



Tax Agenda Türkiye

December 2024



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EY

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No.

Fact

Action

Corporation tax rate

On 5 July 2023, the standard corporation tax rate increased to 25%.

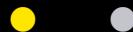
The corporation tax rate applies with

- 1 ▪ one-point reduction for income exclusively derived from manufacturing activities by corporations that have an industrial registry certificate.
- five-point reduction on the income exclusively derived from export transactions.

Corporation tax rate is applicable to the earnings of corporations for the year 2023 and subsequent taxation periods.

Corporate tax rate may be different for each corporation depending on the fiscal year, type of the corporation (financial or non-financial), the main activities (industrial or exporting) and whether it is publicly listed or not and type or region of the investment incentive certificates if there are any.

Verify the relevant corporation tax rates on current tax and deferred tax calculations made for quarterly financials.



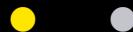
Corporation tax rate for financial institutions

Corporate income tax rate applies at 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).

Corporation tax rate is applicable to the earnings of corporations for the year 2023 and subsequent taxation periods.

Corporate tax rate may be different for each corporation depending on the fiscal year, type of the corporation (financial or non-financial), the main activities (industrial or exporting) and whether it is publicly listed or not and type or region of the investment incentive certificates if there are any.

Verify the relevant corporation tax rates on current tax and deferred tax calculations made for quarterly financials.



Corporation tax exemption on the foreign currency converted into Turkish Lira (TRY) extended to 30 June 2024

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.

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



Dec

Jan

Feb

Mar

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

Compliance

Risk management

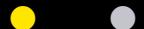
Cash-flow and ETR impact

No.**Fact****Action****Notional Interest Deduction (NID) limitation on cash capital contributions**

NID on cash capital contributions has been limited to five years.

4 The rate to be applied in NID was announced for the year of 2023. The rate to be used in the application of NID calculated over the cash capital increases realized is stated as 53.11%.

For companies making cash capital contribution in 2022, analyze your corporation tax 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.

**Delay interest and legal interest rates have been increased**

5 On 21 May 2024, the Turkish President increased the delay interest rate to 4.5% per month. This new rate entered into force and was effective as of 21 May 2024.

The legal interest rate, which had been applied at an annual rate of 9%, increased to an annual rate of 24%. The legal interest rate, which will be applied at an annual rate of 24% will come into effect as of 1 June 2024.

Both the delay interest rate – calculated in the event of tax default, late payment and voluntary disclosures – and the legal interest rate have been updated. Consider the new delay interest and legal interest rates to the extent applicable to tax calculations.

**Withholding tax (WHT) rates applied under Provisional Article 67 of the Income Tax Code have been adjusted**

6 New WHT rates will be applicable on interest, participation and other earnings derived from the bonds issued by banks, lease certificates, foreign currency bank deposit and participation accounts acquired between 1 November 2024 and 31 January 2025.

The new withholding tax rates have been set at 10%, -7.5%, and 5%. These rates will be applied on the interest, participation and other earnings paid depending on their maturity until 31 January 2025.

Review the WHT rates and dates set by the regulation.

**Türkiye increases minimum capital amount for joint stock and limited liability companies**

7 As of 1 January 2024, joint stock companies can be established with a minimum capital of TRY 250.000 (approx. USD 7.300 - EUR 6.750) and limited liability companies with a minimum capital of TRY 50.000 (approx. USD 1.450- EUR 1.350).

For companies whose current capital is below the minimum amount, the capital should be increased to the minimum amount until 31 December 2026. Otherwise, those companies will be considered as dissolved.

Consider the new capital amounts together with NID option if you plan to set up a legal entity in Türkiye.



No.**Fact****Action****Default interest rate has been increased to 2.5% per month**

8 Default interest rate has been increased to 2.5% per month effective from 21 July 2022.

Consider the new default interest rate to the extent applicable to tax calculations.

**Türkiye amends accounting standards to align with BEPS 2.0 Pillar Two legislation**

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.

9 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.

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.

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.

Monitor developments and prepare for necessary disclosures accordingly.



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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.



11

Türkiye applies inflation adjustment starting from 1 January 2024

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.

The financial institutions are exempted from the implementation of inflation adjustment.

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.

Apply inflation adjustment on your accounting calculations.



No.**Fact****Action****12****Türkiye enacts and publishes amendments to various tax laws for corporations and individuals, including Pillar Two legislation**

Law No. 7524 (the Law) was published in the Official Gazette dated 02 August 2024, as adopted by the General Assembly of the Turkish Parliament, with minor amendments. The new Law broadens the scope of certain exemptions and deductions that will not be taken into account for the calculation of Turkish domestic minimum tax (yurt içi asgari kurumlar vergisi). Further, the Law implements several new regulations, most notably on the minimum tax. Türkiye's alignment with BEPS 2.0 and Pillar Two reflects its commitment to global tax practices.

These new regulations should be analyzed carefully on a company-specific basis to ensure compliance and optimize tax strategy.

**13****Türkiye published the Communiqué on the amendments to the Corporation Tax Law**

The Communiqué, detailing the application of domestic minimum tax and aimed at clarifying uncertainties regarding its implementation through illustrative calculations, was published in the Official Gazette on 28 September 2024.

Monitor developments and prepare for newly adopted regulations accordingly.

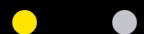
**14****Türkiye introduces Stamp Tax exemption for foreign investors**

On 26 July 2024, Türkiye enacted Law No. 7521, which includes amendments to various laws and decrees and introduces a new stamp tax exemption for foreign investors.

Law No. 7521 expands the exemptions under the Stamp Tax Law. Specifically, the Stamp Tax exemption provision related to investment incentive certificates is amended to also cover the investment agreements signed between the Minister of Industry and Technology and investors defined in the Law on Foreign Direct Investments, pursuant to the "Decision on State Aids for Investments".

This provision is retroactively effective from 1 July 2024.

Consider this exemption for your investments, if applicable.



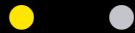
No.**Fact****Action****15****Turkey amended the dates and responsibilities for Country-by-Country Reporting and tax authority structure**

The Presidential Decree No. 8956, published on 14 September 2024, introduced key changes to the "Decision on Thin Capitalization through Transfer Pricing":

- The deadline for submitting the "Country-by-Country Reporting Notification Form" has been updated. Multinational companies must now submit it by the sixth month following the end of their reporting fiscal period, replacing the previous deadline of June each year.
- Following the closure of the Large Taxpayers Tax Office Presidency on 1 September 2024, its duties and responsibilities have been transferred to the newly established "Large Taxpayers Tax Office Directorate." The decree updates all references to the former office accordingly.

These amendments took effect on 1 September 2024.

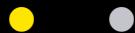
Consider the new deadline dates for mentioned reporting obligations.

**16****Taxpayers with gross sales below TRY 50 million will not apply inflation adjustment in the 2nd and 3rd provisional tax periods of 2024**

The Revenue Administration announced that a Communiqué on the Tax Procedure Law No. 563 was submitted to the Presidency for publication.

According to this communiqué, taxpayers who are required to perform inflation adjustments for the second and third provisional tax periods of the 2024 fiscal year, but whose total gross sales in the income statement as of December 31, 2023, are below TRY 50 million, are not required to make inflation adjustments.

Assess developments and prepare your company's end-year adjustments.



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