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Subject: Monthly Financial/Tax Bulletin (November 2021)

Find out latest developments on tax regulation, keep updated on regulatory changes and their effects on your business in our tax bulletins. You can find the important financial news of last month briefly.

We are glad to share those summaries with clients and our network.

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, customs and foreign trade, social security obligations, trade legislations, banking and financial issues, postponed obligations, R&D and incentives below.

A.Economy and Public Budget

- Economy grew 7.4% in Turkey in the third quarter.
 - Turkish Statistical Institute announced Turkey's quarterly gross domestic product (GDP). GDP with chain linked volume index (2009=100) increased by 7.4% compared with the same quarter of the previous year in the third quarter of 2021.
 - GDP increased by 35.5% and reached 1 trillion 915 billion 467 million TRY at current prices. GDP realized 225 billion 497 million US Dollars in the third quarter of 2021.
- The revaluation rate was determined as 36.20% (thirty-six point twenty).
 - The revaluation rate belonging to 2021, which constitutes the basis for increasing the number of fines to be paid with the fixed limits in various legislations and the minimum and maximum amounts of which are specified, has been determined as **20%** (thirty-six point twenty). General Communiqué on Tax Procedure Law No. was published in the Official Gazette dated 27 November 2021 and numbered 31672.
 - The revaluation rate was announced as 9.11% for 2021. 36.20% for 2022 was recorded as the highest rate determined since 2002.
 - However, the President has the authority to reduce or increase the revaluation rate of 36.20% by 50% until January 1, 2022. Whether the President will exercise this power is a great curiosity.
 - Click [here](#) to access the related notification.

B.Main Economic Indicators

- The balance of payments statistics for September 2021 is announced by the Central Bank.
 - The current account recorded a surplus of USD 1,652 million, against a deficit of USD 2,335 million observed in the same month of 2020, bringing the 12-month rolling deficit to USD 18,444 million.

- [Click to view](#) the announcement.
- Turkish Statistical Institute announced inflation figures for November 2021.
 - Consumer price index increased by 21.31% and domestic producer price index increased by 54.62% on an annual basis.
- Ministry of Finance and Treasury announced the domestic borrowing strategy and debt statistics.
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 - Central Government Debt Statistics were published as well by currency, interest and instrument type.
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 - More statistics can be found by [clicking here](#).
 - [Click to](#) download Debt Statistics

C.Major Tax Issues

- With the [announcement](#) of GİB (Revenue Administration) dated November 15, 2021, declarations will be received by checking the Electronic Declaration Intermediation and Responsibility Agreement information in the Revenue Administration systems and the contract information in TÜRMOB systems as of January 01, 2022.
- The 8% VAT application has been extended in Advocacy Services.
 - The reduced rate application foreseen for some legal processes will also apply to legal aid and legal consultation.
 - Accordingly, the legal services provided within the scope of the legal aid and legal assistance provisions in the Code of Civil Procedure No. 6100 and the Attorney ship Law No. 1136, and cases and works falling under the jurisdiction of family courts, consumer courts and juvenile courts, guardianship cases and works; legal remedies related to these cases; VAT will be applied at a reduced rate for the legal services provided within the scope of mediation as a condition of litigation in labor disputes and related enforcement proceedings.
- With the 509 VUK General Communiqué Draft, the limits applicable to the transition to the **e-invoice** application will be reduced.
 - With the draft it will set less limits for different activities. It is also foreseen for e-archive invoice, e-waybill and e-expense note.
 - The communiqué is in draft form and detailed information is given.
- With the Income Tax General Communiqué Draft (316), the procedures and principles of the withholding tax refund to be made to the farmers have been determined.
 - Income tax withholding deducted after **January 1, 2016** will be refunded to applicants under certain conditions, taking into account the judicial decisions with Law No. 7338.
 - The communiqué is in draft form, and we will inform you about the details when it is published.
- New Double Taxation Agreement signed between Turkey and South Korea in 22 October 2021 in Seoul. The previous one is dated in 1983.
- The effective date of the Double Taxation Agreement signed between Turkey and Venezuela has been determined as 14 October 2021.
 - The Presidential Decision No. 4835, which made the determination, was published in the Official Gazette dated 23 November 2021.

- With the said decree, the effective date of the “Mutual Promotion of Investments Agreement” between Turkey and Montenegro was determined as 17 March 2020.
- The Ministry of Interior announced very important amendments to the Regulation regarding the Principles and Procedures of Collection of Aid.
 - Key changes are defining the expressions regarding aid and aid collection activities in detail, including aid collection activities on the internet within the scope of the bylaw, amendments in aid collection permit applications and operation of aid collection activities.

D.R&D and Incentives

- A new omnibus Law amending many laws, including remote working in R&D centers, was submitted to the Grand National Assembly of Turkey. The Bill of Law was accepted by the commission with one article addition.
 - Law Proposal Concerning the Enforcement of Certain Laws to the Turkish Grand National Assembly on 16 November 2021.
 - It has been discussed in the Industry, Trade, Energy, Natural Resources, Information and Technology Commission as the proposal commission. Click [here](#) for the Commission Report. The law will be discussed in the General Assembly soon.
 - With the Bill of Law.
- **Removal of the TRT share taken over the sale of electrical energy,**
 - - Authorizing the President to set the incentive rate as **75%** instead of 20% in the **remote working** model applied in R&D and design centers and technoparks,
 - Those who trade or promote products and tools to neutralize technological measures are punished with imprisonment,
 - Making arrangements for the use of in-forest waters in fish farming and the establishment of structures that must be built on land in the production of mussels and oysters, also in forest areas on the coast,
 - In investment incentives known as project-based super incentives, land allocation is made through the establishment of a 49-year easement, Establishment of the Department of Energy Conversion within EMRA and accordingly the creation of new staff.
- - In addition, some regulations are made in the following laws with the proposal.
 - Measures and Settings Law
 - Privatization Law
 - Cooperatives Law
 - Forest Law
 - Vocational Education Law
 - Electricity Market Law
 - Natural Gas Market Law
 - Turkish Petroleum Law
 - Energy Efficiency Law
 - Renewable Energy Law
 - Turkish Football Federation Law
 - Social Insurance Law (5510)

- Development Agencies Law
- ERA-CoBioTech has launched an open call for experts.
 - Supported under the ERA-CoBioTech Horizon 2020 program, it is a program aimed at supporting international cooperation projects covering biotechnology research and innovative topics such as sustainable bioeconomy.
 - The program aims to transform science and technology into real market opportunities and to make the most of research results, rather than just being a source of R&D funding for research projects.
 - With this new call opened within the framework of this strategic plan, it is aimed to select experts from two different profiles in order to evaluate the outputs of the projects supported within the scope of CoBioTech and to develop a common policy summary on biotechnology.
 - [Click](#) for detailed information.

E.Banking & Finance

- The Regulation on Internal Systems in Insurance and Private Pension Sectors has been renewed.
 - The 2008 Regulation was repealed and Temporary Article 1, which regulates the transitional provisions for the transition period, was put into effect.
 - The bylaw mainly regulates the procedures and principles regarding internal control, risk management, internal audit and actuarial systems and their functioning for these companies.
 - The regulation defines the responsibilities and authorities of the management regarding the establishment of internal systems, the qualifications, authorities and responsibilities of the members of the audit committee, and the duties of the committee regarding internal control, risk, actuary, internal audit systems and the independent external audit function. Internal control, risk management, actuarial and internal audit functions have been determined in detail with a systematic approach.
- Regulations have been made in the Export Circular and the country lists exempt from the regulation have been updated.
 - With the amendment to the circular, the obligation to bring export income from 29 countries was abolished. In exports to these countries, the use of foreign currency is released. In addition, it was deemed sufficient to bring 50% of the costs in exports to 10 countries. The remaining 50% savings have been released.
- A meeting was held between the Central Bank of the Republic of Turkey, the Banking Regulation and Supervision Agency and the Banks Association of Turkey.
 - At the meeting, developments in the global and domestic economy, markets and the banking sector were discussed, and consultations were held to make the practices in these areas more efficient.

F.Commercial Arrangements

- Second amendment in the Enforcement and Bankruptcy Law and some other Laws in this year is published in the Official Gazette No. 31675 on November 30, 2021.
 - 4 more articles were added in the General Assembly.

- In summary, with the Law;
 - Conducting the auction related to the execution proceedings entirely electronically, including the part that was previously held in the auction halls,
 - The period for the sale of seized movable properties is one year as in the case of immovables, the valuation of the seized goods and the determination of sales expenses with the tariff, the obligation to pay the expenses to be determined by the tariff together with the sales request regarding the seized goods,
 - If the expense is not paid, the sale request is deemed not to have occurred, it is obligatory to make the storage, valuation and sale request of the motor land vehicles registered in the registry,
 - Allowing the debtor to sell his confiscated property with his consent,
 - Taking the decision or injunction regarding the delivery of a child or establishing a personal relationship with the child out of the enforcement system, and the execution of these procedures by the legal support and victim services directorates operating under the Ministry of Justice, without burdening the parties with a financial burden.
 - This will be the second amendment made to this Law this year. You can access detailed information from the [link](#) for the changes made with the Law No. 7327, which was enacted this year.
- Attorney's Minimum Fee Schedule has been published.
 - [Click](#) for detailed information.

We have summarized recent changes in English, in short headings. We will continue to announce to you all the developments in Turkish and in English.

Please tell us if you have any comments or questions on any of the subjects above. As this is brief summary, we did not give too much details, we can answer your questions if you have.

Because of the mailing system we would like you to mark our bulletins and e-mails as safe in your e-mailing system.

Best regards,

Partners, Taxia