

**No** : 2023-4  
**Date** : January 6<sup>th</sup>, 2023  
**Subject** : January 2023 Financial/Tax Bulletin

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 January 2023 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 October 2022 is announced by the Central Bank of Turkey Republic (CBRT).

- The current account recorded a deficit of USD 6,463 million, against a surplus of USD 6,702 million observed in the same month of the previous year, hence bringing the 12-month rolling deficit to USD 38,176 million.
- [Click](#) to view the announcement.

**Turkish Statistical Institute** announced inflation figures for December 2022.

- Consumer price index (CPI) increased by 64.27% annually and 1.18 monthly.
- Domestic producer price index increased by 97.72% on annual basis, by -0.24% on monthly basis.
- [Click](#) to view the announcement.

Ministry of Finance and Treasury announced **the domestic borrowing strategy and debt statistics** January 2023 - March 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

An amendment to the **corporation tax communique** has been proposed.

- Corporate tax derived from transit activities based in the Istanbul Finance Center are to be reduced by 50%.
- The notional interest deduction is to be limited to 5 years.
  - Foreign capital will be deducted at a rate of 75%.
  - Domestic capital will be deducted at a rate of 50%.
- Reductions of capital are going to be subjected to taxation.

A **general communique on income tax** has been published.

- The discussed issues are important for all employees and employers.
  - Tax exemptions of heating and catering expense reimbursements
  - Tax exemptions for overseas employees working in construction

**Lodging tax** communique has been posted.

- The tax will be levied at 2% beginning in 2023.

**Revaluation applications** should be made by the end of January.

Law 7423 has been passed.

- The law regulates the taxes, social security premiums, and penalties regarding the **production and imports of tobacco and alcohol**.

**Exchange-rate adjusted certificates of deposits** program has been extended until the end of 2023.

The revaluation rate for **motor vehicles tax** has been set as 61.5%.

**Entertainment tax** is kept at 0%.

**VAT declaration and payment deadlines** have been extended until further notice.

**Minimum wage** has been set as TRY 8,506.80 net, being exempt from income tax.

**A collateral requirement** has been proposed for motor vehicle traders.

**VAT exemption for delivery of machinery and equipment** has been extended until the end of 2024.

- The VAT levied from such deliveries will be discounted from other tax liabilities. If such crediting is not possible for any reason, a refund will be issued instead.
- For amounts greater than TRY 10,000.00 a tax audit report or a CPA report will be required.

**Withholding tax rates** have been updated.

- The discounted withholding rates for income derived from interest, dividends, bonds, mutual funds, and securities has been extended until June 30<sup>th</sup>, 2023.

### **Social Security Issues**

The **social security agreement between Turkey and Iran** has been approved.

All due **penalties from the pandemic restrictions** will be cancelled.

- Any transactions that have caused such penalties to arise will be regarded as erroneous.

The **Minimum Wage Determination Commission** decision has been published.

- For 2023, the minimum wage for a day of work has been set as TRY 333.60.
- The minimum wage subsidy will be extended.

### **Banking & Finance**

The **regulations on internal audits and pre-financial audits** have been amended.

The Capital Markets Board has drafted a **communiqué on rating agencies**.

The Central Bank has announced **interest rate** decisions.

- The weekly repurchase agreement award rate is kept at 9%.
- New rediscount and advance rates have been set.

The **deposit insurance** has been increased from TRY 200k to TRY 400k.

## R&D and Incentives

The President has announced a new **incentive plan on the IT sector**.

- TRY 4B of the TRY 200B incentive plan as guaranteed by the Treasury will be allocated to technology focused investments such as blockchain, artificial intelligence, and smart city plans.
- Incentives guaranteed with a limit of TRY 1B will be provided to small and medium sized businesses, to provide support in terms of personnel, infrastructure, leasing, hardware, and software licensing.
- Incentives are planned for data centers and cloud services.
- R&D center and technology development zone employees are allowed to work remotely up to 100% of their work time.
- The number of IT personnel employed in public services will be significantly increased.
- Public banks will provide loans to IT initiatives, with no payments for the first 6 months.
- The monthly social security premium aid of TRY 10k will be provided throughout 2023.

**The investment incentivization and protection agreement between Turkey and Belarus** has been approved.

The **Attraction Center Program** has been extended.

- The applications for investment incentivization for less developed locations has been extended by two years, until the end of 2024.

**Turcorn 100 Program** has been launched.

- The launch event for the "National Technology Entrepreneurship Strategy and Turcorn 100 Program" took place at the Istanbul Museum of Painting and Sculpture with the attendance of the Minister of Industry and Technology Mustafa Varank, Chairman of Baykar Selçuk Bayraktar, and representatives of 17 program partners including the Investment Office.

## Commercial Regulations

The **monetary thresholds listed in tariffs** have been updated.

The **imports of products** with an HS code of 9021.29.00.00.00 priced below USD 1,000.00 per kg **will be monitored** in accordance with a new communique.

The date for **notaries being able to process real estate transactions** has been delayed until July.

New regulations are in place for **e-commerce service providers**.

### **Climate and Environment**

The **Code of Mining** has been updated.

- All materials found naturally within the crust or underwater which hold an economic and commercial value, excluding crude oil, natural gas, geothermal resources, and marine resources, are classified as ores.
- The code regulates the surveying, managing, permitting, transferring, and auditing of mining operations.

The regulations on **Water Pollution Controls** have been amended.

New regulations are in place regarding **electronic waste**.

### **Other Issues**

The **rental rates** for school eateries and similar locations cannot be increased more than 25%.

- If a prior agreement for a rate increase was done before this decision, the difference is to be refunded should the rate be greater than the set limit.

**Best regards,  
Partners, Taxia**