

## Tax-IA Bulletin

**Bulletin No : 2020-23**

**Date : 20 March 2020**

**Subject : Announced Turkish Economic Stability Shield Package**

Hello, we will briefly present a summary of the “**Economic Stability Package**” announced after the COVID-19 (Corona virus) evaluation meeting held under the chairmanship of the President of the Republic on 18.03.2020. We will closely follow up the details of the package and the legal & administrative arrangements to be made and timely inform you.

We want to provide you with this type of information more frequently in accordance with the remote working, meeting and communication format due to the current health crisis.

Let's go into the details now.

### **A. DETAILS OF THE ECONOMIC STABILITY PACKAGE**

With the package called **Economic Stability Shield**, a financial fund set of **one hundred billion Turkish lira** is introduced in order to reduce the effects of the COVID-19 pandemic.

It is of vital importance to closely follow-up and implement these measures for the business world and consumers to overcome this period without any economic difficulties. Below are listed the measures planned to be launched within this framework:

1- April, May and June payments of the **Withholding and Value Added Taxes including reverse charge VAT and SSI premiums (SGK)** will be postponed for 6 months for some affected sectors. These sectors include Retail, Shopping Malls, Iron & Steel, Automotive, Logistics & Transportation, Cinema & Theater, Accommodation, Food & Beverage, Textile & Garment and Events & Organization sectors. These sectors were announced by the Ministry of Finance & Treasury on its website. Details are in following chapter below.

2- **Accommodation tax**, which would come into effect at the beginning of April, will not be applied until November 2020. Valuable housing tax, which was planned to start this year, was already postponed by 1 year.

3- Easement fees and revenue share payments applied **in hotels** using public land are postponed by 6 months for April, May and June.

4- In **domestic air transportation**, the **VAT rate** is reduced from 18 percent to 1 percent for 3 months. Currently, VAT is not collected from the services and deliveries corresponding to the international section on flights abroad.

5- For companies with cash flows negatively affected by the measures taken against the COVID-19 pandemic, it is planned to **postpone their principal and interest payments of loans** to banks by minimum 3 months and provide them with additional financial support if necessary.

6- In order to maintain capacity utilization rates during the temporary slowdown in exports, **inventory financing support** will be provided to the exporters.

7- For the tradesmen and craftsmen who demands so declaring that their business is negatively affected during this period; the **principal and interest** payments for April, May and June regarding the loan payables to Halkbank will be postponed by **3 months** without interest.

8- The Credit Guarantee Fund (**KGF**) limit will be increased from 25 billion Turkish lira to **50 billion Turkish lira**. In credit allocation, priority will be given to the companies and SMEs who need liquidity and have security gap since they are adversely affected by the events.

9- Measures will be taken to promote introduction of **credit packages** for social purposes under favorable and advantageous conditions for citizens.

10- For any house with a price below 500 thousand Turkish liras, it is considered to increase the creditable amount from 80 percent to 90 percent and reduce the minimum down payment to 10 percent.

11- The firms going into default for April, May and June due to the effect of the measures taken against the spread of the virus will have a “**force majeure**” annotation in their credit registers.

12- **Minimum wage support** applied in previous years will be continued.

13- **Flexible and remote working models** in our legislation will be made more effective. These methods, which are already included in our labor law but not preferred too much, have become important due to this crisis.

14- **Short-Time Working Allowance** will be put in place, and the procedures to benefit from this allowance will be facilitated and accelerated. Thus, while temporary income support is given to employees at workplaces that suspend their activities, the cost for employers will be reduced. We will give more information regarding with short-time working allowance in another newsletter.

15- The lowest **retirement pension** will be increased to TRY 1,500.

16- **Holiday bonus** of retirees will be paid at the beginning of April. Likewise, pension promotions of retirees will be directly paid into their accounts, so that they will not have to actually go to bank branches.

17- An additional fund of **TRY 2 billion** will be allocated for financial aids to families in need according to the criteria set by the Ministry of Family, Labor and Social Policies.

18- In order to ensure continuity in employment, the **2-month make-up period** will be increased to 4 months. This practice is currently used in some sectors with high season intensity based on the Labor Law but the period of 2 months remains insufficient.

19- For elderly people over the age of 80 who live alone, a **periodic follow-up program** consisting of social and home health-care services will be launched.

20- Submission and payment deadlines for the annual Income Tax returns, which must be submitted by March 31, 2020, have been postponed to the end of **April 30, 2020**.

21- Facilitation has been made for **Technocity (Teknokent) and R&D & Design Center** staff and an announcement has been made about the encouraged staff who have the opportunity to work from home.

22- Exports of some important goods such as ethyl alcohol, cologne and disinfectants have been export-listed.

23- Ministry of Finance designed all e-system for the taxpayers not to come to the Tax Offices until April 10<sup>th</sup>, 2020.

## **B. POSTPONEMENT OF VAT, WITHHOLDING AND SSI PREMIUMS TO BE PAID FOR SOME BUSINESS SECTORS**

Payments of SSI premiums, VAT, reverse charge VAT and withholding taxes for April, May and June will be postponed by 6 months for the sectors listed below accounting to the President's speech.

In this context, those taxes and premiums to be paid in April will be paid in October, taxes and premiums to be paid in May will be paid in November, and the ones to be paid in June will be paid in December in this year.

### **1. Retail Trade and Shopping Centers**

Supermarkets, stalls, grocery stores, delicatessens, greengrocers, ice cream shops, haberdasheries, butcher shops, and those who are involved in retail sales of any kind of products including building construction materials, **small home appliances** and **white goods**, furniture, home textiles, books and stationery, newspapers and magazines, shoes and clothing retail sales, **toys**, medical and orthopedic products, pharmacy, jewelry, flower stores, stallholders, fishmongers, patisseries and bakeries, personal care and cosmetic products, etc., as well as **shopping malls** and those who are engaged in **retail sales in shopping malls**

### **2. Iron, Steel and Metal Industry**

Manufacture and sales of iron, steel, aluminum, copper, lead, zinc and tin by manufacturers

### **3. Automotive**

Manufacture, wholesale and retail sales of all motor land vehicles such as cars, trucks, vans, buses, minibuses, midibuses, tractors, motorcycles, trailers, caravans

### **4. Logistics-Transportation**

All kinds of logistics and transportation services such as urban and intercity freight and passenger transportation by air, land, railway, sea and all kinds of waterways, and

highway, tunnel and bridge operations, storage and warehousing activities, airport ground services, etc.

## 5. Cinema and Theater Activities

All kinds of artistic activities such as theater, opera, ballet, cinema, concert

## 6. Accommodation

All kinds of accommodation activities and relevant activities such as hotels, motels, boarding houses, holiday villages, and tour operator and travel agency activities, and reservation services

## 7. Food and Beverage Services

Services for presentation of all kinds of foods and beverages such as restaurants, cafes, coffee houses, tea shops, canteens, kiosks in transportation vehicles.

## 8. Textile and Garment Activities

Manufacture and sale of **all kinds** of textiles and garments, such as manufacture of fabric and yarns, manufacture of **all kinds** of cotton, wool, lint, fiber and fabric products, and the manufacture and sale of clothing and home textile products

## 9. Events and Organization

Organization of shows, congresses, conferences, trade fairs and events, and all kinds of events and organization activities carried out in places such as internet cafes, game arcades, wedding halls, sports centers

## C. IMPORTANT ISSUES OF PRESIDENT'S SPEECH TO THE NATION

Besides, the President of the Republic addressed other issues as follows:

- The Central Bank of Turkey takes some very important steps in terms of markets and guarantees that there will be no **liquidity** shortage.
- In this context, the Central Bank has initiated very important practices for exporters too.
- The open rediscount credit principal and interest payments with due dates in April, May and June are postponed to October, November and December, and **the maximum maturity** is extended by **1 year**.
- The committed closure period of **rediscount credits**, which fall due in April, May or June, is also postponed by 1 year.
- Thus, exporters are supported to overcome the uncertainty in this period.
- The top priority is to avoid interruption of **production and employment**.
- **The prerequisite for any company** that will benefit from the opportunities in the economy package described above is that **it will not cause any loss of employment**.
- It is important to quickly meet the liquidity and cash needs of firms with credit line in financial institutions and organizations, and not to impose any restriction on the use of credit lines.

- Financial institutions are expected to take steps to stretch credit conditions in order to **maintain employment and economic growth** under these circumstances.
- All financial institutions are requested to carefully avoid credit recall, non-extension of existing credit lines, price increase, or making the security conditions difficult.
- It is also requested to respond promptly and positively to the installment, postponement, restructuring and arrangement demands of corporate firms, SMEs, individuals, those who experience loss of income due to temporary loss of work or turnover or similar reasons, regarding their credit debts.
- All financial institutions are expected to follow the recommendations of the Banks Association of Turkey made in this respect.

## D. SIMILAR STIMULUS & CURE PACKAGES OF THE OTHER COUNTRIES

- **What is Happening in the World in terms of Stimulus Packages?** Similarly, the European Union, USA and European countries also announce large-scale stability and support packages. The USA, as the locomotive of World economy, has reduced interests and allocated a budget of 1.2 trillion USD. Germany has allocated a budget of nearly 500 billion Euro. It is known that organizations such as IMF and OECD have similar studies and discourses. A wide range of tax and financial facilities are on the agenda for all affected groups in Italy, France and the UK. Considering the interdependence of all economies worldwide, coordination between countries has become more important than ever, especially for minimizing the progress of recession, unemployment and contraction.

We hope you benefit from our bulletins (*If you only want to get monthly or ten-day summaries in Turkish/English, just let us know*).

We will keep announcing other developments in this respect.

Please do not hesitate to contact our consultants for any questions regarding any matter in this bulletin.

Best Regards,



**Independent Advisors | Accounting & Tax**

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