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Global Tax Alert

Turkey postpones deadlines for 2019 corporation tax and enacts law to amend tax and legal provisions due to COVID-19

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With the issuance of Circular No 127, dated 17 April 2020, Turkey has postponed the deadline for the 2019 corporation tax return filings and corporation tax payments until 1 June 2020.

Also, Turkey's Law No. 7244 on *Reducing the Impacts of the New Coronavirus (Covid-19) Pandemic on Economic and Social Life and the Law Regarding Amendments to Certain Laws* (the Law) was published in the *Official Gazette* dated 17 April 2020.

The Law amends several laws including the Turkish Commercial Law, Labor Law, Laws on Research and Development (R&D) and Design Activities, Technology Development Zones, and Unemployment Insurance, among others.

This Alert outlines some of the significant amendments:

- ▶ Turkey has implemented a partial temporary ban on the payment of dividends to shareholders. Under this Law, the amount of a cash dividend that companies with share capital can distribute until 30 September 2020 cannot exceed 25% of the net profit of 2019. The General Assembly cannot authorize the Board of Directors to distribute advance dividends.

According to the Law, if the General Assembly had approved the distribution of dividends for the fiscal year 2019, but the shareholders have not yet been paid or partial payments have been made, payments for the portion exceeding 25% of the net profit for 2019 are postponed until the end of the respective period (through 30 September 2020).

- ▶ Under the Law, in the case of force majeure situations, R&D activities may be performed outside of the respective R&D centers for a limited period of four months from 11 March 2020 without losing the related benefits (implementation of discounts, exceptions, aid/relief/supports and incentives recognized under the Law) allocated to the activities carried out only in the R&D centers with the permission of The Ministry of Industry and Technology. This period can be extended by the Minister for up to three months.
- ▶ The Law introduces a provisional article to the Unemployment Insurance Law. According to the provisional article, workers taking unpaid leave are granted cash wage support from the Unemployment Insurance Fund in the amount of TL39.24 per day. Workers who are discharged after 15 March 2020 and could not benefit from the support payment as per other articles of the Unemployment Insurance Law can also benefit from this support.
- ▶ The Law introduces a provisional article to the Labor Law regarding temporary employment security. Accordingly, employment contracts of all types of workers cannot be terminated by employers for the three-month period beginning from the date of entry into force of this Law, except in cases where the worker is sick, and it is identified by the Ministry of Health that the sickness of the employee is unrecoverable. Situations that do not comply with the rules of ethics and good faith in the relevant provisions of other laws are also an exception. Unpaid leave could be enforced by employers to workers during this period. The President is authorized to increase this time period for up to six months.
- ▶ The annual announcement and advertisement taxes and annual environmental cleaning taxes (corresponding to the aforementioned periods) of the enterprises with activities stopped or unable to operate will not be collected.

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