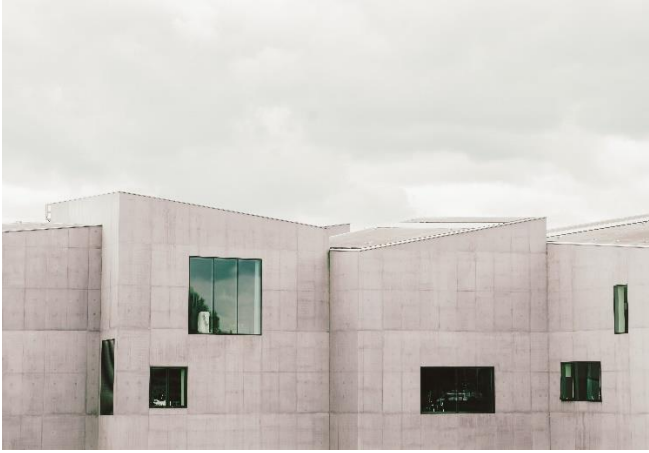


Law No. 7524 Introducing Tax Amendments and Rules



Law No.7524, titled "On Amendments to the Tax Code and Certain Other Laws" was published in the Official Gazette numbered 32620 on August 2, 2024 and has come into force.

With this law, some important amendments were made to the Tax Procedure Law, Value Added Tax Law, Income Tax Law, Corporate Tax Law and other laws. The main headings of the relevant amendments and regulations are as follows:

Domestic Minimum Corporate Tax:

"Domestic Minimum Corporate Tax" has been introduced. Accordingly, the calculated corporate tax cannot be less than 10% of the corporate profit before the application of any discounts and exemptions.

(Reductions and exemptions such as; participation earnings, emission premium earnings, return exemption in cooperatives, exemption on earnings from sell-lease-repurchase transactions, investment fund and partnership portfolio Management earnings, earnings from the operation and transfer of ships registered in the Turkish International Ship Registry, amounts set aside as venture capital fund, protected workplace discount, R&D and Design discount, earnings from Technology

Development Zones, can be deducted from the minimum corporate tax base)

According to the current legislation, the accumulated tax losses cannot be deducted from the minimum corporate tax base. It is anticipated that further clarification will be provided by the Ministry of Treasury and Finance.

- Domestic Minimum Corporate Tax will also be applied in the quarterly advance CIT periods during the year

- The new established corporations are excluded from the scope of domestic minimum corporate tax for the first three accounting periods.

- The term "corporate income before reductions and exemptions" refers to the amount calculated by adding non-deductible expenses to the commercial balance sheet profit.

This norm will be applied to the earnings obtained in 2025 and the following periods.

Global Minimum Corporate Tax:

A 'Global Minimum Corporate Tax' has been introduced for multinational enterprises whose annual consolidated revenue exceeds the limit of Turkish lira equivalent to EUR 750 million. For this purpose, a new section of 14 articles has been added to the current Corporate Tax Law.

Multinational enterprises whose UPE (Ultimate Parent Entity) located in Turkey are expected to file their global minimum Corporate taxes as part of the global minimum corporate tax return due by the

end of June 2026. Prior to this declaration, Turkish resident entities of multinational business groups will also be required to file their domestic minimum corporate tax return in December 2025.

The norm is applicable to the 2024 and subsequent years. (It is applicable to the 2025 and subsequent years' income of those that are to be taxed according to the under-taxed payments rule)

Limitation of the Earnings Exemption Provided to Enterprises Operating in Free Zones to Export Revenues:

As per the norm introduced by this Law, it is regulated that only the earnings derived from the sales abroad (exports) of the products manufactured by the institutions operating in free zones will be exempt, and the exemption granted to the earnings derived from domestic sales will be abolished.

This exemption will be applied to the earnings obtained as of the year 2025.

Introducing at Least 50% Dividend Distribution From Real Estate Gains Condition to the Corporate Tax Exemption in Investment Funds and Partnerships:

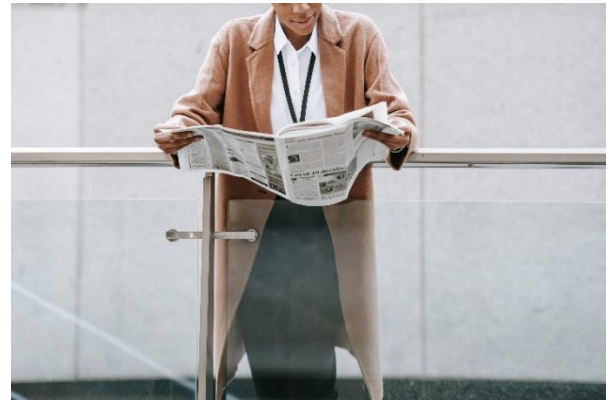
With the recent amendment introduced by this Law, all funds and partnerships, including Real Estate Investment Trusts (REITs) and Real Estate Investment Funds (REIFs), will be eligible for the corporate income tax exemption if they distribute at least 50% of their earnings derived from real estate assets, including those classified as commercial goods, to their shareholders as dividends.

It will be applied to the earnings obtained as of the year 2025.

Imposition of 30% Corporate Income Tax on Profits From Build-Operate-Transfer Projects:

With the amendment introduced by this Law, the corporate tax rate has been set at 30% -up from 25%- for earnings derived from institutions operating under the build-operate-transfer (BOT) model

It will be applied to the earnings obtained as of the year 2025.



Deferred VAT in Mergers, Acquisition and Division Transactions:

The new law stipulates that in mergers, transfers and spin-offs, the transfer of deferred VAT and refund rights to the new company will be allowed through a tax inspection, without being subject to the 5-year statute of limitation.

This norm has entered into force on 02.08.2024.

Deduction of the Charged VAT:

According to the new norm introduced by this Law, VAT amounts carried forward for five calendar years or more shall be removed from the deductible VAT accounts and transferred to a special account. These amounts will then be recognized as an expense in the calculation of income or corporate tax, based on the findings of a tax inspection conducted at the taxpayer's request.

This norm will come into effect on January 1, 2030.

Determination of Tax Inspection As the Main Procedure for VAT Refunds:

With the amendment made by this Law, the main procedure in VAT refunds is determined as "tax inspection"

This norm will enter into force on 01.09.2024

Increase in Irregularity Penalties:

This law has increased the amounts of irregularity and special irregularity penalties. In case of multiple penalties, the penalties will be applied incrementally. Penalties will also be applied incrementally to those who do not comply with the obligation to obtain and submit documents. However, buyers who notify the Administration within 5 business days that no document has been issued will not be penalized.

This norm has entered into force on 02.08.2024.

Exclusion of the Tax Amount from the Scope of Reconciliation:

Exclusion of the Tax Amount from the Scope of Reconciliation: By amending the provisions of the Tax Procedure Law regulating reconciliation, it is envisaged that the tax base will be excluded from the scope of reconciliation. There is also a transitional provision stating that this amendment will be valid for the reconciliation applications made after the enactment of Law No. 7524.

This norm has entered into force on 02.08.2024

Granting Shares to Employees:

It is proposed that shares granted free of charge or at a discount to employees by employers qualifying as techno-enterprise

companies will be exempt from income tax, provided that the criterias set by the Ministry of Industry and Technology are met.

This norm has entered into force on 02.08.2024

Revenue Determination for Income Taxpayers:

Taxpayers may be requested to provide an explanation if the revenue determined through periodic inspections and the declarations made by taxpayers differ by more than 20%. Law No. 7524 allows taxation based on the revenue that has been determined through periodic inspections if the explanation is deemed insufficient.

This norm will enter into force on 01.01.2025

It is envisaged that precious metals in the assets of the enterprises will be valued with the stock exchange market value. Thus, the differences found with the valuation to be made in the provisional tax period will be taken into account as income or expense.

This norm has entered into force on 02.08.2024



Withholding Tax on Certain Payments:

Income and corporate income withholding taxes are allowed for certain payments made to resident and non-resident taxpayers.

This norm will enter into force on 01.01.2025

Obligation to Provide Information on Commercial Transactions:

The Ministry of Treasury and Finance is authorized to regulate the obligation to provide information on commercial transactions such as advertising, leasing and sales on the internet and other digital media, including electronic commerce.

In addition, payments made by electronic commerce intermediary service providers and electronic service providers to service providers and electronic commerce service providers are included within the scope of income and corporate tax withholding.

This norm has entered into force on 02.08.2024

Receipt of Discharge (No-debt):

Payments to be made upon court decisions and payment or execution orders of enforcement offices are also included in the scope of the 'no debt' application.

This norm has entered into force on 02.08.2024

VAT Exemption for Marine Transportation Vehicles Abolished:

The VAT exemption on services such as rental and maintenance provided at ports for marine transportation vehicles used in non-commercial activities (excursions, entertainment, sports, etc.) has been abolished.

This norm will enter into force on 01.09.2024

Elimination of Differences in the Application of VAT and Special Consumption:

Arrangements were made to eliminate the differences in the application of VAT and special consumption tax in favour of importers in the case of import and domestic supply of certain goods.

This norm will enter into force on 01.11.2024

Departure Fee for Foreign Travel:

The departure fee for overseas travel is set at TL 500. This amount will be increased every year according to the revaluation rate.

This norm will enter into force on 12.08.2024.

Appeal and Cassation in Tax Cases:

Amendments have been made to the application of appeal and cassation in tax court cases.

This norm has entered into force on 02.08.2024

Others:

The 5-point social security support premium (SGDP) provided to those who were insured before 08.09.1999 is terminated.

This norm will enter into force on 01.09.2024.

The minimum retirement pension has been raised to 12,500 Turkish liras.

This norm has come into effect on 12.08.2024. (to be applied to the July payment period).

The short-term insurance premium rate was increased from 2% to 2.25%. Thus, the insurance premium paid by the employer increased by 0.25% points.

This norm will enter into force on 01.09.2024.

VAT Exemption was provided for the aid to be provided by foreign state institutions and organizations due to the earthquake.

This norm has come into effect on 02.08.2024.

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