



2021-042

Date : April 2nd, 2021

Subject: Monthly Financial/Tax Regulations Summary in Turkey (March 2021)

You can find the important tax-related and financial issues of March 2021. We are glad to share those summaries with non-Turkish speaking clients and our network abroad.

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.

- ✓ March 2021 was a busy month with income tax returns and updates on legal regulations. In particular, the details of the financial reform package that the Ministry of Treasury and Finance has been conducting for a while has become clear with a timetable.
- ✓ April is important for both corporates to submit corporate tax returns and for NGO's for annual declarations to submit online.

A. Economy and Public Budget

- The action plan regarding the Economic Reform Package announced by the President details have been determined.
 - The "Economic Reforms **Action Plan**" containing the dates has been published including the headlines and details: Public Finance, Price Stability, Financial Sector, Current Account Deficit, Employment, Corporate Governance, Promoting Investments, Domestic Trade Under the main headings of Facilitation, Competition, Market Surveillance and Inspection.

B. Main Economic Indicators

- **Capacity utilization rate** of the manufacturing industry for March 2021
 - The seasonally adjusted rate decreased to 74.7% in March 2021 from 74.9% in February 2021.
- The **balance of payments** statistics for January 2021 as announced by the Central Bank.

- The current account deficit recorded USD 1,867 million indicating a decrease of USD 166 million compared to January of the previous year, bringing the 12-month rolling deficit to USD 36,599 million.
- Turkish Statistical Institute announced the **labour force statistics** for January 2021.
 - New regulations were made in order to comply with the 19th International Conference of Labour Statisticians Resolutions of the International Labour Organization and the relevant EU regulations.
 - Complementary indicators were defined in addition to employment and unemployment in order to follow the developments in the labour market better. These complementary indicators published by Eurostat are included in the data.
 - In addition to this, labour force statistics, which had been published as 3 months moving averages in current up to now, will be published as independent monthly estimates from January 2021 onwards. In the light of these, seasonally adjusted unemployment rate realized as 12.2% in Turkey. The youth unemployment rate in the 15-24 age group was 24.7% with 0.7 percentage point decrease compared to the previous month.
- **Public management debt report** is published in March 2021.
 - [Public Debt Management Report \(hmb.gov.tr\)](http://hmb.gov.tr)
- Turkish Statistical Institute announced **inflation figures** for February 2021.
 - Consumer price index increased by **15.61%** and domestic producer price index increased by 27.09% on an annual basis.

C. Major Tax Issues

- Corporate Tax Returns will be submitted by more than 930.000 taxpayers in April 2021 in Turkey.
- **Finance expenses are limited** by a Presidential Decree and explanatory Communique is now open for public consultation.
 - Taxpayers whose utilized foreign liabilities exceed their equity, except for credit institutions, financial institutions, financial leasing, factoring and financing companies will be unable to deduct 10% of the total of the expense and cost items related to the utilized foreign liabilities made under the title of interest, commission, delay interest, dividend, F/X differences, etc. in

corporate tax calculation. It means that 90% of the financing expenses will be deducted.

- The limitation applies only for the amounts that exceed the equity. Costs and expense items recorded within the investment expenses are not subject to the limitation.
 - This limitation entered into effect by the publishing date of the Decree (February 4th, 2021) for all income derived within the taxation period starting as of January 1, 2021.
 - There are many gray areas such as the definition of equity, finance expenses and revenues and if those are allowed to be written off, previous credits taken before February 4th, 2021 etc. Draft Communique will be open to April 12th for opinions and comments.
- New Stimulus Package was published on the Official Gazette as Law nr. 7256. **Important Draft Communiques** regarding with the tax changes are on the way.
 - You can find more information regarding the changes brought by the New Package in our bulletins nr. [2020-122](#) and [2020-123](#).
 - 2 major explanatory Tax Communiques were prepared and submitted for public opinion by the Turkish Revenue Administration. It is not published yet. You can give your inputs and comments.
 - Draft Income Tax Communique nr. 314 explaining new e-commerce incentives and other amendments.
 - Draft Corporate Tax Communique explaining withholding taxing on the shares bought by the same firm in some conditions and tax reduction for public companies which go public for the first time in BİST (İstanbul Stock Exchange) for the first 5 years.
 - Tax Procedure Law General Communiqué regulating the transition process related to the **new generation fuel pump payment recording devices** has been published.

D. Social Security Issues

- The **Remote Work Regulation** has been published in the Official Gazette.
 - By the regulation, the personnel who have to work from home due to the pandemic Regulations on working conditions are included. This is a quite new legislation that there are many controversial issues.
- New Communique explaining the details of the Social Security Agreement concluded between **Mongolia and Turkey** has been published.
 - The Social Security Agreement concluded between Mongolia and Turkey is determined as the effective date of March 1, 2021.

- Social Security Agreement concluded between **Iran and Turkey** is approved.

E. 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.

- Regulation on FDI (Foreign Direct Investment) has been published.
- New Incentive Programs are announced by KOSGEB.
- Calls for open to promote Civil Society and institutional awareness in Turkey.
- New Project Based Incentive Decree is announced for a Spare Part Automobile Company in Izmir.
 - The President has the power to decide the Super Incentives for value added projects and plant.

F. Banking & Finance

- At the Monetary Policy Committee (Board) meeting held on March 18, 2021, the CBRT (TCMB) decided to increase the policy rate (one-week repo auction rate) from 17% to 19%. 4
- Summary of the CBRT Committee meeting on March 18th is published.
 - [TCMB - Summary of the Monetary Policy Committee Meeting \(2021-14\)](#)
- Regulation on Precautionary Plans to be Prepared by Systemically Important Banks is published by BDDK (BRSA).
- The Ordinary General Assembly Meeting of the CBRT was held on 30 March 2021.
 - The 89th Ordinary General Assembly Meeting of the Central Bank of the Republic of Turkey was held on Tuesday, 30 March 2021 at 2.00 pm at the Conference Hall of the CBRT Head Office.
- **Saving financing system** is regulated as a new financial institution in Turkey.
 - This system, which is an application where people can buy houses and cars by uniting their power of purchase, has been submitted to the Parliament as a Law Proposal on the Savings and Financing System.
 - The Law nr. 7292, dated March 7th, 2021 aims to regulate the savings financing and home and car ownership practices, which have grown in recent



years. It will cause consolidations and mergers in the market pretty soon as the minimum capital requirement is quite high.

G. Commercial Arrangements

- Amendments on the Regulation of Principles and Rules to be Applied in Retail Trade was published in the Official Gazette dated March 16, 2021 and numbered 31425.
- New changes made on the Bylaw of Parking Lots which is necessary for new building and constructions for a while.
- Significant changes have been made in the Private Hospitals Regulation regarding compliance with the new regulations.
 - In the regulation, arrangements were made on the employment of other personnel in private hospitals, notifications to be made about the personnel and specialist physicians, the procedures to be carried out in the transfer of private hospitals, the permissible issues to increase the quality and efficiency of private hospitals, the harmony of licensed hospital buildings and architectural project evaluations.

H. Foreign Trade & Customs

- **Free Trade Agreement** (STA) between Turkey and the Bosnia and Herzegovina was approved. 5
- Important Bylaw is published regarding with the Free Trade Agreement between Turkey and Azerbaijan.

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 in English.

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

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

Best regards,

Partners, Taxia