



Crowe
Troy CPA

A QUICK LOOK : Taxation Hot Topics Turkey 2021



March 2021

Smart decisions. Lasting value.

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Setup Process : Capital Requirement

THE JOINT STOCK COMPANY (JSC)

Minimum share capital = **50,000 TRY**

At least one shareholder in need to incorporate this company type

THE LIMITED LIABILITY COMPANY (LLC)

Minimum share capital = **10,000 TRY**

At least one shareholder in need to incorporate this company type

BRANCHES

No minimum share capital

Branches are represented by the branch manager(s)

LIASION OFFICES

No commercial activity

NO DIFFERENCE IN **TAXATION WISE** BETWEEN JSC and LLC and Branch



Residence – Permanent Establishment

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.



Corporate Taxation

CORPORATE TAX RATE on BUSINESS PROFITS

22%

- Corporations (JSC , LLC and Brunch) with legal or business centers located in Turkey are qualified as residents and are subjected to Corporate Income Tax on their income derived in Turkey.
- The corporate tax rate levied on business profits is 22%. But we are expecting to hear a new announcement from the government about a new reduced percentage in 2021.
- Corporate income tax is calculated over annual fiscal profits of the Company (JSC , LLC and Brunch).
- The normal fiscal year-end is from 1 January to December 31st.



Advanced Corporate Income TAX (ACIT)

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 22%** on the basis of the actual quarterly profits. The Advance Corporate Income tax is prepared on a quarterly basis through the Profit and Loss statements of the company and submitted to the tax department's portal.

22%



Profit Distribution and Dividends

TURKISH WHT on DIVIDENDS

Dividend distributions to individuals and to non-resident persons who are shareholders are subject to WHT at a local rate of 15%. This rate might be reduced for non-resident shareholders in the presence of a tax treaty. 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.

The bilateral income tax treaties provide special tax rates, therefore, the above rates needs to be confirmed with the signed bilateral treaties.



Corporate – Withholding Tax Rates

DIVIDEND DISTRIBUTION

Rate for Divident Holding Tax	15 %
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WITHOLDING TAX

Professional Fees	20%
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Management Fee	20%
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Rent Fee	20%
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Royalties	20%
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Sales of proceeds of copyrights, patents, trademarks etc.	20%
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Dividends and Interests	15%
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Interest	10%
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Construction in Progress	5%
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INHERITANCE and GIFT TAX RATES

Inheritance Tax Rate (%)	10%
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Gift Tax Rate	30%
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CAPITAL GAINS TAX

20 percent for the year of 2021. Exemption (75 percent) of capital gains derived from disposal of shares and 50 percent exemption for capital gains derived from immovable property held for two full years, subject to certain conditions.



Exemptions

- 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.**



VAT Rates

Deliveries of goods and services are subject to VAT at rates varying from 1% to 18%. The general rate is 18%.

VAT payable on local purchases and on imports is regarded as 'input VAT', and VAT calculated and collected on sales is considered 'output VAT'. Input VAT is offset against output VAT in the VAT return filed at the related tax office. If output VAT is in excess of input VAT, the excess amount is paid to the related tax office. Conversely, if input VAT exceeds output VAT, the balance is carried forward to the following months to be offset against future output VAT. With the exception of a few situations, such as exportation and sales to an investment incentive holder, there is no cash refund to recover excess input VAT.

The VAT rates are 1%, 8%, and 18%, varying according to the type of goods imported.



18%



8%



1%

Major Indirect Taxes & Stamp Tax

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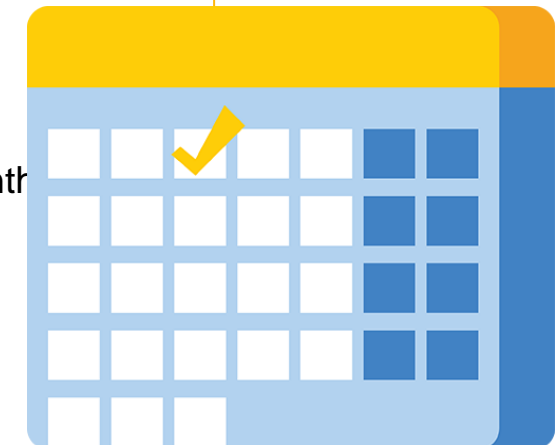
STAMP TAX and SPECIAL CONSUMPTION TAX

- » **Stamp Tax;** Applies to a wide range of documents, including, but not limited to, agreements, financial statements, and payrolls. Stamp tax is levied as a percentage of the value stated on the agreements at rates varying between 0.189% and 0.948%.
- » **Special Consumption Tax;** is an excise tax and it is imposed on the import, manufacture and first acquisition of a range of goods.

STAMP TAX
0.948

Tax Declaration Due Dates

FILLINGS 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 fewer than 10 employees) Provisional Corporate Income Tax Return (always year-to-date)	Last week of April, July, October and 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 are 10 or more than 10 employees) 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.



Salary

A certain amount of money that is subject to the employer and paid to employees in return for their service; and 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, and 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 3.577,50

SGK Wage Base : 26.831,40 TL

VALIDITY

01-01-2021 – 31.12.2021



Payroll Taxes

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

YEARLY CUMULATIVE INCOME SALES (TRY) (Employment Income)	RATE (%)
Up to 24.000	15
24.001 – 53.000	20
53.001 – 190.000	27
190.001 – 650.000	35
650.000 +	40

SALARY SOCIAL SECURITY PREMIUMS

- A total of social security premiums is 37.5% of Earnings subject to Premium (including unemployment insurance)
- Social security premiums for both the employer and the employee total 34.5% of an employee's salary; 14% for the employee and 20.5% for the employer. In addition to social security payments, unemployment contribution is 3% of the salary, 1% for the employee and 2% for the employer.
- The social security ceiling is determined as TRY 26,831.40 for the period 1 January 2021.



Invoicing and e-Invoicing

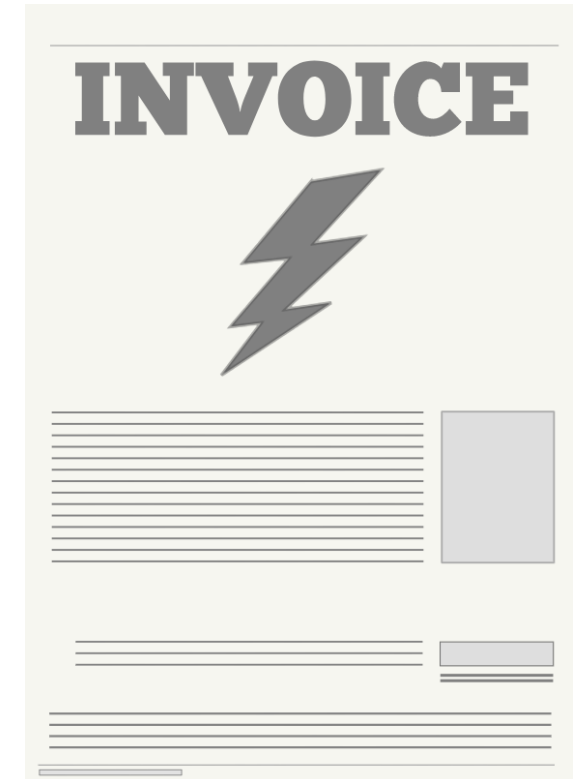
INVOICING

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 1.500 for the year 2021.

e-INVOICING

The taxpayer groups mentioned below are obligated to switch to the application of e-invoicing.

Taxpayers with gross sales revenues of more than 5 Million TL and above in 2018 and following financial periods. (Taxpayers that have yielded a gross sales revenue of 5 Million TL and above.



Resource Utilization 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.



Other tax points

Start-up expenses

Start-up expenses are considered as deductible expenses as incurred. Also, the taxpayer has the option to capitalise such expenses and to depreciate them over five years at equal amounts.

Net operating losses

Corporate losses may be carried forward for five years. Losses cannot be carried back.

Payments to foreign affiliates

Charges for royalties and interest by foreign affiliates may be deductible for CIT purposes, provided that transfer pricing and thin capitalisation rules are followed

Thin capitalisation

According to local thin capitalisation regulation, if the ratio of the borrowings from shareholders or from persons related to the shareholders exceeds triple the shareholders' equity of the borrower company at any time within the relevant year, the exceeding portion of the borrowing will be considered thin capital and the corresponding interest will not be deductible. Accordingly, the ratio of loans received from related parties to shareholders' equity must be no more than 3:1 in order to eliminate Turkish thin capitalisation issues.

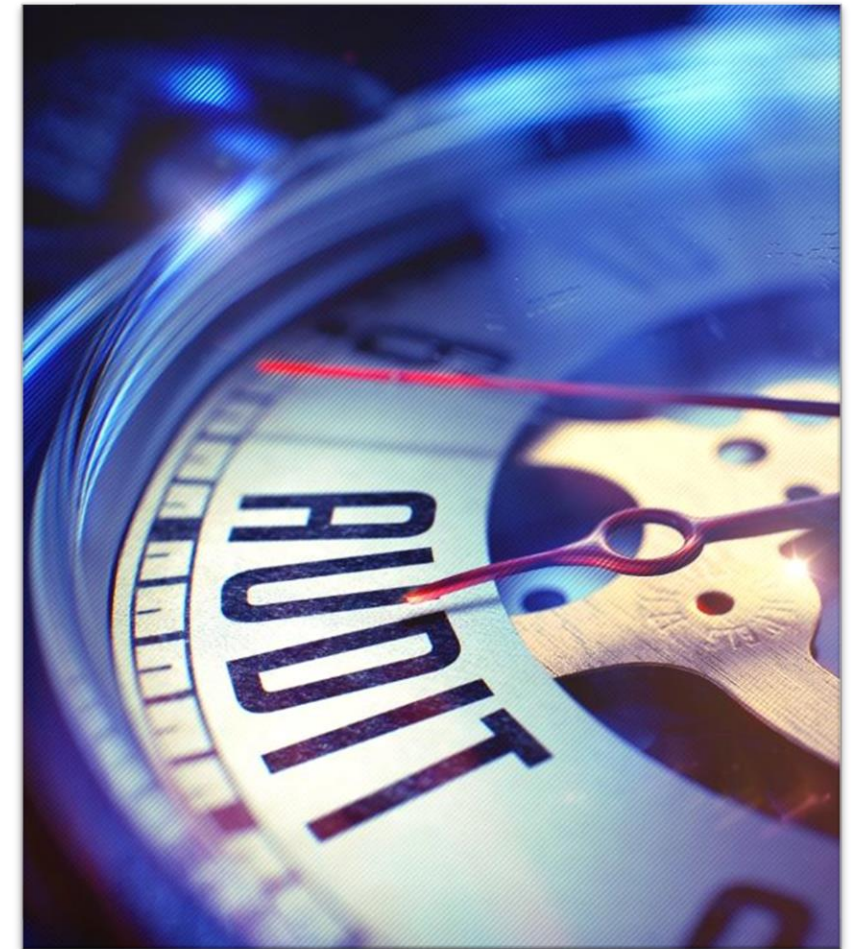
Audit: Conditions of Being Subject to Independent Audit

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.





Thank You



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