



2021-079

Date : 31.07.2021

Subject: Monthly Financial/Tax Update in Turkey (July 2021)

You can find the important tax-related and financial issues of July 2021. We are glad to share those summaries with clients and our network.

Let's briefly start with the headings and then examine the details. We will share information about Turkish economy in general, and the latest figures in labor, inflation, growth, main tax developments, customs and foreign trade, social security obligations, trade legislations, banking and financial issues, postponed obligations, R&D and incentives below.

A. Economy and Public Budget

- Turkey: Top Destination for Residency Investing.
 - Turkey became the most popular destination for visa investing in 2020 both in number of applicants and value of investments, released fDi Intelligence.
 - According to research from ASTONS, a leading investment monitoring firm, the number of applications for Turkish residence by-investment surged 325 percent to 13,325 in 2020 over the previous year.
- Turkish Startups Receive USD 1.2 Billion Investment in the First Half.
 - In the first quarter of 2021, 61 startups had raised USD 508 million from angel investors and venture capital funds, setting a record for the Turkish startup ecosystem. According to Startup.Watch's "Turkish Startup Ecosystem Quarterly Report-Q2 2021", 63 startups raised USD 746 million investments totaling the first half amount to USD 1.2 billion.
 - Turkey ranked 8th in Europe and 2nd in the Middle East and North Africa angel and venture capital investment leagues.
- New omnibus law is passed in the Parliament and become effective after publishing in the Official Gazette.
 - Law nr. 7333, including the social security premium payments incentive to the firms is published in the Official Gazette in July 28th, 2021.
- Schott is a leading manufacturer worldwide of special glasses and glass ceramics, as well as components made of glass or similar materials. Schott Orim Breaks Ground for its New Plant in Turkey.
 - German Schott Orim, a global leader in glass manufacturing, began the construction of its new glass facility in Bolu province of Turkey.

- With a TRY 100 million-worth investment, Schott Orim will manufacture flat glass for the white goods industry in Turkey.
- *"We will produce high value-added glass; mainly oven, cooker, hood, and refrigerator front glass in our new factory, which will operate in a closed area of 20,000 square meters,"* Schott Orim General Manager Hakan Gerdan said, highlighting they currently export from Turkey to 20 countries on 4 continents and they plan to double labor force with the new investment.

B. Main Economic Indicators

- Leading foreign trade deficit increased by 52.5% in July.
 - According to the foreign trade data of July announced by the Minister of Trade Mehmet Muş, exports increased by 10.2 percent in July compared to the same month of the previous year and reached 16.4 billion dollars. In the January-July period, exports increased by 34.9 percent to 121.4 billion dollars.
 - In July, imports increased by 17 percent to 20.7 billion dollars. The ratio of exports to imports decreased by 5.8 percentage points to 79.2 percent.
- Turkey's Domestic producer price index (D-PPI) increased by 44.92% on annual basis, increased by 2.46% on monthly [basis](#).
 - D-PPI (2003=100) increased by 2.46% on monthly basis, increased by 25.05% on December of the previous year basis, increased by 44.92% on same month of the previous year basis and increased by 28.47% on the twelve months moving averages basis in July 2021.
- Turkey's Consumer price index (CPI) increased by 18.95% annually and 1.80% monthly.
 - A rise in general index was realized in CPI (2003=100) on the previous month by 1.80%, on December of the previous year by 10.41%, on same month of the previous year by 18.95% and on the twelve months moving averages basis by 15.15% in July 2021.

C. Major Tax Issues

- The first round of negotiations on the Double Taxation Avoidance Agreement between the Republic of Turkey and the Republic of Angola was held between 13-14 July 2021 by video conference method.
- 2 new APA (Advance Pricing Agreements) are announced to signed with the Revenue Authority in Turkey.
- With the Corporate Tax Law Circular No. 5520 /57, the revaluation rate to be applied in the second provisional tax period of 2021 has been determined as 18.14% (eighteen point fourteen percent).

- Declaration of Ultimate Beneficial Ownership Now Required in Turkey;
 - A new compliance requirement is now imposed on companies doing business in Turkey, calling for annual declaration of the ultimate beneficial ownership (UBO) information to the tax office. In addition, designated institutions and professions covered by the anti-money laundering law (such as banks, payments agencies, finance companies, lawyers, accountants, notaries etc) are also required to report the beneficial owner information of their clients, when and if requested by the Revenue Administration.
 - Tax Procedural Communiqué No.529 published in the Official Gazette on 13 July 2021 sets out the rules for determining who falls under the definition of an UBO and includes explanations on the content and timeframe of the declaration.

- New tax amnesty applications are due till the end of August.
 - According to the new Tax Amnesty Law nr. 7326, taxpayers can increase payment of their corporate, income and VAT taxes in order not to be audited by the Tax Inspectors.
 - This application is covering the FY 2016-2020.

- Some of the special consumption taxes (ÖTV) are reduced for tobacco products.
- Extension of VAT Reduction and Rental Withholding Reduction in Workplace Rental Services.
 - Published in the Official Gazette dated 30 July 2021 and numbered 31553;
 - With the Presidential Decree No. 4311, the discount period for the 10% withholding tax rate applied to some rental payments was extended until 30/09/2021.
 - With the President's Decision No. 4312 on the decision to amend the decision on the determination of the value added tax rates to be applied to goods and services, the discount period for the 8% VAT rate applied for workplace rental services was extended to 30/09/2021.

D. R&D and Incentives

- New Tourism Incentive Law is published in the Official Gazette.
 - Law nr. 7333 about the incentives and procedures of the touristic businesses is published in the Official Gazette in July 28th, 2021.
 - This Law is regulating the procedures, rules and necessities for different type of tourism businesses, audit and penalties. According to the Law, the boats are subject to tax depending on the length.
- On July 7, Industry and Technology Minister Mustafa Varank attended the groundbreaking ceremony of Digitalpark Teknokent, which will be built in partnership with Recep Tayyip Erdoğan University and Turkish-German University.
 - *“Our technoparks are home to 6,680 companies that have generated USD 6.2 billion in exports and TRY 131 billion in sales so far, with over 60,000 full-time R&D employees in these sectors. 45 percent of these companies are in the software business,”* added Minister Varank.

- The Minister stated that the Digitalpark Teknokent will host 300 entrepreneurs employing 4,000 full-time R&D personnel once it has reached full capacity with its campuses in Istanbul and Rize.
- It has been reported by the Ministry of Industry and Technology that the rate applied as 60% in the July/2021 period will be applied as 50% in the August/2021 period in order for the activities carried out in the R&D and Design Centers and the activities carried out within the borders of the Region within the scope of the Technology Development Zones Law to be carried out remotely.

E. Banking & Finance

- The Central Bank of the Republic of Turkey (CBRT) raised its inflation expectations for the end of 2021 in its third inflation report of the year.
 - Despite the Central Bank Governor Şahap Kavcıoğlu's statement that inflation will decrease significantly in the last quarter of the year, the year-end expectation has been increased from 12.2 percent to 14.1 percent.
- CMB has published the Project Finance Fund and Project-Based Securities Communiqué, which is an important and expected regulation.
- With the regulations brought by the Communiqué; In capital markets, with Project Backed Securities to be issued based on project revenues, it is possible to use capital markets effectively in investments of public service, capital intensive and long-term projects. With the Communiqué;
 - Establishment of a project finance fund and issuance of project-based securities,
 - The characteristics of the assets that can be included in the fund portfolio,
 - The functioning of the fund,
 - The procedures and principles regarding the use of the revenues obtained within the scope of the project-based securities issuance have been regulated.
- Turkey's Hepsiburada Successfully Completes IPO in Nasdaq
 - Turkish e-commerce platform Hepsiburada became the first Turkish company to be listed on the Nasdaq stock exchange in the US.
 - Hepsiburada shares (HEPS) increased over 10% in the first day of the IPO, marking a market capitalization of USD 3.65 billion.
- Established in 2000, Hepsiburada has over 33 million members and 250 million monthly visits with a product range of more than 44 million in various categories.
- The Banks Association of Turkey shared information on the “Financial Restructuring Framework Agreement for Small-Scale Companies” (FYY) with its public announcement dated 16 July 2021. With this notification;
 - The following major changes have been made in the Financial Restructuring Framework Agreements (Small-Scale Implementation) in force in order to ensure that financial restructuring processes operate more effectively:

- As of the date of application, the sum of principal (cash + non-cash) debt to Creditor Institutions has been increased from 25 million TL to 100 million TL.
- In order to make the configuration more alternative; The maturity, grace period and interest rate parameters have been updated.
- In order to provide additional time and the right to apply for FYY applicants, it has been added that three months must pass from the date of the first application for the debtor whose application is not accepted to re-apply.
- Due to the expansion of the scope of Small-Scale Implementation, the principles of the implementation process have been changed.
- Financial Restructuring Framework Agreements (Small-Scale Implementation) have been approved by the Banking Regulation and Supervision Agency.
- An application for negative clearance/exemption will be made to the Competition Authority for this application. If the institution deems it appropriate, the application will be put into effect after the approval of the exemption.

F. Commercial Arrangements

- Complaint applications for tenders can be made electronically.
 - With the legislative amendments published in the Official Gazette dated 20 June 2021 and numbered 31517, it has been made possible to submit objection complaints to the Public Procurement Authority as of 20 July 2021 using e-signature (e-objection complaint) via EKAP.
- By making arrangements in the legislation of opening a business and working license, the period foreseen for the real estate trading companies last year was extended to 31 July 2020.
- A new general directorate is found in order to promote the international services export in Turkey.
- The Communiqué amending the ceiling fee application in the field of passenger transportation by coach and bus was published.
 - The ceiling wage application, which was published in May last year and caused by the Pandemic conditions, was continued with the Communiqué published on 14 July 2021.
 - With the communiqué published by the Ministry of Transport and Infrastructure, the Annex-1 tariff is determined as VAT included, and the maximum fare tariff is applied according to the road distance (on km basis).
 - To give an idea, a ceiling fee of 84 TL is applied for a distance of 115 km, 222 TL for 1000 km, and 441 TL for places over 2000 km.



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 in English.

Please tell us if you have any comments or questions on any of the subjects above. As this is a summary, we did not give too much details, we can answer your questions when you have.

Because of the mailing system we would like you to mark our bulletins and e-mails as safe.

Best regards,

Partners, Taxia