

Tax-IA Bulletin

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Subject : Labor & Employment Measures and SSI Premium Deferrals in Turkey of COVID-19

We have presented 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. You can find details in the Bulletin No: [2020-23](#).

We will closely follow up the details of the package and the legal & administrative arrangements to be made and timely inform you.

This bulletin aims at summarizing the deferrals of SSI premiums for some specific business sectors, and other legislative changes related with the labor and payment for retired people. This bulletin also describes the abatement, application for installments & deferment methods of the current debts to the SSI.

Let's go into the details now.

With a package called **Economic Stability Shield**, a fund set of **TRY one hundred billion** 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 in terms of employment and labor issues:

A. ECONOMIC CAUTIONS RELATED WITH EMPLOYMENT

1- April, May and June payments of the **Withholding and Value Added Taxes and SSI premiums** (SGK) will be postponed for 6 months for some affected sectors announced by the President. These sectors include Retail, Shopping Malls, Iron & Steel, Automotive, Logistics & Transportation, Cinema & Theater, Accommodation, Food & Beverage, Textile & Garment and Events & Organization sectors. We will touch upon the sectors in following chapters.

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

3- **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.

4- **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 explained the benefits of this allowance with some examples as well as its prerequisites in another bulletin ([2020-24](#)).

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

6- **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.

7- 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.

8- 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.

9- 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.

B. POSTPONEMENT OF SSI PREMIUMS TO BE PAID

Postponement of Premium Payments in Some Sectors

First of all, it should be noted that no postponement is applied regarding the declaration terms and deadlines of SSI. Therefore, there is no postponement in declarations **regarding the monthly premium and service documents**, statements of employment, termination, occupational accident and diseases and temporary incapacity benefits, and such declarations will continue to be made within the periods specified in the provisions of Law No 5510 and sub-legislation.

Payments of SSI premiums for April, May and June will be postponed by 6 months for the sectors listed below according to the President's speech.

However, in the event that the employer or employer's representative is infected with the disease (Covid-19 virus), which may be deemed as **force majeure**, although not general, Social Insurance statements will be postponed until the patient gets better.

In this context, premiums to be paid in April will be paid in October, premiums to be paid in May will be paid in November, and premiums to be paid in June will be paid in December.

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. CURRENT SSI PREMIUM DEFERMENT and CANCELLATION PRACTICES in TURKEY

1-Abatement

Pursuant to the item (f) of the article 7 titled “Duties of the Board of Directors” of the Law no 5502 on Social Security Institution, the Board of Directors is authorized to “decide to cancel claims up to an amount shown in the central administration budget law for the current year if it is for the best interests of the Institution”.

The reason for this practice is to delete the portion of the institution’s receivables up to the amount specified by the budget law every year, which will not be worth collecting and which involves costs that would exceed the amount to be collected taking into account the correspondence and postal costs, that is, to give up the collection thereof. The cancellation amount for the claims of the institution has been determined as TRY 330.00.

2- Deferment-Installment & Difficult Situation

Pursuant to the Social Security and General Health Insurance Law no 5510, all SSI premiums, delay penalties, late fees and similar debts to SSI are followed up and collected pursuant to the Law no 6183 on the Procedure for the Collection of Public Receivables. Even if it is possible to collect the debts by **forced collection method** in the case that the individuals fail to timely pay their debts, it is also possible to defer the debt and/or split it into installments if the collection of debt, attachment execution or sale of the attached property will put the person in a “*very difficult situation*”

The article 48 of the Law no 6183 states that the competent authorities may defer any receivable for a period up to 36 months **by charging an interest**, and it is important to determine in which case the debtor will be in a difficult situation. Accordingly, if the payment of an SSI debt in due date, or attachment execution or foreclosure of attached property would put the debtor in a very difficult situation; deferment and installment can be considered. For taxes, this power is exercised by the **Ministry of Treasury and Finance**.

Liquidity Ratio: Whether or not a debtor is in a difficult situation can be determined only by analyzing the financial statements of the debtor. Situation of the applying company is determined according to the value of the ratio found as a result of determining the “Cash + Bank + Short Term Receivables / Short Term Liabilities” ratio, that is, the **Liquidity Ratio**, considering;

- ✓ Liquidity ratio above 2, or
- ✓ Liquidity ratio below 2.

In the event that the liquidity ratio is greater than 2, no deferment or installment will be considered and applications that were made will be rejected.

Number of Installments: The authority will prepare a payment plan for the debts to allow for deferment and equal installments up to **36 months** if the ratio is “1.5” or below, or up to **30 months** if the ratio is in the range of “1.51” to “2.00”. The specified periods are maximum deferment and installment periods, and the authorities of deferment and installment may decide shorter deferment and installments.

Payment Terms: “*Very difficult situation*” of a taxpayer will be determined according to the liquidity ratio found by the formula “Cash+Bank+Short Term Receivables/Short Term Liabilities”. In deferment and installment of debts, it is essential to pay the debt in equal installments. However, if the debtor insists on a gradual payment plan and the unit is convinced that the debtors is unable to pay

equal installments, only the first six installments may be deferred gradually, provided that they will not be less than 50% of the installment amount in the payment plan split into equal installments.

Competent Authority for Deferrals: The Social Security Institution has imposed **authority limitations** in deferment and installments. If the amount of debt is in the range of TRY 0 to 1,000,000, it will be evaluated by the Director of the Social Security Center; if the amount of debt is in the range of TRY 1,000,001 to 2,000,000, it will be evaluated by the Provincial Director of Social Security Institution; if the amount of debt is in the range of TRY 2,000,001 to 3,000,000, it will be evaluated by the Head of the Disputed Premium Affairs and Enforcement Department; if the amount of debt is in the range of TRY 3,000,001 to 4,000,000, it will be evaluated by the General Director of Social Security Institution; and if the amount of debt is in the range of TRY 4,000,001 to 5,000,000, it will be evaluated by the President of the Institution; and if the amount of debt is higher than TRY 5,000,001, it will be evaluated by the Board of Directors.

Utilization of Incentives: Another important contribution of this practice to the employer is that after the deferment and installment of a debt, the employer will start to benefit from the 5-point employer share incentives and other incentives as stipulated in the Law No 5510.

D. PRESIDENT'S SPEECH ABOUT THE STIMULUS PACKAGE ON EMPLOYMENT

Besides, the President of the Republic addressed other issues as follows. Those are very important to keep in mind:

- 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**.

So, we assume that the prerequisite for any deferral in the economy package described above is that it must not cause any loss of employment. This is emphasized by the President of Turkey in his speech.

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.

Hope to recover soon from this pandemic.

Best Regards,



Independent Advisors | Accounting & Tax

Mecidiyekoy Mahallesi Sehit Ahmet Sok. Ada Residence No: 6-10/51, Kat: 3
34381 Sisli Istanbul Tel: +90 212 211 11 10

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

www.ia.com.tr