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CIRCULAR 17/14

Subject: Subjection to Insurance Premium of the Memorial Gold Coin and Inner-City Transportation Allowance Granted to the Employees by Employers

The Notice No.2016-12 and dated 22.06.2016, issued by the Social Security Institution declared that the equivalents of the memorial gold coins granted to the insured by the employers for religious holidays, new year and for the 25th, 30th and 50th anniversary of the employer's service years shall be deemed as income based on insurance premium and be subjected to insurance premium, effective as of 01 June 2016.

Any subventions paid in cash to the insured, such as food, clothing and heating allowances, and the benefits provided to the insured by presenting the insured memorial gold coins must be reflected on the payrolls and be subjected to income tax, stamp tax and insurance premium.

As set forth in this Notice:

- Given the facts that daily value of gold is evident and that it can be easily turned into cash in the gold market any moment and, thus, offering the alternative of purchasing, memorial gold coins are not granted for the purpose of satisfying a social or personal need, as a result of regarding the allowances paid in gold as cash allowances, and that memorial gold coins are an instrument of payment which can be used while shopping, just like cash money, the equivalents of the memorial gold coins must be included in the income based on insurance premium for the relevant month, over the amounts reflected on the wage payrolls.
- If the equivalent of memorial gold coin is not included in the payroll and if the same amount cannot be included in terms of the payroll technique, a premium deduction must be applied in the amount to be calculated over the sale price declared by the Central Bank on the last day of the same month when the gold coin is granted.
- The memorial gold coins granted before 01.06.2016 must be deemed as exemptions from the premium and no corrections need to be made on the payrolls and the monthly premium declarations dating back earlier than the mentioned date.

Pursuant to the General Letter on Transportation and Food Allowances, dated 22.07.2016;

- Pursuant to Article 7.7.1. titled Food Allowances of the Communiqué on Employer Practices, it has been declared that, regarding the payments made to the insured under the name of food allowance, the amount to be obtained by multiplying the 6% of the daily minimum wage, determined annually for those older than the age of 16 and by taking into account the number of actively worked days, by the number of days when food will be served, on condition that food is not served at the workplace or at its extensions, shall not be taken into consideration while

calculating the monthly income based on subject premium and, therefore, that it has been deemed suitable not to deduct any insurance premium from the same allowance amount.

- If the transportation allowances paid to the insured are in the form of a duty-related allowance, they must not be subject to premium; whereas, if the transportation allowances paid to the insured are in the form of a payment made to cover inner-city transportation expenses, they must be subject to premium deduction since they are not listed among the exceptions.
- The amount obtained after the premium exemption is deducted from the food allowance paid in cash must be subject to insurance premium deduction.
- Since the transportation amounts paid in cash are not among the payments exempt from premium, not to be mistaken with the concept of duty-related travel allowances referred to in Article 80 of the Law No.5510, the entire amount must be subject to insurance premium deduction.
- In the event that the transportation allowances paid to the insured are paid in the form of duty-related travel allowances, they must be recognized as duty-related travel allowances in the payroll. As the employer holds the obligation of documentation, all evidential instruments, such as temporary assignment (secondment) letters, accommodation and travelling documents, and passport, must be kept in the employee's personnel file, in case the workplace is inspected by the Social Security Institution (SGK).
- In order to exempt the food allowance, no food must be served by the employer at the workplace or its extensions and, if food is served at the workplace, food allowances must be subject to insurance premium since no premium exemption will be applied.

Best Regards,

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