

# ***Tax & International Advisory***

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*Newsletter*

**2020-63**

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

**Subject:** Monthly Financial/Tax Regulations Summary in Turkey (May 2020)

Distinguished readers,

May 2020 was very busy in terms of financial agenda, because of the pandemic lots of expected arrangements were made and we are expecting June to be much busier month as well in tax, financial, monetary and economic agenda even the Summer is coming.

We would like to submit for your attention as a summary the important tax-related and financial issues that occurred within the last month in Turkey.

In addition, you can visit our [Covid-19 Support](#) website that we prepare in order to support the business society, employees and all stakeholders. We hope that you will benefit and enjoy our newsletters. You will receive the next bulletin in a different form.

In this context, we would like to add the topics you want to be analyzed. For example, the possible effects of the epidemic on tax justice and tax burden, the taxation regime of the healthcare system, especially the healthcare professionals, the creative fiscal policy recommendations that should be implemented in this period, and the examples of good practices that companies make for their suppliers and ecosystems can be considered within this scope.

We are looking forward to hearing from you to convey both your subject proposal and such expertise to a wider audience.

In addition, we organize a case study for university students on “creative fiscal and tax policies to combat with Covid-19”. We will select the best paper in this study and announce it.

Let’s briefly start with the headings and then examine the details. We will submit information about tax, customs, social security obligations, banking and financial issues, incentives and other related subject below.

## **A. Tax Issues**

- **Communiqué on “25% Profit Distribution Limit”:** The Ministry of Commerce announced the exceptions to the restriction on profit distribution with a Communiqué. It is a crucial piece of legislation that the companies are supposed to stay safe in terms of balance sheet and financial health of the companies.
- Corporate Tax Returns are supposed to be submitted by June 1<sup>st</sup>.
- **Tax Increases:**
  - SCT (special consumption tax) has been increased in some products such as tobacco.
  - A regulation was made on income tax withholding rates. (on financial bonds and lease certificates)
  - The foreign exchange transaction tax was increased 5 times and the sale of gold without physical delivery was also subject to tax. (Tax rates is now 1% on the sales amount of exchange)
- **Tax Updates**
  - **New Tax Communiques on Income Tax** (Nr. 311 and 312) were published. Both includes very important subjects such as “good taxpayer deduction of %5” and other deduction issues.
  - Communiqué nr. 311 has regulations regarding exemption application in self-employment earnings brought by the new law No. 7194, exemptions regarding the public transportation benefits provided by employers, exemptions for wages provided to amateur sports referees, expenses related to taxation of costs of company cars, new income tax tariff, the regulations on taxation of the attorney fee charged to the other party and the taxation of the wages paid to the athletes. All of those are very crucial subjects especially the football players are supposed to have more tax burden on their income after certain level of income.
- **Draft Communiques** on the related subjects below are able to seen and open to public consultations.
  - Draft Communiqué regarding Transfer Pricing in Turkey to be in line with OECD standards,
  - Draft Communiqué regarding with the abandonment of the tax registration,
  - Draft Communiqué of Invitation for Disclosure was prepared.

- **Extensions on Tax Liabilities:**

- E-book deadlines such as signing and loading time have been extended.
- Provisional tax has been postponed and submitted in May.
- By making amendments in the General Communiqué on VAT Application, a guarantee application was introduced for VAT refund transactions in the force majeure period.

- A brochure on the **Electronic Notification System** has been published by the Ministry of Finance and Treasury.
- **The e-book guide** for taxpayers has been updated.
- A guide on accounting slips issued in electronic environment has been published.

## **B. Social Security Issues**

- Is there an opportunity for state owned enterprises and companies with different institutional codes to benefit from cash compensation for the headcount?
- Is Covid-19 a Work Accident or Occupational Disease? Seems no. This issue will be widely discussed among the taxpayers and employees and apparently there will be many cases and conflicts among them.

## **C. R&D & Incentives**

- **Turquality Programme:** The Turkish President's Resolution No. 2564 on Branding Supports for Foreign Exchange Earning Services Sectors was published in the Official Gazette on 20 May 2020. (Turquality, an incentive program led by the Government)
- The application periods for the Branding Support for Foreign Exchange Earning Sectors have been extended.
- Decision on Supporting Digital Activities at Market Entry Has Been Published. (It will give incentives for digital fairs and e-commerce activities)
- **R&D Annual Activity Reports:** Activity reports regarding the activities carried out in R&D & Design Centers must be submitted.
- **Opportunity to Work Remotely in R&D Centers:** Remote Work Flexibility application was extended until the end of June for R&D and Design Centers and Teknokent Companies.
- **Progress Reports:** Submitting progress reports on TUBİTAK projects
- **New Calls for Projects**
  - It is possible to submit a project proposal for EUREKA Network Call on Covid-19.
  - KOSGEB Techno Investment (Tekno Yatırım) applications continue to be received.
  - Patent Based Technology Transfer Support Call (Patent License - 2020 - 1)
  - SME Support Call for Order Based R&D Projects (Order R&D - 2020)

## **D. Banking & Finance**

- **Monetary Restrictions:**

- The BRSA (Banking Regulation and Supervisory Authority-BDDK) announced in its press release on 21.05.2020 that gold purchases of 100 gr and above will be carried out in one day value.
- The BRSA has published a new Regulation to prevent manipulation and misleading transactions in financial markets.
- The BRSA narrowed down the placement and loan volume for banks with its decision dated May 20<sup>th</sup>, 2020.
- The amount of the SWAP agreement between the CBRT (Turkish Central Bank) and the Central Bank of Qatar has been increased from 5 Billion USD to 15 Billion USD.
- The CBRT made very important changes in the Capital Movement Circular which regulates the foreign direct investment, loans and capital movements.
- CBRT 2019 Annual Report has been published. According to 2018 statistics, the CBRT met 12.4% of the total corporate tax on its own in Turkey.
- Central Government Debt Statistics have been published.
- The Banks Association of Turkey has published an information note summarizing the general measures taken within the scope of the fight against the epidemic, the financial measures taken by the banks, their recommendations and the work done by them.

## **E. International Trade & Customs**

- The Covid-19 website of the Ministry of Commerce brings together very useful information. <https://covid19.ticaret.gov.tr/>
- **Increasing Custom Taxes:** Additional customs duty has been imposed on many products.
- The UK has published a tariff on the customs tax rates to be applied after Brexit. <https://www.gov.uk/check-tariffs-1-january-2021>
- Communiqué on goods forbidden and export-related goods and goods subject to prior authorization has been updated.
- An additional 1 year has been granted for Investment Incentives.

## **F. Other Legislative Changes in Turkey**

- Significant changes were made to the Insurance Regulation.

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- **State Aid Implementation to Private Theater Projects:** The Amendments to the aid to be given to the projects of private theaters have been amended to increase the amount of assistance and the facilities have been provided due to Covid-19.
- Some relaxing, regulatory legislative amendments were made within the scope of Covid 19.

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. As we summarized the bulletin for you, we keep it very short. Please tell us if you have any comments or questions on any of the subjects above.

Best regards,

Şaban Küçük

## **Tax & International Advisory | Tax & Finance**

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