



## Newsletter

**No** : 2020-100

**Date** : September 4<sup>th</sup>, 2020

**Subject:** Monthly Financial/Tax Regulations Summary in Turkey (August 2020)

Distinguished readers,

We would like to submit the important tax-related and financial issues that occurred within the last month in Turkey.

In addition, you can visit our website ([www.taxia.com.tr](http://www.taxia.com.tr)) designed to support and inform the business society, employees and all stakeholders. We hope that you will benefit and enjoy our newsletters.

Let's briefly start with the headings and then examine the details. We will submit information about tax, customs, social security obligations, banking and financial issues, postponed obligations, R&D and incentives below.

### A. Main Economic Indicators

- August 2020 **Inflation** Figures
  - Turkish Statistical Institute announced consumer price index (CPI) and domestic producer price index (D-PPI) figures for August 2020.
  - CPI increased by **11.77%** annually and 0.86% monthly while D-PPI increased by 11.53% annually and 2.35% monthly.
- **Foreign Trade Statistics**
  - Turkish Statistical Institute announced foreign trade statistics for July 2020. According to the provisional data based on the general trade system, exports were 15 billion 12 million dollars with a 5.8% decrease and imports were 17 billion 709 million dollars with a 7.9% decrease compared to July 2019.
  - In July 2020, foreign trade deficit was 2 billion 697 million dollars with an 18.2% decrease compared to the same period. In July 2020, **exports' coverage** of imports was **84.8%** while it was 82.9% in July 2019.
- **Quarterly Gross Domestic Product**
  - Turkish Statistical Institute announced that the first estimation of GDP decreased **by 9.9%** in the second quarter of 2020 compared to the same quarter of the previous year.



- Turkish Statistical Institute announced Turkey's quarterly gross domestic product (GDP). First estimation of GDP with chain linked volume index (**2009=100**) decreased by 9.9% in the **second quarter** of 2020 compared to the same quarter of the previous year.

## B. Major Tax Issues

- The force majeure situation due to Covid-19 has ended and statements and taxes must be paid.
- As force majeure ends for taxpayers, VAT withholding will continue for specified transactions and services.
- **VAT Rates** in some services have been reduced temporarily till the end of year in order to promote the economy mostly for SME's and general public. VAT on private schools is reduced to 1% from 8% till June 30<sup>th</sup> of 2021.
- **Communique on Transfer Pricing is published after long public consultations.**
  - The Communique nr. 4 regarding with **Transfer Pricing** in Turkey to be in line with OECD standards changes all the TP documentation rules.
- The Communiqué No. 2020-1 on **Accreditation Usage Fees and Shares** was published.
  - Accredited firms are supposed to pay special fee on their income which is 0,6% annual basis till the end of March in following fiscal year.
  - Accredited firms operating abroad do not make any notification regarding the use of accreditation and do not pay usage fee / share in this manner.
- **The Draft General Communiqué** on the Implementation of the Product Tracking System for Tobacco Products, Macarons, Leaf Cigarette Paper and Alcoholic Beverages was prepared. Those products are subject to special consumption tax in Turkey.
- Turkey started to **exchange financial information** with the other parties. The Ministry of Finance has published a Guideline on the Automatic Exchange of Financial Information with other Countries.
  - Turkey's first automatic exchange of information, began in 2018 with Norway and Latvia.
  - There are 54 countries in 2020 list to share financial information. Germany, Netherlands, France, Belgium and Austria are not in this list this year.
  - In this context, financial information regarding deposit accounts, custody accounts, partnership and debt relationship interest, cash value insurance contracts and regular payment agreements will be shared.



### C. Social Security Issues

- The **short-time working allowance** has been extended again, this time for two months.
  - It is extended with the Presidential Decision No. 2915, which was published in the Official Gazette dated August 31, 2020, and No. 31230.
- Circular No. 2020/35 on **Insurance Premium Support**, introduced by Law No. 7252, was published.
  - It is one of the Covid-19 measures supporting the firms that applied the short-term working allowances before.
  - This new incentive will cover social security premium payments for the firms affected because of the pandemic. It will long for 3 months till the end of 2020.
  - **Social Security Premium Support to the Firms:** With the New Law known as the new Employment Package, it started to cover social security premiums (employee and employer shares) from the Unemployment Insurance Fund for 3 months, provided that workplaces that benefit from short term working support (KÇÖ) and cash wage support do not exceed these periods.
- Update on **Withholding Tax and SSI Declaration Combination Project**
  - The concise and service premium declaration came into force in July 2020 and there is no postponement.
  - The application used to be continuing in 7 cities of 4 + 3. No postponement is made this time and the implementation started for the whole country as of 1 July 2020.

### 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:

- Financial incentives are given for aquaculture in Turkey.
  - The Ministry of Agriculture and Forestry made amendments to the Fisheries Aquaculture Regulation.
- Improvements were made in the Supports for Forest Villagers and epidemics were considered as force majeure in the payment of loan supports.
- Important changes on **Investment Incentives Schemes** in Turkey.



- Some amendments have been made in the Decree on State Aids in Investments, which was put into effect with the President Decree No. 2846, published in the Official Gazette dated 21.08.2020 and numbered 31220, and the Decree of the Council of Ministers dated 15/6/2012 and numbered 2012/3305.
- The changes are about the investments included in the scope of priority investments, strategic investments, customs tax exemption, interest support, insurance premium employer's share support, investments that will benefit from sub-regional support for districts that are less developed than the province they are affiliated with, changing the incentive zone according to the socio-economic development level of some provinces.
- You can find more information on these changes in our bulletin nr. [2020/97](#)

## E. Banking & Finance

- Central Bank of Turkey's Decisions:
  - With the Press Release on Turkish Lira Liquidity Management made by the CBRT, the liquidity limits granted to banks within the framework of Open Market Operations were zeroed.
  - In the framework of the tightening steps taken under liquidity management, banks' borrowing limits at the Central Bank of the Republic of Turkey (CBRT) Interbank Money Market for O/N transactions will be reduced to half of their current limits effective from 19 August 2020.
- **Interest rates:** CBRT kept interest rates stable.
  - The Monetary Policy Committee (the Committee) has decided to keep the policy rate (one-week repo auction rate) constant at 8.25 percent. (August 20<sup>th</sup>, 2020.)
  - While global economic activity has shown signs of partial recovery in the third quarter following the normalization steps taken by several countries, uncertainties on global economic recovery remain high. Advanced and emerging economies continue to maintain expansionary monetary and fiscal stances. The pandemic disease is closely monitored for its evolving global impact on capital flows, financial conditions, international trade and commodity prices.
- **A Memorandum of Understanding** was signed between the Central Bank of the Republic of **Turkey** and the Central Bank of **Libya** on 31 August 2020, laying the groundwork for continued cooperation in the field of central banking.
  - In the framework of the MoU, the two central banks aspire to carry out activities to foster bilateral economic relations and strengthen financial cooperation between the two countries.



- A Regulation on the Production and Use of **TR QR Code** has been published.
  - It is a widely used payment system in Turkey especially because of the pandemic.
  - National rules and principles for the standardized “TR QR Code” aim to enhance the use of a common QR code in retail payments, initiate practical, easier, more efficient and safer payments, and thus help to reduce use of physical cash in the form of banknotes.
  - With the new bylaw published by the Central Bank of Turkey in the Official Gazette dated August 21, 2020 payment transactions within the scope of payment services and made using a data matrix were regulated within the framework of the Law No. 6493 on Payment and Securities Settlement Systems, Payment Services and Electronic Money Institutions.
  - The CBRT may determine an upper limit on payment transactions that can be made via Turkish QR Code.
  - Payment service providers are obligated to ensure the generation of a QR code in accordance with the Technical Document for the payment services executed via Turkish QR code, as well as the secure conduct of these payments. Technical rules and guidelines should be satisfied determined by the CBRT, by December 31, 2021 at the latest.

## F. International Trade & Customs

- Export Revenue is to be transferred in Turkey by the exporter firms. There are many methods to execute, BPO is not an option with an updated regulation.
  - By amending the Communiqué on bringing export revenues to the country, the possibility of bringing them to the country with BPO (bank payment obligation) has been removed.
- **Export of Fresh Lemon:** The Communiqué on the export-prohibited and export-related goods and preliminary goods with pre-permission was updated and the export of fresh **lemon** was released.
- Investment Incentives and Additional Customs Duties
  - A general letter was published on whether additional customs duties and additional financial obligations can benefit from the support within the scope of the investment incentive certificate.

## G. Other Legislative Changes in Turkey

- Bylaw on the sharing of the **Personal Data** with other Institutions



- By publishing the Data Sharing Board Regulation and the Identity Sharing System Regulation, data sharing with the requesting institutions within the Identity Sharing System (KPS) of the General Directorate of Population and Citizenship Affairs and the procedures and principles to be applied.
  - In return for sharing the information in the Identity Sharing System with public institutions and organizations and legal entities other than the public administrations within the scope of general government, **participation fee** is collected per query or returning record.
- **Electronic message system (İYS) and consent mechanism is postponed**
    - According to the Regulation by the Ministry of Trade, service providers wishing to send commercial electronic messages must register with the İYS and transfer recipient consents to the İYS. In that regard, all relevant firms must complete their İYS registrations and transfer recipient consents to the İYS by the relevant deadlines. Here are the new deadlines:

Deadlines	Old Deadline	New Deadline
-Deadline for service providers to transfer recipient consents to the İYS system	*September 1 <sup>st</sup> , 2020	*December 1 <sup>st</sup> , 2020
-Deadline for recipients to review their consent declarations on the İYS system	*December 1 <sup>st</sup> , 2020	*January 16 <sup>th</sup> , 2021

- Commercial electronic messages sent after the end of this period will be deemed approved. The Ministry of Commerce is authorized to postpone these dates for six months, taking into account the quality of service providers and the size of commercial electronic message approvals.
- Regulation on **Sale of Renewed (refurbished) Products** was published by the Ministry of Trade.
    - With this Regulation published in the Official Gazette dated 22 August 2020, the procedures and principles regarding the renewal and resale of the used goods specified in the annex of the Regulation have been regulated. Products to be renewed and sold according to this system are **mobile phones and tablets**.
    - Cell phones must have been used for at least one year and must contain data traffic in order to be sold as refurbished. Those goods may be resold if its packaging contains the wording “*refurbished goods*” and they are accompanied by a refurbished product guarantee issued by a refurbishment center and introduction and user manual in Turkish.
  - Significant changes were made to the Bylaw regulating **the trade of second hand motor vehicles**.



- The Regulation on the Amendment of the Regulation on the Trade of Second Hand Motor Vehicles will be published in the Official Gazette dated 15 August 2020, and some articles will enter into force on the same day and some articles as of the beginning of 2021.
- Second hand motor vehicle trade is carried out by businesses that have authorization certificates. Sales of more than three second-hand motor vehicles carried out directly or through intermediation within a calendar year are accepted as second-hand motor vehicles trade unless otherwise determined by the Ministry of Trade. This new rule affects the taxation situation of individuals who are heavily doing this business without tax registration.

We have summarized our notes on the changes and developments regarding the summary financial / tax legislation in the last one month, in English, in short headings. We will continue to announce to you all the developments made in other months in Turkish and English.

Please do not hesitate to contact us for further information. As we summarized the bulletin for you, we keep it very short. Please tell us if you have any comments or questions on any of the subjects above.

Best regards,

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