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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 two months are 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 May-June 2022 bulletin.

Amidst concerns regarding inflation, development, and other factors affecting the economic prosperity of the country in general, it was a busy month filled with proposals, amendments, and enactments.

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.

A. Main Economic Indicators

The balance of payments statistics for April 2022 is announced by the Central Bank of Turkey Republic.

- The current account recorded a deficit of USD 2,737 million, increasing by USD 1,222 million compared to the same month of the previous year, hence bringing the 12-month rolling deficit to USD 25,710 million.
- [Click to](#) view the announcement.

Turkish Statistical Institute announced inflation figures for May 2022.

- Consumer price index increased by 73.50% annually and 2.98% monthly.
- Domestic producer price index increased by 132.16% on annual basis, by 6.77% on monthly basis.

Turkish Statistical Institute announced inflation figures for June 2022.

- Consumer price index increased by 78.62% annually and 4.95% monthly.
- Domestic producer price index increased by 138.31% on annual basis, by 6.77% on monthly basis.

Ministry of Finance and Treasury announced the domestic borrowing strategy and debt statistics June-August 2022.

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

B. Major Tax Issues

The corporation tax applied on earnings from **exports and production** will be discounted by a point.

An announcement has been made about the declaration form regarding **country-based reporting** to be filled by **international businesses** through the end of June.

- The declaration form due 30 June 2022 is to be filled by all corporate taxpayers within the criterion for the 2021 financial year. The aforementioned criterion is the consolidated group income being greater than **750 million Euros** or the threshold determined by the administration of the country of the parent company in their national currency, for the accounting period prior to the 2021 financial year.
- Should any errors be detected on the declaration form submitted through 30 June 2022, amendments will be allowed through 31 July 2022 via an amended form submission.

Corporate tax exemptions of **exchange-rate adjusted certificates of deposits** are now allowed to be applied to the period ends of 2022 quarters.

- The gains realized from the conversion of foreign currencies present in 31/03/2022 balance sheets to Turkish Liras followed by a certificate of deposit investment for a duration not less than three months **will be exempt from interest, premium, and dividend tax, along with corporate tax.**

While the Central Bank is directing the **exchange-rate adjusted certificate of deposit instruments** through operational instructions, the Ministry of Treasury and Finance is explaining the application of **corporate tax exemptions** through communiques.

A communique about the **tax procedure law** regarding the **online listings for sale and lease of real estate** has been published

- For all listings, the following information will be logged:
 - The webpages used for the listing.
 - The name, tax identification number, and address of the entity creating the listing.
 - All dates, prices, quotes, and bank accounts associated with the listing.

The **Istanbul Finance Center** proposal has been accepted by the Planning and Budgeting Commission and passed by the Grand National Assembly of Turkey.

- The objectives of the proposed amendment are as follows:
 - To define financial service exports and to incentivize such activities by exempting 75% of the gains earned in such a fashion from the basis used in corporate tax assessment, along with a corporate tax discount rate of 100% for the gains earned in such a fashion between 2022 and 2031.
 - To allow for the participants to use accounting principles denominated in foreign currencies.
 - To ease excise and stamp taxes for the relevant activities and institutions.

The Supreme Court has made major decisions regarding taxation.

- The mention of “those who hide [ledgers, records, and documents]” within the articles of the Tax Procedural Law regarding tax evasion and tax fraud was not considered as an exercise of the right to remain silent. Thus, the request for the cancellation of the mention has been overruled.
- The TRY 5,000.00 minimum for **rapprochement** has been deemed to be constitutional.

The limit for **Know Your Customer** protocols for the authorized establishments (exchange offices) has been increased to USD 5,000.00 from USD 3,000.00.

The **reduced withholding tax** implementation has been extended, and the withholding for **asset-backed securities** has been set as 5%.

- The temporary withholding rates for the interest income from certificates of deposits and dividend income from mutual funds has been extended for 6 months.
- The income and gains realized from some investment funds, bonds issued by banks, and sukuks issued for banks has been extended for 6 months.
- The income and gains realized from asset-backed securities and mortgage-backed securities issued by hypothecation financing institutions are subject to a temporary withholding rate of 5%.

A new omnibus bill has been proposed.

- The **penalties for tax infractions are to be increased** for deterrence.
- The **cash capital discounts are to be capped at five years**, instead of being indefinite as originally envisioned.
- The **corporate tax rates are to be valid for the upcoming years, including 2023**.

C. Social Security Issues

The social security payments for those who permanently reside abroad can be transferred overseas should they be willing to pay the transfer costs.

The **Code for Social Benefit Programs** has been published.

- The code aims to ensure that the unemployed do not lose their work habits and to provide temporary economic relief to them in an endeavor to aid public services in times of disasters and emergencies.

D. Banking & Finance

The **Code for the Independent Auditing of Banks** has been amended.

- The independent audit companies who have been removed from the approval list indefinitely and want to apply to be placed back onto the list need to be involved in independent audit activities for three financial years in a continuum prior to the application date.
- Should independent audit activities be halted for the relevant financial year, it is no longer required for the professional responsibility insurance to be submitted.
- Regardless of involvement in independent audit activities, independent audit institutions are required to submit yearly activity reports including all necessary elements at the minimum.

The Central Bank has issued a **Press Release on Interest Rates**

- The award rate for one week expiry repurchase agreements has been kept at 14%.

Capital Movement Circular has been updated.

- Loans obtained from foreign institutions denominated in foreign currencies can now be paid back in a foreign currency other than the one stated on the contract. The cross rates provided by the Central Bank are to be used for the calculations.

The Banks Association of Turkey and National Committee of Turkish Lira Overnight Reference Rate have worked on the **IBOR transition process**.

- The dates regarding the **termination of TRLIBOR** (Turkish Lira Interbank Offer Rate) and the **transition to TLREF** (Turkish Lira Overnight Reference Rate) have been determined.

Turkish Financial Reporting Standard for Large and Medium Size Entities has been amended for economic environments of **high inflation**.

The **Rediscount Credit Application Directive** has been amended.

- Exporters who would like to utilize such instruments need to sell 30% of the value to a bank, along with 40% of the value to the Central Bank, at the minimum.

The Central Bank has made an announcement regarding the **denomination of foreign currency liabilities on the basis of Turkish Liras**.

- The Board of Monetary Policy had shared the steps that were evaluated regarding collaterals and liquidity.

The Ministry of Treasury and Finance will be issuing **income-indexed internal bonds** to add variety to financial instruments and to promote instruments denominated by the Turkish Lira.

- An announcement titled “**Income-Indexed Internal Bonds in 10 Questions**” has been published by the Ministry of Treasury and Finance.

E. R&D and Incentives

A General Communique regarding the **Incentivizing of Research, Development, and Designing Activities** has been published.

- The communique focuses on incentives over withholding of income tax. Should the R&D personnel work on-site for not less than 50% of their total shifts, all expenses will be incentivized including those that coincide on holidays and days-off. Should all personnel work on-site for not less than 50% of their shifts, or 50% of the personnel work on-site for all of their shifts, all expenses paid to all personnel will be incentivized.

A code regarding the **incentives provided by Turkish Environment Agency** has been published.

- The code aims for cooperation with entities to develop joint projects, along with providing financial and technical support to institutions, to be used in tandem with the objective of the projects.

A proposal regarding an amendment of the **Industrial Zones Law** is being discussed in the Grand National Assembly of Turkey. The objectives of the proposed amendment are as follows:

- To allow for the Ministry of Industry and Technology to determine the borders of the areas to be added to the industrial zones.
- To prioritize spending from the stakeholders for infrastructure and publicization within the industrial zones, while ensuring the investment of a venture is completed within 5 years of the initial approval to access or use the zone. Should the investments or the infrastructure be completed in a timely manner, the transfer of property rights to the investors will be allowed.
- To provide excise tax exemptions to the investors as approved by the Ministry of Industry and Technology.
- To hold the administration of the industrial zone responsible for all the utilities to be used within the zone.
- To decrease the minimum area requirement for private industrial zones, while ensuring that the estate belonging to private industrial zones are not publicized.

The executive order regarding **the application, coordination, inspection, and evaluation of state incentives** has been published.

- The executive order decrees the principles, the method and evaluation of offers, and the inspection and evaluation reports, along with the objectives of the Head Office of State Incentives.

Legislation changes regarding **climate change** have been made and are expected to continue being made.

- The **Climate Change Administration Regulations** have been published.
 - Regulations regarding the Climate Agreement along with production technologies compliant with Europe are discussed.
 - The organization will include the Department of Climate Financing and Incentives, the Department of Technology and Green Transitioning, and the Department of Carbon Pricing.

Sustainable Banking

- To encourage compliance to the Paris Climate Agreement, a webpage titled “Sustainable Banking” has been added to the website of the Banking Regulation and Supervision Agency

The **Code for Incentives** regarding the **Replacement of Salvaged Ships** has been published.

F. Commercial Regulations

The Banking Regulation and Supervision Agency has **set new TRY credit regulations** regarding housing loans and derivative instruments, in an endeavor to protect the value of the Turkish Lira.

- Housing loan maximums have been set, which depends on the value of the property, energy class, and the classification of ownership.

The Banking Regulation and Supervision Agency has stated new decisions to **hinder the companies** who are long on foreign currency **from increasing their FX positions by going short on TRY**, in an endeavor to slow down the TRY devaluation.

- In an attempt to stop the short selling of TRY, the companies which fulfill all the following criteria are barred from taking out TRY denominated loans.
 - The company is subject to independent auditing.
 - The cash and cash equivalents of the company denominated in foreign currency (including XAU) exceeds TRY 15M in equivalent value.
 - The cash and cash equivalents of the company denominated in foreign currency exceeds the greater value of either the total assets or 10% of the last year’s revenue.

The public share for guiding & tugging has been increased through differentiation.

- The public share from the revenues of guiding & tugging services have been determined as follows:
 - 30% for the administrative zones as directed by the district port authorities of Aliğa, Ambarlı, Gemlik, İskenderun, Kocaeli, and Mersin.
 - 25% for the administrative zones as directed by the district port authorities of Bandırma, Ceyhan, İzmir, Samsun, Tekirdağ, Tuzla, and Yalova.
 - 20% for the administrative zones as directed by the district port authorities of Antalya, Çanakkale, İstanbul, Karadeniz Ereğli, and Zonguldak.
 - 10% for the administrative zones as directed by the port authorities of all other districts.
 - 20% for the services provided for the passages through straits.

G. Other Issues

The requirements for **obtaining a Turkish Citizenship** have been changed.

- The required minimum investment for real estate has been raised from USD 250k to 400k.
- Alternatively, a minimum investment of USD 500k can be made into specified mutual funds for at least 3 years.

Rent for housing properties cannot be increased more than 25% for contract renewals occurring between June 11th, 2022 and July 1st, 2023.

The Environment Law has been amended.

- New liabilities and sanctions for marine pollution and new incentives for the utilization of wastewater are implemented.

Real assets can now be sold or transferred through notaries.

The Public Oversight Authority has been commissioned for the preparation and publication of the Sustainability Reporting Standards of Turkey.