

Turkey



 **Capital city:**
Ankara

 **Language:**
Turkish/Kurdish

 **GDP/capita**
2015:
USD 9 126

 **Telephone code:**
+90

 **Superficy:**
784 000 km²

 **Political system:**
Parliamentary
democracy

 **Currency:**
New Turkish Lira

 **National day:**
October 29th

 **Population:**
74'000 M.

 **ISO Code:**
TUR

1. Corporate taxation

1.1 Taxes on entities (IRC)

Legal entities are subject to Corporate Income Tax on their profits.

1.2 Residence and non-residence

Companies whose legal or business headquarters are located in Turkey or whose operations are centered and managed in Turkey are subject to corporation tax on worldwide income. In Turkish Tax Legislation, they are described as full liability taxpayers.

1.3 Tax year and filing

The tax year in Turkey is the calendar year. However, a company may file a return based on its own financial year.

Generally annual tax return and pay the IRC due by 25 April of the year. The amount of IRC payable is the amount due after deducting both the provisional payments made in the previous February, May, August and November (temporary tax is applicable on a quarterly basis), and the tax withheld at source. The outstanding balance must be paid by 30 April.

1.4 Types of income

The taxable profit is based on the accounting profit subject to certain adjustments. In addition there are limited deductions for certain gifts.

Profits include capital gains.

Expenses relating to the business are generally deductible, although the deduction of certain expenses which may have a mixed character can be limited.

A provision can be made for bad and doubtful debts on a specific or general basis.

1.5 Group income and grouping arrangements

A Turkish resident company can form a consolidation for tax purposes with owned subsidiaries (Holding structure).

1.6 Capital gains

The capital gains and losses are integrated into the taxable basis of the IRC.

1.7 Losses

Losses can be carried forward for 5 years.

1.8 Exemptions

There is a participation exemption in respect of dividends received from a company.

1.9 Rates

Rate of tax for 2015 income for corporations is 20%.

1.10 Double tax relief

A credit is given for withholding taxes on dividends, interest and royalties.

2. Personal income taxation

2.1 Taxes on income (IRS)

The most important taxes are income tax and wage tax, the latter being levied at source from wages and salaries.

There are also social security contributions which are mainly paid by the employers and the employee.

2.2 Residence and non-residence

There shall be considered as resident in the Turkish territory any person who, in the year to which the income relates:

- stays there more than 183 days, with or without interruption;
- having stayed there for less than 183 days, has at his own disposal on 31 December of that year a dwelling place in such conditions that it may be inferred that there is the intention to keep and occupy it as an habitual abode;
- on the 31 December, is a crew member of a ship or aircraft provided that such person is employed by entities having their domicile, head-office or effective management in such territory;
- is exercising abroad a public function or commission in the service of the Turkish State.

Non residents are subject to IRS only on income derived within the Turkish territory, independently of their familiar and personal situation.

2.3 Tax year and filing

The tax year is the calendar year.

In general a tax return should be filed from 25 March.

The non-resident taxpayers in respect of income obtained in Turkish territory, not subject to withholding tax retention.

After filing, a return on assessment is received.

2.4 Types of income

Income is classified as falling into seven different categories:

- Category A: Commercial Income
- Category B: Agricultural Income
- Category C: Salaries
- Category D: Income from self-employment and commercial or industrial activity
- Category E: Rental Income
- Category F: Income from capital gains
- Category H: Other Income

2.5 Capital Gains

Capital gains are specifically taxed by adding the taxable gain to the taxable income subject to income taxes.

2.6 Losses

Losses Category B: Income from self-employment and commercial or industrial activity are treated as follows:

- 5 years income from self-employment and commercial or industrial activity years carry forward.

2.7 Exemptions

There are no exemptions in respect of personal income taxation.

2.8 Allowances and rates

Income other than capital gains is taxed at rates of up to 35% for amounts exceeding TRY 110,000 for employment income and TRY 69,000 for other income.

2.9 Social security

Public sector workers with private law employment contracts and private sector workers who are employed by one or more employers are covered by the Social Security Law.

Both the employees and the employers contribute social security premiums. The contribution rates for employee and employer are 15% and 21.5% respectively.

The contributions calculated as a percentage of gross salary, are paid within an upper and lower limit.

The Social Security System covers, illness, maternity, disability, old age pensions and death.

Workers' dependents may also be entitled to certain benefits under certain circumstances.

2.10 Expatriates

There are no exceptions for expatriates.

2.11 Options

The gain is subject to personal income tax.

2.12 Partnerships

Partnerships are generally treated as transparent. Incorporated partnerships are not treated as transparent.

2.13 Pensions

When the pension is paid it is taxed in more favorable IRS brackets.

3. Inheritance and gift tax

Gifts and inheritances are subject to tax except within families.

3.1 Residents and non-residents

Gratuitous transfers by inheritance or by donations are subject to this tax.

3.2 Rates

Tax rate ranges between 1% to 30% depending upon the amount and nature of the nature of the transfer (gratuitous or non-gratuitous). The tax is paid over three years, twice a year in May and November in equal installments.

4. Wealth Tax

There is no wealth tax.

5. Value Added Tax

5.1 Rates

- Standard rate, 18%
- Second rate, 1% :
 - deliveries of newspapers and magazines;
 - second-hand cars;
 - processing and deliveries of some agricultural commodities;
 - houses, smaller than net 150 m².

- Third rate, 8% :
 - basic foods;
 - deliveries of books and similar publications;
 - cinema, theater, opera etc. admission fees.

The Council of Ministers has the authority to raise VAT rates to a minimum rate of 40% or to reduce them to 0%.

Liability for VAT occurs as soon as a delivery of goods or services takes place. In situation where invoices are issued prior to such delivery, VAT is payable only on the amounts shown on them. When goods are shipped, the VAT liability occurs when shipment begins.

6. Other taxes

6.1 Banking and Insurance Transactions Tax

Income received by banks such as commissions, interest, and premiums collected by insurance companies are subject to a 5% banking and insurance transaction tax. Such tax usually borne by customers.

A return has to be filed and the tax paid by the 15th of the month that follows the return. The tax rate on interbank deposit transactions, repo gains and gains received from the sales of government bonds and treasury bills before their maturity is 1%.

6.2 Real Estate Tax

Property and wealth taxes may be imposed on the price of property and thus be impersonal; or they may be imposed on the combined property holdings of a person, or his/her net worth thus being in the nature of a personal tax.

The real estate tax levied on immovable property is a special form of wealth tax. An annual real estate tax on the estimated market value applies to residences 0.1%, buildings other than residence 0.2%, cultivated land 0.3%, and uncultivated land 0.1%. Real estate tax is the double of these rates for the properties within the boundaries of municipalities of big cities.

The tax base reported for real estate tax purpose cannot be less than the one determined by the government authorities. The tax is paid in two equal installments; the first installment is in March, April and May and the second is in November.

6.3 Stamp Tax

Stamp tax is applied to a wide range of legal documents such as contracts, agreements, notes payable, financial statements and tax returns. The tax base differs depending upon the nature of the document. Stamp duty can be either lump sum or proportional. In other words, there is either a fixed amount of the tax to be paid or the amount is computed as a percentage of the value of the transaction evidenced by the document.

6.4 Special Consumption Tax

Special Consumption Tax is levied on the delivery, first acquisition or imports of goods determined in four different kinds of lists. The contents of lists and the applicable Special Consumption Taxes are shown in the below table :

Content of the List			Taxable Event	Special Consumption Tax
List I	A	Natural gas, petroleum products, LPG, petrol derivatives, base oil, etc.	Import and manufacturing (including refineries) of the goods	A fixed amount depending on the kind of the good
	B	Solvent and derivatives of solvent and similar kind of goods	Import and manufacturing (including refineries) of the goods	A fixed amount depending on the kind of the good
List II	Vehicles	Subject to registration	First acquisition	A proportional tax variable between 1% to 75%
		Not subject to registration	Import, delivery of the good by the manufacturer or auction sale of the good before special consumption tax levied on	
List III	Non-alcoholic beverages, alcoholic drinks, cigarettes, tobacco products		Import, delivery of the good by the manufacturer or auction sale of the good before special consumption tax levied on	A proportional tax variable between 0% to 63%
List IV	Goods subject to increased VAT rate before Special Consumption Tax		Import, delivery of the good by the manufacturer or auction sale of the good before special consumption tax levied on	A proportional tax variable between 6.7% to 20%

7. Foreign income

Generally under tax treaties and other arrangements.

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