

Tax-IA Bulletin

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To : The clients and company web site

From : Şaban Küçük, Partner/ IA, Turkey

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Subject: New Proposed Tax Legislations and affects to be expected to submit to Turkish Grand National Assembly

A new legislation related mostly very crucial tax issues including digital taxation has been in the news recently. It is not publicly announced yet, we will keep you posted accordingly.

Exact name of the proposed legislation is “The Digital Service Tax Code and Amendments on some Tax Laws Proposal”

In summary,

- There is going to be a new tax in Turkey called “digital service tax”. **Digital service tax** rate will be 7,5% regardless with the services providers’ residence or identity. It is one of the popular topics in international taxation area recently in the World.
- 45% income tax rate will be introduced in Turkey. There are 4 tax brackets in Turkey now including 15,29, 27 and 35%. It is proposed to be 39, 43 and 45% for high income levels. The bracket number will be 7 and 45% tax rate will be for the incomes higher than 1.000.000TRY. This new schedule will be used for 2019 as well but not for wages and salaries. The new tax tariff will be used for wage/salaries earners for FY2020.
- Wage and salaries are not supposed to be declared to the tax authority by the people in Turkey unless some conditions are realized. With the new amendments, the salaries and wages income earners will submit an annual tax return to the tax office if exceeding the 4th bracket of the tariff. It will start in 2020.
- As the income tax rates are increasing the corporate tax rates are planned to be increased as well other than banks and financial institutions. The corporate tax rates are %22 for 2018 and 2019 and it will be 20% for FY2020 and 18% for upcoming years. For banks and other financial institutions 22% will be calculated.
- Publicly held companies are planned to be promoted in this new legislation. The President of Turkey is entitled to reduce the corporate tax rates 2% points for the publicly held companies for the first 5 years.
- A new tax called “tax on precious immovables” are introduced in Turkey. Immovables whose value is above than 5 million TRY, is subject to this new tax and the rate will be 1%.
- Exchange transaction tax rate will be 0,2%. The current rate is now 0,1%.
- Tax exemption for the intellectual property rights is changed with this new regulation. (starting from 2020, the incomes from the intellectual properties will not be exempted if

it exceeds 4th brackets of the tariff. Below the 4th bracket, the incomes of IP, will be taxed just withholding taxes, above will be submitted.)

- Withholding tax rates will be increased for Exchange nominated incomes with a Presidential decree.
- Referees' income will not be exempted from income tax with the new law.
- Daily transportation costs' for employees will be tax exempted for 10TRY, exceeding amount will be subject to income tax.
- Taxation on sportsmens' income will be changed. The special regime for them will be used until 2023. The tax rate will be 20% rather than 15%. The sportsmens will submit annual income tax returns if they earn more than the 4th bracket yearly basis.
- Special refund mechanism for taxes withheld from sportsmens' income is abolished.
- One of the very important changes in the proposal is about the vehicles' expenses, taxes and amortisation. The new rules will be applied for real persons and corporate taxpayers as well.
 - The rental cars' rent paymetns will be deductible for 4.000TRY. Above will not be deductible.
 - If the cars are preferred to be bought rather than rent a car, the total VAT and special consumption tax deductible will not exceed 115.000TRY for each car.
 - 70% of the expenses of the cars will be deductible as well.
 - The cars' will be depreciated for their values below 250.000TRY if the VAT and special consumption tax is included or if they are used ones. If the value is below 135.000 excluding the VAT and special consumption tax, the total value can be depreciated. The figures above cannot be used as depreciation expenses.

This new proposal is not publicly announced yet, we will keep you posted accordingly.

Regards,



Saban KUCUK | Partner

Independent Advisors

Bağımsız Analiz Yeminli Mali Müşavirlik A.Ş.
Mecidiyeköy Mahallesi Şehit Ahmet Sok. Ada Residence No: 6-10/51, 34381 Şişli İstanbul
Tel: +90 212 211 11 10 Mobile: +90 530 954 64 10

Kent İş Merkezi, Mustafa Kemal Mahallesi, 2152 Cadde, No:2 Kat:9 Daire No:18
Çankaya/Ankara, 06510 Tel: +90 312 446 92 05

saban.kucuk@ia.com.tr
www.ia.com.tr