

## Tax-IA Bulletin

### Bulletin nr: 2020-10

**To** : The clients and company web site

**From** : Independent Advisors / Accounting & Tax

**Date** : February 3<sup>rd</sup>, 2020

**Subject:** Important Financial/Tax Regulations (January 2020 Summary)

December and January are the months when financial regulations and amendments for the new year are made most.

Considering the requests from you, our dear customers and readers, we would like to send important financial issues as daily newsletters by e-mail, as well as weekly/10-day periods or **monthly summary newsletters in Turkish/English** under short headings.

We respectfully hope you benefit from and enjoy our newsletters. *(If you only want to get Turkish or English monthly or weekly/10-day periods Turkish abstracts, please simply inform us.) We forward this newsletter to all our readers for your selection. Monthly English newsletters will be sent to everyone who wants.*

Please find our notes on the changes and developments regarding the summary of financial / tax regulations made in the last month under short headings below in English. Please do not hesitate to contact us for further information.

1. **Scope of Recovery Contribution Application** has been extended: With the Annex-11 added to the Environmental Law, arrangements have been made regarding the country-wide returnable packaging application for certain products, the use of nylon bags and payment of a recovery contribution for certain products.
  - o Basic regulations are made with respect to “recovery contribution” for tires, batteries, accumulators, oils (vegetable and mineral), electrical and electronic goods (television, lighting, small appliances, white goods), packages and drugs with this Bylaw.
2. The Central Government **Budget Law** of 2020 came into force by being published in the Official Gazette dated 31.12.2019.
  - o According to the Budget, the amount of appropriation granted to the general budget public administrations is foreseen as TRY 1,082,021,197,000 and the relevant revenues as TRY 941.9 billion TL. TRY 912.5 billion of the said budget revenues consists of tax revenues.
  - o It is planned that 31.4% of tax revenues will be composed of taxes on income (income tax and corporate tax), 35.7% will be composed of VAT and 19.3% will be composed of Special Consumption Tax (SCT).

3. The Presidential Decision dated 2 January 2020 and no 2015 sets out the procedures and principles regarding the extension of **low interest rate investment and business loans for agricultural production**.
4. **VAT Rates:** The Presidential Decision no 1994 published in the Official Gazette dated 2 January 2020 reduces the VAT rates applied on whole sales of chicken eggs and fish and sales of furniture.
5. **Green Passport:** The right to obtain green passports granted to exporters has been extended to *“four years.”*
6. The invoice issuance limit for jewellers is determined as **TRY 4,200** (General Communiqué on Tax Procedure Law (GC TPL) no 514).
7. Fees for various professions and jobs were published in the Official Gazettes dated 31 December 2019 and 2 January 2020, determining the minimum fees and wages to be paid for 2020.
  - Bankruptcy administration fee, writing and notification fee tariff,
  - Licensed trustee warehouse fee tariff,
  - Mediation minimum fee tariff,
  - Minimum fee tariff for public practice accounting, certified public accountants and sworn-in certified public accountants,
  - Customs brokerage and authorized customs brokerage tariff,
  - Fees to be applied by the Turkish Patent and Trademark Office in 2020, and
  - Minimum Attorneyship Fee Tariff.
8. **Waiving the Right to Appeal:** The Draft General Communiqué on Tax Procedure Law, which explains the details about waiving the right to appeal has been opened to public consultation. This application, which has recently been introduced by the Law No 7194, provides taxpayers the opportunity to make their payments with deduction of taxes and penalties during the Tax Court phases.
9. The Circular no 122 on Tax Procedure Law has been issued, which allows **the Withholding Tax Return and Premium & Service Returns** to be sent with separate passwords by the companies that are concerned about wage privacy. The application is voluntary and taxpayers may send their returns with a single password if they will so.
10. **The Communiqué on Trade Registry Offices** entered into force being published in the Official Gazette dated 17 January 2020.
  - The Communiqué includes important regulations on the personnel who will work in 238 Trade Registry Offices and their affiliated branches and agencies in our country, as well as establishment and organizational structure of the offices.
11. **Limitation of the Number of Instalments in Consumer Loans:** The Banking Regulation and Supervision Agency made amendments to the Regulation published in the Official Gazette dated 14 January 2020 to **change the allowed numbers of maturity** (instalment) in certain consumer loans. Accordingly, for the following purchases, the number of instalments may not exceed;
  - 60 months in consumer loans other than certain loans such as housing, education, etc.,

- 48 or 60 months according to the final invoice amount in vehicle loans,
  - 12 months in purchases of computers or 6 months in purchases of tablets, or
  - 3 to 12 months for purchases of mobile phones according the price.
12. **Lawyers** who have completed 15 years at profession have been granted the right to obtain a **green passport**.
13. **Minimum Payment Amount for Cheques:** The Central Bank of the Republic of Turkey (CBRT) has redetermined **the minimum payable amounts of checks, that must be paid by banks (TRY 2,225)** (Central Bank Circular dated 17 January 2020).
14. **Circular on Export:** With the amendment to the Communiqué, the obligation **to bring the export proceeds** to the country has been made permanent, and the obligation to sell the brought money to the banks was removed. This time, the **Circular on Export** dated January 16, 2020 sets out the procedures for implementation.
15. **International Double Taxation Agreements of Turkey:** The below-listed international agreements were published in the Official Gazetted dated 17 January and 31 January 2020. In summary,
- The Laws on Approval of the Ratification of the Ivory Coast, Chad, Somali, Rwanda and Argentina Agreements were published in the Official Gazette.
  - Meanwhile, the Law on Approval of the Protocol revising the Uzbekistan Agreement was published in the Official Gazette dated 31.01.2020.
  - 85 out of the 93 agreements signed by the Republic of Turkey are still in full force and effect.<sup>1</sup>
  - 27 of these valid Agreements were entered into with European Union (EU) member countries.
  - **Double Taxation Agreements under Negotiation:** Negotiations are ongoing to revise the current Agreements with the Netherlands, Sweden and Luxembourg and to sign Double Taxation Agreements with Afghanistan, Ghana, Cameroon, Cuba, Libya, Mali, Mozambique, Nigeria and Tanzania.<sup>2</sup>
16. Our Bilateral Social Security Agreements Increase in Number.
- Ratification of “Social Security Agreement between Turkey and Moldova” has been approved via the Law no 7200 published on 24 December 2019.
  - Turkey is currently a party to 30 bilateral social security agreements.
  - These agreements regulate very important issues concerning the insured, such as equal treatment for the citizens of the contracting party countries, unification of insurance, utilization of health, family, old age, death benefits, etc., insurance branches to be applied, calculation of pensions, unification of services, and settlement of disputes.
  - The Law dated 31 January 2020 approves “Social Security Agreement between Turkey and Poland” and “Notes” regarding the Amendment to the Agreement.

<sup>1</sup> [https://www.gib.gov.tr/sites/default/files/fileadmin/faaliyetraporlari/2018/2018\\_faaliyet\\_raporu.pdf](https://www.gib.gov.tr/sites/default/files/fileadmin/faaliyetraporlari/2018/2018_faaliyet_raporu.pdf)

<sup>2</sup> Activity Report of the Revenue Administration for 2018, p.114.

17. The President ratified the **Agreement on Automatic Exchange of Information on Financial Accounts among Countries**.
- This Agreement sets out share of information on financial accounts arising from the Double Taxation Agreements and “Convention on Mutual Administrative Assistance in Tax Matters”, which was also signed by Turkey, under a certain framework.
  - **Entry into Force:** Turkey signed the Agreement as the 88<sup>th</sup> country. The number of signatory countries is 107 in November 2019. For Turkey, implementation technically started in September 2018 and obligation on September 2019 according to the nature of accounts. It is anticipated that the exchange of information will begin in September 2020 at the earliest depending on the course of the process in the agreement ratified by the President.
  - **Course of Action:** Exchange of outlined information will be performed using certain infrastructure technically among the countries. Common Transmission System for AEOI is a method on automatic data transmission, which is studied by OECD.<sup>3</sup>
18. It has been made easy for the taxpayers benefiting from the **secure mobile payment and electronic document management** system to issue e-archive invoices (General Communiqué on Tax Procedure Law - GC TPL no 515).
19. **Fuel SCT Amounts** which are subject to Application of Sliding Scale System were updated.
- Based on the Adaptation Mechanism of Special Consumption Tax as determined by the Council of Ministers’ Decision dated 14.05.2018 and no 2018/11818 for the first time, SCT Amounts were redetermined to be valid as from January 16, and then, January 28, 2020.
20. Interest, late fee, default rate, revaluation rate, increase rate or applicable statutory upper limits as specified in the various Laws have been redetermined.
- **Deferment Interest Rate:** deferment interest rate has been redetermined as **annually 15%**.
  - **Delay Interest and Late Fee:** Monthly late fee, remorse increase and delay interest rates were reduced.
  - **Credit Card Interest Rates:** Monthly maximum conventional interest rate applied on credit card transactions was reduced.
  - **CBRT Discount and Advance Interest Rates** were redetermined.
  - **Legal Interest and Default Interest rates** were readjusted.
  - **Revaluation Rate** has been determined as **22.58%**. This rate is important in terms of stamp duties, charges, fines, certain taxation-related tariffs, tax-related obligations, and some applicable limits we will pay in 2020.

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<sup>3</sup> <http://www.oecd.org/tax/automatic-exchange/international-framework-for-the-crs/>

21. **SCT Amounts Received on Tobacco and Alcohol have not been Increased:** According to the President's Decision published in the Official Gazette dated 31 December 2019 and no 30995, the annual projected increase in certain products subject to SCT (tobacco and alcohol products) will not be applied for the first half of 2020.
22. Monthly and quarterly options are offered to install **E-Book** Licenses to the System.
23. **Force Majeure:** Due to the bitter earthquake in Elazığ, force majeure has been declared with respect to taxes in the region.
24. **Exchange Rates:** General Communiqué on Tax Procedure Law no 516 determined the rates to be taken as a basis for valuations of the foreign currencies without a fair value to be made for 2019 in accordance with the Tax Procedure Law no 213.
25. The Revenue Administration initiated studies for reviewing and simplifying all returns, notifications and forms, and filling out more easily and quickly in the framework of a taxpayer-oriented, participatory and transparent service approach.
26. A Project for **Mitigation of Informal Economy** has been carried out. For the "Technical Assistance Project for Strengthening the Audit Capacity and Increasing Data Exchange among the Agencies in the scope of Mitigation of Informal Economy" financed by the European Union and Turkey, the second workshop was held with the broad participation of the public bodies and agencies, private sector, non-governmental organizations and academic representative in Afyon province between December 21<sup>st</sup> and 25<sup>th</sup>, 2019.

We have summarized our notes on the changes and developments regarding the summary financial / tax legislation in the last one month, in English, in short headings. Please do not hesitate to contact us for further information.

Please send us your comments and suggestions regarding this notice format.

Best regards,



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