



TAXATION IN TURKEY

What Foreign **Investors** Need to Know?

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TAX RETURN FOR

Form 1040

1 INVESTING TO TURKEY

Filing Status

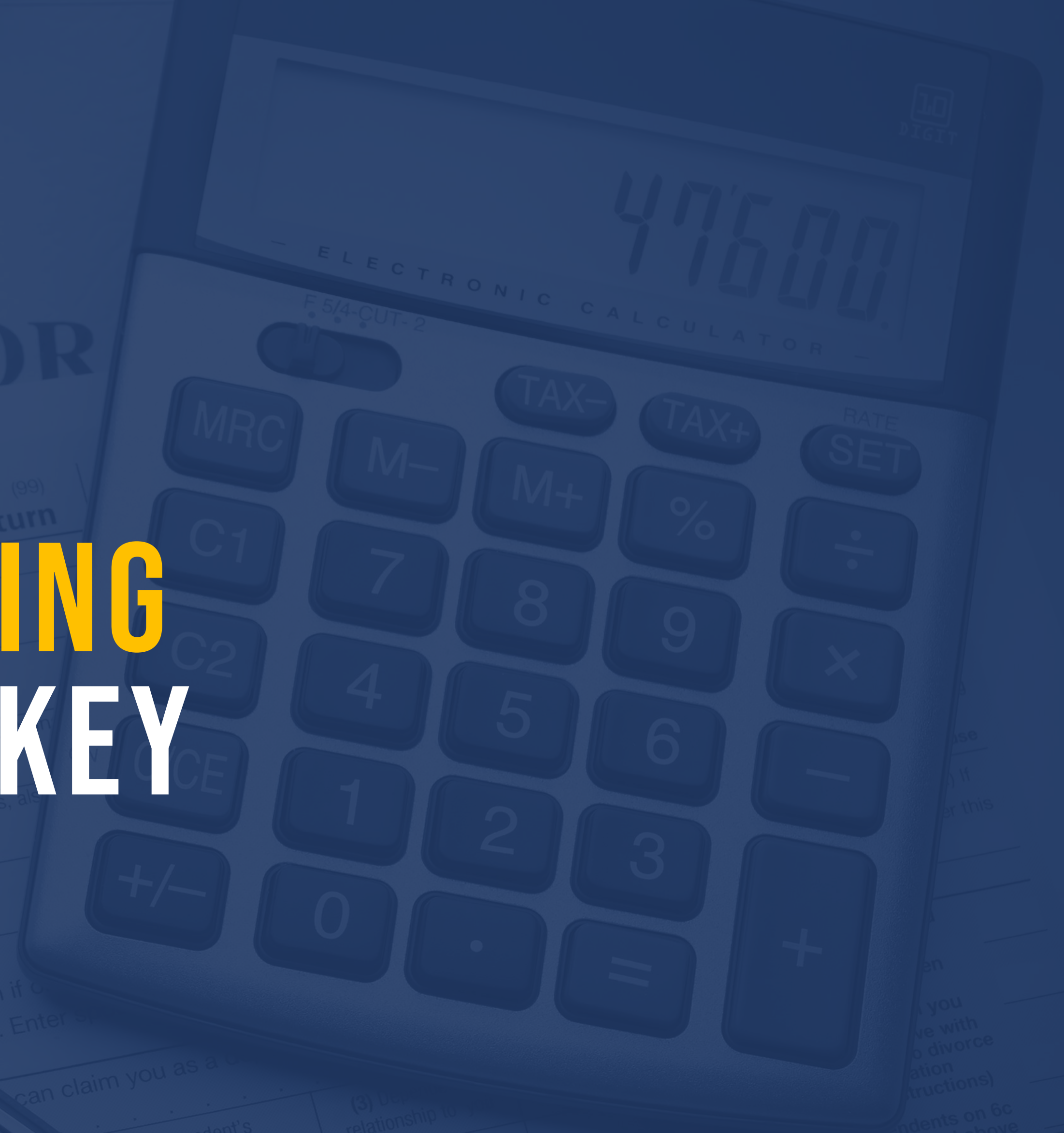
Check only one box.

Exemptions

- 1 ☐ Single
- 2 ☐ Married
- 3 ☐ Married and full name

- 6a ☐ Yourself
- b ☐ Spouse
- c ☐ Dependents

Crowe
Troy CPA



TOP REASONS

- Large Domestic and Regional Market
- Bridge Between the East and West : Creating an efficient and cost-effective hub to major markets.
- Close Proximity to Major Markets : Turkey offers easy access to 1.5 billion people and a combined market worth of USD 24 trillion GDP in Europe, MENA, and Central Asia within a 4-hour flight radius.
- Hub for Multinationals : Multinationals are increasingly choosing Turkey as a preferred hub for manufacturing, exports, as well as management.
- Perfect Hub for R&D Investments ; with generous supports.



*TURKEY is
Located at Where
Continents Meet*

TOP REASONS

- **Skilled and Cost-competitive Labor Force;** Turkey's overall labor force is around 32.7 million people, which makes the country the 3rd largest labor force in Europe.
- **Favorable Demographics;** young and dynamic population with half under 32 years old.
- **Liberal Investment Climate,** no barriers for FDI, strong protection for investors.
- **Investment Incentives;** for investing machinery equipment and plant into Turkey.
- **Civil and Tax Laws;** have been adapted from Swiss and German laws and during the EU process have been continuously updated.

*TURKEY is
Located at Where
Continents Meet*

TAX RETURN FOR

Form 1040 U.S. Individual Income Tax Return
For the year Jan. 1-Dec. 31, 2018
Your first name and last name
If a joint return, use the first name and last name of the first-named taxpayer
Home address (no P.O. box) and street, if you have one
City, town or post office, and state and ZIP code. If you have a foreign address, also enter it
Foreign country name

Filing Status

Check only one box.

- 1 ☐ Single
- 2 ☐ Married filing jointly (even if only one has income)
- 3 ☐ Married filing separately. Enter spouse's name and full name on line 6b.

Exemptions

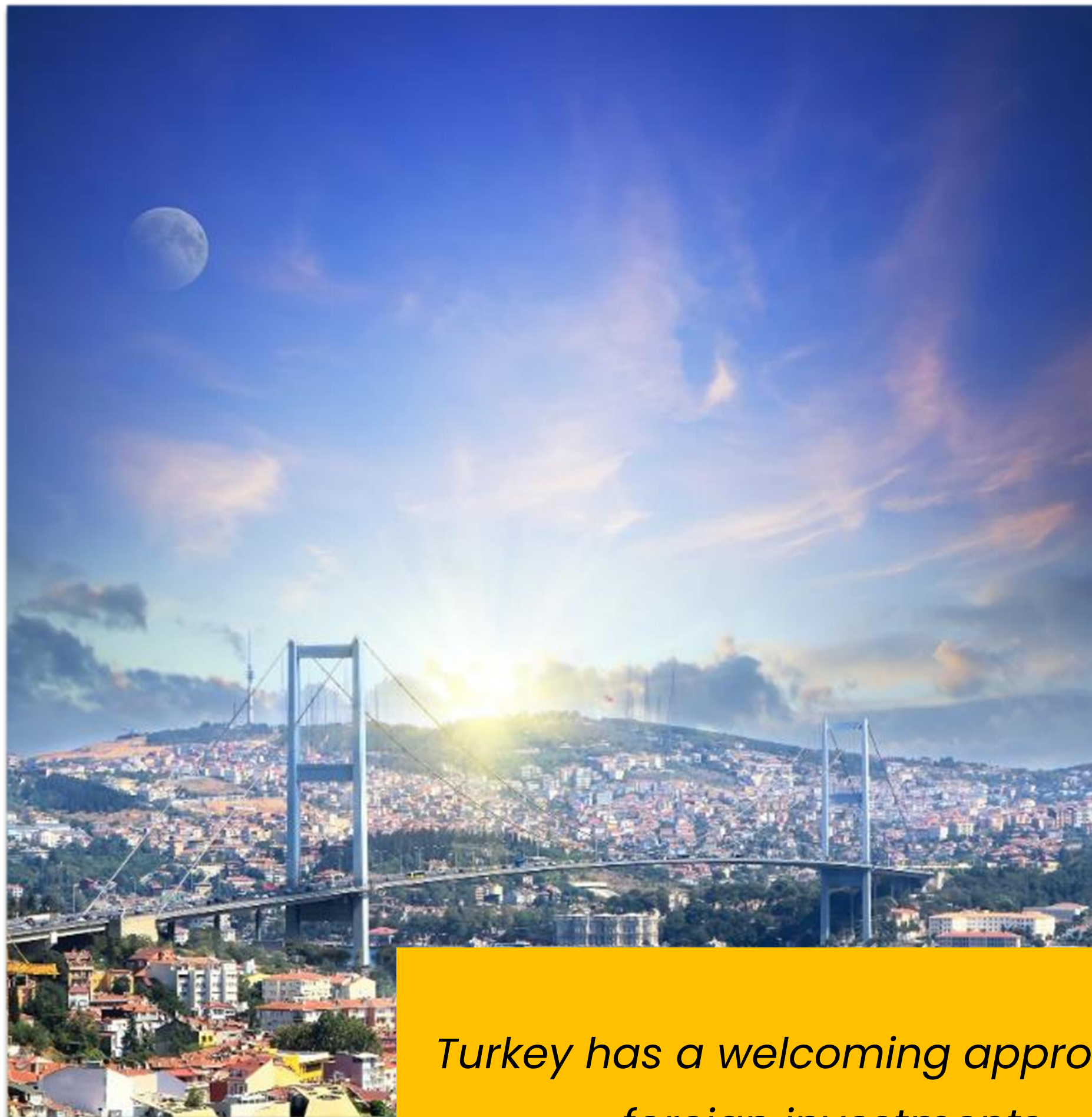
- 6a ☐ Yourself. If you are claiming yourself as an exemption, enter your name on line 6c.
- b ☐ Spouse
- c ☐ Dependents:
(1) First name and last name



2 LEGAL ENVIRONMENT



OVERVIEW

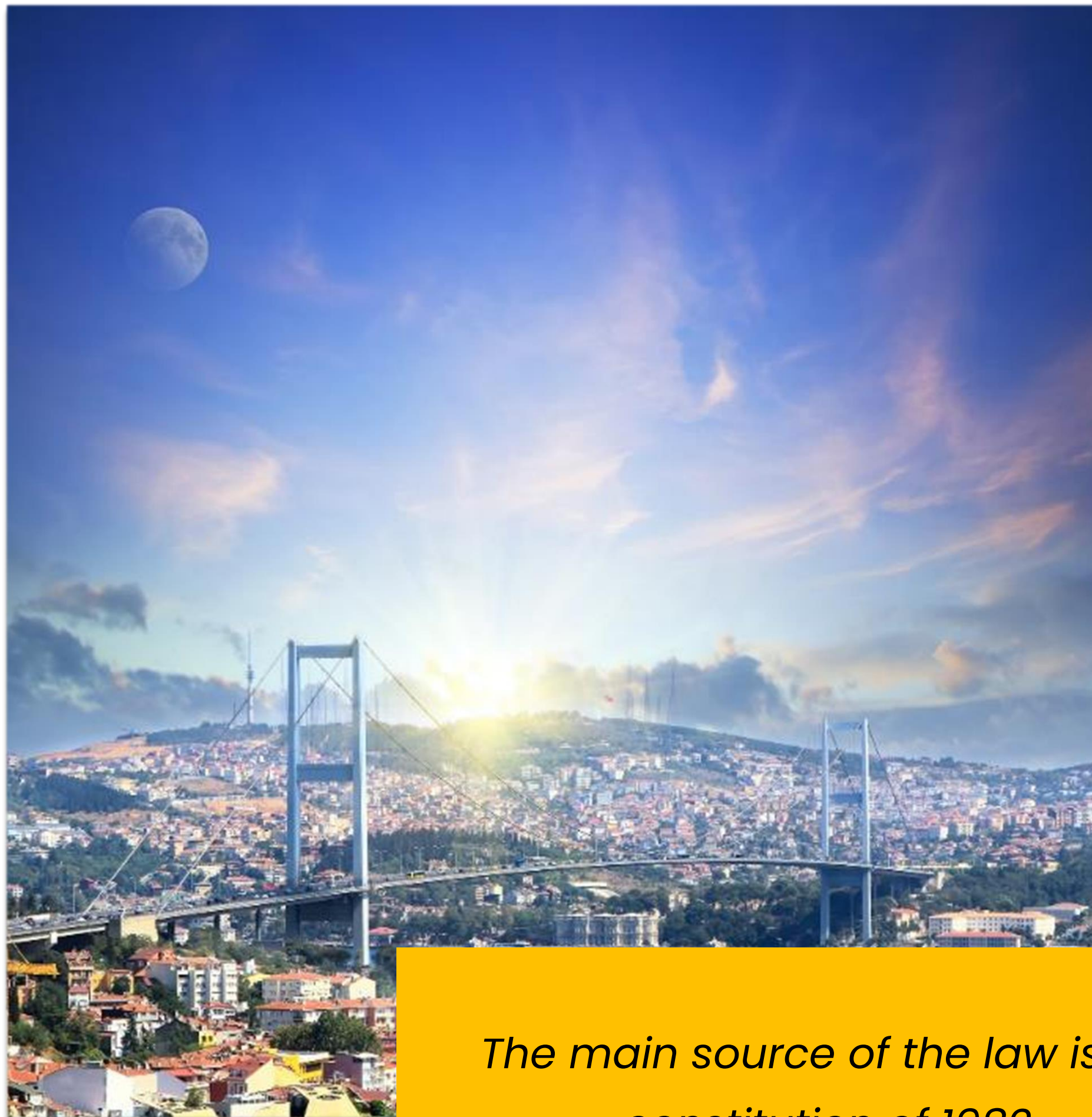


Turkey has a welcoming approach to foreign investments

Republic of Turkey was established in 1923, as a democratic, secular, and constitutional republic. With the adaptation to **European Union**, it has become increasingly integrated with West. Turkey began full membership negotiations with the European Union in 2005 and is an associate member of the European Economic Community since 1963, and signed customs union agreement in 1995.

Turkey has a welcoming approach to foreign investments. The legislation is being liberalized since early 1990's. Reforms have been introduced where necessary with a view to join the European Union. Foreign nationals can, in principle, expect to benefit from an impartial trial in judicial matters.

HIGHLIGHTS



The main source of the law is the constitution of 1982.

- The main source of the law is the constitution of 1982.
- The country's judicial system is based on a system of civil law derived from different systems in continental Europe:
 - Civil and company law close to the German model.
 - Law of obligations inspired by the Swiss code.
 - Penal law inspired by the Italian Penal Code.
 - Administrative Law inspired by France.

Turkey is a member of the European Court of Human Rights (ECHR).

TAX RETURN FOR

3 SET-UP PROCESS

STEPS



*TAX
REGISTRY*



*ENTITY
TYPE*



*TRADE
REGISTRY*

Set-up Process

STEPS TO LAUNCH

After it is decided to set up an entity in Turkey, the first thing is to determine what type of entity should be established.



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01

**Corporations
and Subsidiaries**

02

Branches

03

Liasion Offices

Set-up Process

CORPORATIONS VS SUBSIDIARIES

THE TWO FORMS OF SUBSIDIARY THAT A
FOREIGN COMPANY CAN ESTABLISH ARE;

NEXT: Types and Capital Requirement

01. JSC

Joint Stock Corporation
(A.S.)

02. LTD

Limited Liabe Corporation (Ltd.)

Set-Up Process

TYPES AND CAPITAL REQUIREMENT

The Joint Stock Company (Jsc)

Minimum Share Capital : 50K TRY / At least one shareholder needed

The Limited Liability Company (LLC)

Minimum Share Capital : 10K TRY / At least one shareholder needed

Brances

No minimum share capital / Brances represented by branch manager(s)

Liasion Offices

No commercial activity



TAX RETURN FOR

Form **1040** U.S. Department of the Treasury—Internal Revenue Service
Individual Income Tax Return

4 RESIDENCE



Filing Status

Check only one box.

- 1 ☐ Single
- 2 ☐ Married
- 3 ☐ Married

Exemptions

- 6a ☐ Yourself. If you are the taxpayer.
- b ☐ Spouse
- c ☐ Dependents:



TERRITORIALITY



According to Turkish tax legislation, income taxation differs significantly based on the taxpayer's place of residence.

Those taxpayers whose legal or business centers are in Turkey, are subject to taxes on their worldwide income. If both of the legal and business centers are not in Turkey, then the company is qualified as non-resident and is subject to tax only on income generated within Turkey. The legal center is shown in the Articles of Association and the business center is the place where business activities are concentrated.

According to Turkish tax legislation, income taxation differs significantly based on the taxpayer's place of residence. Resident entities are subject to tax on their worldwide income, whereas non-resident entities are taxed solely on the income derived from activities in Turkey.

TAX RETURN FOR

Form 1040 U.S. Individual Income Tax Return

For the year Jan. 1 - Dec. 31, 2018

Your first name and initial

If a joint return, use the name and last name of the primary filer

Home address (no P.O. box)

City, town or post office, state and ZIP code. If you have a foreign address, also enter it

Foreign country name

Filing Status

Check only one box.

- ☐ Single
- ☐ Married filing jointly (even if only one has income)
- ☐ Married filing separately. Enter spouse's name and full name on line 6b.

Exemptions

- 6a ☐ Yourself. If you are claiming yourself as an exemption, enter your name on line 6b.
- b ☐ Spouse
- c ☐ Dependents:
- (1) First name, last name, and date of birth (MM/DD/YYYY) of each dependent. Enter the number of dependents on line 6c.

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5 FOREIGN EXCHANGE CONTROL



OVERVIEW



Upon enactment of the (FDI) Law No. 4875 in Turkey, international investors have gained the same rights and obligations with the local investors.

SAME RIGHTS WITH LOCAL INVESTORS

Upon enactment of the (FDI) Law No. 4875 in Turkey, international investors have gained the same rights and obligations with the local investors.

BUY AND SELL FOREIGN CURRENCIES THROUGH BANKS

Buy and sell foreign currencies through banks, other authorized institutions, and institutions authorized to sell foreign currency abroad.

MONEY TRANSFERS ABROAD IN ANY CURRENCY

International investors are also entitled to make money transfers abroad in any currency.

TRANSFER OF PROFITS

International investors are allowed to transfer abroad through the banks net profit, dividends, sales amounts, amounts arising from liquidation, and compensation arising in connection with their operations and transactions in Turkey,



TAX RETURN FOR

6 CORPORATE TAXATION

Filing Status

Check only one box.

Exemptions

- ☐ Single
- ☐ Married
- ☐ Married and full name

6a ☐ Yourself. If

b ☐ Spouse

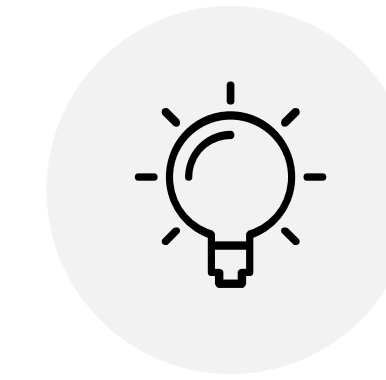
c ☐ Dependents:

(1) First name

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CORPORATE TAXATION

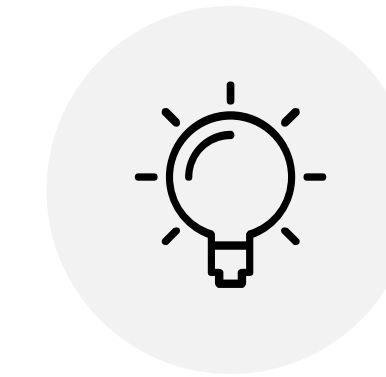


%23

Corporate Tax Rate
on Profits

- Subsidiaries (JSC and LLC) with legal or business centers located in Turkey are qualified as residents and are subjected to Corporate Income Tax on their worldwide income derived in Turkey. Branches are taxed on the income derived in Turkey.
- The corporate tax rate levied on business profits is 23% for year, 2022 and 20% for year, 2023.
- Corporate income tax is calculated over annual fiscal profits of the Company (JSC , LLC and Branch).
- The normal fiscal year-end is from 1 January to December 31st.
- Where the calendar year is not appropriate due to the nature of business, taxpayers may opt an alternative period to determine their fiscal year upon the permission to be obtained from the Ministry of Finance. Annual corporate income tax returns must be filed, until April following the end of the fiscal year

CORPORATE TAXATION



%23

Corporate Tax Rate
on Profits

- 75% of the profits arising from the sales of the participation stocks included in the assets of the corporations for at least two full years
- 50% of the profits arising from the sales of the immovables held in their assets of the corporations for at least two full years
- %100 of Profits produced by corporations from their participation in the capital of another corporation
- 50% of the profits obtained from the services (architecture, engineering, design, software, medical reporting, accounting report keeping, call center, product testing, certification, data storage, data processing, and data analysis) which provided to companies abroad.
- 100% of Profit from arising from manufacturing companies in Free Zone Activities
Corporate Tax Exemption for Profit Made in Technology Development Zones.

TAX RETURN FOR

Form 1040 U.S. Individual Income Tax Return
Department of the Treasury Internal Revenue Service
For the year Jan. 1-Dec. 31, 2014, or other year beginning Jan. 1, 2014

7 ADVANCE CORPORATE TAX



Filing Status

Check only one box.

- 1 ☐ Single
- 2 ☐ Married filing jointly (even if only one has income)
- 3 ☐ Married filing separately. Enter spouse's name and full name on line 6b.

Exemptions

- 6a ☐ Yourself. If you are single, married and filing jointly, or married and filing separately, you can claim you as a dependent.
- b ☐ Spouse
- c ☐ Dependents:
(1) First name Last name
(2) Dependent's social security number
(3) Relationship to you

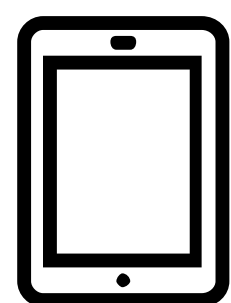


ACIT

ADVANCED CORPORATE INCOME TAX(ACIT)

Compellingly aggregate innovation whereas integrated schemas. Assertively synergize cross-platform e-business rather than enterprise growth strategies.

All resident and non-resident companies, who earn commercial or Professional income and who are obliged to file annual corporate income tax return, are also required to file Advance Corporate Income Tax (ACIT) return at 23% on the basis of the actual quarterly profits. ACIT is not a requirement for the multi-year construction works being subject to taxation on the basis of completed project basis. ACIT paid during the year is offset against the final taxes calculated on the annual corporate income tax return. Any excess payment may be offset against other tax liabilities, and in the absence of such liabilities it is refundable upon the claim within one year.



%23





8 DIVIDENDS PAID TO NON- RESIDENT COMPANIES

DIVIDENDS

WITHHOLDING TAX ON DIVIDENDS **%23**

When dividends are paid out, the company is required to make a withholding from the dividends. The rate of withholding tax is 10%. Dividends paid to a Turkish resident entity (i.e. Turkish holding company) or a Turkish branch of a foreign company is not subject to the withholding tax. A share capital increase by the company using the retained earnings would not be considered as taxable dividend. The bilateral income tax treaties provide special tax rates, therefore, the above rates needs to be confirmed with the signed bilateral treaties.

WITHHOLDING TAX ON BRANCH PROFITS

There would be a withholding tax on the branch profits of non-resident companies upon remittance of such profits to the headquarters. The rate of withholding tax is 10% effective which is applied on the amount after the deduction of corporate income tax from taxable branch profits. The bilateral income tax treaties provide special tax rates, therefore, the above rates needs to be confirmed with the signed bilateral treaties.



TAX RETURN FOR

9 WITHHOLDING TAX

Form 1040 U.S. Individual Income Tax Return (99)

For the year Jan. 1-12, 2011
Your first name and last name
If a joint return, use first name and last name of the other spouse
Home address (no P.O. box, see instruction)
City, town or post office, and state and ZIP code. If you have a foreign address, also give foreign country name.

Filing Status

Check only one box.

- 1 ☐ Single
- 2 ☐ Married filing jointly (even if only one spouse has income)
- 3 ☐ Married filing separately. Enter spouse's name and full name on line 6b.

Exemptions

- 6a ☐ Yourself. If you are claiming yourself as an exemption, enter your name on line 7.
- b ☐ Spouse
- c ☐ Dependents: (1) First name, last name, and date of birth (MM/DD/YYYY) of dependent. (2) Dependent's social security number. (3) Relationship to taxpayer. Enter relationship to taxpayer on line 7.



WITHHOLDING TAX RATES



%20

*Professional Fees / Management Fee
Rent Fee / Royalties / Sale proceeds of
copyrights, patents, trademarks etc.*

%10

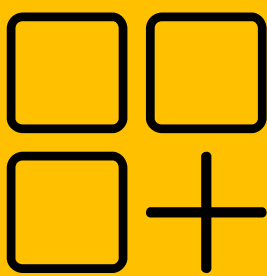
Interest

%15

Dividends and Interests

%5

Consturction in progress



10 CAPITAL GAINS TAX

SALE OF IMMOVABLE PROPERTY AND SHARES



If the seller of the immovable property is a Company, then the tax rate for the capital gains is 23% percent for the year of 2022.

Gains arising from the disposal of the shares of a joint stock company that are not traded in Borsa Istanbul, are not subject to any tax if these shares are kept for more than 2 years.

In limited liable companies, for the transfer of shares, income arising from the disposal of the shares will be subject to income tax under "capital gains" regardless of the period shares are held.

Year 2022

Immovable property capital tax gains

23%

SALE OF SHARES OF JSC

Corporate Tax Application		VAT Application	
IF THE SHAREHOLDER IS A LEGAL PERSON	75% of the earnings is exempted if the share certificates have been registered with the company's assets for over two years. (CTL art.5)	The sales is exempted according to 17/4-g if it has a share certificate without any time limitation. If it does not have a share certificate or it is not considered as an interim share certificate, the sales is exempted according to 17/4-g on condition of holding it for two years.	In case of corporate taxpayers, the sales shall be applied VAT exemption without the requirement of being held within the assets for two years if a share certificate or interim share certificate is issued.
	The earnings is subjected to corporate tax if the share certificates have been registered with the company's assets for less than two years.	However, it shall be exempted according to 17/4-g if it has share certificates.	
IF THE SHAREHOLDER IS A REAL PERSON		If it does not have share certificates or interim share certificates the sales shall be considered as the sales of a participation share In this case, it shall be required to hold within the assets for complete two years for VAT exemption. If legal persons sell their participation shares within two years as of the date of their acquisition, the sales shall be subjected to VAT.	

SALE OF SHARES OF LTD

Corporate Tax Application		VAT Application
IF THE SHAREHOLDER IS A LEGAL PERSON	75% of the earnings is exempted if the shares have been registered with the company's assets for over two years. (CTL art.5)	Exemption according to 17/4- r on condition of holding the shares for two years. (It is not under 17/4-g since it is not a share certificate.)
	The earnings is subjected to corporate tax if the shares have been registered with the company's assets for less than two years.	Subject to VAT.

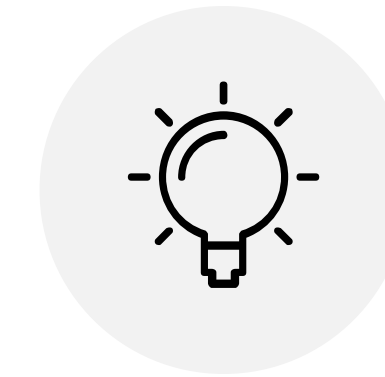
SALE OF SHARES BY A REAL PERSON

Corporate Tax Application		VAT Application
IN JOINT STOCK COMPANIES	Shares must be printed in order to benefit from Tax exemptions, if they are not printed, a stock certificate book must be printed. Shares must be held at minimum of two years to met the creteria.	Is not subject to VAT regardless of time duration of the shares are held according to article 17/4-g
IN LIMITED LIABLE COMPANIES	Subject to standard CIT rate.	Is not subject to VAT since Real persons are not Value added tax payers on share sales according to article 17/4-g

1 MAJOR INDIRECT TAXES

VAT & SPECIAL CONSUMPTION TAX

- The standard VAT rate applies to all supplies of goods or services, unless a specific measure provides for a reduced rate or exemption.
- Special Consumption Tax is an excise tax and it is imposed on the import, manufacture and first acquisition of a range of goods.



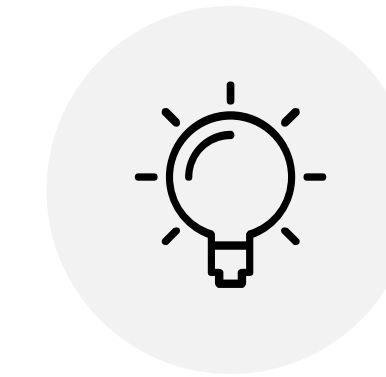
18%

VAT

Reduced rates 1%
and 8%




MAJOR INDIRECT TAXES



0.948
STAMP TAX

- Agreements are normally subject to stamp tax at 0.948 percent (capped at TRY 4.814.234 for 2022) but there are certain exemptions depending on conditions
- Real estate tax; for residential properties 0.2 percent, for commercial properties 0.4 percent, and for lands 0.6 percent of the value calculated by using the value per square meters set by Authorities. (all percentages are based in big cities, in smaller cities percentages tends to be lower)



1 TAX DECLARATION 2 DUE DATES

DUE DATES



30 April
Of Next Year

Filings Required	Name of Filing Required	Official Declaration–Payment Deadlines
Annually	Corporate Income Tax Return (Final)	Declaration: April 30 of the next year Payment: April 30 of the next year
Quarterly	Withholding Tax Return (If there are no employees)	Last week of April, July, October and
	Provisional Corporate Income Tax Return (always year-to-date)	Second week of May, August, November, February
Monthly	Reverse Charge on VAT (If any related invoice is available) SSI Declaration Withholding Tax Return (If there is at least 1 employee) Stamp Tax Declaration (If any related agreement is available) * BA & BS Declarations	Declaration: 26 of next month Payment: 26 of next month Declaration: 26 of next month Payment: At the end of the next month Declaration: 26 of next month Filing: At the end of the next month No payment is required.

13 SALARY

SALARY OVERVIEW

A certain amount of money that is subject to the employer and paid to employees in return for their service; as an interest provided by money. Any payments considered as wage under the Income Tax law are subject to the income tax. In addition the wage, any other related income such as allowances, premiums, annual free gifts, gifts, indemnities and other incentive premiums is also subject to income tax.

MINIMUM SALARY

TRY 5.004,00 (Gross)

SGK Wage Base

TRY 5.004,00

VALIDITY

01.01.2022 / 31.12.2022



SALARY INCOME TAX

Any payments considered as a wage under the Income Tax law are subject to the income tax.

Yearly Cumulative Income Scales (TL)	Rate (%)
(Employment Income)	
Up to 32,000	15
32,001-70,000	20
70,001-250,000	27
250,001-880,000	35
880,001 and over	40

Salary Social Security Premiums

A total of social security premiums is 37.5% of Earnings subject to Premium (including unemployment insurance)

15% of total is deducted from the gross salary as allowance of employee,

And 22.5% of earnings subject to premium is additionally calculated as the employer's allowance.



EMPLOYERS' COST

In addition to gross salary, the employer is obliged to pay the employer's social security contribution and unemployment insurance permiums.

Total cost of the employee to the employer = gross salary+employer's social security premium (including unemployment insurance)

PERIOD	LOWER LIMIT	UPPER LIMIT
01.01.2022 – 31.12.2022	5.004,00 TL	37.530,00 TL
01.01.2021 – 31.12.2021	3.577,50 TL	26.831,40 TL



14 INCOME TAX RATES

TARIFF (I.T.L ARTICLE 103)



RATES TO BE APPLIED to ONLY SALARIES

Up to TRY 32.000 TL	15%
For 32.000 TL out of 70.000 TL – 4.800 TL, and above	20%
For 70.000 TL out of 250.000 TL – 12.400 TL, and above	27%
Above 250.000 TL out of 880.000 TL – 61.000 TL, and above	35%
Above 880.000 TL, for 880.000 TL – 281.500 TL, and above	40%

RATES TO BE APPLIED TO ALL INCOMES BESIDE SALARIES FOR YEAR 2022;

Up to TRY 32.000 TL	15%
For 32.000 TL out of 70.000 TL – 4.800 TL, and above	20%
For 70.000 TL out of 170.000 TL – 12.400 TL, and above	27%
For 170.000 TL, out of 880.000 TL – 39.400 TL, and above	35%
Above 880.000 TL, for 880.000 TL – 287.900 TL, and above	40%

15 SOCIAL SECURITY

LIMITS

Minimum and Maximum Limits of Social Security Premium Base

- MAXIMUM LIMIT : TRY 37.520,00
- MINIMUM LIMIT : TRY 5.004,00

Period

01.01.2022 – 31.12.2022



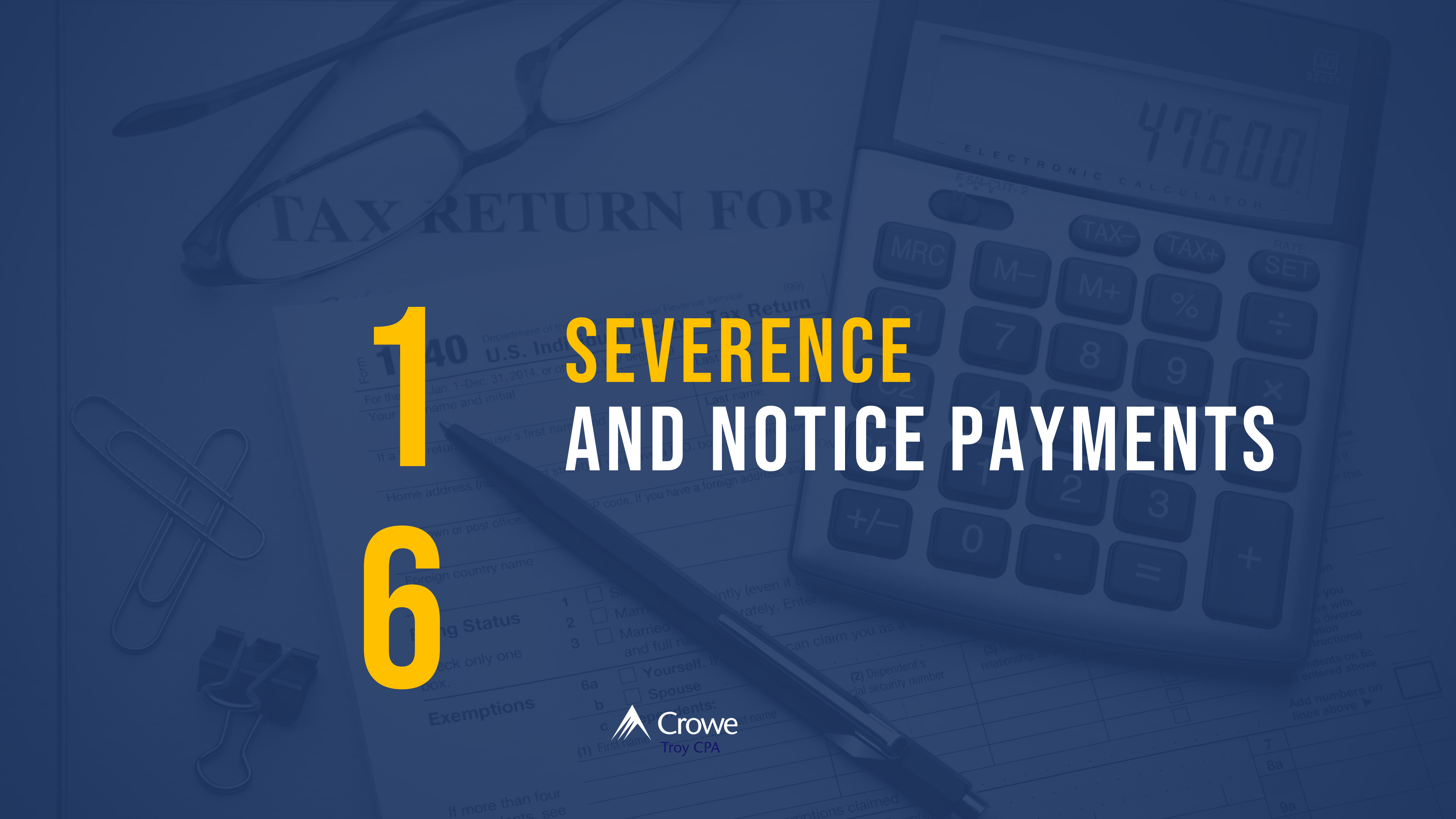
LIMITS

RATES FOR EMPLOYEES WORKING WITHIN THE SCOPE OF 4/A (SGK)

INSURANCE TYPE	EMPLOYEE SHARE(%)	EMPLOYER SHARE (%)	TOTAL(%)
Short Term Insurance Premium	-	2	2
Disability, Old Age and Death Insurance Premium	9	11	20
General Health Insurance Premium	5	7,5	12,5
Unemployment insurance premium	1	2	20
TOTAL	15	22.50	37.50

RATES FOR RETIRES WORKING WITHIN THE SCOPE OF 4/A (SGK)

INSURANCE TYPE	EMPLOYEE SHARE(%)	EMPLOYER SHARE (%)	TOTAL(%)
Social Security Support Premium	7.5	22,5	30
Short Term Insurance Premium	-	2	2
TOTAL	7.5	24.50	32



1 SEVERENCE 6 AND NOTICE PAYMENTS

OVERVIEW

STATUORY CAP

TRY 10.848,59

Period : 01.01.2022 / 30.06.2022




Notice Payment

SERVICE LENGTH	NOTICE	AMOUNT
Less than 6 months	2 weeks	14 days salary
Between 6 months- 1,5 years	4 weeks	28 days salary 4 weeks salary
Between 1,5 years - 3 years	6 weeks	42 days salary 6 weeks salary
More than 3 years	8 weeks	56 days salary 8 weeks salary

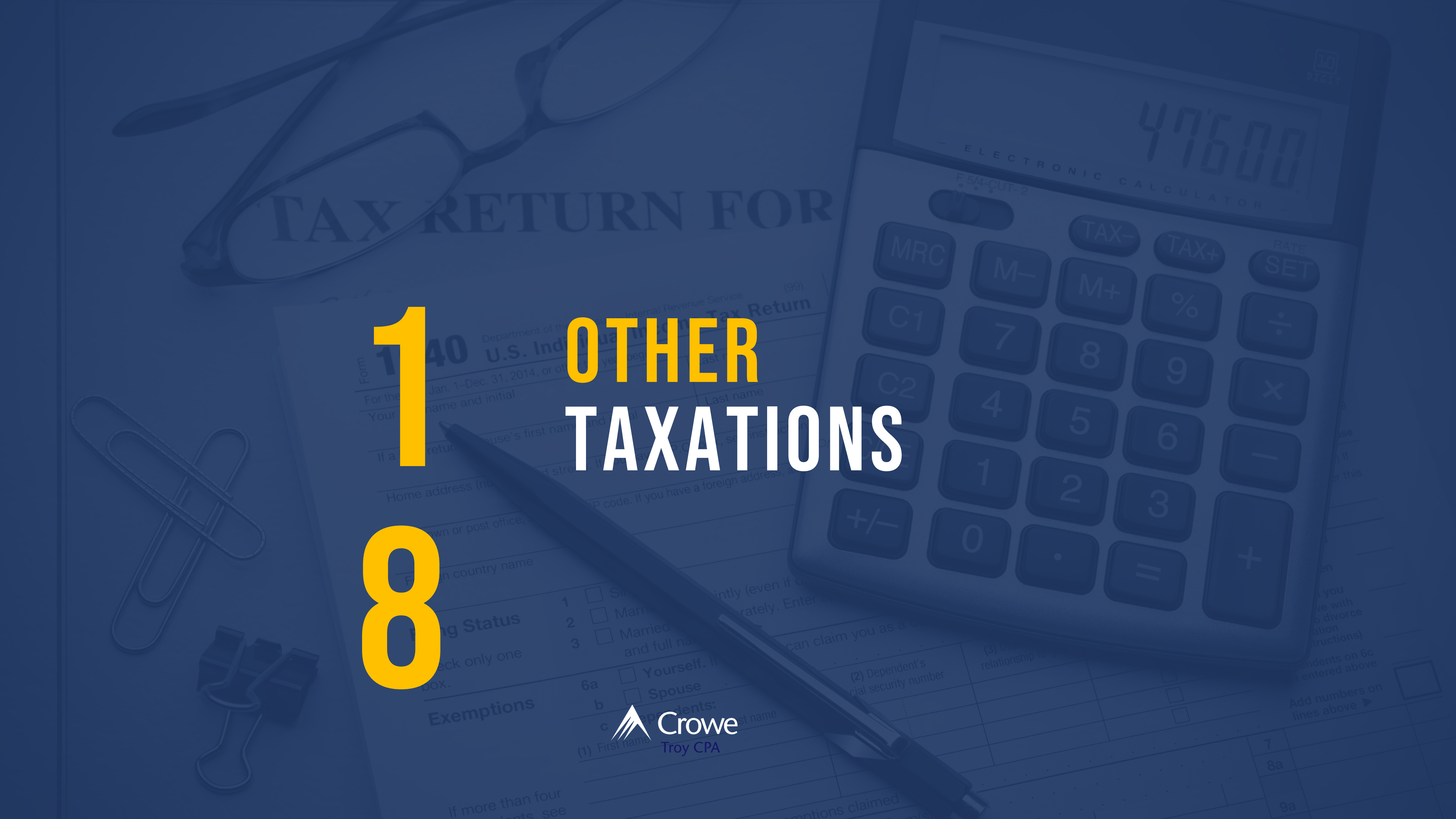
17 TRANSFER PRICING

TRANSFER PRICING

In cases where entities engage in goods or service procurements or sales from or to related party at such costs and prices set contrary to the arm's length principle*, earnings shall be considered to have been partially or totally distributed in a concealed manner via the transfer pricing method.



Turkey, transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing".



18 OTHER TAXATIONS

TAX OVER INTERNET SERVICES

According to the 19th December 2018 dated and the 476 numbered Presidential announcement, declared on the 30630 numbered official journal, concerning providing or intermediating advertisement services online;

%15 from payments made to real person whether or not the person is tax liable or not,

%15 from payments made to limited taxpayer corporations

%0 from corporations that are obliged to corporate tax

Withholding tax payment is obligated as of 01.01.2019



PROVISIONS THAT STAND OUT FROM THE RESCRIPT

- This regulation, is applied for payments made as of the date 01/01/2019 and for services given as of the law's declaration date (19/12/2018), including this date.
- In the regard of the tax cut mentioned, if a businesses that gives or intermediates online ad services, has received payment before 01/01/2019, no additional tax cuts will be applied after 01/01/2019 on payments that concerns the main subject of these payments.
- The mentioned tax cut is required to be made for companies that give or intermediate online advertisement services, with no regard to whether or not they are tax obligant.



19 COUNTRY BY COUNTRY REPORT

NEW TRANSFER PRICING REQ.

BEPS Action 13 which outlines new documentation requirements that is a part of the BEPS Action Plan was formally introduced by the OECD on July 2013 and has been finalized in August 2015.

The recommended three-layered documentation model outlined in BEPS Action 13 is being integrated to the Turkish Transfer Pricing Regulations. Accordingly, Master File preparation, annual transfer pricing report preparation and CbCR filing, which is to be submitted electronically, are now applicable for entities operating in Turkey, along with notification submissions to the Tax Authorities.

Master File: Master File should cover five main categories including; organizational structure of the multinational group, description of business activities, intangibles owned, inter-company financial transactions, the financial and tax positions of the group.

Annual Transfer Pricing Report: This report has been required since 2007 per Turkish Transfer Pricing Regulations and no changes have been introduced after the issuance of the new Decree.

Country-by-Country Report: CbCR is a report covering revenues, profit/loss before tax, income/corporate taxes paid, income/corporate taxes accrued, stated capital, accumulated earnings, number of employees and tangible assets other than cash and cash equivalents as per countries where the MNE group operates.



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Annual Transfer Pricing Report: This report has been required since 2007 per Turkish Transfer Pricing Regulations and no changes have been introduced after the issuance of the new Decree.

Country-by-Country Report: CbCR is a report covering revenues, profit/loss before tax, income/corporate taxes paid, income/corporate taxes accrued, stated capital, accumulated earnings, number of employees and tangible assets other than cash and cash equivalents as per countries where the MNE group operates.



NEW TRANSFER PRICING REQ.

Thresholds and Deadlines

The Turkish corporate taxpayers with at least TRY 500 million in both net sales and assets as per the previous accounting period are required to prepare a Master File.

Master File must be prepared by the end of the following accounting period and must be submitted to the Tax Authorities upon request.

The first Master File will be required for FY2019 and must be prepared by the end of 2020, the latest. For taxpayers with special accounting period, Master File will be prepared for the accounting period starting after January 1st, 2019.

n cases where the UPE of a Multinational Enterprise group is a tax resident in Turkey;

then the UPE is required to prepare a CbCR if their consolidated group revenue exceeds EUR 750 million.

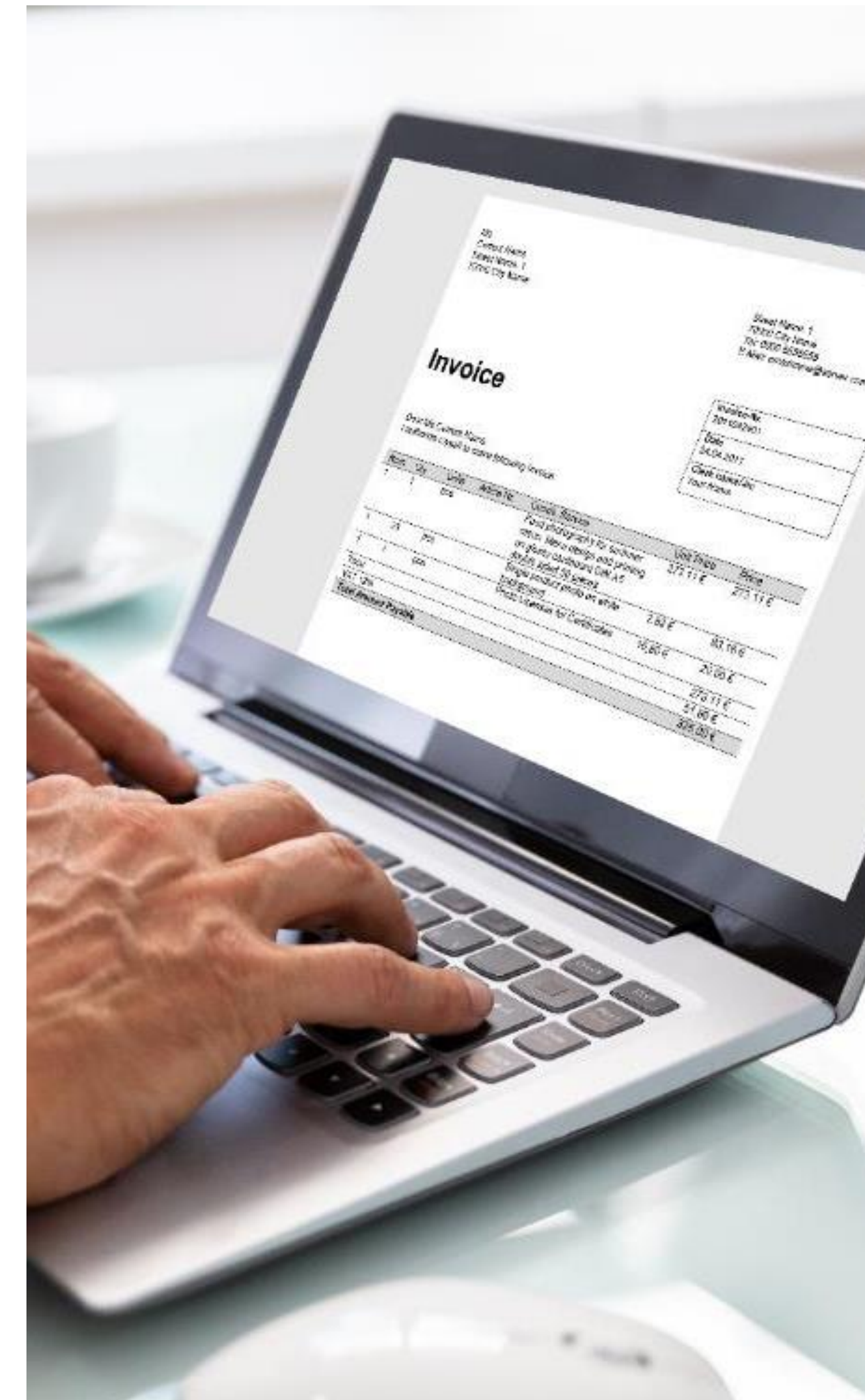
In cases where the MNE Group's consolidated revenue exceeds EUR 750 million and the UPE of a MNE group or the Surrogate Parent Entity (in case it is a reporting entity) is not a tax resident in Turkey then the Turkish tax resident of the MNE should file a CbCR in Turkey, if at least one of the three conditions below is met. (in cases where there are multiple entities in Turkey, a single entity will file a CbCR on behalf of the others).




NEW TRANSFER PRICING REQ.

Submission is required to be done electronically within 12 months after the end of the reporting period. The first CbC report, for FY2019, has to be submitted to the Turkish Tax Authorities by December 31st, 2020.

The UPEs that are using a special accounting period and are tax residents of Turkey will prepare their CbC report based on the accounting period starting on January 1st, 2019 and will submit their report electronically within 12 months after the end of the reporting period. Additionally, the Decree authorizes the Tax Authorities to set the first reporting period to FY2020 and for special accounting periods starting after January 1st, 2020.





20 AUDIT THRESHOLDS

SALE OF IMMOVABLE PROPERTY AND SHARES



The conditions of identifying the companies subject to independent audit are determined with Council of Ministers Decision numbered 2018/11597 which changes the Council of Ministers Decision numbered 2016/8549 and published in the Official Gazette dated 26/5/2018

ACCORDING TO COUNCIL OF MINISTERS DECISION;

- a) Net Assets – TRY 35 Million and above
- b) Net Sales Revenue – TRY 70 Million and above
- c) Employee – 175 and above

Companies subject to independent audit at following fiscal year in case of 2 years continuously exceeded minimum 2 criteria out of 3 stated in the decision.

2 INVOICING

1

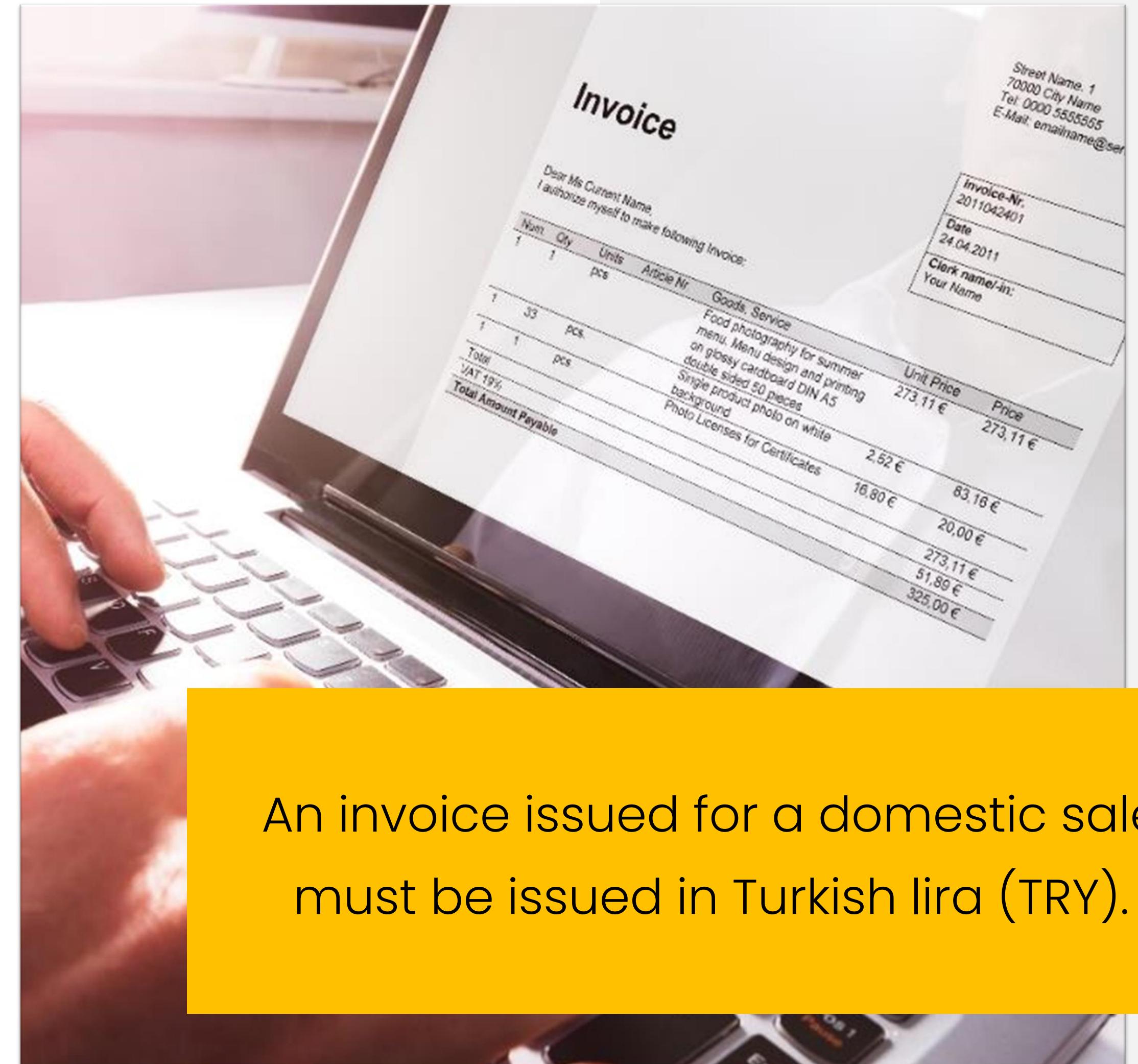
INVOICING OVERVIEW

INVOICING

Delivery of goods or performance of services should be invoiced within 7 days. Moreover, recipients of the supplies must retain copies of the invoices. The limit to issue an invoice is TRY 2.000 for the year 2022.

FOREIGN-CURRENCY INVOICES

An invoice issued for a domestic sale must be issued in Turkish lira (TRY). The invoice may also show the invoiced amount in a foreign currency if the TRY equivalents are stated. However, an invoice issued for an export sale may be issued in a foreign currency.



An invoice issued for a domestic sale must be issued in Turkish lira (TRY).

Taxpayers with gross sales revenues of more than 4 Million TL and above in 2020 and following financial periods. (Taxpayers that have yielded a gross sales revenue of 4 Million TL and above in the years 2020 and 2021, have to switch to E-invoicing as of 01/07/2022 and taxpayers that yield a gross sales revenue of 3 Million TL and above in 2022 or the successive financial periods are required to switch to E-invoicing on the 7th month following the related financial period.)

Taxpayers that have taken a license from the Energy Market Regulatory Authority concerning the operation of goods on the (I) numbered list of the 4760 numbered Special Consumption Tax Law. (Taxpayers that have taken the license in 2019 are required to switch to E-Invoicing as of 01/07/2020 and those that have taken a license in 2020 or in the following financial periods are required to switch to E-Invoicing on the 4th month of the successive related financial period.)

[illegible]

Taxpayers that yield a gross sales revenue of 3 Million TL and above in 2022 or the successive financial periods are required to switch to E-invoicing on the 7th month following the related financial period

22 VAT FILLING


ELECTRONIC SERVICE PROVIDERS

Those service providers who offer, against a fee, their services online to real persons who are not VAT taxpayers in Turkey and who do not have any residence, principal place of business, or statutory place in Turkey shall file a return for VAT for these services electronically by means of a VAT Return no. 3 and by way of establishing “VAT Taxpayer Status specific for Electronic Service Providers”. A real person or legal entity who hires services electronically and who is a resident taxpayer in Turkey shall file a VAT Return no. 2 and pay that VAT for these services by itself.

Those who are have the duty to demand a fee from the customer against electronic services and who are authorized to define general terms of, or under an obligation to provide, such services shall be deemed as electronic service providers.



VAT Return no. 3 and by way of establishing “VAT Taxpayer Status specific for Electronic Service Providers”.



2 3 PAYMENT OF TAXES

VIA GOVERNMENT BANKS

An announcement, regarding the tax collections to be made through banks as of 1.1.2020, has been released through the web page of the Revenue Administration (www.gib.gov.tr). Through the announcement, it is indicated that amendments have been made to the tax collection protocols signed with the Ministry of Treasury and Finance and banks, effective from 01.01.2020.

Accordingly; taxes, fees, penalties and other receivables, which are being monitored and collected by the tax offices, will continue to be collected through the following public banks:

- T.C. Ziraat Bankası A.Ş.
- Türkiye Halk Bankası A.Ş.
- Türkiye Vakıflar Bankası T.A.O.
- Ziraat Katılım Bankası A.Ş.
- Vakıf Katılım Bankası A.Ş.
- Türkiye Emlak Katılım Bankası A.Ş.
- Posta ve Telgraf Teşkilatı A.Ş. (PTT)

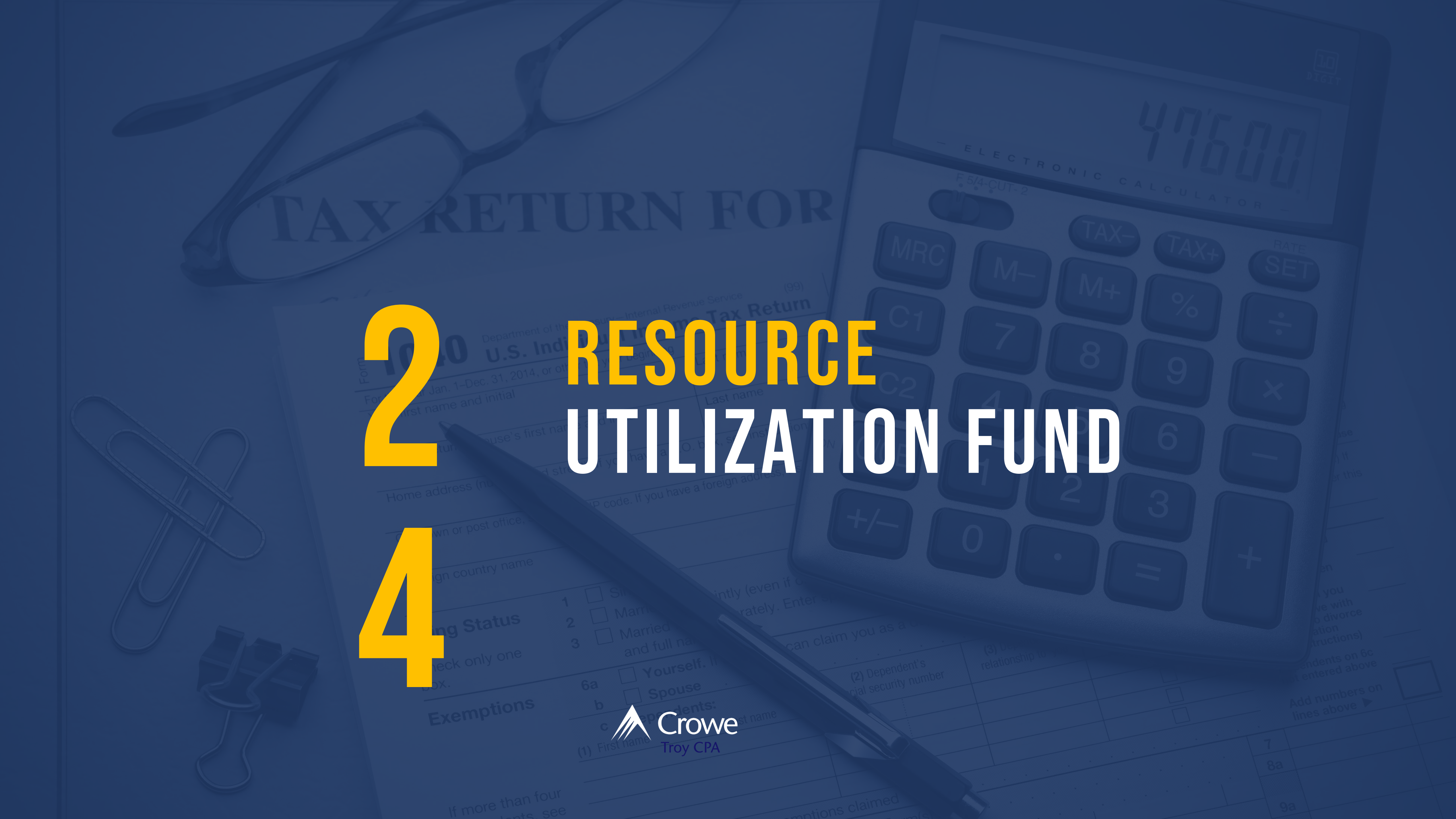
No collection will be made by cash, account, check, debit card, wire transfer and EFT by other banks other than these banks.

VIA GOVERNMENT BANKS

However, collections that are acceptable by credit card; which are income tax income tax on real estate/securities capital, fees, other income and revenues), motor vehicle tax, traffic penalties and some other penalties and fees may be paid through the following banks:

- T.C. Ziraat Bankası A.Ş.
- Türkiye Halk Bankası A.Ş.
- Türkiye Vakıflar Bankası T.A.O.
- Türk Ekonomi Bankası A.Ş.
- Akbank T.A.Ş.
- Şekerbank T.A.Ş.
- Türkiye Garanti Bankası A.Ş.
- Türkiye İş Bankası A.Ş.
- Yapı ve Kredi Bankası A.Ş.
- ING Bank A.Ş.

- QNB Finansbank A.Ş.
- HSBC Bank A.Ş.
- Alternatifbank A.Ş.
- Denizbank A.Ş.
- Aktif Yatırım Bankası A.Ş.
- Odea Bank A.Ş.
- Albaraka Türk Katılım Bankası A.Ş.
- Kuveyt Türk Katılım Bankası A.Ş.
- Türkiye Finans Katılım Bankası A.Ş.



2 RESOURCE 4 UTILIZATION FUND

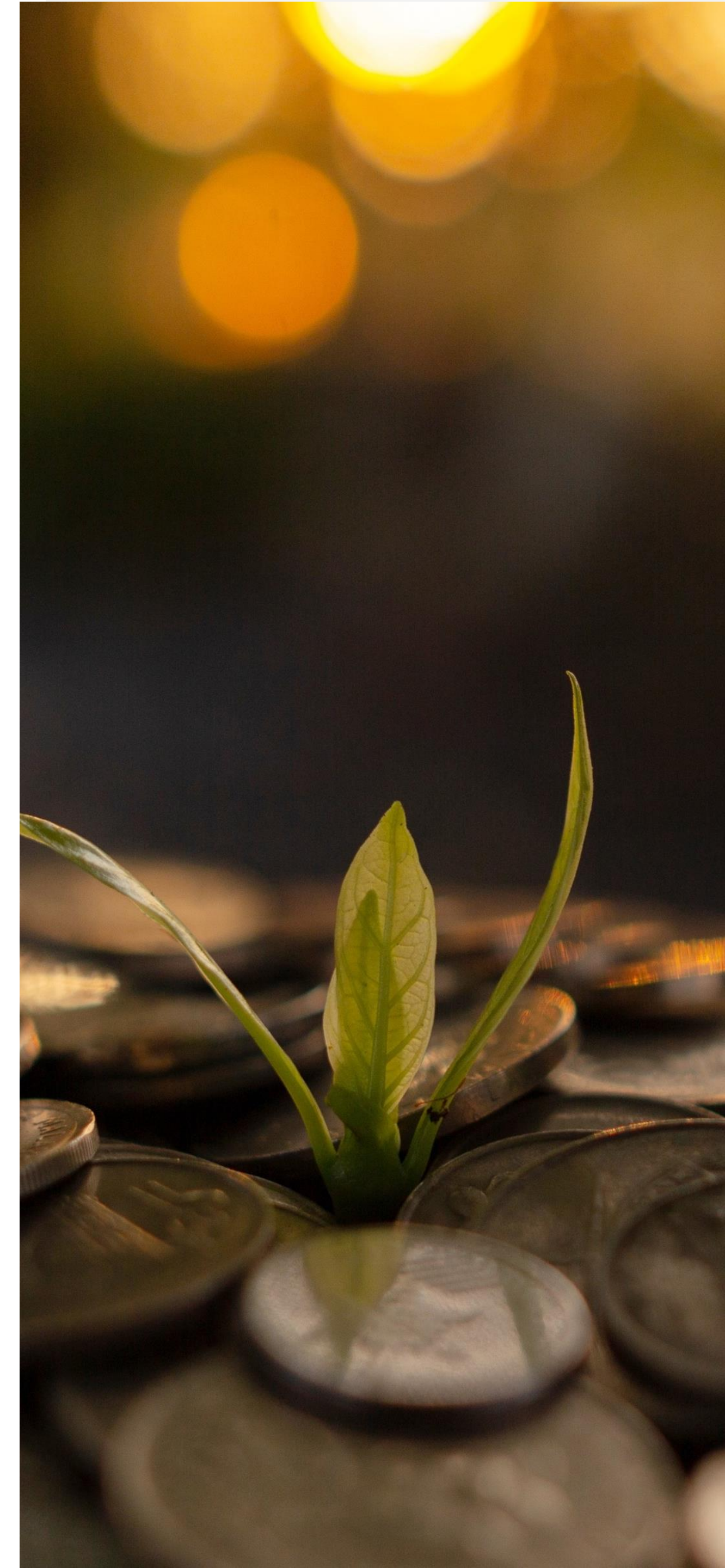
SUPPORT FUND

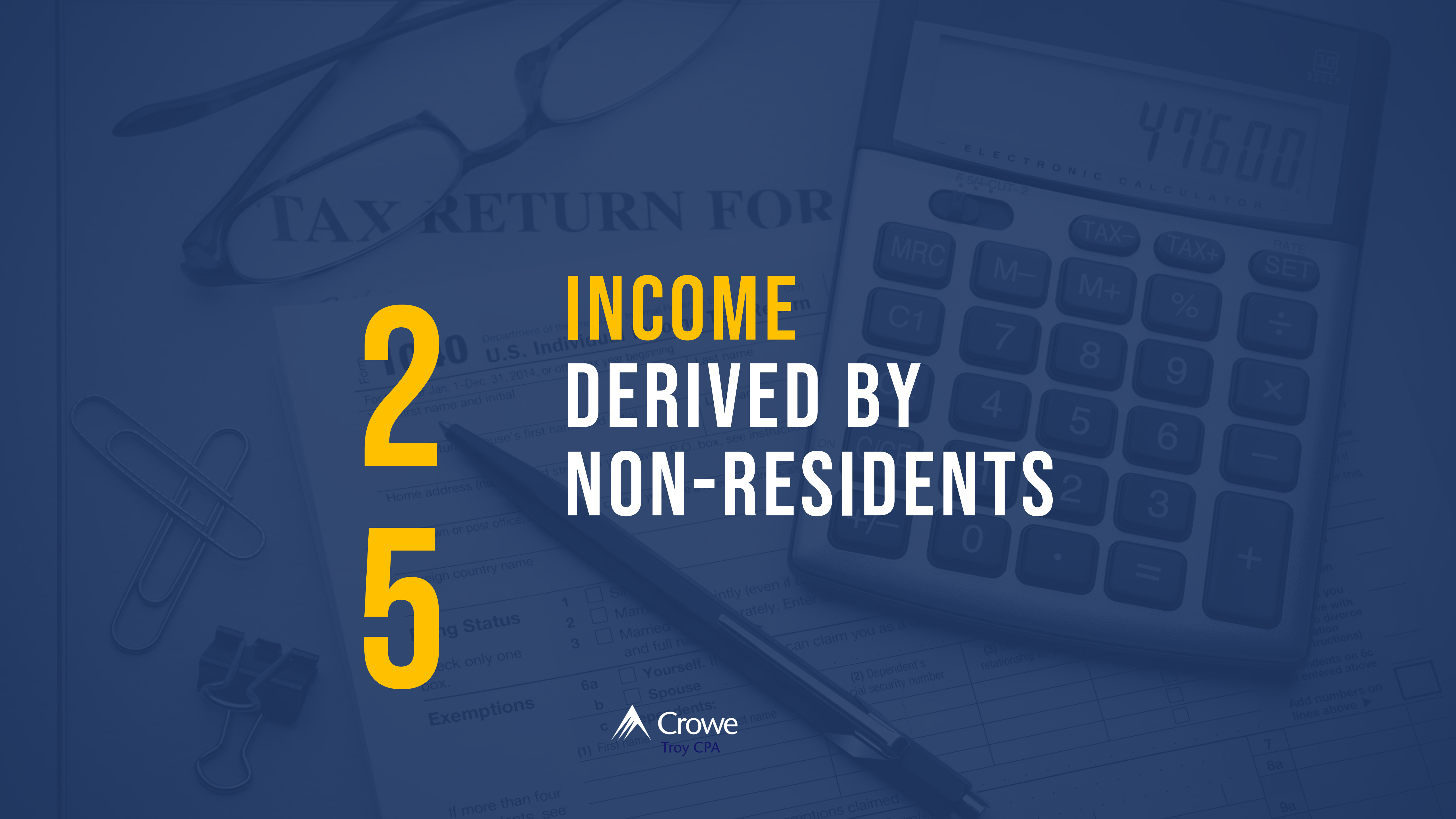
According to the current legislation, regressive RUSF rates apply to foreign exchange and gold borrowings provided to Turkish residents (banks and financing institutions are exempt) from abroad depending on the maturity. The RUSF rates on foreign currency denominated loans are as follows:

- 3% if the maturity is under one year.
- 1% if the maturity is between one and two years (including one year).
- 0.5% if the maturity is between two and three years (including two years).
- 0% if the maturity is three or more than three years (including three years).

The RUSF rates on Turkish lira (TRY) denominated loans are as follows:

- 1% if the maturity is under one year.
- 0% if the maturity is one or more than one year (including one year).
- Moreover, RUSF bases differ based on the type and the currency of the loan. RUSF is calculated:
- Over the principal amount in case the loan is foreign exchange denominated.
- Over the interest payments in case the loan is Turkish lira denominated.
- Over the interest payments plus the exchange difference of the principal between the drawdown date and the re-payment date in case the loan is indexed to a foreign exchange.






2 INCOME 5 DERIVED BY NON-RESIDENTS

TERRITORIALITY

Those taxpayers whose legal or business centers are in Turkey, are subject to taxes on their worldwide income. If both of the legal and business centers are not in Turkey, then the company is qualified as non-resident and is subject to tax only on income generated within Turkey. The legal center is shown in the Articles of Association and the business center is the place where business activities are concentrated.

According to Turkish tax legislation, income taxation differs significantly based on the taxpayer's place of residence. Resident entities are subject to tax on their worldwide income, whereas non-resident entities are taxed solely on the income derived from activities in Turkey.





2 6 PASSENGER CARS

RESTRICTIONS FOR PASSENGER CARS

Commercial earners and self-employed persons may take into account as an expense the monthly rental price of each of the passenger cars acquired through leasing, up to 8.000 Turkish Liras (excluding VAT) for the year 2022.

Except for those whose activities are partly or wholly in the rental or operation of passenger cars for this purpose, a maximum of 70% of the expenses related to passenger cars can be deducted as an expense in the determination of net income in terms of income and corporate tax. Expenses within this scope are generally vehicle repair, maintenance, fuel, insurance and similar current expenses. According to this; Parking lot, bridge/highway tolls and interest expenses paid for the acquisition of the passenger car are included in this scope. It does not matter whether the expenses incurred are related to the business or to the passenger cars registered in the inventory or acquired through leasing.





2 FINANCING 7 EXPENSE RESTRICTION

EXPENSE RESTRICTIONS OVERVIEW



It is applied to the earnings of the taxation period starting from 1.1.2021 with the President's Decision No. 3490 published in the Official Gazette dated 04.02.2021 and numbered 31385. It is for the part of the enterprises whose foreign resources exceed their own resources. Additions to the cost of the investment are not considered. It has been regulated that 10% of the total expenses and cost elements made under the names of interest, commission, maturity difference, profit share, foreign exchange, difference and similar names related to the foreign resources used in the business cannot be taken into account as expense in the determination of income by the income and corporate taxpayers.

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