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Find out the latest developments on tax regulation and be updated on regulatory changes along with their effects on your business through our tax bulletins. The important financial news of last month is briefly explained below.

We are glad to share these summaries with our clients and network. As a result of productive and comprehensive research, we present you the October 2022 bulletin.

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, social security obligations, banking and financial issues, R&D and incentives, and other issues below.

Main Economic Indicators

The balance of payments statistics for August 2022 is announced by the Central Bank of Turkey Republic (CBRT).

- The current account recorded a deficit of USD 3,112 million, against a surplus of USD 1,075 million observed in the same month of the previous year, hence bringing the 12-month rolling deficit to USD 40,889 million.
- [Click](#) to view the announcement.

Turkish Statistical Institute announced inflation figures for October 2022.

- Consumer price index (CPI) increased by 85.51% annually and 3.54% monthly.
- Domestic producer price index increased by 157.69% on annual basis, by 7.83% on monthly basis.

Ministry of Finance and Treasury announced the domestic borrowing strategy and debt statistics November 2022 - January 2023.

- Central Government Debt Statistics were published as well by currency, interest and instrument type.
- [Click](#) to view the domestic borrowing strategy.

Major Tax Issues

The President has announced a new **omnibus bill proposal** which includes tax amendments.

- The details of the proposal are as follows:
 - The reimbursement of the food expenses of employees are to be able to be settled via cash, up to TRY 51.00 per day.
 - Pandemic relief payments to employees for necessary expenses (e.g. costs for natural gas, electricity, and heating) are to be exempted from tax and social security premiums, up to TRY 1,000.00 per month through June 2023.
 - Corporate tax exemptions for exchange-rate adjusted certificates of deposits are to be carried through 2023.
 - Stimuli for the tourism sector are to be provided.
 - The incentives provided to angel investors are to be extended through 2027, with an increase to the relevant amounts.
- The proposal has been approved by the Planning and Budgeting Commission and is now being discussed in the General Assembly.

The **General Communique on BITT Tax #92** has been published.

- The proceeds earned from the sale of salvaged property by insurance companies are subjected to Banking and Insurance Transaction Tax.
- The taxable gain from the proceeds is determined by the price difference between the salvage value and the sale price.

A **General Communique on Lodging Tax** has been drafted.

- Lodging services are to be subjected to additional taxes.
 - 2.0% Lodging Tax will be imposed, which is a newly enacted tax with no prior use.
 - The taxes will be levied from the service provider.

A **Communique on the Amendment of the Application of Value Added Tax (#43)** has been published.

- The VAT withholding on the delivery of iron and steel works has been adjusted.
- The 1.0% VAT on foodstuff can now be returned intra-year.

Corporate Tax Exemptions for exchange-rate adjusted certificates of deposits have been extended to foreign currencies with an effective date of September 30th.

- Should a company liquidate their foreign currencies as declared in their balance sheets as of September 30th, followed by a deposit into an exchange-rate adjusted CD with a minimum duration of 3 months, all income from capital gains, interest, and other earnings will be exempt from corporate tax.

An **Amendment Proposal on the Tax Procedure Law** has been approved by the Planning and Budgeting Commission.

- The details of the proposal are as follows:
 - A collateral liability is to be imposed on the taxpayers who are subjected to excise duties due to business activities involving motorized vehicles.
 - A 50% exemption is to be applied on earnings from transit activities if the subject is based in the Istanbul Finance Center.
 - A legal framework is to be set regarding the foundation and the objectives of the Price Stability Commission.
 - The judiciary procedures regarding confiscation of assets are to be edited.

Social Security Issues

The **Work Permit Exemption System for Foreigners** is now online.

- Foreigners can work in Turkey should they obtain a work permit exemption.
- The applications are to be done to the Ministry if the applicant is in Turkey, or to the Turkish Embassy if the applicant is not in Turkey.
- The applications can also be processed through <https://emuafiyet.csgeb.gov.tr>.

The **profit margins for pharmacists and warehousemen** for medical products have been re-determined.

- The sales profit margin for warehousemen is tiered between 2.0% - 9.0%.
- The sales profit margin for pharmacists is tiered between 28% - 13%.
- The price ceilings are determined by the Ministry of Health.

Banking & Finance

A Presidential Communique regarding the **Prospectus of Participation Finance Strategy** has been published.

- The document provides information about the ongoing and planned projects for the years 2022-2025.
- Istanbul Finance Center is also discussed, which is an important topic in terms of taxation.

A General Assembly Decision has been made on the unification of judgements regarding the **settlement dates of offshore banking transactions** to be used in determining timeouts.

- In accordance with the Liabilities Law, the 10-year timeout duration is to start at the date of initializing the outgoing transaction.

The Central Bank **lowered the interest rates.**

- The award rate for one week expiry repurchase agreements has been further decreased to 10.5% (down from 12.0%).

Turkish Lira denominated commercial credits have been restricted even further for companies holding long foreign currency positions.

- The barring threshold for TRY denominated loans has been tightened to {TRY 10M / 5% }, which was previously {TRY 15M / 10% }.

R&D and Incentives

The clauses regarding **Project-Based Government Grants** have been amended.

- The definition of fixed assets has been clarified.
 - The total value is accepted as the gross value before any depreciation or amortization.
- Grants for skilled personnel are provided in accordance with the value determined by a Sworn-In CPA by analyzing documents such as bank statements and wage payrolls.
- Grants for energy can be provided in accordance with a calculation based on a rate derived from the value of fixed assets and the value of ongoing investments – should it not be possible to use an electricity meter.
- Grants for social security are provided in accordance with a report regarding employment and investment expenses as prepared by a Sworn-In CPA.

New project-based grants have been provided.

- Toyota Motor Corp. has been provided a grant for an automobile and battery production plant in Sakarya, for an annual capacity of 162k vehicles and 44k batteries.
- Beyaz Kagit A.S. has been provided a grant for a dishwasher capsule production plant in Adana, for an annual capacity of 2.4B capsules.
- A grant has been provided for a maleic anhydride production plant in Kocaeli, for an annual capacity of 50k metric tons.

The **Industrial Zones Law** has been amended.

- Investors within an industrial zone are exempt from duties originating from licenses, approvals, and permissions granted by the Ministry.
- The clauses of Law 3194 related to standards and valuations do not apply to industrial zones.
- Areas will be allocated for administration, commerce, and technical activities, as necessitated by the industrial zone.
- The President may provide additional incentives to industrial zone projects.

The effective date of the agreement regarding the **mutual incentivization and protection of investments** signed among the Republic of Turkey and Kingdom of Cambodia has been determined as June 10th, 2022.

The procedures regarding the **low-interest financing of investment and management activities related to agricultural production** have been updated.

Commercial Regulations

The **Maritime Tourism Regulations** have been amended.

- Foreign commercial vessels with hull lengths greater than 39m may traverse and engage in activities within Turkish waters, should they obtain a permit from the Ministry of Culture and Tourism (valid until the end of that year) and agree to pay a margin.
- The aforementioned clause applies to yacht-type vessels registered as a liner. If the permit is not renewed after expiration and the vessel does not leave Turkish waters, statutes of the Customs Law will be applied.
- The required documents for permit applications are determined by the Ministry through communiques.

Other Issues

The Presidential Strategy and Budgeting Administration has published important reports and documents which contain vital information regarding the economy.

The inclusion of auditing regulation amendments in the new omnibus bill proposal is expected.

Best regards,

Partners, Taxia