2021-092

Date : October 4th, 2021

Subject: Monthly Financial/Tax Update in Turkey (September 2021)

You can find the important tax-related and financial issues 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

- The Medium-Term Program (2022-2024) has been published.
  - The Program give clues about important steps, precautions and policy changes in government programs and actions.
  - Secondly, the Investment Program and Budget for 2022-2024 were announced as well.
  - You can find more information regarding with those policy papers.
    - Click to view our article on the subject.
- The Turkish economy continues to experience a robust recovery in the aftermath of the novel coronavirus pandemic.
  - The Turkish Statistical Institute (TurkStat) unveiled the latest industrial production data in Turkey. Accordingly, the data recorded the fastest increase of the last 10 months with climbing up by 2.3 percent monthly and 23.9 percent annually in June 2021, where market expectations were 2.1 percent and 21.7 percent respectively.
  - Meanwhile, calendar adjusted industrial production rose by 41.1 percent in the second quarter of 2021 over the same period of the last year.
    - Click to view the announcement.
- The President of Turkey announced a new Privatization Decree.
  - Trusteeship (yedieminlik) system will be privatized till 2025 in Turkey. Privatization method might be any sort of licensing or profit sharing.
- Turkey has ratified the Climate Change amendments in Kigali.
  - Carbon Deal is going to affect the whole country and fiscal system. The Ministry of Trade had announced Strategy Paper last month.
  - Paris Convention will be discussed in the Parliament as well soon.

B. Main Economic Indicators

- The balance of payments statistics for July 2021 is announced by the Central Bank

    - The current account deficit recorded USD 683 million indicating a decrease of USD 1,306 million compared to July of the previous year, bringing the 12-month rolling deficit to USD 27,832 million.
        - Click to view the announcement.
- Turkish Statistical Institute announced inflation figures for August 2021.
    - Consumer price index increased by 19.25% and domestic producer price index increased by 45.52% on an annual basis.
- Ministry of Finance and Treasury announced the domestic borrowing strategy and debt statistics.
    - Central Government Debt Statistics were published as well by currency, interest and instrument type.
    - More statistics can be found by clicking here.

C. Major Tax Issues

- Tax amnesty applications are collected by the Ministry of Finance.
    - Taxpayers restructured their unpaid tax and public debts and other payables to the Tax Office and settled tax litigations to protect themselves against potential tax audits by making voluntary tax base increase (years 2016 – 2020 with **regressive rates**) and correct their current accounts / cash and inventory records.
    - Taxpayers can update the tax base of fixed assets in return for a **2% tax** on the surplus calculated till the year end.
- New Tax Amendment (Omnibus Law) is in the Parliament.
    - According to the Proposal, a new tax proposal having 64 articles regulating many tax laws came to the Parliament last week. This includes incentives, new tax exemptions for tradesmen and youtubers, amendments in some problematic areas in tax procedures. Mutual agreement procedure is going to be regulated in local tax legislation as a new instrument.
    - This new proposal will be discussed in the Budget and Planning Committee first and it will be sent to the General Assembly.
- Tax Court announced an important decision on VAT return for taxpayers.
    - The Ministry of Finance had started a new system this year to return VAT to the taxpayers with the condition of reverse charge VAT is paid to the Tax Office by the withholders.
- Tax bases are announced for Real Estate Tax by the Ministry of Finance and Ministry of Environment.
- New Double Tax Treaty is signed and announced with Kongo Republic. Turkey has 96 tax treaties, 86 of them are applicable for the time being.
- Social Security Administration in Turkey (SGK) published a new regulation about e-notification like the other Administrations. Firms are supposed to have registered e-notification addresses compliant with the necessities by the SGK.
- VAT is reduced to 1% for the used certified cell phone sales.
    - This reduction is not applicable for PC and tablet sales. The new rate is applicable for the sales from October 1st, 2021.
- **VAT** will continue to be applied **as 8%** for accommodation (overnight) services and other reductions which were extended till the end of September 2021.
    - VAT reductions for tradesmen services, restaurants and others were not renewed and normal rates started to be applied from October 1st.

D. R&D and Incentives

Turkey proposes lots of different incentives for the majority businesses such as SME, R&D firms and exporters. There are some legislative changes summarized below on those issues.

- New Free Zone is announced in Bergama / İzmir by the President of Turkey.
  - Turkey offers very generous tax incentives in Free Zones including tax incentives, exchange rules and facilities. Firms in Free Zones are tax exempted for their headcount if 85% of production is exported annual basis.
- Secondary legislation after R&D and Technopark Law Amendment nr. 7263 has not been published yet. As this is very important subject, it should be better to be announced soon for taxpayers and firms.
  - You can find more information regarding with the amendments of new R&D Law in February Bulletin.

E. Banking & Finance

- At the CBRT Monetary Policy Committee meeting in September 23rd 2021, it was decided to reduce the **policy interest rate** (one-week repo auction rate) to **18%.**
- Capial Markets Board (CMB – SPK) announced the Communique on Crowdfunding in its website for public consultation.
  - This regulation includes share-based and debt-based type crowdfunding in addition to the establishment of the platforms, permissions, prohibited activities, necessary documentation, investment limits etc. This new legislation will be expected to be published in the Official Gazette soon.
- Banking Sector Monthly Bulletin Released – 2021 August by the BRSA.
  - Financial information submitted regularly to the BRSA (BDDK) by the institutions under the scope of the Banking Law and other regulations within the framework of supervison function, those having fundamental information feature are presented on monthly basis in the direction of the targets of transparency and informing the public.
    - Click to view the announcement.

- Turkey (MASAK) and Malta (FIAU) signed a memorandum of understanding in order to combat money laundering, terrorism financing and tax crimes.
  - The MoU includes provision regarding with exchange of information, demand and disclosure of information, privacy/confidentiality, feedback and communication between parties.
- Tax amnesty for assets abroad is applicable till the year end.
  - The Ministry of Finance has sent an informative brochure to the Banking Supervisory Authority (BRSA). The banks are intermediate to collect the Peace Asset Tax Files.

F. Commercial Arrangements

- Customs Bylaw is updated in September 2021.

    - The Customs regulation is changed regarding the simplified procedures for transit regimes, temporary storage sites and bonded warehouse permissions. Those changes include the permitted consignor authorization for the transit regime.
- Turkey ratified the Agreement signed in Marrakesh on Facilitation to Reach the Materials for Blind People.
    - It is very important agreement for people and humanity. The Agreement was signed in 2013 and the President announced the ratification in September 2021. All the countries should provide copies of those materials to the other countries equally.
- Transfer of shares for Joint Stock Companies should be declared to the Central Registration Unit by the year end.
    - There is no registration and announcement obligation for joint stock companies in the share transfer (except for the conversion of a single-partnered joint stock company, the change of the partner of a single-partnered joint stock company, or the case of a joint stock company with a single partner), but in the event of transfer of bearer shares with this communiqué, notification obligation has been introduced.

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.

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Best regards,