

Turkey enacts law on restructuring certain receivables and amends certain tax laws

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Executive summary

The General Assembly of the Turkish Parliament enacted on 11 November 2020 Law No. 7256, "Restructuring Certain Receivables and Amendments to Certain Laws," which includes the provisions on debt restructuring and some changes in the tax legislation. Law No. 7256 entered into force on 17 November 2020.

The Law makes changes on the Income and Corporation Tax Laws, Value Added Tax (VAT) Law and also introduces restructuring of taxpayers' finalized tax debts.

This Alert summarizes the new provisions in terms of debt structuring, income and corporation tax perspective.

Detailed discussion

Debt restructuring law

Certain tax-related debts pertaining to the periods before and including 31 August 2020 and the taxes filed by tax returns until this date are within the scope of tax debt restructuring. In addition, tax penalties and delay interest and late payment charges related to these taxes are also within the scope of the new law.

There is no reduction on the principal tax that has not been paid or has not been yet expired despite being matured as of the publication date of the Law. Taxpayers requesting the debt restructuring must pay the principal tax.

Tax penalties calculated based on the principal tax (such as tax loss penalty) are fully waived together with the related default interest and late payment charges if instead, the principal tax and an amount calculated based on the domestic producer price index (D-PPI) monthly change rates until the publication date of the Law are paid.

For tax penalties that are not based on the principal tax debt (such as irregularity and special irregularity fines), 50% of the penalty amount and default interest on the penalty will be waived, if instead the remaining half and amount calculated based on the D-PPI monthly change rates until the publication date of the Law are paid.

In order to benefit from the provisions of this Law, debtors should apply to the relevant tax office by 31 December 2020, should not have filed litigation or should withdraw from such litigation. If the litigation is withdrawn by a debtor to benefit from the provisions of this Law, the disputes will not be pursued by the Tax Administration.

Amendments to other tax laws

Notification of certain non-taxed assets

Taxpayers who notify certain assets (cash, gold, foreign exchange, marketable securities and other financial instruments) located abroad by 30 June 2021 are free to use those assets. Assets located abroad must be brought to Turkey within three months from the date of notification or must be transferred to a bank account or brokerage house in Turkey. No tax will be payable on the declared foreign assets within this scope and no tax inspections or assessments will be initiated.

Corporation tax rate reduction for entities to be traded on the Stock Exchange

The corporation tax rate will be applied with a two point reduction on the corporation income in five accounting periods for companies with shares offered to the public

(except i.e., banks, financial leasing companies, factoring companies, financing companies, payment and e-money institutions, insurance and reinsurance companies, asset management companies, pension companies) at a rate of at least 20% on the Borsa Istanbul Stock Exchange to be traded for the first time, starting from the accounting period when their shares are offered to the public for the first time.

Taxation rule regarding the buyback shares

Withholding tax (WHT) at a rate of 15% will be imposed on the disposal of buyback shares (either by way of capital decrease, sale with loss or for the ones that are not disposed yet) of Turkish full liable corporations. This provision will be effective after the publication of the Law in the *Official Gazette*.

WHT regime of marketable securities

The application period of temporary Article 67 of the Income Tax Code which regulates WHT application on marketable securities and derivatives is extended until 31 December 2025.

Forex transactions will also be taxed through withholding mechanism under Temporary Article starting from 1 January 2021.

Accommodation tax

The effective date of the accommodation tax, which is expected to come into force on 1 January 2021 is postponed to 1 January 2022.

Taxation of tradesman on their revenues generated from e-commerce activities

By extending the "Exemptions of Tradesmen" in the Income Tax Law, "those who sell the goods they produce without opening a business and using industrial machinery over the internet and similar electronic media" are included in the scope of tax exemption. In this context, a 4% WHT will be applied on the revenues which must be collected through a bank commercial deposit account (2% in case of multiple employment) and will be applied as the final tax on these revenues. If the revenue exceeds TL220,000, the exemption will expire the following year.

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