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Subject : Tax Newsletter in Türkiye (January & February 2025)

Please find out our summary with respect to the latest developments on tax regulations, aiming to provide you an update on the recent changes along with their possible effects on your business.

e-ledger is a must for all companies starting in 2025 but with a new exception. UTTS car tracking system has started. Tax increases and tax exemption rate revisions are still on the table. Withholding tax on dividends and money deposits are increased.

Major Tax Issues

New tracking and packaging system will start for "ethyl alcohol" from the producers to the end.

Tax amounts and brackets are revised with the inflation rate in Türkiye for FY25.

Withholding tax rates are increased for time deposits and funds.

Tax exempted motor vehicle system for disables is completely changed.

The interest rate on the 2024 cash capital discount is revised as 55.58%.

- New capital injection will enjoy this "notional deduction" depending on the capital's origin.
- The notional interest deduction was limited to 5 years with an amendment in 2022. There was no time limitation before this change.
- Foreign capital will be deducted at a rate of 75%. Domestic capital will be deducted at a rate of 50%. There are different rates from 0% to 100% in this incentive application.

Tax declaration deadlines are approaching.

- Income tax returns for FY2024 should be filed in March.
- Real person taxpayers who are subject to income tax should file their returns electronically by the 2nd of April, 2025. (Wednesday April 2nd)
- You can visit Tax Brochures prepared by Turkish Tax Authority in English.
- Corporate tax returns for 2024 should be filed by the end of April (Wednesday, April 30th).

Angel investors can enjoy tax exemption in their tax returns.

- Real persons who are tax resident in Türkiye may exempt 75% of the value of their participation shares held in full taxpayer corporations from their annual tax returns.
    - Shares must be acquired after the date of this ruling.
    - Shares must be held for at least 2 years.
- This exemption is applied as 100% if the corporation is involved in a research, development, or innovation program as incentivized by the Ministry of Industry and Technology.

Tax-free Foundations (NGO) are to submit "Exemption Reports" in March

- There are more than 300 Foundations in Türkiye to enjoy tax exemption. They must submit a special exemption report certifying certain conditions by a sworn-in CPA

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- Firms can deduct the payments to those NGO's in their corporate tax returns as well.

Banking & Finance

The CBRT made updates regarding the currency-protected deposit system.

- The CBRT (Central Bank of the Republic of Turkey) made a regulation in the application of the currency protected deposit system. Only real persons can use this system.
- The Central Bank of the Republic of Türkiye has announced that, effective February 15, 2025, legal entities will no longer be able to open or renew KKM accounts, including YUVAM accounts. Furthermore, KKM accounts held by legal entities will no longer be included in the targets for KKM accounts' renewal and transition to Turkish lira (TRY).
- Firms and other taxpayers cannot apply the currency – protected deposit system. You can read the details about this system called KKM in Türkiye by clicking the bulletin.

BRSA (BDDK) renewed the "Bylaw on Credits".

- BRSA lifted the Decrees regarding with the borrowing in Turkish Lira.
- Companies were not able to get credit in Turkish lira if they exceed certain thresholds.

New minimum capital requirement figures are announced for "insurance agent companies"

The Decision encouraging the use of established card systems in Turkey has been published.

- Currently, the only local card scheme is TROY of Bankalararası Kart Merkezi.

The Monetary Policy Committee has decided to reduce the policy rate.

- The Monetary Policy Committee (the Committee) has decided to reduce the policy rate (the one-week repo auction rate) from 47,5% to 45%.
- You can read the details in CBRT web site.
- It is also worth to read the summary of the latest Committee meeting notes.

R&D and Incentives

New social security incentive for employees is published. It is 1.000TRY per employees.

Employment incentives for some "production" activities will be applied for SME type companies.

Productions firms keep enjoying 5% SSI discount instead of %4 for normal firms.

Commercial Regulations

Companies will use the electronic books form for the non – accounting books as well.

- The scope includes the share ledger, board of directors' decision ledger and general assembly meeting and negotiation ledger. The Communiqué will enter into force in July 2025.
- New companies established after 2026 are obliged to comply with this regulation.

Taxpayers are not subject to inflation accounting in Türkiye for provisional tax periods in 2025.

- The Ministry of Finance published an amendment stating that the firms are not supposed to prepare financial tables with inflation accounting for the first, second and third provisional tax quarters.
- But all companies will have to adjust the balance sheet for the year end.
- You can read the link to track the issues regarding with the inflation accounting in Türkiye.

e-invoice system is revised.

- New items and codes are added to the current system including new integration method.
- There is a new invoice system for "pharma and medical devices" companies and the deadline is extended till July 2025 to be in line with.
- E-invoice technical guide is updated for "electrical vehicle charge systems" as well.

Climate & Green

Regulations have been made in the Combined Transportation Regulation.

- Changes and additions have been made to the definitions article in the regulation, and the green logistics document and green packaging issue have been regulated.

The Industrial Emissions Management Regulation has been published.

Draft Law on Climate has been sent to the Parliament.

Miscellaneous

The monetary thresholds listed in tariffs have been updated.

UTTS (car tracking system) is a must all over the country which covers all the vehicles in Türkiye used by the taxpayers to track the oil / gas consumption.

- It will cover the vehicles owned by the firms first. The deadline for this was the end of January.
- The system will be applicable for the new cars in the second half of FY25.

"Sustainability Audit Regulation" has been published in the Official Gazette.

The Regulation on Classification of Building Contractors has been amended

- Certified Public Accountant (CPA) approved Form for the declaration of economic and financial competence has been updated.

Best regards,
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