

TAX GUIDE

TURKEY
2017



Crowe Horwath™





All lasting business is built on friendship.
Alfred A. Montapert

INTRODUCTION

Welcome to the Crowe Horwath International “TAX GUIDE Turkey”

This guide forms a part of the “Taxation System” of Turkey and provides a quick reference for those interested in investing in Turkey. While it is not exhaustive, this guide aims to explain some of the key subjects of taxes. When specific issues arise in practice, it will often be necessary to consider the relevant laws and regulations and to obtain appropriate professional advice.



TURKEY

01 TAX INFORMATION

1.1 Taxes on Corporate Income

Companies Subject to Tax

- ▶ Companies with Share Capital: Joint stock companies, limited liability companies and limited companies with shares which are founded under the Turkish Commercial Code and similar foreign companies.
- ▶ Co-operative Companies:
- ▶ State Economic Enterprises:
- ▶ Commercial, industrial and agricultural organizations
- ▶ Economic entities owned by foundations and associations: commercial,
- ▶ Joint Ventures:

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 centre is shown in the Articles of Association and the business centre is the place where business activities are concentrated.

Taxable Income

Taxable income is defined as the difference between the net worth at the end of the year and the net worth at the end of the preceding year, with certain adjustments, mainly to eliminate capital items and to recognize special statutory allowances and disallowances. Turkish companies must compute their taxable income by starting with the balance sheet income included in their annual statements (so called commercial balance sheet) and then make the adjustments required by the tax laws. Non-deductible expenses are added, whilst the tax exempt income and losses carried forward are deducted.

2.2 Allowable Deductions

The net business income is determined by deducting expenses relating to the operating of the business from the gross income realized by the business. The tax law first provides that all general expenses incurred with the purpose of generating and maintaining commercial income are tax deductible. Then the law lists all other tax-deductible expenses. Non-deductible expenses are also separately determined.

- ▶ Charges to Turkish companies for management expenses by a parent or sister corporation are tax deductible as long as they comply with Turkish transfer pricing regulations.
- ▶ Taxes imposed on goods such as taxes on real estate, stamp tax, registration duties and municipal fees, are deductible.
- ▶ Payments of royalties for the use of patents, copyrights, know-how and trademarks are deductible.
- ▶ A specific bad debt reserve is allowed where:
 - (a) The dispute on the receivable is under review by the Courts, or
 - (b) Miscellaneous receivables which have not been paid after a formal notarized or written request to pay,
 - (c) The Banking Law and related regulations have special reserve requirements for non-performing loans.
- ▶ Expenses incurred for business entertainment are deductible on condition that bills, which state the purpose and the names of the guests, support them.
- ▶ Travel expenses (including meals and lodging) are deductible if they are incurred for business purposes and are reasonable as compared with the importance of business. By Budget Law each year per diem allowances are set out for government employees at each wage level. Payments by an employer to an employee in excess of the amount paid to government officials earning the same salary levels are subject to taxation as remuneration. However, if an employer pays actual meal and lodging expenses, based on receipts issued by the third parties, such payments are not taxable.
- ▶ Employee salaries and payment to the chairman, directors and auditors are deductible. Payments may be in the form of allowances, fees, premiums and bonuses. Payments in kind are also tax deductible but are deemed as salary and taxed as such.
- ▶ Interest costs; either as a direct charge or as depreciation allowance when capitalized.
- ▶ Fees paid to the Employer's Union are deductible with the condition that monthly fees paid should not exceed the daily total payment of salaries.
- ▶ A loss incurred in any financial year can be carried-forward for 5 years against future profits for purposes of corporation tax. It cannot be carried back.
- ▶ In addition to the usual deduction of R&D expenses, 100% of R&D costs incurred for eligible projects can be entitled as a deduction from the taxable profits subject to certain conditions. The amount, which is not deducted in the relevant period due to the lack of sufficient taxable profits, can be carried forward to the following accounting periods provided that they are under the scope of Law number 5746 regarding with R&D activities.

2.3 Non-allowable Deductions

Disguised Profit Distributions through Transfer Pricing

If a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

Legal Reserves

Any kind of reserves (including all kinds of reserves computed under the Turkish Commercial Code, Banking Law and special laws concerning corporations or their Articles of Associations) is not deductible.

Cost Allocation

Interest, commissions etc. paid to a parent company or branches outside Turkey for purchases and sales carried out on behalf of a non-resident company in Turkey and amounts allocated to meet the expenses and losses of the parent company and its branches outside Turkey, are not tax deductible with the exceptions of;

- ▶ Amounts related to the generation and continuation of income in Turkey and allocated in line with the cost allocation keys determined in accordance with the arms length principle, and
- ▶ Travel expenses incurred by authorized persons sent from foreign countries in connection with the auditing and supervision of a branch in Turkey.

Thin Capital

Interest, foreign exchange losses and other similar expenses related to the borrowings from related parties which are regarded as thin capital are treated as non-deductible expenses for corporate income tax purposes.

The Corporate Tax Law imposes a specific debt/equity ratio of 3:1 for consideration of thin capital. If the borrowing obtained directly or indirectly from shareholders or persons related to shareholders exceed three times the shareholders' equity of the company at any time during the relevant year, the exceeding portion of the borrowing will be treated as thin capital.



2.4 Corporate Taxation

Computation of Corporate Income Tax

The corporate income tax rate is **20%**

Withholding Tax on Dividends

When dividends are paid out, the company is required to make a withholding from the dividends. The rate of withholding tax is 15%. 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. The bilateral income tax treaties provides 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 15% effective which is applied on the amount after the deduction of corporate income tax from taxable branch profits. The bilateral income tax treaties provides special tax rates, therefore, the above rates needs to be confirmed with the signed bilateral treaties.

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 ACIT return at 20% 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.

Tax Returns and Payments

The normal fiscal year-end is December 31st. Where the calendar year is not appropriate because of the nature of business, permission can be obtained from the Ministry of Finance for an alternative fiscal period. Annual corporate income tax returns must be filed, within the period from 1st to 25th days of the fourth month following the end of the fiscal year and corporate income tax is payable (after the offset of ACIT and other available tax credits) until the end of the month in which the tax return filed. Advance corporate income tax return must be filed by the 14th of the second month following the quarter end and is payable on the 17th of the same month. Withholding tax on dividends has to be filed by the 23rd of the month following the dividend payments to shareholders and paid on 26th of the same month.

Payments to Non-resident Entities

The following payments to non-resident companies are subject to withholding tax;

- ▶ Progress payments for the construction and repair works lasting more than one calendar year at 3%
- ▶ Professional fees at 20%,
- ▶ Rentals and royalties at 20%,
- ▶ Dividends and interest at 10%,
- ▶ Sales proceeds of copyrights, patents, trademarks etc. at 20%.

The above rates needs to be confirmed with signed bilateral income tax treaties.

2.5 Major Transaction Taxes

There are various transaction taxes in Turkey, as is the case in the other OECD member countries.

Value-Added Tax (VAT)

The Turkish tax system levies value added tax on the supply and the importation of goods and services. The Turkish name for Value Added Tax is 'Katma Deger Vergisi', abbreviated to KDV.

Liability for VAT arises:

- ▶ When a person or entity performs commercial, industrial, agricultural or independent professional activities within Turkey; and
- ▶ When goods or services are imported into Turkey.

VAT is levied at each stage of the production and the distribution process. Although liability for the tax falls on the person who supplies or imports the goods or services, the real burden of VAT is borne by the final consumer. This result is achieved by a tax-credit method where the computation of the VAT liability is based on the difference between the VAT liability of a person on his sales (output VAT) and the amount of VAT he has already paid on his purchases (input VAT).



Special Consumption Tax

There are four main product groups that are subject to special consumption tax at different tax rates:

- ▶ Petroleum products, natural gas, lubricating oil, solvents and derivatives of solvents
- ▶ Automobiles and other vehicles, motorcycles, planes, helicopters, yachts
- ▶ Tobacco and tobacco products, alcoholic beverages
- ▶ Luxury products

Unlike VAT, which is applied on each delivery, this tax is charged only once.

Stamp Tax

Documents within the scope of stamp tax are papers which are legally valid and exercisable, bearing a signature (or a sign replacing signature, or electronic signature) and prepared for the purpose of proving any legal subject. In this sense, stamp tax applies to a wide range of documents including written agreements.

Stamp tax is calculated on the highest value stated or calculable from the taxable paper or on the maximum amount stated on the paper.

Withholding Tax

Under the Turkish tax system, certain taxes are collected through withholding, for example in the hands of the service recipient tax-registered entities making the payments in Turkey in order to secure the collection of taxes. These include income tax on salaries of employees, lease payments to individual landlords, independent professional service fee payments to resident individuals; and royalty, license and service fee payments to non-residents.

Companies in Turkey are responsible for withholding such taxes on their payments and declaring them through their Withholding Tax returns. However, please note that local Withholding Tax rates may be eliminated based on the provisions stipulated in more than 70 effective bilateral tax treaties, where Turkey is a party.



02 MINIMUM SALARY

O.G. Date-Number	Validity Period	Amount
30.12.2016-29934	01.01.2017-31.12.2017	1.777,50 TL

03 INCOME TAX TARIFF

(I.T.L Article 103)

Rates to be applied to all incomes beside salaries for year 2017 ;

Up to TRY 13.000 TL	15%
For 13.000 TL out of 30.000 TL -1.950 TL, and above	20%
For 30.000 TL out of 70.000 TL - 5.350 TL, and above	27%
Above 70.000 TL, for 70.000 TL – 16.150 TL	35%

Rates to be applied to only salaries for year 2017;

Up to TRY 13.000	15%
For 13.000 TL out of 30.000 TL -1.950 TL, and above	20%
For 30.000 TL out of 110.000 TL – 5.350 TL and above	27%
Above 110.000 TL, for 110.000 TL – 26.950 TL	35%

04 INCOME TAX WITHHOLDING RATES

(I.T.L. Article94 ve Temp.Article 67-68-72)

ARTICLE	DESCRIPTION	RATE (%)
2.a.	Payments for freelance business (copyrights) including into scope of I.T.L Article18	17
2.b.	Payments from others (Income and CorporateTaxpayers) to self-employed (CPA, Lawyer, Doctor, Engineer etc.)	20
5.a.	Rental Payments, rental payments for goods and rights written in I.T.L Article 70	20
6.a.	Dividends from taxpayer corporate to non-taxpayers according to I.T.L Article 75-2/1,2,3 (Capitalizing the profit is not considered as dividend)	15

05 STATUTORY CAP FOR SEVERANCE PAYMENT

YEAR	PERIOD	STATUTORY CAP
2017	01.01.2017-30.06.2017	TRY 4.426,16 TL

06 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
Between 1,5 years - 3 years	6 weeks	42 days salary
More then 3 years	8 weeks	56 days salary

07 MINIMUM AND MAXIMUM LIMITS OF SOCIAL SECURITY PREMIUM BASE

PERIOD	MINIMUM LIMIT	MAXIMUM LIMIT
01.01.2017-31.12.2017	TRY 1.777,50	TRY 13.331,40



08 SOCIAL SECURITY PREMIUM RATES

8.1 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
TOTAL	14	20.50	34.50

8.2 RATES FOR RETIREES 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

09 VAT RATES

(VAT Law Article 28)

VAT rates to be applied to delivery of goods and service render ;

- a) Transactions subjected to VAT excluding the lists, 18%
- b) For goods and services at List(I), 1%
- c) For goods and services at List (II), 8%

10 STAMP TAX RATES

SOME OF STAMP TAX RATES AND AMOUNTS	RATES/AMOUNTS
Charges (Including advance payments)	7,59 per thousand
Receipts and Quittance Given To Government Offices	9,48 per thousand
Contracts, Letter Of Undertakings and Letter of Conveyances (Containing Specific Sum)	9,48 per thousand
Rental Contracts (Over the amount according the rental period)	1,89 per thousand
Bailments, Warranties and Pledge Certificates (Containing Specific Sum)	9,48 per thousand
Bond of Arbitration and Negotiated Settlements (Containing Specific Sum)	9,48 per thousand
Certificate of Annulments (Including the documents containing specific sum)	1,89 per thousand
Annual IncomeTax Return	TRY 51,40
Corporate IncomeTax Return	TRY 68,60
Withholding Tax Return	TRY 33,90
VAT Returns	TRY 33,90
Other Tax Returns (Excluding Stamp Tax Returns)	TRY 33,90
Declarations to Municipalities and Provincial Special Administrations	TRY 25,30
SGK Declarations to Social Security Institution	TRY 25,30
Declarations to Customs	TRY 68,60
Balance Sheets	TRY 39,70
Income Statements	TRY 19,10



11 PROVISIONAL TAX

The ones that has commercial gain and self-employment pay quarterly provisional tax which will offset from fiscal year taxation. Self-employed taxpayers pay 15% provisional tax. Corporates pay 20% provisional tax.

Taxpayers liable to ProvisionalTax;

- ▶ Commercial Gainers
- ▶ Self-Employed Earners
- ▶ Corporate Income

Earning that are not subject to ProvisionalTax

- ▶ Gains determined by single entry,
- ▶ Gains from Long Term Construction Contracts (I.T.L Article 42)

Provisional Tax Periods

For those who has standart fiscal year

PERIODS	FILING	PAYMENT
January-February-March	May 14th	May 17th
April-May-June	August 14th	August 17th
July-August-September	November 14th	November 17th
October-November-December	February 14th	February 17th

12 TAXATION OF JOINT-STOCK COMPANY SHARE TRANSFER PROFIT

12.1 In terms of Income Tax;

If share certificate or interim certificate printed; Profit is exempt from income tax for the shares that held for more than 2 years. If share certificate or interim certificate is not printed; Profit from share transfer is subject to income tax as capital gain (Income Tax Law.Dup.Article 80/4) To calculate the profit, the acquisition cost of shares is subjected indexing and the tax-exempt amount deducted.

12.2 In terms of Corporate Tax;

75% of profit of share transfer is exempt from tax if the share held for more than 2 years. This exemption will be applied in the year of sale. (Corporate Tax Law Article Nr.5/1-e) Tha exempted part of the profit should be kept in special fund account for at least 5 years.

Also, the amount of sale should be collected till the end of 2nd year. The taxes that are not accrued because of exemption will be a loss of tax if the exempted part drawn from company or transfer to abroad before 5 years end (except adding the fund to capital).

13 CAPITAL GAIN EXEMPTION AND CALCULATION

(Income Tax Law.Dup.Article 80)

ITL G.C Nr.296	For 2017	TRY 11.000
ITL G.C Nr.290	For 2016	TRY 11.000
ITL G.C Nr.287	For 2015	TRY 10.600
ITL G.C Nr.285	For 2014	TRY 9.700
ITL G.C Nr.284	For 2013	TRY 9.400
ITL G.C Nr.280	For 2012	TRY 8.800

- 01** Profit from sales of securities and other capital market instruments (Shares acquired with out charge and shares held more than 2 years belongs to legally obligated companies excluded)
- 02** Profit from sales of real estate within 5 years after acquisition no matter the type of acquire (Acquired with out charge excluded)

As from 01.01.2017 TRY 11.000 is exempt from income tax and exceeded part is subject to income tax for the capital gains in one fiscal year.

Limited liability company shares are always subject to income tax as “capital gain” no matter when it’s sold. To calculate the profit, the acquisition cost of shares is subjected indexing and the tax-exempt amount deducted.

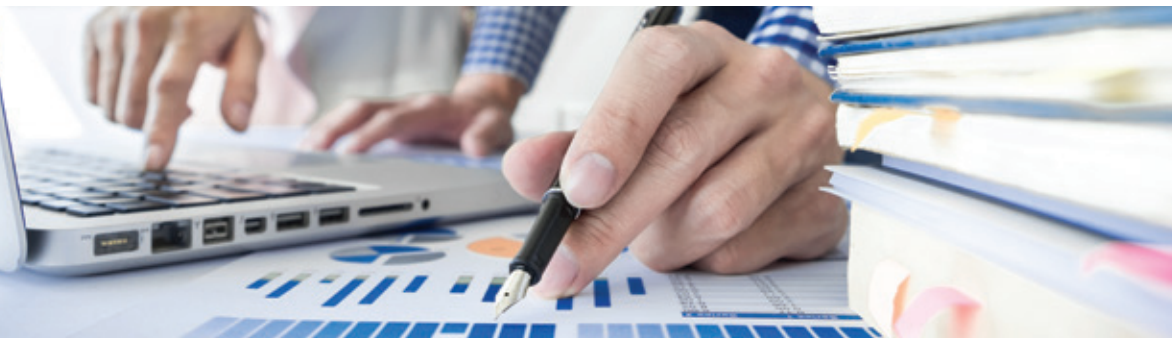


14 SPECIAL IRREGULARITY FINES

(T.P.L. Article 353 / Dup.Article 355)

T.P.L GENERAL COMMUNIQUE NR. 460 (FOR 2017)

T.P.L Article 353	NOT RECEIVING AND ISSUING AN INVOICE ND SIMILAR DOCUMENT / NOT COMPLYING WITH OTHER PROVISION OF PRODECURES	TRY
353/1	Not receiving and issuing invoice, note of expenses, producer receipt, freelance receipt	210
353/1	Total fine can be imposed in one fiscal year for each document type	110.000
353/2	Not issuing, using and providing retail receipt, cash register receipt, passenger receipt, packin glist, passenger list and other documents that are obligated by Ministry of Finance	210
353/2	Total fine for each type of document, for each determination	11.000
353/2	Total fine can be imposed in one fiscal year for each document type	110.000
353/3	Not receiving invoice, note of expenses, producer receipt, freelance receipt, retail receipt, cash register receipt, passenger receipt by final consumer	42
353/4	Absence, not recording on Daily basis, not presenting to authorities of the legal books that are obligated by Ministry of Finance	210
353/6	Not complying with determined accounting standarts, uniform chart of accounts, procedures and principles related to financial statements and rules and standarts of producing a software concerning accounting	5.000
353/7	Not using the tax ID obligated to use in government offices	260
353/8	Print offices that are obligated to inform tax authority but not performing about printed legal documents	800
353/8	Total fine can be imposed in one fiscal year in compliance with this article	160.000
353/9	Not performing the obligated inform tax authority duty within the time limits and with the determinated standarts about transactions in compliance with Law Nr.4358	1.100
T.P.L Dup.Article 355	NOT RECEIVING AND ISSUING AN INVOICE ND SIMILAR DOCUMENT / NOT COMPLYING WITH OTHER PROVISION OF PRODECURES	
Dup.Art. 355/1	First Degree Traders and Self-Employed	1.400
Dup.Art. 355/2	Second Degree Traders, Bookkeeper farmers, Single entry bookkeepers	700
Dup.Art. 355/3	The one that beside above	350
	Total fine can be imposed within one fiscal year to the ones that are obligated but not documenting the payments and collections via banks and suchlike finance corporations.	1.100.000



15 IRREGULARITY FINES

(T.P.L. Article 352)

T.P.L – G.C. Nr. 460 (FOR 2017)

TAXPAYERS	FIRST DEGREE	SECOND DEGREE
	2017	2017
1-Companies with share capital	TRY 130,00	TRY 70,00
2- First Degree Traders and Self-Employed	TRY 80,00	TRY 40,00
3- Second Degree Traders	TRY 40,00	TRY 19,00
4- Income Taxpayer with Return beside above ones	TRY 19,00	TRY 11,00
5- Single Entry Bookkeepers	TRY 11,00	TRY 5,00
6- Craftmen exempt from tax	TRY 5,00	TRY 2,80

16 LOSS OF TAX

(T.P.L Article 341)

Loss of Tax means that the tax is not accrued on time or lack of accrual because of taxpayer is not performing the taxation duties on due time or performing deficiently.

Causing a lack of tax accrual or unfairly return with false declarations about personal, marital status and family status informations is under the heel of loss of tax.

It's not hindrance to impose penalty for above mentioned actions if the tax is accrued or completed or retrieved the unfair return.(T.P.L. Article 341)

17 LOSS OF TAX PENALTY

(T.P.L Article 344)

Loss of tax penalty is imposed to infractors and it's 1 time of the loss of tax amount . Causing loss of tax with actions mentioned in Article 359 needs to impose a 3 times penalty of the loss of tax amount, attendants to these actions imposed 1 time penalty of loss of tax amount. For the returns that are filed after due time before tax inspections start, penalty is 50% of the loss of tax amount.

Amount adjusted to agreed amount after negotiation. (T.P.L Article 344)

18 DISCOUNT ON THE LOSS OF TAX AND SPECIAL IRREGULARITY PENALTIES

(T.P.L Article 376)

Taxpayers can be benefited from the following discounts if they state that they will pay the loss of tax, irregularity and special irregularity fines within 30 days after the notification date regarding to additional, ex officio and management assesments or tax differences

- 01 The half of the loss of tax penalty on the first time, 1/3 on the following penalties
- 02 1/3 of the irregularity or special irregularity fines,

If the taxpayer do not pay the taxes and tax penalties on the stated due date or litigate on this, they cannot benefit from provision of this article.

Above provisions can be applied to the irregularity fines that not tied to (T.P.L Article 376)

19 TAX PENALTIES

ACTION	PENALTY
Actions as for T.P.L Article 341	1 time of the loss of tax amount
Last Clause of T.P.L. Article 344 "According to this article penalty will be imposed 50% to those tax payers who filed the returns after due date before tax inspections start over them"	50% of the loss of tax amount
Actions as for T.P.L Article 359	3 time the of loss of tax amount
Attendants to the actions as for T.P.L Article 359	1 time the of loss of tax amount

20 LATE PAYMENT INTEREST – LATE PAYMENT FEE RATES

20.1 Late Payment Fee

It is the amount that calculated over the date of tax payment after the due date.

20.2 Late Payment Interest

It's the amount that calculated over the deferring duration between effective date of assesment and normal due date of additional, ex officio, administrative assesments.

Late payment fee and late payment interest is calculated on daily basis.

EFFECTIVE DURATION	RATE	C.M.D/ G.C.
From 19.10.2010	%1,40	Collection G.C. / C-2
From 19.11.2009	%1,95	C.M.D 2009/15565

21 FILLING OF BA-BS FORMS AND IMPOSING PENALTY

Taxpayers should declare “Purchases of Services and Goods (Form BA) and “Sales of Services and Goods (Form BS)” above a certain limit on a monthly basis.

Taxpayers are liable to declare the purchases/sales of services and goods above TRY 5.000,00 (VAT Excluded) starting from the following month’s 1st day to last day’s evening.

For 2017, TRY 1.400,00 special irregularity fine will be imposed to taxpayers who is not declared within the time limit/declared incomplete or incorrect information.

If the declarations that are filed in normal time limit amended within 10 days, special irregularity fine will not be imposed. If the amendment filed within 15 days following the 10th day, special irregularity fine would be (For 2017, TRY 280,00 which is 1/5 of TRY 1.400,00)



22 PENALTIES TO BE IMPOSED IN CASE OF NOT FILED E-RETURN

As a penalty for those taxpayers whom not filed the returns within time limit before tax inspections start over them, 2 times of first degree irregularity fine and 50% of loss of tax fine will be compared on a amount basis and the one which is more will be imposed. If the returns filed with repentance, then only first degree irregularity fine will be imposed.

Besides, special irregularity fine stated in Tax Procedure Law Dup.Article 355 will be imposed to taxpayers who did not fill the returns electronically within statutory time limit.

Accordingly;

If the returns filed within 30 days starting from the due date of return, 1/10 of special irregularity fine,

Following next 30 days after first 30 days over, 1/5 of special irregularity fine would be imposed.

Amendments are not subject to fine.

23 DOCUMENTING OF PAYMENTS AND COLLECTING

Following taxpayers are obligated to document the payments and collectings and advances over TRY 7.000 via banks and suchlike finance corporations with receipts and account statements after 01.08.2003;

- ▶ First and Second Degree Traders,
- ▶ Single Entry Bookkeepers,
- ▶ Bookkeeper Farmers,
- ▶ Self-Employed,
- ▶ Craftmen exempt from tax

Partially payments to avoid the documenting will not be accepted and each payments to each person or corporation in one day will be considered as whole. Special irregularity fine will be imposed to taxpayers that are not documenting the payments and collectings via banks and suchlike finance corporations.



24 REVALUATION RATES

Revaluation rate for 2016 (T.P.L - G.C NR.474) % 3,83

25 DEPRECIATION-AMORTIZATION

If the value of goodwills, equipments and fixtures are less than Depreciation Limit (TRY 900,00 for 2017) can be booked as directly expense. For those that has economical and technical integrity, the limit is considered as a whole. (Tax Procedure Law Article Nr.313)

26 CONDITIONS OF BEING SUBJECT TO INDEPENDENT AUDIT

The conditions of identifying the companies subject to independent audit are redetermined with Council of Ministers Decision numbered 2016/8549 which changes the Council of Ministers Decision numbered 2012/4213 and published in the Official Gazette dated 16/2/2016 According to Council of Ministers Decision;

- A) Net Assets - TRY 40 Million and above
- B) Net Sales Revenue – TRY 80 Million and above
- C) Employee – 200 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.

27 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 900 for the year 2017.

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.

E-invoicing

E-invoicing application rules establish that the Revenue Administration is the mandatory hub for the exchange of invoices in electronic format. This means that the secure circulation of e-invoices between registered parties must be conducted through the Revenue Administration. Users who benefit from the e-invoicing application can:

- ▶ send e-invoices to other registered users
- ▶ receive e-invoices from other registered users
- ▶ download e-invoices, store them electronically, and present them to the authorities when required

In accordance with General Communiqué No. 421, the following groups of taxpayers are obliged by the Ministry of Finance to send invoices electronically:

- ▶ taxpayers that hold mineral oil licenses within the scope of the Petroleum Market Law and taxpayers that purchase goods from the same (and have a minimum gross sales revenue of 25,000,000TRY for the 2011 calendar year)
- ▶ taxpayers who produce or import the goods stated in List No. III, attached to the Special Consumption Tax Law, and taxpayers who purchase goods from the same (and have a minimum gross sales revenue of 10,000,000TRY for the 2011 calendar year)
- ▶ taxpayers already registered for the e-invoicing application when delivering goods or rendering services to other taxpayers that benefit from the application

Taxpayers in the above scope were supposed to have completed their implementation by 31 December 2013. Taxpayers who did not fall under the above scope may apply to use this application voluntarily. As of January 2015, there were approximately 20,000 companies registered in the e-invoicing system. It is expected that the scope of the obligation will be updated and broadened in the future, and that the number of companies registered in the system will increase to approximately 40,000 in 2016 and 80,000 in 2018.



E-archive

Despite its unfortunate name, the e-archive application is similar to the e-invoicing application, except for the fact that the Revenue Administration does not act as a mandatory hub. This application was designed to allow companies to issue invoices in electronic form to taxpayers who are not registered in the e-invoicing system and to end consumers.

According to General Communiqué No. 433 (updated in the meantime with Communiqué No. 443), only companies registered with the e-invoicing application will be able to apply and register for the e-archive application. However, companies that conduct sales of goods and services through the internet and which show a minimum gross sales revenue of 5,000,000TRY on their 2014 income statements will be obliged to register for the e-archive application by completing all necessary application and implementation requirements by 1 January 2016.

E-archive invoices will be reported to the Turkish Revenue Administration on a monthly basis. It is expected that the scope of obligation will be updated and broadened in the future.

E-bookkeeping

The e-bookkeeping application will become a substitute for companies whose current obligation is keeping their journals and general ledgers as hardcopies. Accordingly, taxpayers will be expected to keep their ledgers in electronic format in accordance with the formats and standards established by the authorities in Communiqué Nos.1 and 2 on e-bookkeeping.

Taxpayers shall use a solution approved by the tax authorities to create their electronic ledgers in accordance with the established standards. Each month, ledgers shall be electronically stamped and the respective summary approval file must be uploaded to the Revenue Administration's e-bookkeeping portal by the end of the third following month.

According to aforementioned Communiqué No. 421, taxpayers who fall within the scope of e-invoicing are also obliged to start using the e-bookkeeping application by 1 January 2015. Taxpayers who are not within this scope may apply to use this application voluntarily. It is expected that the scope of the obligation will be updated and broadened in the future, increasing the number of companies registered in the system to approximately 40,000 in 2016 and 80,000 in 2018.



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