

**Dear Valuable Client,**

We are pleased to announce our short memo on the Tax Amnesty that has been launched in June by the Turkish Tax Authority.

The Below Tax Amnesty Law allows you to benefit a settlement between the taxpayers and the tax authorities; which provides a safeguard or shelter against tax inspections for;

- Corporation Tax,
- Income Tax,
- VAT,
- Withholding Tax

from 2016 to 2020 based on the client's voluntary increase of client's tax base and pays the additional taxes for the relevant years.

Also the tax payers are allowed to write off;

- Assets (Inventory, machinery, equipment and fixtures) that are not included in the records but are available and in use within the company
- Assets (Inventory, machinery, equipment and fixtures) that are included in the records but are not within the company
- Cash balance and receivables from shareholders and other transactions related to them, which are not available in the business but in the records

Please bear in mind that this is just a short summary of the whole tax amnesty law to give you an idea what we can provide to you. The final calculation and interpretations can only be done after a mutual consideration.

Should you need any other explanation on the topic please do not hesitate to contact with us at all times.

## TAM AMNESTY AT A GLANCE

As of June 14<sup>th</sup> 2021, Law No. 7326 came into force after being published in the Official Gazette. In this context, a summary information embadded in the Article 5 on “**Tax Base Increase**” and the Article 6 on “**Adjustment Of Company Records**” of the regulation.

The deadline for the application is 31<sup>st</sup> August 2021.

### ARTICLE 5 - TAX BASE INCREASE - SCOPE

If any of the below is declared or not declared at all for the years 2016-2020

- A. Tax base increase in Corporate Tax and Income Tax
- B. Tax base increase in Value Added Tax (VAT)
- C. Tax base increase in Income or Corporate Withholding Tax
  - From the wages paid to the employees
  - From the self-employment payments
  - From the rental payments
  - From the Progress Payments for Long-Term Construction and Repair Projects
  - From the payments made for the services and agricultural crops purchased from farmers ,
  - From the payments made to those within the scope of tradesman exemption,

## A. TAX BASE INCREASE IN CORPORATE TAX AND INCOME TAX

### Corporate Taxpayers

Corporate tax payers will be subject to the following calculation threshold

Years	Tax Base Increase Rates (%)	Corporate Minimum Tax Base Increase Amount	Tax Rate (%) <sup>(*)</sup>
2016	35	94.000	20 or 15
2017	30	99.600	20 or 15
2018	25	105.800	20 or 15
2019	20	112.400	20 or 15
2020	15	127.500	20 or 15

The calculation is as follows;

- The Corporate tax base that has been declared in the relevant year should be multiplied By the tax Base Increase Rate.
- If that amount is lower than Corporate Minimum Tax Base Increase Amount then the minimum amount should be considered as the minimum base which has to be multiplied by %15 or % 20 depending on the criterias\* below.
- If that amount is bigger than Corporate Minimum Tax Base Increase Amount then, the new amount should be considered as the minimum base which has to be multiplied by %15 or % 20 depending on the criterias\* below.
- Depending on the choice of the payment (immediate payment or installement), a discount or an increase can be applied.

### Income Taxpayers

Income tax payers and self-employed will be subject to the following calculation threshold;

Years	Tax Base Increase Rates (%)	Corporate Minimum Tax Base Increase Amount	Tax Rate (%) <sup>(*)</sup>
2016	35	47.000	20 or 15
2017	30	49.800	20 or 15
2018	25	52.900	20 or 15
2019	20	56.200	20 or 15
2020	15	63.700	20 or 15

The calculation is as follows;

- The Income tax base that has been declared in the relevant year should be multiplied By the tax Base Increase Rate.
- If that amount is lower than Corporate Miminum Tax Base Increase Amount then the minimum amount should be considered as the minimum base which has to be multiplied by %15 or % 20 depending on the creterias\* below.
- If that amount is bigger than Corporate Miminum Tax Base Increase Amount then, the new amount should be considered as the minimum base which has to be multiplied by %15 or % 20 depending on the creterias\* below.
- Depending on the choice of the payment (immediate payment or installement), a discount or an increase can be applied.

**\* Creterias;**

- The annual returns for the year in which the tax base was increased were submitted within the legal time periods,
- The taxes accrued from these taxes were paid in due time (Not complete payments of up to 10 TL for each period separately are not taken into account), and
- For these tax types, income and corporate taxpayers, who have not benefited from the restructuring (related to the debts that have been finalized or not finalized or are in the litigation stage) within the scope of this law, will be able to pay a tax of % 15 instead of % 20 on the tax base they have increased. This provision will also be applied in the absence of tax due on these declarations due to exceptions, discounts and deductions.
- Accumulated losses: It will not be able to deduct %50 of the accumulated losses belonging to the years in which the tax base is increased from the profits of 2021 and subsequent years.

The corporate or income taxpayers benefited above clause and are declared and paid on time will not be subject to any tax assessment for the years benefited.

## B. INCREASE IN VALUE ADDED TAX

### Calculation of Increase Amount

In the event that value added taxpayers declare as a tax increase, the value added tax to be determined according to the rates specified in the Law **over the annual total of the value added tax calculated** in their declarations for each taxation period (**including the ones given without prejudice**), no tax assessment will be made about these taxpayers in terms of VAT. The value added tax increase rates are as follows.

Years	Tax Rate (%)
2016	3
2017	3
2018	2,5
2019	2
2020	2

Value added tax increase is required to be done for all taxation periods of the relevant year.

## C. INCREASE IN INCOME (WITHOLDING) AND CORPORATE (WITHOLDING) TAX

Those who are responsible for tax withholding are listed in the first paragraph of Article 94 of the Income Tax law and Articles 15 and 30 of the Corporate Tax Law. In this context,

1. From the wages paid to the employees
2. From the other type of payments like;
  - a. Self Employment
  - b. Rental payments
  - c. Progress Payments for Long-Term Construction and Repair Projects
  - d. Payments made for the services and agricultural crops purchased from farmers ,
  - e. Payments made to those within the scope of tradesman exemption,

Those responsible for withholding tax of income or corporate tax will be able to increase the tax base and tax for these years.

### 1-Tax Increase on Wage Payments

#### Calculation of Increase Amount

Those who are obliged to do tax withholding from the wages paid to the employee pursuant to subparagraph (1) of the first paragraph of Article 94 of the Income Tax Law, if the company declare and pay the income tax to be calculated at the rate given in the table below over the annual total of the gross amounts of wage payments included in the withholding tax returns they submitted for each taxation period, income (withholding) tax assessment will not be made be in terms of the wages in the presence of these taxpayers.

**In Wage Payments Withholding**, tax increase rates by years are as follows:

Years	Tax Rate (%)
2016	6
2017	5
2018	4
2019	3
2020	2

It is not possible for taxpayers to increase tax for any taxation period of the relevant years, and they are required to increase tax for the entire years. However, taxpayers (those who are responsible) have right of choice on a yearly basis.

Disclalimer- We believe the information contained herein to be correct at the time of going to correspondance, but we cannot accept any responsibility for any loss occasioned to any person as a result of action or refraining from action as a result of any item herein. Moore Turkey, its affiliates firm, its partners, its employees, Moore network firms will have no responsibility of whatsoever oginated from the above mentioned information.

## 2-Tax Increase on Other Payments

if the company declares and pays the withholding tax to be calculated at the rate given in the table below over the annual total of the gross amounts of withholding tax payments included in the withholding tax returns they submitted for each taxation period, income (withholding) tax assessment will not be made in terms of the wages in the presence of these taxpayers.

By years, **the tax increase rates** for the other withholding tax payments specified in the law are as follows:

Years	Tax Rate in self-employment payments (%)	Tax Rate in rental payments(%)	The Progress Payments for Long-Term Construction and Repair Projects (%)	From the payments made to farmers (%)(*)	From the payments made to the tax-exempt tradesman (%)(*)
2016	6	6	1	25	25
2017	5	5	1	25	25
2018	4	4	1	25	25
2019	3	3	1	25	25
2020	2	2	1	25	25

(\* ) In the payments made for the services and agricultural crops purchased from farmers and the payments made to those within the scope of tradesman exemption, the calculation will be made at the rate of 25 % of the withholding rate effective in the relevant years and included in the relevant articles.

## **Other Things To Know On The Amnesty**

Calculated or Increased tax bases of income tax, corporate tax and value added taxes should be paid in a maximum of 6 equal installments in every two-month periods, provided that full payment or the first installment is made by September 30, 2021.

If all the payments are made in a single payment by September 30, 2021, a 10% discount will be made from these taxes and the coefficient will not be applied. Taxes paid within the tax amnesty are not considered as an expense or cost item in the determination of income or corporate tax bases; discounts, deductions, settlement, net off and refunds will not be made.

Those ,who "destroy the books, records and documents or replace them by destroying the pages of the book with other pages, or those who have any pages, or who arrange the originals or copies of the documents wholly or partially forged" in paragraph (b) of Article 359 of the Tax Procedure Law, cannot benefit from the opportunity of tax base and increase for any type of tax amnesty.

According to this article, the tax base or tax increase does not pose an obstacle to the tax inspections and appraisal procedures started before the date of the publication of this law. However, in case the tax inspections and appraisal procedures initiated against the taxpayers who made increase and if these tax inspections and appraisals cannot be concluded until 2/8/2021 (including this date), these procedures cannot be continued.



## ARTICLE 6- ADJUSTMENT OF COMPANY RECORDS

### **(1) Assets (Inventory, machinery, equipment and fixtures) that are not included in the records but are available and in use within the company**

Any lists with the fair values determined by company it self or by the professional body / organization they are affiliated with, that would be presented to the tax office until 31/8/2021 (including this date) will be able to record the listed items to their company books.

Value added tax should be calculated based on half of the rate (on the government VAT list) over the above value of declared Inventory, machinery, equipment and fixtures. This tax shall be declared be paid within the period of submitting the declaration.

### **(2) Assets (Inventory, machinery, equipment and fixtures) that are included in the records but are not within the company**

Inventory, machinery, equipment and fixtures, which are not available in the businesses although they are included in the records of the company can be included in the their records and declarations until 31/8/2021 (including this date) by taking into account the gross profit rate determined according to the current year records of the similar type of inventory, in terms of machinery, equipment and fixtures, by being taken into account the fair market values to be determined by them or the professional organization to which they are affiliated, by issuing invoices and fulfilling all kinds of tax liabilities. The point that draws attention in this section is that while similar regulations were in the records in the previous years, machinery equipment and fixtures that were not in the business were not included in the scope, but were included in the application with the Law No. 7326.

#### Conditions to Benefit in Inventory - Commercial Goods

<b>Recorded in the Books</b>	<b>In Company</b>	<b>Taxable Amount</b>	<b>VAT Payable</b>	<b>VAT Reduction</b>
No	Yes	Fair Market Value	% 50 of the rate it is subject to	Yes can be made.
Yes	No	Cost + profit based on current year records	An invoice should be issued, VAT is calculated at the current rate, and should be recorded as an income.	

Conditions to Benefit in Fixed Assets - Machinery, Equipment and Fixtures

Recorded in the Books	In Company	Taxable Amount	VAT Payable	VAT Reduction
No	Yes	Fair Market Value	% 50 of the rate it is subject to	No, cannot be made.
Yes	No	Fair Market Value to be determined by the Professional Organization	An invoice is issued, VAT is calculated at the rate it is subject to, it is recorded as income.	

**(3) Cash balance and receivables from shareholders and other transactions related to them, which are not available in the business but in the records**

It can be written-off from the records by declaring it to the tax offices until 31/8/2021 (including this date). The tax, which is calculated at the rate of %3 on the declared amounts, is paid within the period of submitting the declaration. In practice, the calculation will be made over the lower amount by netting the current balance with the balance of 31.12.2020 of the cash balance and accounts receivable from shareholders.

In the adjustment application, it is possible to take into account the amounts followed in other accounts if it is related to the cash balances and the amount of net receivables from the shareholder.