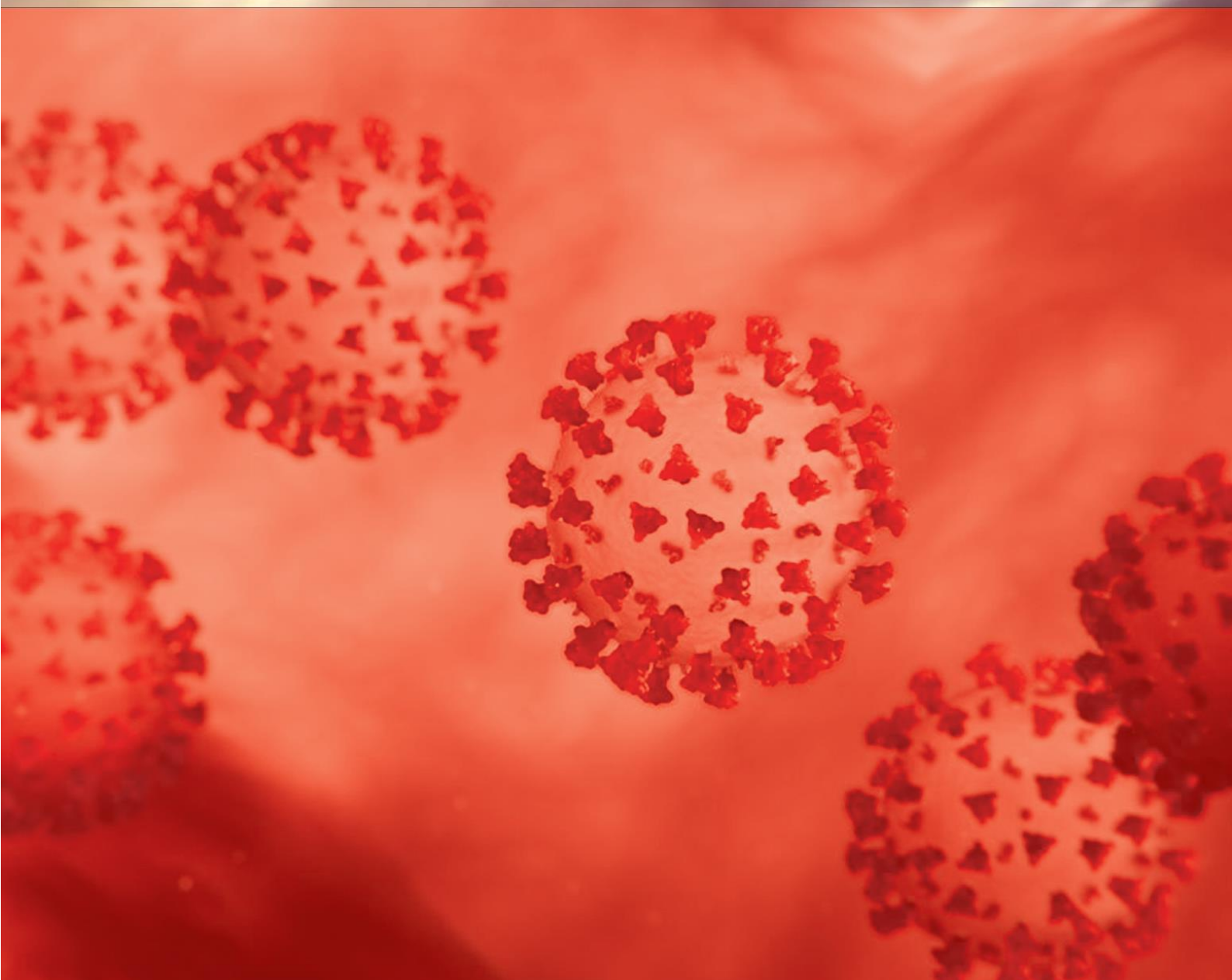


CIRCULAR

Tax and Economic Effects of **Corona Virus** in Turkey

DATE: 03.04.2020



General Economic

The pandemic has forced consumers in Turkey to limit their spending to urgent needs such as food and cleaning products. The sudden halt in business has sent stock markets into a meltdown, with companies in the dark on how long the turmoil will last and how they will cope with loan repayments, taxes and payrolls.

Turkey, too, was quick to enact similar measures, which are largely recipes used in the 2008-2009 global crisis. In an earlier-than-scheduled meeting March 17, the central bank lowered its benchmark rate by 100 basis points to 9.75%, the latest in a series of cuts aimed at leaving one recession behind and fending off the threat of another. The bank announced also measures intended to shield indebted companies and exporters from the pressure of banks and keep the real sector afloat.

The following day, President Recep Tayyip Erdogan unveiled a package of fiscal policy measures, which he valued at 100 billion liras (roughly \$15 billion). Dubbed as the Economic Stability Shield, the package involves measures to relieve primarily companies, including a six-month deferral of various taxes and social security premiums, a three-month deferral of loan repayments to public banks and other assistance for those indebted to private lenders.

Erdogan's package for workers was is so-called partial work payments from the Unemployment Insurance Fund to employees of companies forced to a halt. The poor were promised partial increases in existing social benefits, while citizens aged over 65 had to content themselves with free masks and germ-killing traditional cologne.

Tax Deferrals

Explanations

Please find below the regulations defined in the General Communiqué on Tax Procedures Code (no. 518) as published in the Official Gazette issued on 24.03.2020 under (bis) no. 31078,

1) Taxpayers subject to Force Major events

It is acknowledged that taxpayer groups below will be considered subject to force major events between 01/04/2020 and 30/06/2020 (included).

a. Taxpayers who are income taxpayers in terms of commercial, agricultural and professional earnings;

Taxpayers who have been directly affected from the corona virus pandemic and whose main scope of business includes retail industry, including shopping centres, healthcare services, furniture manufacture, iron & steel works and metal works industry, mining and stone quarrying, building construction services, industrial kitchen manufacture, car manufacture and trade, spare part and accessorial kits for automotive industry, rent-a-car sector, logistics and transportation including storage services, services in the field of art, such as cinema and drama, publication of such as books, newspapers, periodicals and similar printed items, including printing houses, accommodation operations including tour operators and travel agencies, food and beverage services including restaurants, cafes and coffee houses, textile and clothing industries and trading as well as event and organizational services, including public relations;

b. Taxpayers whose scope of business is in those industries in which businesses should temporarily cease business under the measures adopted by the Ministry of Internal Affairs;

When such main scope of business as referred to above is to be determined, the main scope of business code applicable as of the publication date of the Communiqué shall be taken into account. However, in the event that the taxpayer proves and evidences that it is engaged in any of such industries listed above although such industry is not among the ones defined above by their main scope of business code as per tax office registries, such main scope of business in which the taxpayer is engaged shall be taken into account instead of the main scope of business to determine whether the taxpayer is subject to force major event.

2) Postponement of Tax Duties

For a taxpayer who is acknowledged to be subject to the force major event status:

- The time period to file withholding returns (including withholding and premium service returns) that should be filed in April, May and June as well as value added tax returns is now extended until the end of the office hours on 27/07/2020;

- The time period to pay taxes that have accrued under withholding tax returns (including withholding and premium service returns) that should be filed in April, May and June as well as value added tax returns are now extended until the end of the office hours on 27/10/2020 Tuesday, 27/11/2020 Friday and 28/12/2020 Monday, respectively;

- The time period to file “Form Ba-Bs” statements that should be filed until the end of April, May and June is now extended until the end of office hours on 27/07/2020 Monday.;

- The time period to create e-books that should be created and signed by the end of April, May and June and to upload the “Electronic Book Certificates” that should be uploaded to the Revenue Administration’s Data Process System within that term is now extended until the end of office hours on 27/07/2020 Monday.;

3) Declaration for Elder Citizens

Declaration of a force major event for taxpayers who are subject to curfew applicable to those elderly who are 65 years old or older or who are afflicted with chronic diseases;

Taxpayers and professionals who are subject to a curfew because they are 65 years old or older or are afflicted with a chronic disease and those whose returns/ statements are filed by those professionals pursuant to the “Intermediary and Liability Agreement” which is valid and effective as of the date on which the said Communique is published shall be subject to the status of force major event between 22/03/2020 and the date on which the curfew will expire in accordance with the measures adopted by the Ministry of Internal Affairs.

Accordingly, the last day for the time period to file returns/ statements which cannot be filed by the above-mentioned taxpayers during the force major term as well as the time period to pay those taxes accrued on the basis of those returns/ statements are now extended until the end of the office hours on the 15th day following the date on which the curfew will expire.

The extension of the said time period in this respect shall be made on the basis of the written application that the taxpayer will file over Interactive Tax Office, evidencing that the taxpayer is afflicted with a chronic disease, and a medical report to be obtained from a healthcare institution should be submitted to the taxpayer's tax office within 30 days following the expiry of the curfew.

On the other hand, time extension to file a return/ statement and payment terms because the taxpayer is 65 years old or older shall be made ex officio on the basis of determinations by the tax offices and there is no need to make an application.

4. Miscellaneous

In case the curfew expires prior to 30/06/2020, a taxpayer who makes use of the force major event because he is older than 65 years old or is afflicted with a chronic disease will be eligible to force major event provisions in Article 3, commencing on the expiry date of the curfew, on the condition that the taxpayer is covered by that Article.

In the event that, pursuant to the social security legislation, it is mandatory to report gross earnings and service details for the force major event for an insured by means of a Withholding and Premium Service Return, a force major event will be applicable for the postponement of the return filing and payment terms for such part of these returns related to tax deductions.

The Communique came in force on its publication date.



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