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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 December 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 September 2022 is announced by the Central Bank of Turkey Republic (CBRT).

- The current account recorded a deficit of USD 2,966 million, against a surplus of USD 2,719 million observed in the same month of the previous year, hence bringing the 12-month rolling deficit to USD 39,164 million.
- Click to view the announcement.

Turkish Statistical Institute announced inflation figures for November 2022.

- Consumer price index (CPI) increased by 89.39% annually and 2.88 monthly.
- Domestic producer price index increased by 136.02% on annual basis, by 0.74% on monthly basis.

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

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

Foreign Direct Investment exceeds USD 9.2B.

- CBRT reports an FDI inflow above USD 9.2B in 3Q2022.
- The largest sources of inflow are as listed below:
  - Spain: USD 1.5B
  - Switzerland: USD 636M
  - Netherlands: USD 601M
- The sectoral breakdown is as follows:
  - Finance & Insurance: 35%
  - Manufacturing: 23%
  - Wholesale: 21%

Major Tax Issues

Law 7420, which includes important tax regulations, has been legislated.

- Income tax and social security exemptions for the reimbursement of the necessity expenses (food, heating, natural gas, electricity) for employees.
  - An Income Tax Communique has been drafted regarding this matter.
- Income tax exemptions for employees working abroad.
- Corporate tax exemptions for exchange-rate adjusted certificates of deposits.
- Expansion of the incentives provided to angel investors.
- Stimuli for the tourism sector.
- Income tax exemptions for in-house electricity production.
- Forgiveness of small debts.
- Forgiveness of some fines.
- Forgiveness of the accrued interest on student loans.

Turkey has been rated as Largely Compliant by OECD regarding exchange of information.

The following international agreements have been presented to the Grand Assembly.

- Double Taxation Treaty
  - Cambodia
  - Burundi
  - Senegal
  - Congo
  - Sri Lanka
  - Palestine
  - Nigeria
- Customs Agreement
  - Angola

The communique for lodging tax is still being discussed.

- The tax is expected to be levied at 2% starting in the new year.

Special Consumption Tax tiers for automobiles have been updated.

Previous Tiers	Tax Rate %	Updated Tiers	Tax Rate %
Vehicles with engines smaller than 1600cc			
Base cost less than TRY 120k	45	Base cost less than TRY 184k	45
Base cost greater than TRY 120k but less than TRY 150k	50	Base cost greater than TRY 184k but less than TRY 220k	50
Base cost greater than TRY 150k but less than TRY 175k	60	Base cost greater than TRY 220k but less than TRY 250k	60
Base cost greater than TRY 175k but less than TRY 200k	70	Base cost greater than TRY 250k but less than TRY 280k	70
All others	80	All others	80
Vehicles with engines larger than 1600cc but smaller than 2000cc			
Base cost less than TRY 130k	45	Base cost less than TRY 228k	45
Base cost greater than TRY 130k but less than TRY 210k	50	Base cost greater than TRY 228k but less than TRY 350k	50
All others	80	All others	80

Social Security Issues

The payments made to third parties for catering costs will be exempt from social security premiums.

- The workplace should not be providing any catering services.
- The exempted amount will be calculated according to a ratio determined by the board.

The Directorate of Retirement Services of the Social Security Administration has published a letter regarding the social securities of foreign workers.

The amount exempted from social security premiums for cash reimbursements for catering expenses of employees has been set at TRY 51.01 per day.

- This value was calculated as 23.65% of the daily minimum wage.

Banking & Finance

A communique regarding the investing and financing program of 2023 has been published.

- This communique is related to public economic initiatives and institutions under public ownership.

The Central Bank has made amendments in the export circular.

- The exchange rates provided by the Central Bank on the day of the filing of the customs declaration are to be used in accounting, instead of the rates for the day of the actual export.
- For all customs declarations to be filed for TRCN exports, the values are required to be denominated in Turkish Liras.
- Egypt has been moved from Box 3 to Box 2 regarding export costs.

The Central Bank has extended the compliance deadline for payment systems and electronic money institutions by three months.

- Such institutions have until 28/02/2023 to be fully compliant with the new regulations.

R&D and Incentives

The principles for tender offers regarding research & development services have been determined.

- In addition to technical documents, an audited balance sheet of the previous full year will be requested from the bidders.

The Directorate of Technology and Innovation Funding Programs has increased the upper limits for proposed fundings.

The decree for government funding for strategic investments has been amended.

- Investments no less than TRY 3.0B in industrial zones will be recognized as strategic investments and will be incentivized as such.
- The incentivized cities list for metalworks projects has been expanded.
- Investments made in tourism centers are now accepted within the program.
- Modernized flour investments has been added under the funded category of foodstuff investments.
- The limitation of being within the same industrial zone for textile investments has been removed.

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Commercial Regulations

The accommodations for default and bankruptcy proceedings has been extended by a year.

- In addition to FX rate losses, the costs of leases, depreciation, and operational costs can be used in calculations until 2024 at a rate of 50%.

A regulatory draft for e-commerce services has been published.

- The following matters are clarified:
  - Excluded institutions
  - Information requirements
  - Verification requirements
  - Transaction guides
  - Orders
  - Illegal content
  - Prevention of unjust applications
  - Protection of property rights
  - Resolution of reports and objections
  - Contents of intermediary agreements
  - Necessary communication systems
  - Access to online search engines
  - Data usage and sharing
  - Declaration requirements
  - Auditing and certification
  - Providing payment services
  - Logistics
  - Advertisements and promotions
  - Application schedule

The thresholds for mandatory independent audits have been adjusted.

- The new thresholds are as follows:
  - For publicly traded companies:
    - Assets more than TRY 30M
    - Revenue more than TRY 40M
  - For specialized companies as described within Appendix 2:
    - Assets more than TRY 60M
    - Revenue more than TRY 80M
    - More than 100 employees
  - For all other institutions
    - Assets more than TRY 75M
    - Revenue more than TRY 150M
  - Additionally, the employee count threshold was lowered to 150.
- The institutions listed in Appendix 1 are subject to audits regardless of thresholds.
- The new thresholds will be in effect at the beginning of the year.

Climate and Environment

A regulatory draft for waste management companies has been published.

- The requirements for waste producing companies and waste management companies are explained in detail.
- The following matters are discussed:
  - The authorization of waste management companies
  - The designation of waste management companies to waste producers
  - The requirements of the parties

The regulations for waste processing and recycling plants have been amended.

- New compliance requirements for such plants have been set, such as:
  - Guidelines on pollutants
  - Dust emissions
  - Noise and vibrations
  - Security of the plants

Other Issues

The articles of the Turkish Esports Federation have been published.

- The articles outline the following topics:
  - The organization of the federation
  - The board of the federation
  - Management, inspection, and disciplinary committees
  - Objectives, authorizations, and responsibilities
  - Principles behind the activities

Penalty fees incurred during Covid-19 have been forgiven.

Best regards,

Partners, Taxia