

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

June 6, 2018
Ref. 18/26

CIRCULAR 18/26

Subject: General Communiqué on Tax Procedure Law No 495

General Communiqué on Tax Procedure Law No 495 entered into force on 25.05.2018 by being published on the Official Gazette no 30431.

The General Communiqué on VUK No 495 is about the valuation of foreign currencies that are brought from abroad and invested as capital. The amendment made regarding the issue was announced in our Circular numbered 18/18-2 and dated 30 March 2018. With this amendment herein, the procedures and principles regarding the application of this article were reported. In the General Communiqué on Tax Procedure Law No 495 published on the Official Gazette numbered 30431 and dated 25/05/2030, explanations are made regarding the valuation of foreign currencies, which were brought to Turkey from abroad until the end of the accounting period following the accounting period of commencing the work, invested as capital through the Law No 7103, the article added to Tax Procedure Law No 280/A and after the publication of the Law No 7103 to the taxpayer capital companies among the taxpayers, who are registered in the trade register, making investments within the scope of the investment incentive certificate.

The article 280/A titled "Foreign currencies brought from abroad to be invested as capital" is added to be applied to capital companies registered after 27 March 2018 and to enter into force on this date. In order to benefit from this article, the requirements such as being a capital company, being registered in the trade registry after 27.03.2018, being fully responsible in the application of Law No 5520 and bringing foreign currency from abroad as capital are needed. It is obligatory to have all requirements except the "bringing foreign currency from abroad as capital" requirement as of the date of commencement of employment for the first time. The purpose of bringing foreign currency into Turkey is to be bring the foreign currency, which is abroad, into Turkey by the partners or delegated persons physically or to be brought through organizations which are authorized to existing accounts or to open a new account in banks in Turkey.

Foreign currencies brought from abroad to be invested as capital

- Foreign currencies, which are brought to the fully responsible companies from abroad and invested as capital until the end of the accounting period following the accounting period, in which they commence work, are under the scope of this application.
- The foreign currencies to be brought from abroad as capital may be brought by the partners, who make a commitment on the capital to the capital companies possessing the right of valuation or by the persons authorized by them.
- Foreign currency to be invested as capital may be brought to Turkey in whole or in parts (or more than one time). In this case, this application shall be able to be benefited from as limited to the amount paid invested into the company as capital.

- It is obligatory to certify that the foreign currency is brought from abroad with the documents issued by the authorized institutions and organizations within the framework of the relevant legislation.
- As foreign currency transfer may be made to the personal accounts of the partners and the persons authorized by them, it can also be made directly to the account of the company to be opened in accordance with Article 345 of the Law No 6102 to be used in the payment of the cash capital of the capital companies that are to make valuation within the scope of this transfer article.
- It is essential for the foreign currency to have the nature of convertible currency which can be purchased and sold by the Central Bank of the Republic of Turkey.

Taking foreign money, which is brought from abroad as capital, into accounts

Foreign currencies taken in company records are tracked in auxiliary accounts which can be monitored separately under Article 280/A of Law No 213. These accounts cannot be confused with the foreign currency accounts of companies that are in the same foreign currency but do not fall within the scope of the article.

Applying in order to take investment incentive certificate

In order to benefit from the provisions of Article 280/A of the Law No 213, application should be made to the Ministry of Economy (General Directorate of Incentive Implementation and Foreign Capital) or to the relevant local units (Development Agencies, Chambers of Industry) in line with the principles determined in the relevant legislation in order to obtain investment incentive certificate until the end of the third month following the registration date.

The taxpayers are required to keep the documents related to the application of the investment incentive certificate in accordance with Law No 213 and to present when required.

Disbursement of foreign currency, which is invested as capital, under the scope of investment incentive certificate:

In case the foreign currencies under the scope are disbursed within the scope of the investment incentive certificate until the end of the accounting period following the accounting period, in which they are commenced, the exchange differences arising from the disbursement date are taken to a special fund account in accordance with Article 280/A of Law No 213. In this case, positive exchange rates shall pass to credit of the account and negative exchange rates shall be debited. Disbursement within the scope of the investment incentive certificate means that the foreign currency falling within the scope of the article is used for the payments related to the investments to be made under the investment incentive certificate.

In case of cancelling the investment incentive certificate, transactions cannot be established for the exchange differences arising from foreign currencies, which are disbursed within the scope of the document subjecting to cancellation, under this application. It is possible to make the disbursement made within the scope of the investment incentive certificate directly in the related foreign currency or to convert these currencies into Turkish Lira. It is not possible to take the exchange differences arising from the disbursement of foreign currencies falling within the scope of Article 280/A of the Law No 213 into the account before the investment incentive certificate is received.

Yours respectfully,

MS SELHEP OFFICE

CHARTERED PUBLIC ACCOUNTANTS CO.LTD

ACCOUNTING BOOK KEEPING

TAX CONSULTANCY LEGAL ADVISORY