.749,00	12.371,00	7.452,00	3.720,00	1.365,00
Between 3501 - 4000 cm ³	Not exceeding 400.000	17	19.815,00	17.111,00	10.077,00	4.498,00	1.792,00
	Above 400.000	18	21.617,00	18.666,00	10.994,00	4.907,00	1.955,00

4001 cm ³ and more	Not exceeding 475.000	19	32.431,00	24.320,00	14.403,00	6.474,00	2.512,00
	Above 475.000	20	35.379,00	26.531,00	15.713,00	7.062,00	2.741,00

Entry into Force: will enter into force on the date of 1/1/2018 .

With the Article 24 of the Law given amendment of the taxation procedure for the vehicles, powerboats, off-road vehicles and similar by this Law, the tariff numbered (I/A) added to the Law shall be incorporated through changes to be made on the relevant wordings concerning taxation regime.

Entry into Force: will enter into force on the date of 1/1/2018.

Article 25 of the Law allows for increasing the vehicle value by the rate of revaluation each year, same as the tax amounts and authorizes the Council of Ministers to re-determine the vehicle values separately or collectively; and sets forth the limit of fractions to be ignored in these calculations.

Entry into Force: will enter into force on the date of **1/1/2018**.

Article 26 of the Law, sets forth a provisional article which stipulates that the motor vehicle tax for the vehicles registered and recorded before the date of 31/12/2017 (including the date) shall be increased by the revaluation rate for the vehicles lower than 1300 cc and by revaluation rate plus 10 points for other vehicles.

The tariff applicable for the vehicles registered before the date of 31.12.2017 is given below:

Engine Cylinder Displacement (cm ³)	1 - 3 years	4 - 6 years	7 - 11 years	12 - 15 years	16 years and above
1- Cars, powerboats, off-road vehicles and similar					
1300 cm ³ and lower	743,00	518,00	290,00	220,00	78,00
Between 1301 - 1600 cm ³	1.294,00	970,00	563,00	398,00	153,00
Between 1601 - 1800 cm ³	2.284,00	1.785,00	1.051,00	641,00	249,00
Between 1801 - 2000 cm ³	3.598,00	2.771,00	1.629,00	970,00	383,00
Between 2001 - 2500 cm ³	5.396,00	3.918,00	2.448,00	1.463,00	579,00
Between 2501 - 3000 cm ³	7.524,00	6.545,00	4.089,00	2.200,00	808,00
Between 3001 - 3500 cm ³	11.458,00	10.309,00	6.210,00	3.100,00	1.138,00
Between 3501 - 4000 cm ³	18.014,00	15.555,00	9.161,00	4.089,00	1.629,00
4001 cm ³ and above	29.483,00	22.109,00	13.094,00	5.885,00	2.284,00

Entry into Force: will enter into force on the date of **1/1/2018**.

E) Amendments on Special Consumption Tax No 4760

1) Limitations applied for vehicle purchases with exemptions by the handicapped

Article 72 of the Law, amends the Article 7 “Other Exceptions” of the Special Consumption Tax Law as follows;

- Limitations as to the engine cylinder displacement capacities for the first purchases of the vehicles such as automobiles, off-road vehicles, SUVs and similar by the handicapped have been lifted.
- The basis for SCT exemption for vehicle acquisition of handicapped have been limited to 200.000 TL,
- This amount shall be increased by the rate of revaluation each year.
- The Council of Ministers is now authorized to increase the amount so determined by a ratio of %50.

Entry into Force: will enter into force on the date of **1/1/2018**.

F) Amendments to the Stamp Tax 4158

- The recurring Article 30 of the Stamp Tax have been amended so that the authority granted to the Council of Ministers for increasing or decreasing the fixed or relative stamp taxes can now be used severally or jointly according to the types of paper.
- The financing costs of the special purpose entities established to secure funds abroad against securities exported for financing public-private sector cooperation projects, by provision of exemption from stamp tax for the papers issued for extension of these funds to the contractors of the projects as well as the papers issued for warranties and pay-back of the same.

Entry into force: has entered into force on the date of 5th December 2017.

G) Amendments to the Law on Fees 492

Provision of exception of fees for public-private sector collaboration projects

The article 31 of the Law adds a new paragraph to the Article 123 “Provisions in Special Laws” of the Law on Fees which stipulates that the special purpose entities established to secure funds abroad against securities exported for financing public-private sector cooperation projects shall be exempted from the fees, except for legal fees, applicable on extension of the funds to the contractors of the projects as well as the papers issued for warranties and pay-back of the same.

Entry into force: has entered into force on the date of 5th December 2017.

Removal of procedure setting fees in transfer pricing

According to the Article 13, Subparagraph five “**Disguised profit distribution through transfer pricing**” of Corporate Tax Law, for transfer pricing, the procedure concerning determination of the price or fee applicable on the service or goods provision with the related parties, can be determined upon agreement with the Ministry of Finance upon request by the taxpayer.

Article 32 of the Law has eliminated the application fee (56,979.40-TL for 2017) and renewal fee (45,583.30-TL for 2017) as specified in the Tariff No 8 of the Liabilities Law, which must be paid in the agreement process, so as to encourage such agreements.

Entry into force: has entered into force on the date of 5th December 2017.

H) Amendments on the Real Estate Tax Law 1319

Article 35 of the Law adds the Provisional Article 23 to the Real Estate Tax Law which stipulates that the unit values for square meters of the minimum lands and plots as determined by the value commissions for the year 2018 shall not exceed a certain percentage of the unit values applied in the year 2017. It is aimed to ensure that the calculation of the building and land tax values for the following years 2019, 2020 and 2021 the unit value applied for the year 2018 shall be taken as basis.

Entry into force: has entered into force on the date of 5th December 2017.

I) Amendments on the Expense Taxes Law 6802

1) Special Communication tax rate is determined to be %7.5

First paragraph of Article 39 “**Special communication tax**” of the Expense Taxes Law the following services are subjected to following special communication tax.

Point (a) %25 for installation, transfer, assignment and communication services within the scope of all kinds of mobile electronic communication operations (including sales for recharges on pre-paid lines),

Point (b) %15 for services regarding transmission of radio and television broadcasts through satellite platforms or cable media,

Point (c) %5 for cable, wireless and mobile internet service provision,

Point (d) %15 for other electronic communication services that are not included in the points (a), (b) or (c).

Article 10 of this Law amends the Article 39 of the Expense Taxes Law No 6802 and fixates the special communication tax rates to **%7.5** for all services listed therein.

Entry into Force: will enter into force on the date of **1/1/2018**.

2) Moneys acquired from forwards and option contracts are now exempted from bank and insurance transaction taxes

Article 11 of the Law, amends the Article 29 “**Exceptions**” of the Expense Taxes Law and exempts the moneys acquired from forwards and option contracts from bank and insurance transaction taxes regardless of the place of transaction.

Entry into Force: will enter into force on the date of **1/1/2018**.

Respectfully,

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