

# Tax Agenda Türkiye

January 2024

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No.	Fact	Action
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**Corporation tax exemption on the foreign currency converted into Turkish Lira (TRY) extended to 30 June 2024**

Assess the foreign currency accounts and whether this exemption is applicable.

1

Until 31 December 2023, if foreign currencies that are available in the balance sheet dated 30 June 2023 are converted and utilized in TRY deposit accounts with a maturity of at least three months, interest earned at the end of maturity, including income from period-end revaluation and other income will be exempt from corporation tax.

It is proposed to extend this application to 30 June 2024.



**The Central Bank of the Republic of Türkiye (CBRT) supports the TRY conversion of foreign-sourced foreign currencies**

Assess the foreign currency earnings derived from abroad and whether CBRT support is applicable.




2




Companies who sell at least 40% of the foreign-sourced foreign currency to the CBRT, they will be able to deposit the rest of the foreign currency in foreign exchange (F/X) protected bank accounts.

The companies will receive foreign currency conversion support up to 2% of the amount converted into Turkish Lira in return for their commitment.



Use text boxes above the timeline to plan your actions for coming months

 Compliance  Risk management  Cash-flow and ETR impact

No.	Fact	Action
3	<p><b>Banking Regulation and Supervision Agency (BRSA) limits the use of TRY denominated loan for certain companies whose TRY equivalent of foreign currency assets are more than TRY 10 m</b></p> <p>With the Decision No. 10389 published by BRSA on 21 October 2022, the thresholds are decreased to TL 10m and 5% to be applicable from 01 November 2022.</p> <p>If companies, subject to independent audit, except for banks and financial institutions, have foreign currency cash assets at an amount higher than TRY 10m (foreign currency deposit in banks and effective foreign currency including gold) as of date on which they would make loan application, such companies will not be extended a new cash commercial TRY denominated loan where foreign currency cash assets of companies in question exceeds 5% of total assets or annual net sales revenue (the one having a higher amount shall be selected) according to their most current financial statements.</p>	<p>Consider this limitation in your operations.</p> 
4	<p><b>Istanbul Finance Center is introduced</b></p> <p>The Law introducing Istanbul Finance Center (IFC) is enacted. Participants of the IFC who perform exportation of financial services within the designated IFC office area, will have certain incentives, including the ability to keep their legal books in foreign currency and the eligibility to freely choose a law of a different jurisdiction as the governing law for their private law contracts.</p> <p>According to the amendments made with Law No. 7421, 50% of the earnings derived from transit trade through IFC will be exempted from corporation tax.</p> <p>On 7 July 2023, a Communique regulating the procedures and principles of the IFC Law was published in the Official Gazette.</p>	<p>Assess whether all incentives are utilized in the IFC.</p> 
5	<p><b>Notional Interest Deduction (NID) limitation on cash capital contributions</b></p> <p>The implementation period, which was previously indefinite, of the NID on cash capital contributions has been limited to five years.</p>	<p>For companies making cash capital contribution in 2022, analyze your corporate income tax (CIT) calculations by taking into account that NID will be applied only for five fiscal periods, including the FY 2022. Also consider that NID rate is increased to 75% for cash capital contributions made abroad.</p> 

No.	Fact	Action
6	<p><b>Corporation tax rate</b></p> <p>On 5 July 2023, new draft law was proposed to the Turkish Parliament for enactment. The Turkish Parliament enacted the new law as proposed and published the text in the Official Gazette dated 15 July 2023 to increase the standard corporation tax rate to 25%.</p> <p>The corporation tax rate applies with one-point reduction for income exclusively derived from manufacturing activities by corporations that has an industrial registry certificate. The law introduces a five-point reduction on the income exclusively derived from export transactions.</p>	<p>The provisions concerning the corporation tax rate will come into effect starting from the tax returns that must be submitted after 1 October 2023. These rates will be applicable to the earnings of corporations for the year 2023 and subsequent taxation periods.</p> <p>Verify the relevant corporation tax rates on current tax and deferred tax calculations made for quarterly financials. Verify the corporation tax rates on your tax calculations if the Turkish entity is performing export or manufacturing activities.</p>
7	<p><b>Corporation tax rate for financial institutions</b></p> <p>Corporate income tax rate applied at 25%, increased to 30% on corporate earnings of financial institutions (e.g., banks, electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies and pension companies).</p>	<p>The provisions concerning the corporation tax rate will come into effect starting from the tax returns that must be submitted after 1 October 2023. These rates will be applicable to the earnings of corporations for the year 2023 and subsequent taxation periods.</p> <p>Verify the relevant corporation tax rates on current tax and deferred tax calculations made for quarterly financials.</p>
8	<p><b>Dividend withholding tax rate has been decreased to 10%</b></p> <p>Dividend payments made to non-resident shareholders are subject to withholding tax in Türkiye. Local rate for dividend withholding tax was decreased from 15% to 10% on 22 December 2021. Double-tax treaties (DTT) should also be taken into consideration.</p>	<p>Check the WHT rates applied on the dividend distributions.</p>
9	<p><b>Türkiye increases ratio for time spent outside of Technology Development Zones and R&amp;D Centers</b></p> <p>Companies established in Technology Development Zones (Techno parks) and Research and Development (R&amp;D) Centers in Türkiye benefit from certain incentives. Specifically, for IT personnel, the ratio for the time spent outside of techno parks and R&amp;D Centers was increased to 100% from 50% 75%, effective from 01 April 2023 to 31 December 2023. For non-IT personnel, the ratio for the time spent outside of techno parks and R&amp;D Centers will remain at 75% until 31 December 2023. This ratio is These ratios are applicable with respect to the total number of personnel or total time spent by personnel, for the purposes of the income withholding tax incentive on wages.</p>	<p>Consider certain tax incentives for technology and R&amp;D operations in Türkiye. Make a detailed review on the incentives application of your companies that are located in these zones and assess whether they are fully benefiting from the given tax incentives.</p>
10	<p><b>Default interest rate has been increased to 2.5% per month</b></p> <p>Default interest rate has been increased to 2.5% per month effective from 21 July 2022.</p>	<p>Consider the new default interest rate to the extent applicable to tax calculations.</p>

No.	Fact	Action	
11	<p><b>Circular on the determination of the Ultimate Beneficial Owners (UBOs)</b></p> <p>Companies in Türkiye are required to report information of UBOs who are individual shareholders either holding directly or indirectly more than 25% of the legal entity or have ultimate control of the legal entity.</p>	<p>Ensure that the UBO of the company is determined and reported properly.</p>	●
12	<p><b>Tax ruling clarifies non-taxable status of liaison offices that are licensed as regional management centers and that do not perform any commercial activities</b></p> <p>If liaison offices perform regional management center activities as listed in their licenses and do not engage in any other commercial or income generating activities, it is clarified that the liaison offices will not constitute a permanent establishment, will not have corporation tax liability in Türkiye and salaries paid to the personnel will be exempt from income tax.</p>	<p>If the activities go beyond the licensed activities, then there would be a corporation tax liability and the salaries paid to the personnel would be taxable in Türkiye. Consider performing an in-depth tax analysis on the activities of liaison offices established in Türkiye to understand the potential tax implications by considering the activities that liaison offices are actually performing.</p>	● ●
13	<p><b>Tax treatment of capital reduction</b></p> <p>New law No. 7420 published on 9 November 2022 clarifies the order and tax treatment of reduction on the share capital that includes capital elements other than cash or in-kind capital.</p>	<p>Consider the outcome of the capital reduction if the capital of the Turkish entity consists of capital elements other than cash and capital in-kind contributions.</p>	● ●
14	<p><b>Stamp tax exemption on the immovable property sales agreements executed by notary publics</b></p> <p>Under the Law No. 7413, the immovable property sales agreements executed by notary publics are exempt from stamp tax, and papers issued in relation to these transactions will also be exempt from valuable paper fees.</p>	<p>Review your agreements in terms of available stamp tax exemptions.</p>	● ● ●
15	<p><b>Taxpayers' obligation to notify the tax office for some legal transactions is abolished</b></p> <p>Companies such as joint stock and limited liability companies, will not be required to notify the tax offices for starting work, branch opening, closing, head office or branch address change, start of liquidation, withdrawal from liquidation, close of liquidation and changing the legal name of the company.</p> <p>However, closing notifications and address change notifications of branches opened before 1 February 2023 will continue to be notified to the tax office.</p>	<p>Companies will not be required to notify these transactions to the tax office.</p>	●

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16	<p><b>Türkiye extends period for reduced withholding tax rates on some income within the scope of Provisional Article 67 of the Income Tax Code</b></p> <p>It was regulated that the interest, participations, and other earnings derived from the governmental bonds, bonds issued by banks, lease certificates, F/X protected bank accounts, bank deposit and participation accounts will be subject to reduced withholding rate until the end of 2022.</p> <p>With the amendments made by the Decree No. 6618, the deadline of 31 December 2022 is extended to 31 December 2023.</p>	<p>Review the dates set by the regulation to assess eligibility for reduced withholding rates.</p>	
17	<p><b>Türkiye updated the income tax brackets to be applicable for 2023 calendar year earnings</b></p> <p>Income brackets are increased by approximately 100% in line with the current high inflation. Although changes were made in income brackets, no changes were made in the tax rates.</p>	<p>Ensure that the withholdings are made correctly in your employees' payroll calculations.</p>	
18	<p><b>Thresholds are updated for companies subject to independent audit</b></p> <p>The current sales revenue and employee thresholds for companies subject to the independent audit have been increased by the Presidential Decree No. 6434.</p>	<p>Assess the new requirements to determine if the threshold covers your company.</p>	
19	<p><b>Türkiye amended the definition of "Small and Medium Sized Enterprises" (SMEs).</b></p> <p>The requirement of not exceeding TRY 250 million turnover to be considered an SME has been updated to TRY 500 million.</p>	<p>Consider the updated threshold to classify your company.</p>	

No.	Fact	Action
20	<p><b>The thresholds for cash refund of taxes deducted through withholding have been amended for 2023</b></p> <p>According to the amendment, the amended thresholds are as follows::</p> <ul style="list-style-type: none"> <li>• The cash refund amount for the taxes deducted through withholding is TRY 151.000.</li> <li>• The cash refund amount to be refunded in accordance with the full certification report is TRY 1.518,000.</li> </ul>	<p>Consider the limitations while applying for cash refunds.</p>
21	<p><b>Resource Utilization Support Fund (RUSF) is reduced for loans obtained by financial leasing companies</b></p> <p>According to Presidency Decree No. 6657, published on 10 January 2023, RUSF rate in terms of loans obtained by financial leasing companies from abroad has been determined as 0%.</p>	<p>Turkish financial leasing companies may consider this legislation in their financing transactions.</p>
22	<p><b>The Central Bank of the Republic of Türkiye (CBRT) supports the TRY conversion of foreign-sourced foreign currencies</b></p> <p>Companies who sell at least 40% of the foreign-sourced foreign currency to the CBRT, they will be able to deposit the rest of the foreign currency in F/X-protected bank accounts. The companies will receive foreign currency conversion support up to 2% of the amount converted into Turkish Lira in return for their commitment.</p>	<p>Assess the foreign currency earnings derived from abroad and whether CBRT support is applicable.</p>
23	<p><b>Türkiye reduces WHT rate to 0% on share-buy-back transactions</b></p> <p>According to the Presidential Decision No. 6791, the WHT rate is reduced to 0% from 15% on the amounts considered as dividends distributed as a result of share-buy-back transactions.</p> <p>On 7 July 2023, the Presidential Decision No. 7343 amends this rule and sets forth that the 0% WHT will be applicable on the amounts regarded as dividends distributed as a result of share buy-back transactions of full tax liable corporations whose shares are traded on Istanbul Stock Exchange.</p> <p>This provision entered into force on 7 July 2023, to be applicable to the shares acquired on and after 7 July 2023.</p>	<p>Consider the implication of the rule change. The share buybacks of Turkish privately held companies on and after 7 July 2023 will be subject to 15% WHT whereas the share buybacks of Turkish publicly held companies whose shares are traded in Istanbul Stock Exchange will be subject to 0% WHT.</p>

No.	Fact	Action
24	<p><b>A state of force majeure was declared for taxpayers in the earthquake zone</b></p> <p>The Ministry of Treasury and Finance has declared a state of force majeure for taxpayers in 11 provinces (Kahramanmaraş, Hatay, Osmaniye, Adıyaman, Diyarbakır, Şanlıurfa, Gaziantep, Kilis, Adana and Malatya) until 31 July 2023.</p> <p>As of the earthquake date, tax liabilities of the taxpayers located in these provinces between 6 February 2023 and 31 July 2023 have been postponed.</p> <p>The deadlines for submitting tax returns and notifications that must be submitted during force majeure have been extended until the end of 15 August 2023, and the payment periods for taxes accrued on these returns and notifications have been extended until 31 August 2023.</p>	Assess if you are eligible to benefit from the postponement.
25	<p><b>Provinces affected by the earthquake included in the «Attraction Centers Program»</b></p> <p>“The Decree on the Amendment of the Decree on Supporting Investments within the Scope of the Attraction Centers Program” was published in the Official Gazette dated 5 April 2023.</p> <p>Investments made in provinces that are considered disaster areas are enabled to benefit from the 6th region incentives which are the highest regional incentives.</p>	Assess these incentives if your investments are eligible to benefit.
26	<p><b>General Communiqué No. 21 has been published</b></p> <p>Detailed explanations were made regarding the applications of notional interest deduction and discounts on earnings of institutions operating in the Istanbul Finance Center.</p>	Consider this legislation in your operations.

No.	Fact	Action
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**Türkiye introduced amendments to Turkish tax laws**

On 15 July 2023 a new law was published in the Official Gazette. Included are provisions to:

- ▶ Eliminate the value-added tax (VAT) exemption applicable to the sale and delivery of immovables held by a corporation for more than two years.
- ▶ Eliminate the 50% capital gains tax exemption applicable to the sale of immovables held by a corporation for more than two years and acquired after the law's publication date.
- ▶ Reduce to 25% the current 50% capital gains tax exemption applicable to the sale of immovables held by a corporation for more than two years if the corporation currently holds the immovables among its assets.
- ▶ Abolish the current corporate income tax exemption applied to investment fund earnings (except venture capital funds).
- ▶ Eliminate tax-free partial demerger alternative for the immovables.
- ▶ Collect a one-time additional motor vehicles tax that is equal to the amount of motor vehicles tax accrued in 2023. This tax will be applied once to vehicles that are registered by the law's publication date, as well as to vehicles that are registered for the first time by 31 December 2023.

The law gives the President authority to determine the rates of the Special Consumption Tax for certain goods. To prevent the fixed tax amounts for the goods listed in attachments of the Special Consumption Tax Law from being affected by inflation, fixed tax amounts will be automatically updated in January and July of each year. The update will be based on the rate of change in the domestic producer price index announced by the Turkish Statistical Institute in the last six months.

The provisions concerning the corporation tax rate will come into effect beginning with tax returns that must be submitted after 1 October 2023. These rates will apply to the earnings of corporations for the year 2023 and subsequent tax periods. The provisions will apply to the earnings of corporations that are subject to a special accounting period, obtained during the special accounting period that begins in calendar year 2023 and subsequent tax periods.

Consider the potential impacts of the law to your companies in Türkiye.



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**Türkiye increases the rates of VAT**

On 7 July 2023, Presidential Decree No. 7346 issued new rates for VAT. The previous VAT rates of 1% , 8%, and 18% have been revised as 1%, 10%, and 20%, respectively. New rates will be effective as of 10 July 2023.

Assess and consider the potential tax implications for your operations.






28



No.	Fact	Action
29	<p><b>Re-discount transaction rate was determined in accordance with the Tax Procedure Law</b></p> <p>According to CBRT Communiqué published on 28 September 2023, the discount interest rate to be applied in re-discount transactions made against promissory notes with a maximum maturity of 3 months was determined as 40,75% per annum, while the interest rate to be applied in advance transactions was determined as 41,75% per annum.</p> <p>New rates will be effective as of 1 December 2023.</p>	<p>Consider the new rates for your calculations.</p>
30	<p><b>Türkiye amends accounting standards to align with BEPS 2.0 Pillar Two legislation</b></p> <p>The Turkish Public Oversight, Accounting, and Auditing Standards Authority has introduced amendments to Turkish Accounting Standard (TAS) 12, aligning it with IAS 12 due to the OECD's Base Erosion and Profit Shifting (BEPS) 2.0 project.</p> <p>These changes grant entities exceptions for recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes, with disclosure required in financial statements' footnotes.</p> <p>The rules are applicable for annual accounting periods beginning on or after 1 January 2023. Entities are also required to disclose current tax expenses related to Pillar Two income taxes separately.</p> <p>Additionally, entities must disclose known or estimable information about their exposure to future Pillar Two income taxes. The disclosure requirements are effective for annual periods starting from 1 January 2023, with no interim period disclosure required up to 31 December 2023.</p>	<p>Monitor developments and prepare for necessary disclosures accordingly</p>



No.	Fact	Action
31	<p><b>The Turkish Parliament ratified multiple tax treaties</b></p> <p>With the Laws published in the Official Gazette; the ratification of the DTTs signed by Türkiye with the following countries was approved by the Parliament:</p> <ul style="list-style-type: none"> <li>▶ Nigeria</li> <li>▶ Sierra Leone</li> <li>▶ Senegal</li> <li>▶ Democratic Republic of Congo</li> <li>▶ Sri Lanka</li> <li>▶ The Kingdom of Cambodia</li> </ul> <p>These DTTs will enter into force once approved by the President and published in the Official Gazette.</p>	<p>Consider these countries for business and restructuring purposes.</p> <p>● ●</p>
32	<p><b>Türkiye increases additional customs duty rates on textile industry</b></p> <p>On 16 October 2023, a Presidential Decree that increases additional customs duty rates imposed on textile industry was published in the Official Gazette of Türkiye. The increases are set to be applied as of 15 November 2023.</p> <p>The amendment covers both raw materials and final products in textile goods, and it is estimated that the tax liability due to this amendment will range from 30% to 166.7% of the invoice amount and the related costs of the imported good.</p>	<p>Consider that not all products classified as textile goods are covered by the amendment; therefore, it will be useful for those importing goods into Türkiye of goods classified in Chapters 51 to 63 of Harmonized System (HS) Code to check the additional customs duty rate changes on that basis.</p> <p>● ●</p>
33	<p><b>The revaluation rate for 2023 was announced as 58.46%</b></p> <p>This rate will be applied for inflation adjustment, certain fees and penalties to reduce the effects of the inflation for the government.</p>	<p>Consider the new rates for your calculations.</p> <p>● ●</p>

No.	Fact	Action
34	<p><b>Türkiye applies inflation adjustment starting from 1 January 2024</b></p> <p>The regulated condition of "inflation rate exceeding 10% in the current year and the sum of the last three years' inflation rates exceeding 100%" was met in 2022, but its implementation was postponed to 2024 by Parliament.</p> <p>The financial institutions are exempted from the implementation of inflation adjustment.</p>	<p>Apply inflation adjustment on your accounting calculations.</p> 
35	<p><b>Türkiye increases minimum capital amount for joint stock and limited liability companies</b></p> <p>With the Presidential Decree published in the Official Gazette dated 25 November 2023, the minimum capital amount required for joint stock and limited liability companies was increased.</p> <p>As of 1 January 2024, joint stock companies can be established with a minimum capital of TRY 250.000 (approx. USD 8.400 - EUR 7.700) and limited liability companies with a minimum capital of TRY 50.000 (approx. USD 1.680 - EUR 1.540).</p> <p>For companies whose current capital is below the minimum amount, there is no obligation to increase the capital at this stage.</p>	<p>Consider the new amounts if you plan to invest in Türkiye.</p> 
36	<p><b>Türkiye abolished the deduction right for VAT paid within the scope of import monitoring and protection measures</b></p> <p>The right to deduct the VAT paid due to customs tax and/or additional financial obligations imposed as a result of legislation regarding the surveillance and protection measures on imports, anti-dumping tax, and countervailing taxes imposed within the scope of the legislation on the prevention of unfair competition in imports has been abolished.</p> <p>Additionally, the deduction of all kinds of taxes, duties, fees, and shares arising from these amounts and included in the VAT base has also been abolished.</p> <p>This legislation entered into force on 24 November 2023.</p>	<p>Assess these development in your customs and accounting processes.</p> 

No.	Fact	Action
37	<p><b>Türkiye enacted the Law No. 7491 amending various tax laws affecting corporations and individuals doing business abroad</b></p> <p>On 28 December 2023, Law No. 7491, which includes the following provisions, was published in the Official Gazette and enacted into force.</p> <p>Some of the enacted amendments are as follows:</p> <ul style="list-style-type: none"> <li>▶ Providing 50% tax exemption to companies and individuals for dividend income derived from foreign participations if the following two conditions are met; <ul style="list-style-type: none"> <li>▶ Owning at least 50% of the paid-in capital of the foreign subsidiary,</li> <li>▶ Transferring the income to Türkiye until the deadline for submitting individual income or corporate income tax return for the calendar year in which the income is obtained.</li> </ul> </li> <li>▶ Increasing the deduction rate to 80% from 50% for the earnings obtained from certain services (e.g., architecture, engineering, software, call center, bookkeeping, education and health) provided in Türkiye to non-residents, if these earnings are transferred to Türkiye by the deadline for submitting the income/corporate tax return.</li> <li>▶ Extending deadline of “F/X-protected Deposit and Participation Accounts” from 31 December 2023 to 30 June 2024. Starting from 1 January 2024, new TRY converted F/X protected accounts cannot be opened, and existing TRY converted F/X protected accounts will not be renewed at end of their maturity. However, new account openings and renewals at maturity will continue for foreign currency converted accounts.</li> <li>▶ Granting the President the authority to determine withholding tax rates for multi-year construction works, and additionally empowering the President to increase withholding tax rates up to 40% on various financial instruments, income sources, and account types, depending on specified parameters and portfolio structures.</li> </ul>	<p>Consider these proposed amendments for your organizations and income derived from abroad.</p>



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EYG no. 000012-24Gbl

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