

Turkey enacts new Law to increase tax revenues

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Executive summary

On 5 December 2017, the Turkish Government published, in the *Official Gazette*, Law No.7061 approved by the Turkish Parliament, amending various tax laws with the objective of increasing tax revenues, stipulating procedural rules and eliminating some tax/fee applications. These changes were announced by the Minister of Finance in September.¹

Some of the articles in the Law enter into force immediately while certain dates are set for other articles.

This Alert summarizes the key changes.

Detailed discussion

Corporation tax rate

The current 20% corporation tax rate is increased. The corporation tax rate is 22% for the 2018, 2019 and 2020 tax periods. This change enters into force on the date of publication, 5 December 2017.

Corporation tax exemption on sale of immovable property

The current 75% exemption rate applied to the capital gains derived by corporate taxpayers from the sale of shares and immovable property held for at least two years is reduced to 50% for immovable property only. Going forward, the exemption rate will apply as 50% on the sale of immovable property acquired and held for at least two years. This article enters into force on 1 January 2018.

Electronic commerce activities

- ▶ For the purpose of imposing taxation on electronic commerce (e-commerce), authorization to enforce certain reporting requirements for individuals and legal persons who are service providers and carry on e-commerce activities was introduced to Ministry of Finance. This article grants the Ministry of Finance authority to determine principles and procedures regarding the reporting process. This change enters into force on the date of publication, 5 December 2017.
- ▶ Value Added Tax (VAT) liability is introduced with respect to nonresident persons. Nonresident persons (real or legal) who engage in e-commerce activities are required to declare and pay VAT in Turkey relating to their services provided electronically to the individuals who are not liable for VAT. This article also states that the Ministry of Finance is authorized to determine the scope of e-commerce services together with the procedures and principles of the article. The article will enter into force on 1 January 2018.

Monitoring of foreign exchange positions

The Turkish Central Bank is authorized to request any form of information and documentation from individuals and legal persons, whom the Central Bank will identify, for the purpose of monitoring the transactions that affect foreign exchange positions of individuals and legal persons. Procedures and principles will be determined by the Bank. A penalty is introduced in case of non-compliance in the following article. Related articles enter into force on the date of publication, 5 December 2017.

Duty on Advance Pricing Agreements (APAs)

The duty fee which is paid on application and renewal related to the determination of transfer pricing methods (APAs) is cancelled. This change enters into force on the date of publication, 5 December 2017.

Stamp tax exemption

A stamp tax exemption is introduced on the agreements signed by the special purpose vehicles incorporated for finance public - private sector cooperation projects. The article enters into force on the date of publication, 5 December 2017.

Endnotes

1. See EY Global Tax Alert, [Turkey introduces new measures to increase tax revenues](#), dated 28 September 2017.

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