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Subject : Monthly Financial/Tax Regulations Summary in Turkey (July 2020)

Distinguished readers,

July 2020 was a busy month in terms of financial agenda more than previous months even though it is a fiscal holiday, lots of expected arrangements were made because of the pandemic.

We would like to submit for your attention as a summary for firms and taxpayers the important tax-related and financial issues that occurred within the last month in Turkey.

In addition, you can visit our website designed to support and inform the business society, employees and all stakeholders. We hope that you will benefit and enjoy our newsletters.

Let's briefly start with the headings and then examine the details. We will submit information about tax, customs, social security obligations, banking and financial issues, postponed obligations, R&D and incentives below.

A. Major Tax Issues

- Tax dues in July:
 - Motor vehicles tax (MTV) second installment of 2020 and income tax installments of real person taxpayers must be paid in July.
 - Do not forget your vehicle tax (MTV) and income tax installments, which must be paid in July, especially for real person taxpayers.
- The Fiscal Holiday application ended on July 20.
- The force majeure situation due to Covid-19 has ended and statements and taxes must be paid.
 - As force majeure ends, VAT withholding will continue.
- **VAT Rates** in some services have been reduced temporarily till the end of year in order to promote the economy mostly for SME's and general public.
- Reduction on the withholding tax:
 - With the President's Decision No. 2813 dated 30 July 2020, withholding rates were reduced by half till the end of the year for some sort of rental activities. It used to be 20% originally.

- Changes in the procedures and principles regarding the implementation of the Regulation on Recovery Participation Share (GEKAP) and examples of implementation are given.
- The Revenue Administration prepared a brochure for inheritance and gift tax.
- **Draft Communiqués** on the related subjects below are able to be seen and open to public consultations.
 - Draft Communiqué regarding **Transfer Pricing** in Turkey to be in line with OECD standards (which will be published pretty soon)
 - Draft Communiqué regarding with the abandonment of the tax registration.
- Draft General Communiqué on e-documents is published for public consultation:
 - The Draft Communiqué, which updates the VUK 509 General Communiqué, which organizes e-documents, has been published on the website of the Revenue Administration (GIB) to receive public opinion and suggestions. Basically, e-addition (restaurants and coffee shops), Form Ba and Bs, writing standard code and unit dimensions for goods and services in e-documents, e-applications in healthcare providers, etc. is open for public consultation and comments.
- The application of “*Invitation for Disclosure in Tax*” was published.
- e-documents in tax practices:
 - It entered into force in July 2020 for taxpayers who fulfill the terms of e-dispatch. The taxpayers who are registered to the e-Invoice application and whose gross sales revenue of 25 million TL or more in 2018 or subsequent accounting periods are required to use e-Dispatch as of 01 July 2020.

B. Social Security Issues

- Social Security Administration (SGK) has published a General Letter that makes additional explanations to the 2019/16 Circular on foreign transactions.
- Supportive payment from the Labour Fund and Cash Support will be continued.
 - Short-time working allowance and cash support for workers were extended for July after the 3 months application including April, May and June. With the new decision published in the Official Gazette dated 30.07.2020 and numbered 31202, the duration of the short-time working allowance for the workplaces that are in place, has been extended for one month without a limitation to the extension period.
- The termination prohibition may be extended by the President until **30 June 2021**.

- **Social Security Premium Support to the Firms:** With the Law Proposal known as the new Employment Package, it is planned to cover social security premiums (employee and employer shares) from the Unemployment Insurance Fund for 3 months, provided that workplaces that benefit from short term working support (KÇÖ) and cash wage support do not exceed these periods. The Law passed the Parliament as Law No. 7252 and was published in the Official Gazette and entered into force on July 28th.

C. R&D and Incentives

Turkey proposes lots of different incentives for the majority businesses such as SME, R&D firms and exporters. There are some legislative changes summarized below on those issues:

- In the Project Based Government Incentives Communiqué, updates were made in line with the latest President Decision.
- **Time extensions:** Investors who could not fulfill their obligations within the scope of rural development supports were given an additional 60-day period.
- Made changes to TUBITAK Technology and Innovation Support Programs.
- **New application** system for R&D programs: As of July 1, 2020, the establishment-based pre-registration application has started in TEYDEB which is the prominent incentive program by the TUBITAK.
- **Additional time** for TEYDEB Projects
 - TÜBİTAK found it appropriate to give a maximum of three (3) months due to force majeure for all support programs carried out by the Technology and Innovation Support Programs Directorate within the scope of the measures taken due to the corona virus (COVID-19) outbreak. Documents must be submitted to TÜBİTAK by 17:00 on Friday, 31 July 2020 at the latest regarding the request for additional period.
- **New Incentive Programs** Announced:
 - 1501-Industry R&D Support Program and 1507-SME R&D Initial Support Program 2020 2nd Call Applications Opened.
 - Feed support will be provided to small-capacity livestock (cattle and sheep and goats) for once.
 - KOSGEB KOBİGEL Support Program Calls Opened which is incentive program for SME's.

Data Box: Ministry of Industry and Technology has unveiled the data of investment incentives provided by the Turkish government in the last 5 years.

The data has pointed that since 2015, the Turkish government has allocated investment incentives for projects with a total fixed investment amount of USD 107.36 billion, while the number of projects benefiting from these incentives has surpassed 28,000. Within this scope, around one million employment will be generated once these projects are fully completed.

The scope of the government incentives introduced to support companies willing to invest in Turkey has included tax deductions or exemptions, customs duty exemptions, insurance premium support, discounts on electricity bills, low-interest rates and land allocation.

During the 2015 - 2019 period, among all projects found eligible for incentives, manufacturing took the lead with 13,617 projects and USD 40.4 billion fixed investment amount, followed by energy and services sectors with USD 31.7 billion and USD 30.3 billion fixed investments consecutively. (see: <https://www.invest.gov.tr>)

D. Banking & Finance

- **Interest rates:** CBRT kept interest rates stable.
- The Ministry of Treasury and Finance has published statistics on the January-June public **budget realizations**.
- As of the end of June, the Ministry of Treasury and Finance published the “Central Government Debt Stock” statistics.
- Low interest loan debts of tradesmen and craftsmen to Halk Bank were postponed.
- **Reserve ratios** increased by the CBRT: FX required reserve ratios were increased by 300 basis points for all banks in all liability types and maturity brackets.
- Minimum payments for credit cards: BRSA (Banking Authority) has made a facilitating decision in minimum payment amounts for the credit cards.
- The CBRT main agreement has been amended.
- **Capital Market Regulations** were announced
 - The Capital Markets Board (CMB) made amendments to the Communiqué III-62.3.a and the Communiqué on Real Estate Valuation Companies to Operate in the Capital Market.

- The CMB (SPK) has issued a new Regulation by repealing the old Regulation on Management and Organization of Special Fund Assets.
- The Communiqué on the Amendment to the Communiqué Regarding the Principles of Licensing and Keeping Records for the Capital Markets Board of Directors Numbered VII-128.7 entered into force by being published in the Official Gazette dated 23 July 2020 and numbered 31194.

E. International Trade & Customs

- International trade requires, in theory, each country to utilize its scarce resources in the most efficient way, to produce, sell and specialize based on the comparative advantage of nations. This order, which is the basic proposition of international capitalism and economy, was severely shaken during Covid-19 and most countries were closed with vital reflexes.
- The Communiqué numbered 2020/8, which determines the distribution and usage procedures and principles of the remaining quotas after the first distribution of the tariff quotas opened in imports, was published.
- The Communiqué on the export-prohibited and export-related goods and preliminary goods with pre-permission was updated and the export of potatoes and onions was released.

F. Other Measures and Postponements

- Update on Withholding Tax and SSI Declaration Combination Project
 - The concise and service premium declaration will come into force in July 2020 and there is no postponement yet.
 - The application is currently continuing in 7 cities of 4 + 3. If no postponement is made again, the implementation started for the whole country as of 1 July 2020. Although it is not certain, it is likely that a decision will come out soon.
- **OHS implementation** was postponed to 2023 for less dangerous workplaces.
 - The obligation of OHS (occupational safety and health) specialists and workplace physicians was supposed to take effect in July 2020 in workplaces with less than 50 employees in the less dangerous class. It is postponed to 2023 with an amendment.

G. Other Legislative Changes in Turkey

- Changes on the **Civil Procedure Law**
 - The Law, which envisages important amendments to the Law on Civil Procedure, was published in the Official Gazette as Law No. 7251 and entered into force.

- The regulation known as the **Internet Law** has been adopted in the Assembly as Law No. 7253 and entered into force after it was published in the Official Gazette in July 31st of 2020.
- Facilitating amendments on the company formation in Turkey for FDI:
 - In order to facilitate the establishment of a foreign company, the Communiqué amended to complete the signature declarations abroad.
- Changes were made in the **Treasure Search Regulation** to protect water areas, narrow the search area horizontally and vertically, and determine the responsibilities and financial liabilities of treasure hunters.
- The “Regulation on the Amendment to the **Associations Regulation**” was published in the Official Gazette No. 31180, dated 09 July 2020.
- Changes have been made in the **Organized Industrial Zones Implementing Regulation**.
- **New Lawyers Law** is enacted: Law No. 7249, which contains many controversial regulations in the Law of Lawyers, was published in the Official Gazette dated 15 July 2020 and entered into force on the same day.
- The Court of Cassation took an important decision and decided to close down some of the Litigation and Criminal Departments and to assign duties. (Supreme Court - 7 July 2020 173 numbered First Presidential Board Decision)
- Important judicial decision **on wages and stipends for drivers**: The General Assembly of the Court of Appeals has taken an important decision and decided that there is no need to eliminate the case-law differences regarding the non-wage side rights of TIR drivers sent abroad.
- **Arbitration Committees for consumers**: The expertise in the consumer arbitration committees was regulated by a separate regulation and the Articles 19, 20 and 21 of the Consumer Arbitration Committees Regulation, which regulate the subject matter, were repealed as of the beginning of 2021.
- **Government Support for University Fees**: The Decision regulating the University government contribution amounts for the new academic year and the amounts to be received from students for the second education and the situations where students will not be charged are published.
- **Tax exemption for the students’ stipends**: A Communiqué has been issued for payments made to students who will study at home and abroad. These payments are exempted from Income Tax.
- The Regulation on Private Accommodation Services in higher education came into force.

We have summarized our notes on the changes and developments regarding the summary financial / tax legislation in the last one month, in English, in short headings. We will continue to announce to you all the developments made in other months in Turkish and English.

Please do not hesitate to contact us for further information. As we summarized the bulletin for you, we keep it very short. Please tell us if you have any comments or questions on any of the subjects above.

Best regards,

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