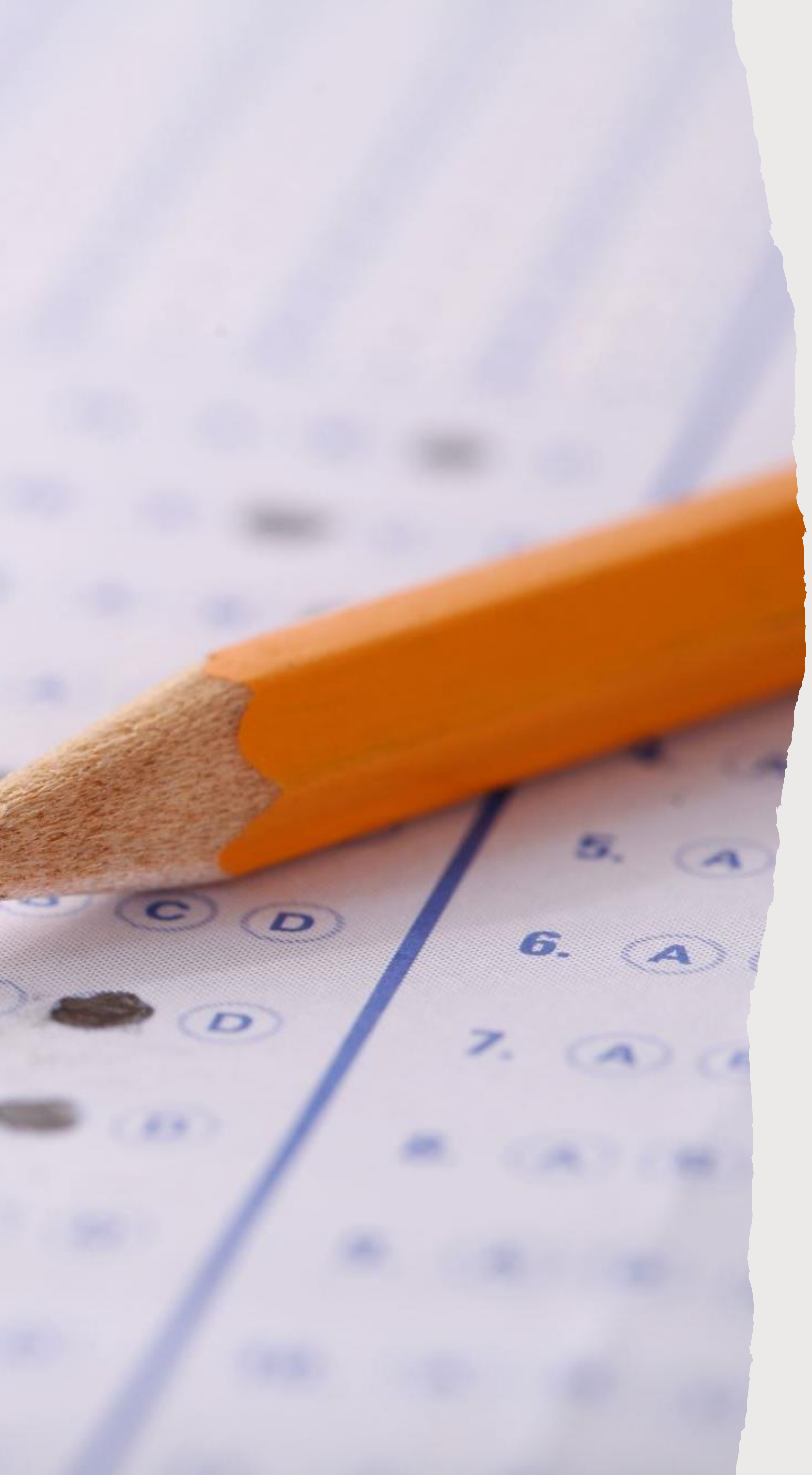
TURKEY TAX GUIDE FY2023

TURKEY TAX REGULATION



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3. Set-Up Process
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- INVEST TO TÜRKİYE

- TOP REASONS TO INVEST TÜRKİYE

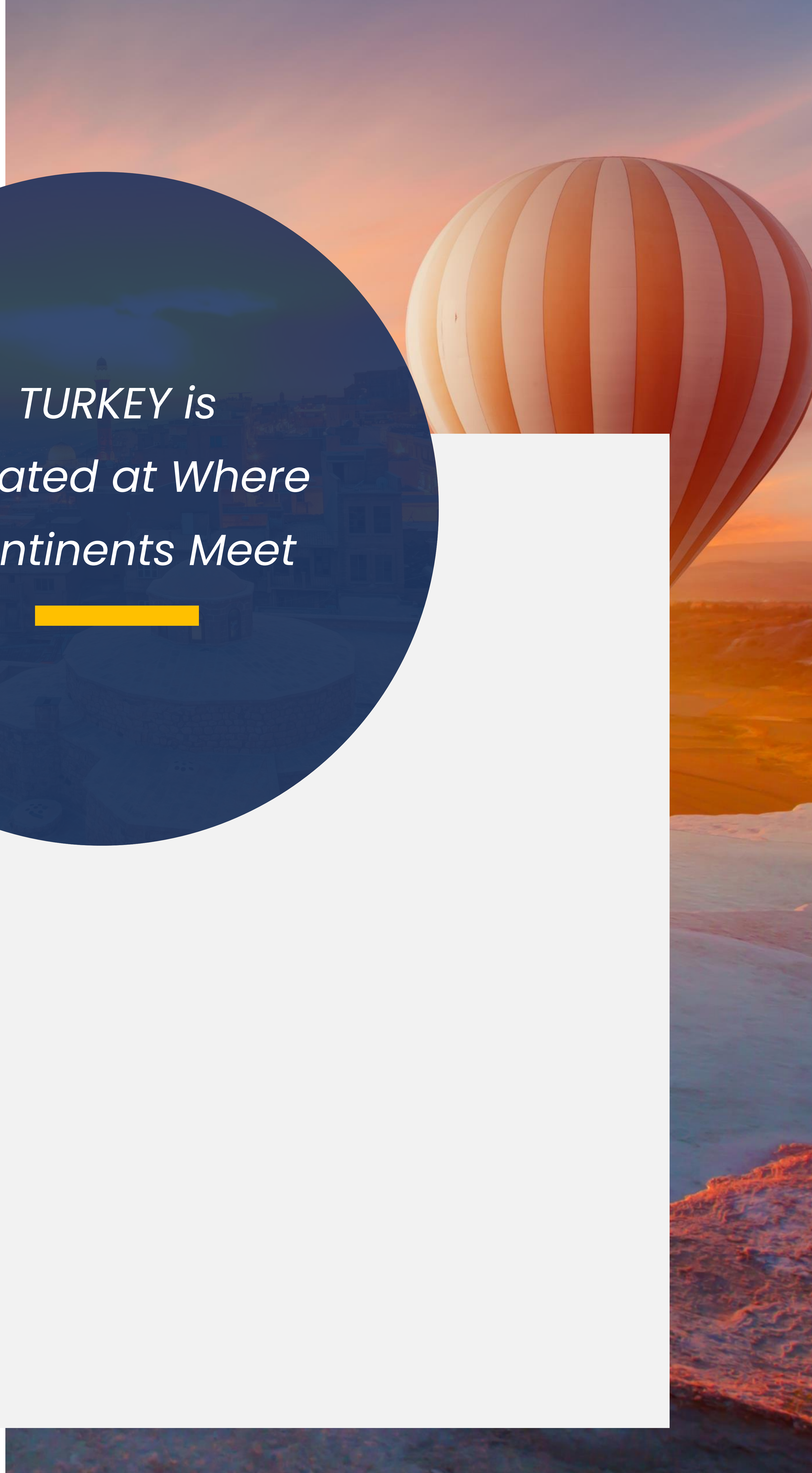
- A resilient, fast-growing economy, Türkiye offers business-friendly policies, a deep talent pool, and global market access at the nexus of Europe, Asia, and Africa to attract sustainable foreign direct investments (FDI). With its geostrategic location, manufacturing capabilities, young and dynamic population, and developed logistics infrastructure, Türkiye has become a regional powerhouse where manufacturing activities of multinationals are supported by R&D centers, design teams, procurement offices, logistics hubs, and regional management centers. Today, almost 80,000 international companies operate in Türkiye.

A. Burak DAĞLIOĞLU , President, Investment Office of the Presidency of the Republic of Türkiye

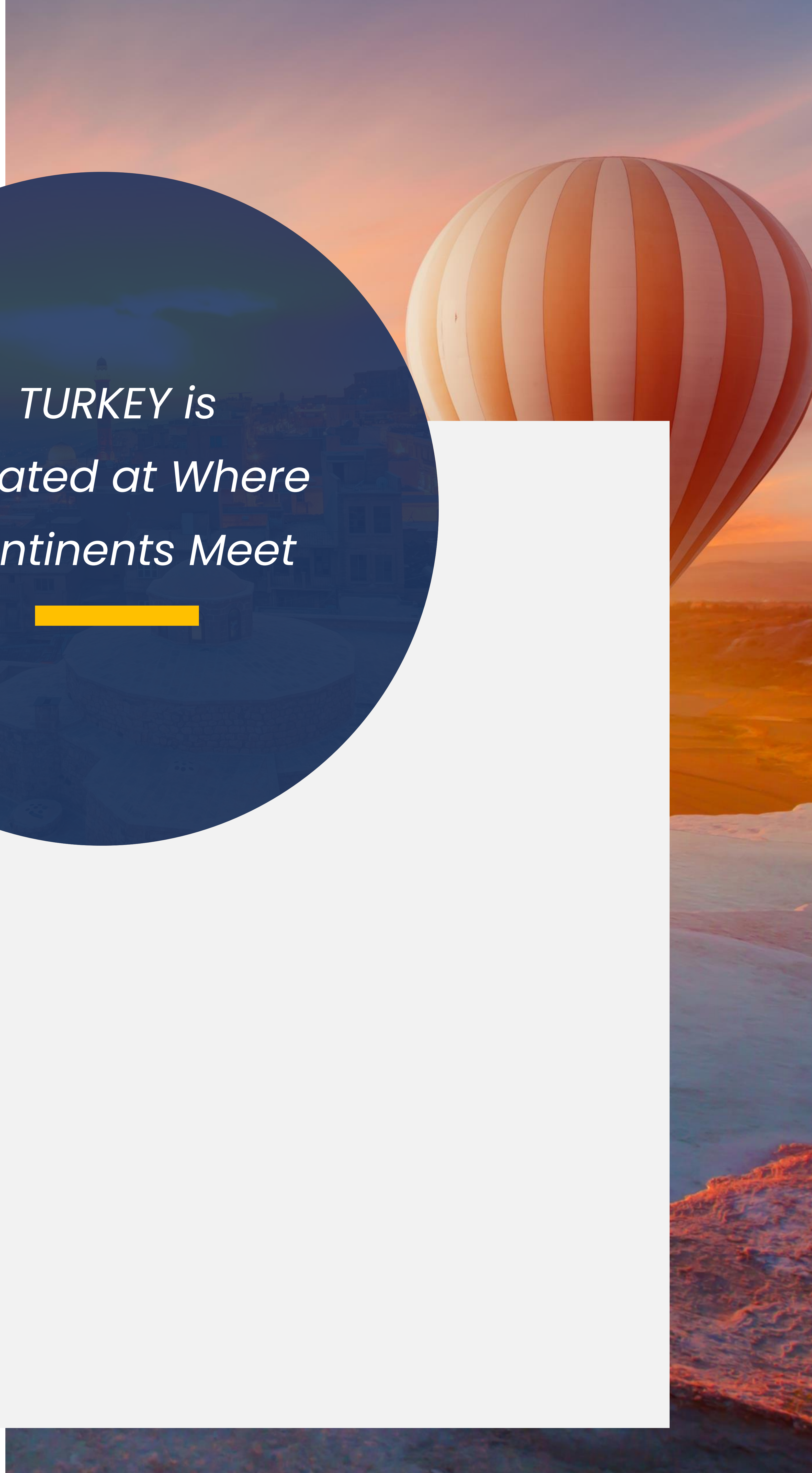
TOP REASONS

- **Large Domestic and Regional Market**
- **Bridge Between the East and West :** Creating an efficient and cost-effective hub to major markets.
- **Close Proximity to Major Markets :** Turkey offers easy access to 1.5 billion people and a combined market worth of USD 24 trillion GDP in Europe, MENA, and Central Asia within a 4-hour flight radius.
- **Hub for Multinationals :** Multinationals are increasingly choosing Turkey as a preferred hub for manufacturing, exports, as well as management.
- **Perfect Hub for R&D Investments ;** with generous supports.

TURKEY is Located at Where Continents Meet



TOP REASONS

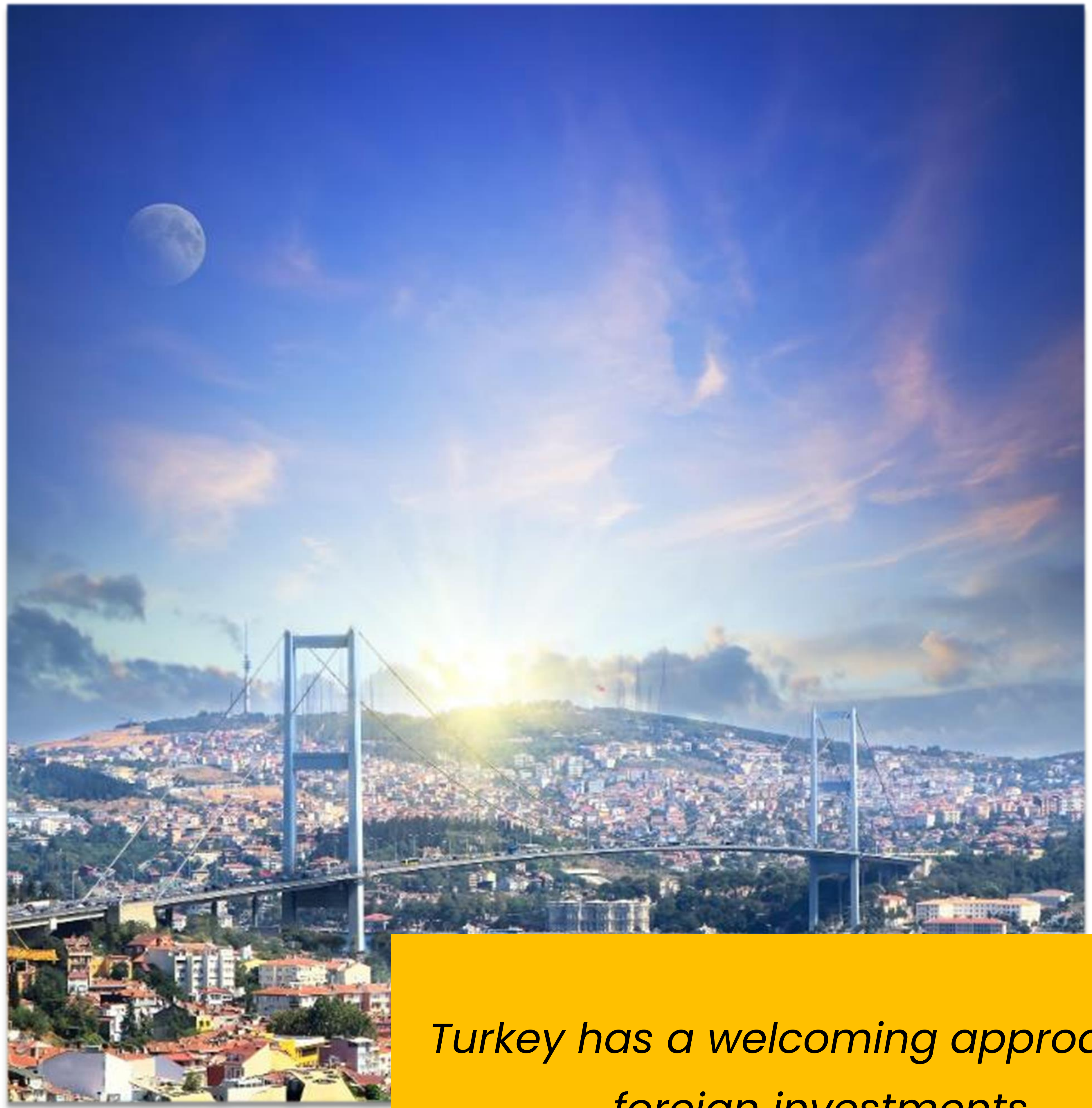


TURKEY is Located at Where Continents Meet

- **Skilled and Cost-competitive Labor Force;** Turkey's overall labor force is around 32.7 million people, which makes the country the 3rd largest labor force in Europe.
- **Favorable Demographics;** young and dynamic population with half under 32 years old.
- **Liberal Investment Climate,** no barriers for FDI, strong protection for investors.
- **Investment Incentives;** for investing machinery equipment and plant into Turkey.
- **Civil and Tax Laws;** have been adapted from Swiss and German laws and during the EU process have been continiously updated.

- LEGAL ENVIRONMENT

OVERVIEW



Turkey has a welcoming approach to foreign investments

Republic of Turkey was established in 1923, as a democratic, secular, and constitutional republic. With the adaptation to **European Union**, it has become increasingly integrated with West. Turkey began full membership negotiations with the European Union in 2005 and is an associate member of the European Economic Community since 1963, and signed customs union agreement in 1995.

Turkey has a welcoming approach to foreign investments. The legislation is being liberalized since early 1990's. Reforms have been introduced where necessary with a view to join the European Union. Foreign nationals can, in principle, expect to benefit from an impartial trial in judicial matters.

HIGHLIGHTS

The main source of the law is the constitution of 1982.

- The main source of the law is the constitution of 1982.
- The country's judicial system is based on a system of civil law derived from different systems in continental Europe:

  - Civil and company law close to the German model.
  - Law of obligations inspired by the Swiss code.
  - Penal law inspired by the Italian Penal Code.
  - Administrative Law inspired by France.

Turkey is a member of the European Court of Human Rights (ECHR).

- COMPANY SET-UP PROCESS

Set-up Process

STEPS

TAX REGISTRY

ENTITY TYPE

TRADE REGISTRY

Set-up Process

STEPS TO LAUNCH

After it is decided to set up an entity in Turkey, the first thing is to determine what type of entity should be established.

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01 **Corporations and Subsidiaries**

02 **Branches**

03 **Liasion Offices**

Set-up Process

CORPORATIONS VS SUBSIDIARIES

THE TWO FORMS OF SUBSIDIARY THAT A FOREIGN COMPANY CAN ESTABLISH ARE;

01. JSC

Joint Stock Corporation (A.S.)

02. LTD

Limited Liable Corporation (Ltd.)

NEXT: Types and Capital Requirement

Set-Up Process

TYPES AND CAPITAL REQUIREMENT

The Joint Stock Company (Jsc)

Minimum Share Capital : 50K TRY / At least one shareholder needed

The Limited Liability Company (LLC)

Minimum Share Capital : 10K TRY / At least one shareholder needed

Brances

No minimum share capital / Brances represented by branch manager(s)

Liasion Offices

No commercial activity

- RESIDENCE


jun
jul
aug
sep
oct
nov
dec
feb
mar
apr
may
jun
jul
aug
sep
oct
nov
dec
sep
oct
7
6
5
124,500
125,000
154,000
95,000
154,200
110,000
89,000
50,000
68,700
123,000
95,054
97,511
99,011
99,216
101,090
101,684
101,962
102,747
154,568
56,845
110,000
150,000
35,000
83,000
125,058
125,487
124,000
105,450
86,502

Residence

TERRITORIALITY

According to Turkish tax legislation, income taxation differs significantly based on the taxpayer's place of residence.

Those taxpayers whose legal or business centers are in Turkey, are subject to taxes on their worldwide income. If both of the legal and business centers are not in Turkey, then the company is qualified as non-resident and is subject to tax only on income generated within Turkey. The legal center is shown in the Articles of Association and the business center is the place where business activities are concentrated.

According to Turkish tax legislation, income taxation differs significantly based on the taxpayer's place of residence. Resident entities are subject to tax on their worldwide income, whereas non-resident entities are taxed solely on the income derived from activities in Turkey.

- FOREIGN EXCHANGE CONTROL

Foreign Exchange Control

OVERVIEW

Upon enactment of the (FDI) Law No. 4875 in Turkey, international investors have gained the same rights and obligations with the local investors.

SAME RIGHTS WITH LOCAL INVESTORS

Upon enactment of the (FDI) Law No. 4875 in Turkey, international investors have gained the same rights and obligations with the local investors.

BUY AND SELL FOREIGN CURRENCIES THROUGH BANKS

Buy and sell foreign currencies through banks, other authorized institutions, and institutions authorized to sell foreign currency abroad.

MONEY TRANSFERS ABROAD IN ANY CURRENCY

International investors are also entitled to make money transfers related to business abroad in any currency.

TRANSFER OF PROFITS

International investors are allowed to transfer abroad through the banks net profit, dividends, sales amounts, amounts arising from liquidation, and compensation arising in connection with their operations and transactions in Turkey,

➢ CORPORATION TAX

CORPORATE TAXATION

%20

Corporate Tax Rate on Profits

- Subsidiaries (JSC and LLC) with legal centers located in Turkey and are subjected to Corporate Income Tax on their income derived in Turkey. Branches are taxed on the income derived in Turkey.
- The corporate tax rate levied on business profits is 20% for year, 2023 and 23% for year, 2022.
- Corporate income tax is calculated over annual fiscal profits of the Company (JSC , LLC and Branch).
- The normal fiscal year-end is from1 January to December 31st.
- Where the calendar year is not appropriate due to the nature of business, taxpayers may opt an alternative period to determine their fiscal year upon the permission to be obtained from the Ministry of Finance. Annual corporate income tax returns must be filed, untill April following the end of the fiscal year

CORPORATE TAXATION EXEMPTIONS

%20

Corporate Tax Rate on Profits

- 75% of the profits arising from the sales of the participation stocks included in the assets of the corporations for at least two full years are exempt from Corporation Tax
- 50% of the profits arising from the sales of the immovables held in their assets of the corporations for at least two full years are exempt from Corporation Tax
- %100 of Profits produced by corporations from their participation in the capital of another Corporation are exempt from Corporation Tax
- 50% of the profits derived from the services (architecture, engineering, design, software, medical reporting, accounting report keeping, call center, product testing, certification, data storage, data processing, and data analysis) which provided to companies abroad are exempt from Corporation Tax.
- 100% of profit in manufacturing companies operating in Free Zone Area are exempt from Corporation Tax.
  Profit made in technology development zones. are exempt from Corporation Tax until end of 2023.

➢ ADVANCE CORPORATE TAX

Advance Corporate Tax

ACIT

ADVANCED CORPORATE INCOME TAX(ACIT)

All resident and non-resident companies, who earn commercial or Professional income and who are obliged to file annual corporate income tax return, are also required to file Advance Corporate Income Tax (ACIT) return at 20% on the basis of the actual quarterly profits.

ACIT paid during the year is offset against the final taxes calculated on the annual corporate income tax return. Any excess payment may be offset against other tax liabilities, and in the absence of such liabilities it is refundable upon the claim within one year.

%20

➢ DIVIDENS

jun
jul
aug
sep
oct
nov
dec
feb
mar
apr
may
jun
jul
aug
sep
oct
nov
dec
oct
125,058
125,487
124,000
105,450
86,502
154,568
56,845
110,000
150,000
35,000
83,000
95,054
97,511
99,011
99,216
101,090
101,684
101,962
102,747
124,500
125,000
154,000
95,000
154,200

Dividents Paid to Non-Resident Companies

DIVIDENDS

WITHOLDING TAX ON DIVIDENDS %10

When dividends are paid out, the company is required to make a withholding from the dividends. The rate of withholding tax is 10%. Dividends paid to a Turkish resident entity (i.e. Turkish holding company) or a Turkish branch of a foreign company is not subject to the withholding tax. A share capital increase by the company using the retained earnings would not be considered as taxable dividend. The bilateral income tax treaties provide special tax rates, therefore, the above rates needs to be confirmed with the signed bilateral treaties.

WITHOLDING TAX ON BRANCH PROFITS

There would be a withholding tax on the branch profits of non-resident companies upon remittance of such profits to the headquarters. The rate of withholding tax is 10% effective which is applied on the amount after the deduction of corporate income tax from taxable branch profits. The bilateral income tax treaties provide special tax rates, therefore, the above rates needs to be confirmed with the signed bilateral treaties.

➢ WITHHOLDING TAX

Withholding Tax

WITHHOLDING TAX RATES

%20 *Professional Fees / Management Fee Rent Fee / Royalties / Sale proceeds of copyrights, patents, trademarks etc.*	**%10** *Interest*
%10 *Dividends and Interests*	**%5** *Constructions exceeding a year and maintenance works are as of 1st March 2021 liable with 5% WHT of the Progress Payments*

- CAPITAL GAINS

Capital Gains Tax

SALE OF IMMOVABLE PROPERTY AND SHARES

If the seller of the immovable property is a Company, then the tax rate for the capital gains is 20% percent for the year of 2023,

Gains arising from the disposal of the shares of a joint stock company that, are not subject to any tax if these shares are kept for more than 2 years.

In limited liable companies, for the transfer of shares, income arising from the disposal of the shares will be subject to income tax under "capital gains" regardless of the period shares are held.

Year 2023
Immovable property capital tax gains
20%

SALE OF SHARES OF JSC

	Corporate and Income Tax Application	VAT Application	
IF THE SHAREHOLDER IS A LEGAL PERSON	75% of the earnings is exempted if the share certificates have been registered with the company's assets for over two years. (CTL art.5)	The sales is exempted according to 17/4-g if it has a share certificate without any time limitation. If it does not have a share certificate or it is not considered as an interim share certificate, the sales is exempted according to 17/4-g on condition of holding it for two years.	In case of corporate taxpayers, the sales shall be applied VAT exemption without the requirement of being held within the assets for two years if a share certificate or interim share certificate is issued.
	The earnings is subjected to corporate tax if the share certificates have been registered with the company's assets for less than two years.	However, it shall be exempted according to 17/4-g if it has share certificates.	
IF THE SHAREHOLDER IS A REAL PERSON	Income tax exemption	If it does not have share certificates or interim share certificates the sales shall be considered as the sales of a participation share In this case, it shall be required to hold within the assets for complete two years for VAT exemption.	

SALE OF SHARES OF LTD

	Corporate Tax Application	VAT Application
IF THE SHAREHOLDER IS A LEGAL PERSON	75% of the earnings is exempted if the shares have been registered with the company's assets for over two years. (CTL art.5)	Exemption according to 17/4- r on condition of holding the shares for two years. (It is not under 17/4-g since it is not a share certificate.)
	The earnings is subjected to corporate tax if the shares have been registered with the company's assets for less than two years.	Subject to VAT.

- INDIRECT TAXES

Indirect Taxes

VAT & SPEACIAL CONSUMPTION TAX

18%

VAT

Reduced rates 1% and 8%

- The standard VAT rate which is 18% is applied to all supplies of goods or services, unless a specific measure provides for a reduced rate or exemption.
- Special Consumption Tax is an excise tax and it is imposed on the import, manufacture and first acquisition of a range of goods.

MAJOR INDIRECT TAXES

0.948

STAMP TAX

- Agreements are normally subject to stamp tax at 0.948 percent (capped at TRY 10,732,371.80 for 2023) but there are certain exemptions depending on conditions
- Real estate tax; for residential properties 0.2 percent, for commercial properties 0.4 percent, and for lands 0.6 percent of the value calculated by using the value per square meters set by Authorities. (all percentages are based in big cities, in smaller cities percentages tends to be lower)

➢ TAXES_DUE DATES

DUE DATES

30 April

Of Next Year

Filings Required	Name of Filing Required	Official Declaration-Payment Deadlines
Annually	**Corporate Income Tax Return (Final)**	**Declaration: April 30 of the next year** **Payment: April 30 of the next year**
Quarterly	Witholding Tax Return (If there are no employees) Provisional Corporate Income Tax Return (always year-to-date)	Last week of April, July, October and Second week of May, August, November,
Monthly	Reverse Charge on VAT (If any related invoice is available) SSI Declaration Witholding Tax Return (If there is at least 1 employee) Stamp Tax Declaration (If any related agreement is available) * BA & BS Declarations	Declaration: 28 of next month Payment: 28 of next month Declaration: 26 of next month Payment: At the end of the next month Declaration: 26 of next month Filing: At the end of the next month No payment is required.

SALARY

SALARY OVERVIEW

Any payments considered as wage under the Income Tax law are subject to the income tax. In addition the wage, any other related income such as allowances, premiums, annual free gifts, indemnities and other incentive premiums is also subject to income tax.

MINIMUM SALARY

TRY 10,008.00 (Gross)

SGK Wage Base

TRY 10,008.00

VALIDITY

01.01.2023 / 31.12.2023

SALARY INCOME TAX

Any payments considered as a wage under the Income Tax law are subject to the income tax.

Yearly Cumulative Income Scales (TL)	Rate (%)
(Employment Income)	
Up to 70,000	15
70,000-150,000	20
150,000-550,000	27
550,000-1,900,000	35
1,900,000 and over	40

According to the Income Tax Law, any payment deemed as a fee is subject to income tax. Furthermore, fees, allowences, premiums, annual non-paid gifts, severence pays and other incentive premiums are also subject to income tax like any other source of income.

Exception to this is any source of income up to the minimum wage (10,008 TL/month) which is exempt both from the income tax as well as stamp tax.

Salary

EMPLOYERS’ COST

In addition to gross salary, the employer is obliged to pay the employer’s social security contribution and unemployment insurance permiums.

Total cost of the employee to the employer = gross salary+employer’s social security premium (including unemployment insurance)

PERIOD	LOWER LIMIT	UPPER LIMIT
01.01.2023 - 31.12.2023	10,008.00 TL	75,060.00 TL
01.01.2022 - 31.12.2022	5,004.00 TL	37,530.00 TL


INCOME TAX

Income Tax Rates

TARIFF (I.T.L ARTICLE 103)

RATES TO BE APPLIED to ONLY SALARIES

Up to TRY 70,000 TL	**15%**
For 70,000 TL out of 150,000 TL – 10,500 TL, and above	20%
For 150,000 TL out of 550,000 TL - 26,500 TL, and above	27%
Above 550,000 TL out of 1,900,000 TL – 134,500 TL, and above	35%
Above 1,900,000 TL, for 1,900,000 TL – 607,000 TL, and above	40%

RATES TO BE APPLIED TO ALL INCOMES BESIDE SALARIES FOR YEAR 2023;

Up to TRY 70,000 TL	**15%**
For 70,000 TL out of 150,000 TL – 10,800 TL, and above	20%
For 150,000 TL out of 370,000 TL – 26,500 TL, and above	27%
For 370,000 TL, out of 1,900,000 TL – 85,900 TL, and above	35%
Above 1,900,000 TL, for 1,900,000 TL – 621,400 TL, and above	40%

SOCIAL SECURITY

Social Security

LIMITS

Minimum and Maximum Limits of Social Security Premium Base

- MAXIMUM LIMIT : TRY 75,060.00
- MINIMUM LIMIT : TRY 10,008.00

Period

01.01.2023 – 31.12.2023

SOSYAL GÜVENLİK KURUMU

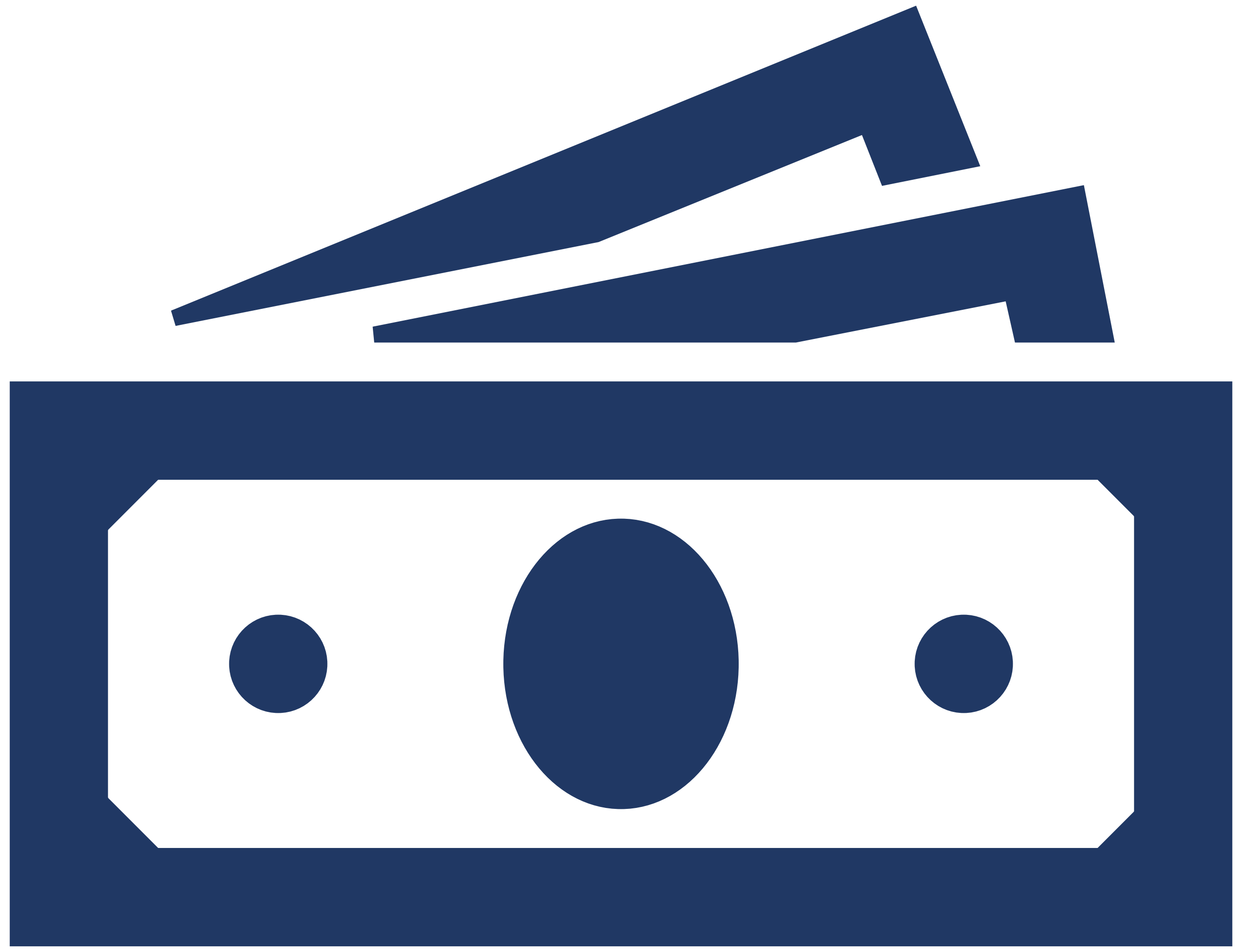
LIMITS

RATES FOR EMPLOYEES WORKING WITHIN THE SCOPE OF 4/A (SGK)

INSURANCE TYPE	EMPLOYEE SHARE(%)	EMPLOYER SHARE (%)	TOTAL(%)
Short Term Insurance Premium	-	2	2
Disability, Old Age and Death Insurance Premium	9	11	20
General Health Insurance Premium	5	7,5	12,5
Unemployement insurance premium	1	2	20
TOTAL	**15**	**22.50**	**37.50**

RATES FOR RETIRES WORKING WITHIN THE SCOPE OF 4/A (SGK)

INSURANCE TYPE	EMPLOYEE SHARE(%)	EMPLOYER SHARE (%)	TOTAL(%)
Social Security Support Premium	7.5	22,5	30
Short Term Insurance Premium	-	2	2
TOTAL	7.5	24.50	32



SEVERANCE AND NOTICE PAYMENT

OVERVIEW

STATUTORY CAP

TRY 19,982.83

Period : 01.01.2023 / 30.06.2023

Notice Payment

SERVICE LENGTH	NOTICE	AMOUNT
Less than 6 months	2 weeks	14 days salary
Between 6 months- 1,5 years	4 weeks	28 days salary 4 weeks salary
Between 1,5 years - 3 years	6 weeks	42 days salary 6 weeks salary
More than 3 years	8 weeks	56 days salary 8 weeks salary

OVERVIEW

STATUORY CAP

Employees are entitled to Severence Pay If the following circumstances are satisfied:

- Over a year of employment under the same employer
- Severence of the contract by the employer for reasons other than breach of goodwill and ethical standarts
- Severence of the contract by the employee for reasons pertaining to breach of goodwill and ethical standarts or work coming to a halt
- Resignation due to the conscription
- Gaining eligibility for retirement
- Marriage: exclusive to female employees within the 1st year of marriage
- Severence due to passing away

Transfer pricing

TRANSFER PRICING

In cases where entities engage in goods or service procurements or sales from or to related party at such costs and prices set contrary to the arm's length principle*, earnings shall be considered to have been partially or totally distributed in a concealed manner via the transfer pricing method.

Turkey, transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing".

TRANSFER PRICING

➢If corporations purchase or sell goods or services at a price or value determined in violation of the arm's length principle with related parties, the profit will be deemed to have been distributed covertly through transfer pricing, either partially or entirely.

➢Transactions requiring the payment of bonuses, wages, and similar expenses, borrowing and lending, leasing, as well as manufacturing, construction, purchase, or sale of goods or services, will always be regarded as purchases or sales of goods or services.

➢A related party refers to individuals or corporations that are directly or indirectly affiliated with corporations by ownership, management, control, or capital, or that are under their influence. Spouses of shareholders, as well as their ascendants and descendants, siblings and siblings-in-law up to the third degree, and in-laws, are also considered related parties.

➢The arm's length principle means that the price or value of goods or services purchased or sold with related parties should be comparable to those that would have been established between independent parties. Records, schedules, and documents related to the calculations made in accordance with the arm's length principle must be kept as evidentiary papers.

Turkey, transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing".

TRANSFER PRICING

In transactions with related parties, companies determine the prices or values they will apply using one of the following methods, which is most appropriate for the nature of the transaction:

➢Comparable price method: This method involves determining the comparable market price by comparing the price of a similar transaction between unrelated parties to the price that the taxpayer will apply.

➢Cost-plus method: This method involves adding a reasonable gross profit margin to the relevant cost of the goods or services to determine the comparable price.

➢Resale price method: This method involves deducting a reasonable gross profit margin from the price at which the goods or services could be resold by an unrelated party to determine the comparable price.

➢Transactional profit methods: These methods are based on the profit earned from the transaction between related parties to determine the comparable price or value. These methods include the transactional net margin method and the profit split method. The transactional net margin method is based on examining the net profit margin that the taxpayer has determined for a controlled transaction, based on a relevant and appropriate basis such as costs, sales, or assets. The profit split method is based on dividing the total profit or loss related to one or more controlled transactions among related parties in a manner consistent with the functions they performed and the risks they assumed.

Turkey, transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing".

TRANSFER PRICING

- If the taxpayer cannot obtain access to any of the above methods at a reasonable cost, they may use a method of their own choosing that is appropriate for the nature of the transaction.
- Methods for determining the price or value to be applied in the purchase or sale of goods or services with related parties may be determined in agreement with the Ministry of Finance upon the request of the taxpayer. The method thus determined is binding within the period and under the conditions specified in the agreement, not exceeding three years.
- Gains distributed implicitly through transfer pricing are considered to be distributed profits or amounts transferred to the head office for limited taxpayers on the last day of the accounting period in which the conditions in this article are met, in the application of the Income Tax and Corporate Tax laws, and amounts falling within the scope of transfer pricing for Turkish companies are not accepted as expenses.
- Acceptance that the gain is implicitly distributed due to domestic transactions realized between related persons among full taxpayers and foreign corporations' representative offices or permanent representatives in Turkey is subject to the condition that Treasury loss occurs.
- If the documentation obligations related to transfer pricing have been fulfilled completely and on time, the tax loss penalty (excluding cases in which tax loss is caused by acts specified in Article 359 of the Tax Procedure Law) for taxes that have not been timely accrued or under-accrued due to gains distributed implicitly is applied at a 50% discount.

Turkey, transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing".

Internet taxes

Other Taxations

TAX OVER INTERNET SERVICES

concerning providing or intermediating advertisement services online;

%15 from payments made to real person whether or not the person is tax liable or not,
%15 from payments made to limited taxpayer corporations
%0 from corporations that are obliged to corporate tax

Withholding tax payment is obligated as of 01.01.2019

COUNTRY BY COUNTRY REPORT

COUNTRY BY COUNTRY REPORT

BEPS Action 13 which outlines new documentation requirements that is a part of the BEPS Action Plan was formally introduced by the OECD on July 2013 and has been finalized in August 2015.

The recommended three-layered documentation model outlined in BEPS Action 13 is being integrated to the Turkish Transfer Pricing Regulations. Accordingly, Master File preparation, annual transfer pricing report preparation and CbCR filing, which is to be submitted electronically, are now applicable for entities operating in Turkey, along with notification submissions to the Tax Authorities.

Master File: Master File should cover five main categories including; organizational structure of the multinational group, description of business activities, intangibles owned, inter-company financial transactions, the financial and tax positions of the group.

Annual Transfer Pricing Report: This report has been required since 2007 per Turkish Transfer Pricing Regulations and no changes have been introduced after the issuance of the new Decree.

Country-by-Country Report: CbCR is a report covering revenues, profit/loss before tax, income/corporate taxes paid, income/corporate taxes accrued, stated capital, accumulated earnings, number of employees and tangible assets other than cash and cash equivalents as per countries where the MNE group operates.

COUNTRY BY COUNTRY REPORT

Thresholds and Deadlines

The Turkish corporate taxpayers with at least TRY 500 million in both net sales and assets as per the previous accounting period are required to prepare a Master File.

Master File must be prepared by the end of the following accounting period and must be submitted to the Tax Authorities upon request.

The first Master File will be required for FY2019 and must be prepared by the end of 2020, the latest. For taxpayers with special accounting period, Master File will be prepared for the accounting period starting after January 1st, 2019.

n cases where the UPE of a Multinational Enterprise group is a tax resident in Turkey;

then the UPE is required to prepare a CbCR if their consolidated group revenue exceeds EUR 750 million.

In cases where the MNE Group's consolidated revenue exceeds EUR 750 million and the UPE of a MNE group or the Surrogate Parent Entity (in case it is a reporting entity) is not a tax resident in Turkey then the Turkish tax resident of the MNE should file a CbCR in Turkey, if at least one of the three conditions below is met. (in cases where there are multiple entities in Turkey, a single entity will file a CbCR on behalf of the others).

COUNTRY BY COUNTRY REPORT

Submission is required to be done electronically within 12 months after the end of the reporting period. The first CbC report, for FY2019, has to be submitted to the Turkish Tax Authorities by December 31st,2020.

The UPEs that are using a special accounting period and are tax residents of Turkey will prepare their CbC report based on the accounting period starting on January 1st,2019 and will submit their report electronically within 12 months after the end of the reporting period. Additionally, the Decree authorizes the Tax Authorities to set the first reporting period to FY2020 and for special accounting periods starting after January 1st, 2020.

AUDIT

AUDIT TRESHHOLDS

Companies subject to independent audit at following fiscal year in case of 2 years continuously exceeded minimum 2 criteria out of 3 stated in the decision.

The conditions of identifying the companies subject to independent audit are determined with Council of Ministers Decision numbered 2018/11597 which changes the Council of Ministers Decision numbered 2016/8549 and published in the Official Gazette dated 26/5/2018

Companies that exceed the threshold value of at least two of the three criteria below for two consecutive accounting periods are subject to independent audit startin from the following accounting period.

ACCORDING TO COUNCIL OF MINISTERS DECISION;

a) Net Assets - TRY 75 Million and above

b) Net Sales Revenue – TRY 150 Million and above

c) Employee – 150 and above

INVOICING

INVOICING OVERVIEW

INVOICING

Delivery of goods or performance of services should be invoiced within 7 days. Moreover, recipients of the supplies must retain copies of the invoices. The limit to issue an invoice is TRY 4,400 for the year 2023.

FOREIGN-CURRENCY INVOICES

An invoice issued for a domestic sale must be issued in Turkish lira (TRY). The invoice may also show the invoiced amount in a foreign currency if the TRY equivalents are stated. However, an invoice issued for an export sale may be issued in a foreign currency.

An invoice issued for a domestic sale must be issued in Turkish lira (TRY).

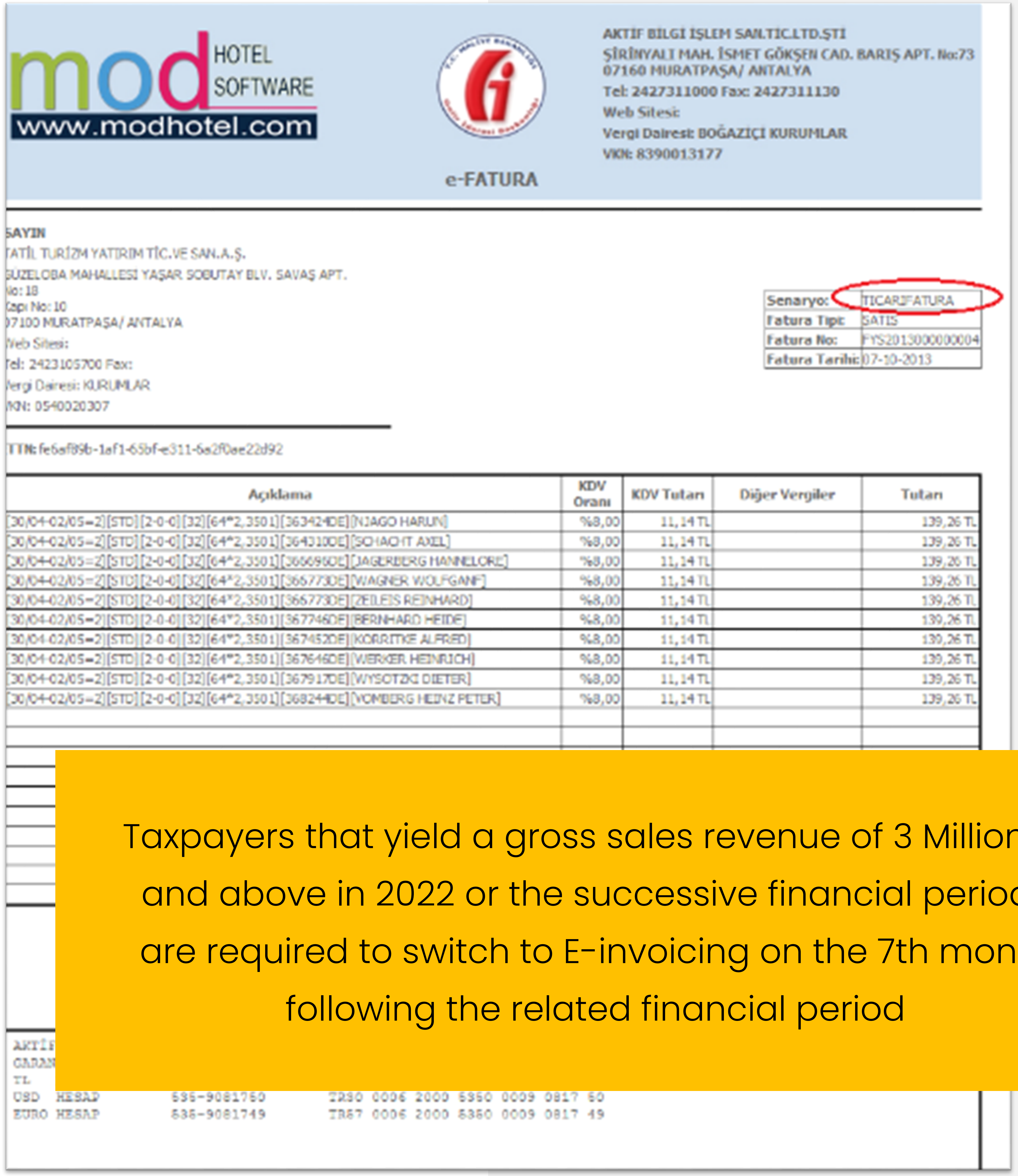
E-INVOICE

The taxpayer groups mentioned below are obligated to switch to the application of e-invoicing.

Taxpayers with gross sales revenues of more than 4 Million TL and above in 2020 and following financial periods. (Taxpayers that have yielded a gross sales revenue of 4 Million TL and above in the years 2020 and 2021, have to switch to E-invoicing as of 01/07/2023 and taxpayers that yield a gross sales revenue of 3 Million TL and above in 2022 or the successive financial periods are required to switch to E-invoicing on the 7th month following the related financial period.)

E-Invoice can be issued through government portal or through subcontracted private integrators.

E-Invoice cannot be issued from foreign countries to companies operating in Turkey.



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07160 MURATPAŞA/ ANTALYA
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Web Sitesi:
Vergi Dairesi: BOĞAZİÇİ KURUMLAR
VKN: 8390013177

e-FATURA

SAYIN
TATİL TURİZM YATIRIM TİC.VE SAN.A.Ş.
GÜZELOBA MAHALLESİ YAŞAR SOBUTAY BLV. SAVAŞ APT.
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Senaryo:	TICARIFATURA
Fatura Tipi:	SATIS
Fatura No:	FYS2013000000004
Fatura Tarihi:	07-10-2013

TTN: fe6af89b-1af1-65bf-e311-6a2f0ae22d92

Açıklama	KDV Oranı	KDV Tutarı	Diğer Vergiler	Tutarı
[30/04-02/05=2][STD][2-0-0][32][64*2,3501][363424DE][NJAGO HARUN]	%8,00	11,14 TL		139,26 TL
[30/04-02/05=2][STD][2-0-0][32][64*2,3501][364310DE][SCHACHT AXEL]	%8,00	11,14 TL		139,26 TL
[30/04-02/05=2][STD][2-0-0][32][64*2,3501][366696DE][JAGERBERG HANNELORE]	%8,00	11,14 TL		139,26 TL
[30/04-02/05=2][STD][2-0-0][32][64*2,3501][365773DE][WAGNER WOLFGANF]	%8,00	11,14 TL		139,26 TL
[30/04-02/05=2][STD][2-0-0][32][64*2,3501][366773DE][ZEILEIS REINHARD]	%8,00	11,14 TL		139,26 TL
[30/04-02/05=2][STD][2-0-0][32][64*2,3501][367746DE][BERNHARD HEIDE]	%8,00	11,14 TL		139,26 TL
[30/04-02/05=2][STD][2-0-0][32][64*2,3501][367452DE][KORRITKE ALFRED]	%8,00	11,14 TL		139,26 TL
[30/04-02/05=2][STD][2-0-0][32][64*2,3501][367646DE][WERKER HEINRICH]	%8,00	11,14 TL		139,26 TL
[30/04-02/05=2][STD][2-0-0][32][64*2,3501][367917DE][WYSOTZKI DIETER]	%8,00	11,14 TL		139,26 TL
[30/04-02/05=2][STD][2-0-0][32][64*2,3501][368244DE][VOMBERG HEINZ PETER]	%8,00	11,14 TL		139,26 TL

AKTİF
GARAN
TL
USD HESAP 535-9081750 TR50 0006 2000 5350 0009 0817 50
EURO HESAP 535-9081749 TR87 0006 2000 5350 0009 0817 49

Taxpayers that yield a gross sales revenue of 3 Million TL and above in 2022 or the successive financial periods are required to switch to E-invoicing on the 7th month following the related financial period

Invoicing

E-INVOICE

Taxpayers that yield a gross sales revenue of 3 Million TL and above in 2023 or the successive financial periods are required to switch to E-invoicing on the 7th month following the related financial period

İnformation Required to be in the E-Invoice

The following Information is required to be included in the E-Invoice

Document Number and the Issuence Date of the E-Invoice.

Name/Surname of the Recipient, Trade name, Registered Tax Office If exists and the Tax ID of the recipient.

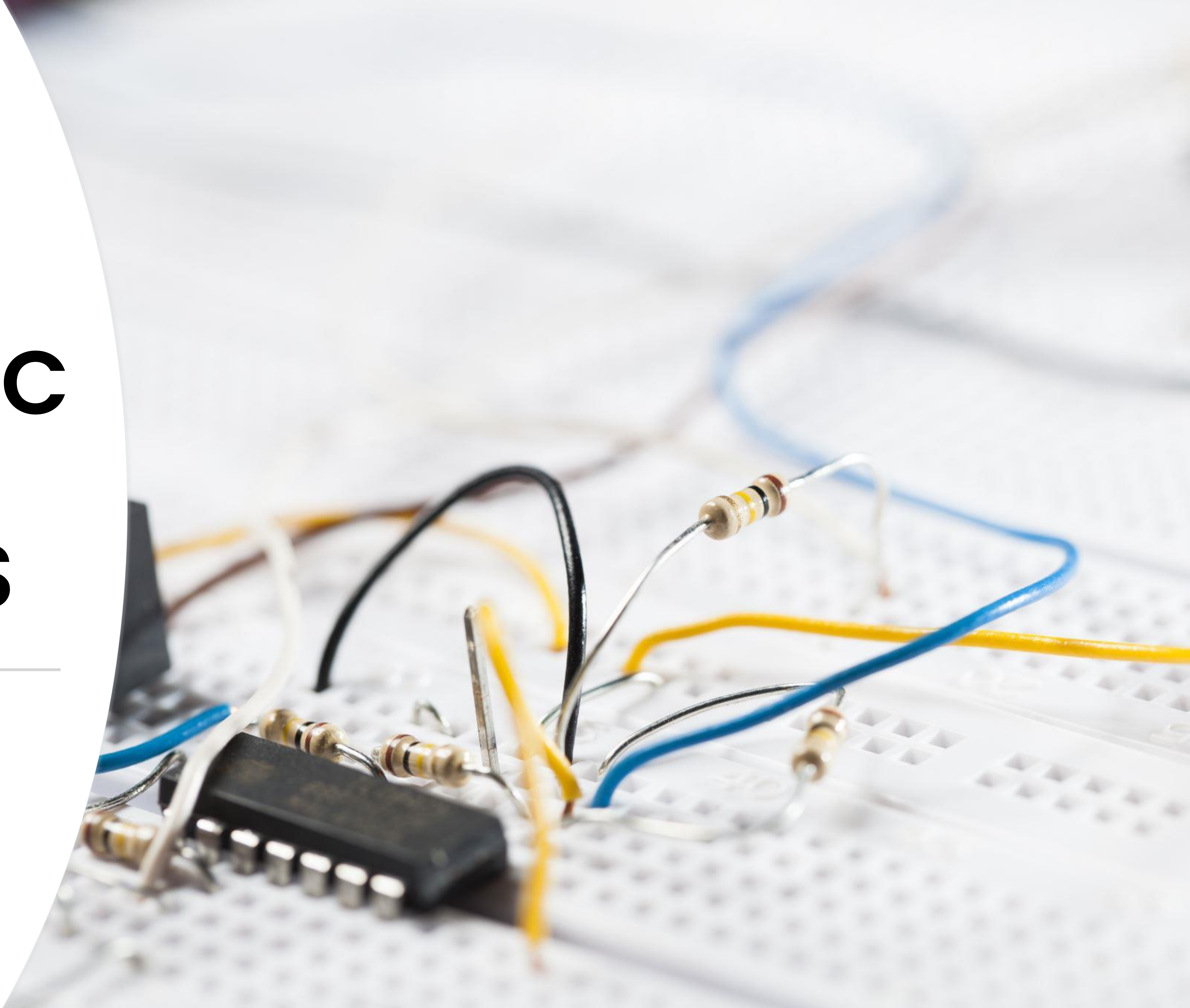
The Type, quantity, price, the applicable tax type and the amount of tax Payable of the Goods and Services.

The waybill and the date of delivery of the goods.

The Barcode or the QR code of the E-Invoice obtained by the Turkish Revenue Service (GİB) for verification and screening purposes

Name/Surname of the Issuer, the Trade Name If exists, Business Address, Registered Tax Office and Tax ID of the Issuer.

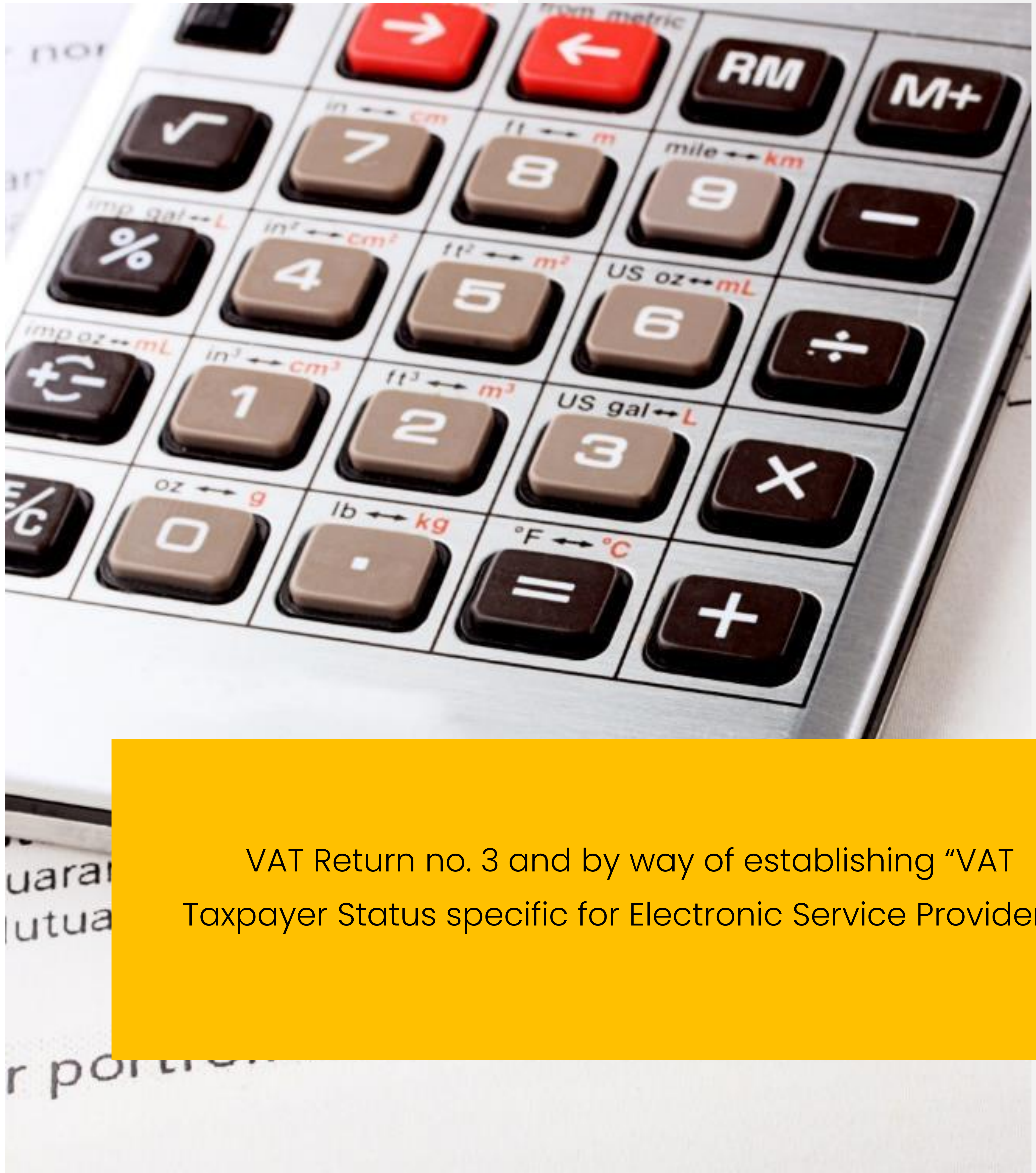
ELECTRONIC SERVICE PROVIDERS



ELECTRONIC SERVICE PROVIDERS

Those service providers who offer, against a fee, their services online to real persons who are not VAT taxpayers in Turkey and who do not have any residence, principal place of business, or statutory place in Turkey shall file a return for VAT for these services electronically by means of a VAT Return no. 3 and by way of establishing "VAT Taxpayer Status specific for Electronic Service Providers". A real person or legal entity who hires services electronically and who is a resident taxpayer in Turkey shall file a VAT Return no. 2 and pay that VAT for these services by itself.

Those who are have the duty to demand a fee from the customer against electronic services and who are authorized to define general terms of, or under an obligation to provide, such services shall be deemed as electronic service providers.



VAT Return no. 3 and by way of establishing "VAT Taxpayer Status specific for Electronic Service Providers".

PAYMENT OF TAXES

VIA GOVERMENT BANKS

An announcement, regarding the tax collections to be made through banks as of 1.1.2020, has been released through the web page of the Revenue Administration (www.gib.gov.tr). Through the announcement, it is indicated that amendments have been made to the tax collection protocols signed with the Ministry of Treasury and Finance and banks, effective from 01.01.2020.

Accordingly; taxes, fees, penalties and other receivables, which are being monitored and collected by the tax offices, will continue to be collected through the following public banks:

- T.C. Ziraat Bankası A.Ş.
- Türkiye Halk Bankası A.Ş.
- Türkiye Vakıflar Bankası T.A.O.
- Ziraat Katılım Bankası A.Ş.
- Vakıf Katılım Bankası A.Ş.
- Türkiye Emlak Katılım Bankası A.Ş.
- Posta ve Telgraf Teşkilatı A.Ş. (PTT)

No collection will be made by cash, account, check, debit card, wire transfer and EFT by other banks other than these banks.

Payment of Taxes

VIA GOVERMENT BANKS

However, collections that are acceptable by credit card; which are income tax income tax on real estate/securities capital, fees, other income and revenues), motor vehicle tax, traffic penalties and some other penalties and fees may be paid through the following banks:

- T.C. Ziraat Bankası A.Ş.
- Türkiye Halk Bankası A.Ş.
- Türkiye Vakıflar Bankası T.A.O.
- Türk Ekonomi Bankası A.Ş.
- Akbank T.A.Ş.
- Şekerbank T.A.Ş.
- Türkiye Garanti Bankası A.Ş.
- Türkiye İş Bankası A.Ş.
- Yapı ve Kredi Bankası A.Ş.
- ING Bank A.Ş.

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- QNB Finansbank A.Ş.
- HSBC Bank A.Ş.
- Alternatifbank A.Ş.
- Denizbank A.Ş.
- Aktif Yatırım Bankası A.Ş.
- Odea Bank A.Ş.
- Albaraka Türk Katılım Bankası A.Ş.
- Kuveyt Türk Katılım Bankası A.Ş.
- Türkiye Finans Katılım Bankası A.Ş.

RESOURCE UTILIZATION SUPPORT FUND

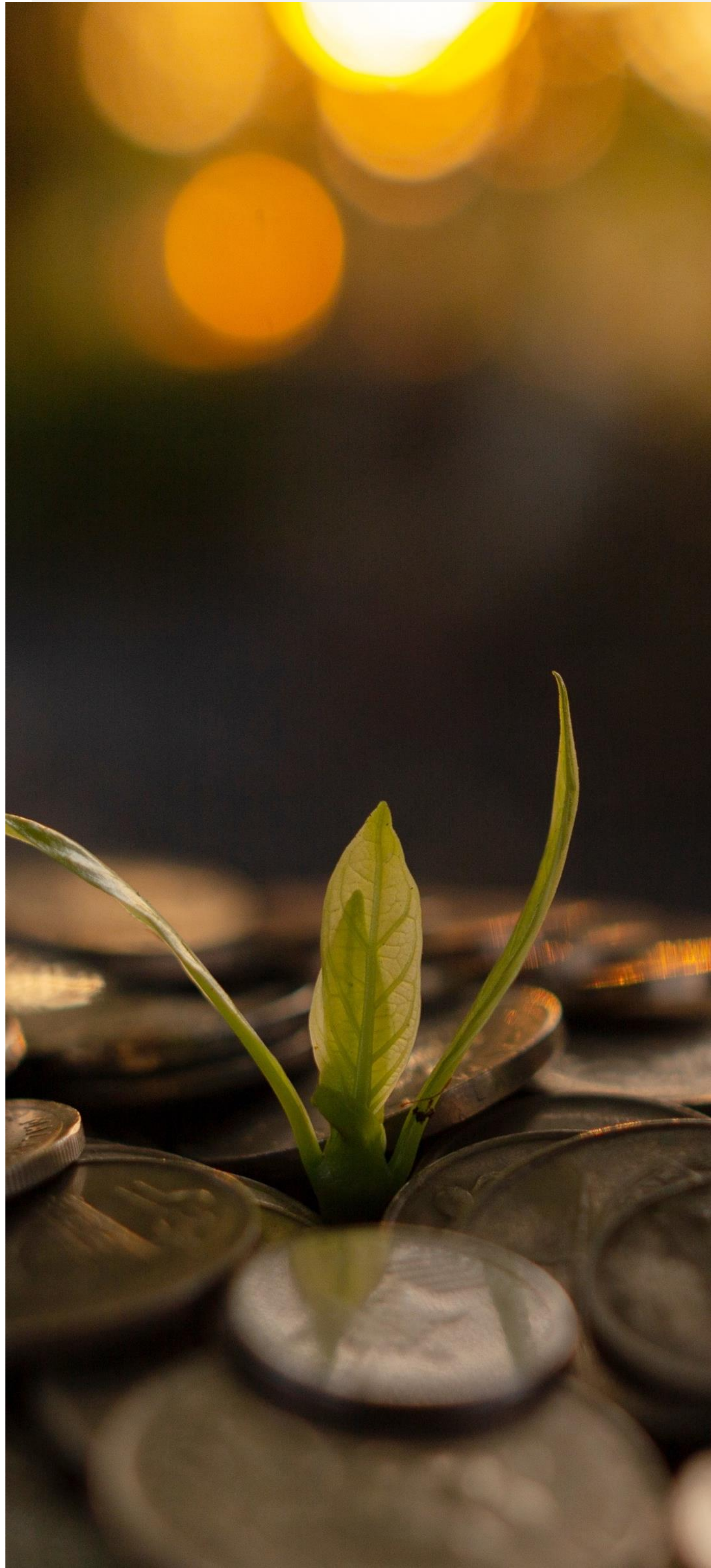
SUPPORT FUND (KKDF)

According to the current legislation, regressive RUSF rates apply to foreign exchange and gold borrowings provided to Turkish residents (banks and financing institutions are exempt) from abroad depending on the maturity. The RUSF rates on foreign currency denominated loans are as follows:

- 3% if the maturity is under one year.
- 1% if the maturity is between one and two years (including one year).
- 0.5% if the maturity is between two and three years (including two years).
- 0% if the maturity is three or more than three years (including three years).

The RUSF rates on Turkish lira (TRY) denominated loans are as follows:

- 1% if the maturity is under one year.
- 0% if the maturity is one or more than one year (including one year).
- Moreover, RUSF bases differ based on the type and the currency of the loan. RUSF is calculated:
- Over the principal amount in case the loan is foreign exchange denominated.
- Over the interest payments in case the loan is Turkish lira denominated.
- Over the interest payments plus the exchange difference of the principal between the drawdown date and the re-payment date in case the loan is indexed to a foreign exchange.



Resource Utilization

SUPPORT FUND (KKDF)

Resource Utilization Support Fund (KKDF) is calculated in forward imports, it is deducted over the import price and the deduction rate is applied as 6 percent.

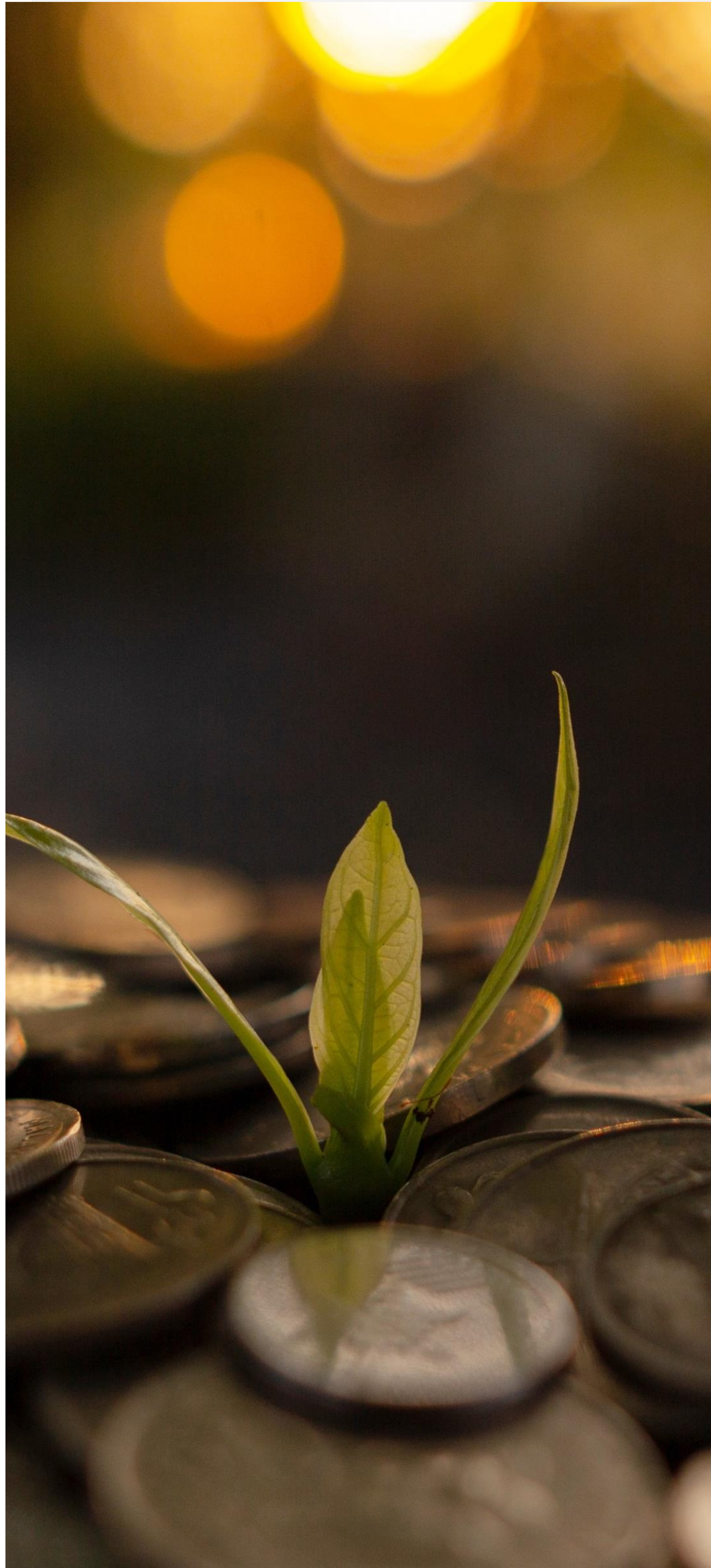
Imports with the following payment methods are considered as forward imports in KKDF application,;

Acceptance credit,

Cash against goods,

Deferred letter of credit,

Regarding the import transaction, if payment of the goods is transferred before (and/or on this date) the customs liability defined in the customs legislation, no RUSF is deducted. If the amount is transferred after this date, RUSF deduction is made over the transaction amount, since the importer will be credited.



PASSENGER CARS

Passenger Cars

RESTRICTIONS FOR PASSENGER CARS

Commercial earners and self-employed persons may take into account as an expense the monthly rental price of each of the passenger cars acquired through leasing, up to 17,000 Turkish Liras (excluding VAT) for the year 2023.

Except for those whose activities are partly or wholly in the rental or operation of passenger cars for this purpose, a maximum of 70% of the expenses related to passenger cars can be deducted as an expense in the determination of net income in terms of income and corporate tax. Expenses within this scope are generally vehicle repair, maintenance, fuel, insurance and similar current expenses. According to this; Parking lot, bridge/highway tolls and interest expenses paid for the acquisition of the passenger car are included in this scope. It does not matter whether the expenses incurred are related to the business or to the passenger cars registered in the inventory or acquired through leasing.

FINANCING EXPENSE RESTRICTION

EXPENSE RESTRICTIONS OVERVIEW

It is applied to the earnings of the taxation period starting from 1.1.2021 with the President's Decision No. 3490 published in the Official Gazette dated 04.02.2021 and numbered 31385. It is for the part of the enterprises whose foreign resources exceed their own resources. Additions to the cost of the investment are not considered. It has been regulated that 10% of the total expenses and cost elements made under the names of interest, commission, maturity difference, profit share, foreign exchange, difference and similar names related to the foreign resources used in the business cannot be taken into account as expense in the determination of income by the income and corporate taxpayers.

EXPENSE RESTRICTIONS OVERVIEW

- Credit institutions, financial institutions, financial leasing, factoring, and financing companies are excluded from companies that exceed their own equity with the foreign resources used, and the total of expenses and cost elements related to foreign resources, such as interest, commission, term differential, profit share, exchange rate differential, and similar names, except those added to the investment cost, are accepted as non-deductible expenses by law.

- Therefore, with respect to taxpayers of corporate income tax who have exceeded their foreign resources over their equity, the 10% of the total expenses and cost elements related to foreign resources, such as interest, commission, term differential, profit share, exchange rate differential, and similar names, limited to the excess portion, will be considered as non-deductible expenses (KKEG) in the determination of corporate income.

- In addition, the expenses and cost elements incurred under the names of interest, commission, term differential, profit share, exchange rate differential, and similar names related to foreign resources exceeding the equity amount, which have been added to the investment cost, will not be subject to this 10% limitation.

- The total amount of foreign resources consists of the sum of short-term and long-term foreign resources in the balance sheet. Therefore, not only financial debts to banks but also all commercial and other debts of the company are included in foreign resources.

EXPENSE RESTRICTIONS OVERVIEW

<u>Expenses that are not subject to Financing Expense Restriction:</u>

- Expenses that are not dependent on foreign borrowing, such as letter of credit commissions, printing expenses related to bond issuances, mortgage fees, and similar expenses, are not subject to the expense restriction.
- Similarly, early payment discounts or cash discounts that do not qualify as financing expenses,
- If financing expenses are not calculated for "sellers" etc. accounts related to the payment of the sales price at a certain maturity, a separate classification will be made and a certain portion of the sales price will not be subject to financing expense restriction.
- Expenses and cost elements that do not arise depending on the duration of use of a foreign resource, such as stamp duty paid for credit agreements or bank transfer fees, bank and insurance transaction tax paid,
- Financing expenses paid for loans transferred to intercompanies under the same conditions,
- Borrowings related to export transactions carried out through sectoral foreign trade companies and foreign trade capital companies based on intermediary export agreements signed with manufacturers or suppliers will not be subject to financing expense restriction.

EXPENSE RESTRICTIONS OVERVIEW

<u>Sample Calculation:</u>

(A) Inc., whose total equity is 800,000 TL, has total foreign liabilities of 1,000,000 TL in the same period. The total financing expense for this period is 100,000 TL.

Since the foreign liabilities of (A) Inc. exceed the total equity at the end of the period, 10% of the financing expenses related to foreign liabilities that exceed the equity will not be considered as an expense in determining corporate income, to the extent that it relates to the exceeding part.

Calculation of the amount subject to financing expense limitation:
Exceeding part[1]: Total foreign liabilities - Total equity
: 1.000.000 TL – 800.000 TL = 200.000 TL
Finance expense attributable to the exceeding part : Financing expense x (Exceeding part / Total foreign liabilities)

: 100.000 TL x (200.000 TL / 1.000.000 TL)
: 100.000 TL x %20
: 20.000 TL

10% of the financing expense attributable to the part of foreign liabilities that exceeds equity, which is 2,000 TL (20,000 TL x 10%), will be taken into account as Non-deductible Financial Expense in determining corporate income.

- REDUCED CORPORATE TAX

REDUCED CORPORATE TAX

- The gains obtained from investments attached to investment incentive certificates by the Ministry of Economy are subject to corporate tax at reduced rates from the accounting period in which the investment is partially or fully put into operation until the investment contribution amount is reached.
- Investment Incentive Certificates are generally given in two different types of content, namely Expansion Investments and Complete Investments.
- In Expansion Investments, if the profit can be determined by being tracked in separate accounts within the framework of the business integrity, the reduced rate is applied to this profit. If the profit cannot be determined separately, the reduced rate to be applied is determined by dividing the amount of the expansion investment made by the company at the end of the period (including the amounts related to ongoing investments) to the total fixed asset amount registered in the company's assets. The registered value of the fixed assets in the company's assets is taken into account with their revalued amounts during this calculation. The application of the reduced rate begins in the provisional tax period in which the investment is partially or fully put into operation.
- In Complete Investments, it is mandatory to track the gains obtained in separate accounts within the framework of the business integrity, and the reduced rate is only applied to these gains.

REDUCED CORPORATE TAX

<u>Reduced Corporate Tax Application for Gains Obtained from Other Activities:</u>

As a deduction from the calculated investment contribution amount, it is possible to apply reduced corporate tax to the gains obtained from the investor's other activities during the investment period, provided that it does not exceed the actual investment expenditure and does not exceed eighty percent (80%) of the total investment contribution amount.

- Accordingly, for investments subject to the incentive certificate under Decision No. 2012/3305, in order to be offset against the total investment contribution amount, reduced corporate tax will be applied to the gains obtained from other activities from January 01, 2013, provided that:
- Investment has started,
- The usable investment contribution amount does not exceed the ratio determined by the President (abolished Council of Ministers) for the total investment contribution amount,
- The usable investment contribution amount does not exceed the amount of the investment expenditure realized as of the application period,
- The application period is the investment period.

REDUCED CORPORATE TAX

Investments for Manufacturing Industry:

- For the investment expenditures to be realized between 01/01/2017 and 12/31/2022 under the investment incentive certificates issued for the manufacturing industry (US-97 Code: 15-37), the investment contribution rates to be applied in the tax reduction support will be increased by 15 points compared to the investment contribution rate applicable in each region, and corporate tax or income tax reduction will be applied at a rate of 100% in all regions, and the rate to be applied to the gains obtained from the investor's other activities during the investment period will also be 100%.

Investment Contribution Rate and Reduced Corporate Tax Rate:

- The investment contribution rate indicates the rate obtained by dividing the amount to be covered by the state for investments through the tax waived by applying reduced corporate tax, by the total investment amount. The reduced corporate tax rate is the rate of reduction in corporate tax rate.

REDUCED CORPORATE TAX

Based on the given information, here's an example calculation:

Investment amount in the Investment Incentive Certificate: 1,000,000 TL

Investment contribution rate: 60% and Reduced Corporate Tax Rate: 40%

Current actual investment amount: 150,000 TL

The company is still in the investment period and not in the scope of manufacturing industry.

Company's net profit for the period: 700,000 TL

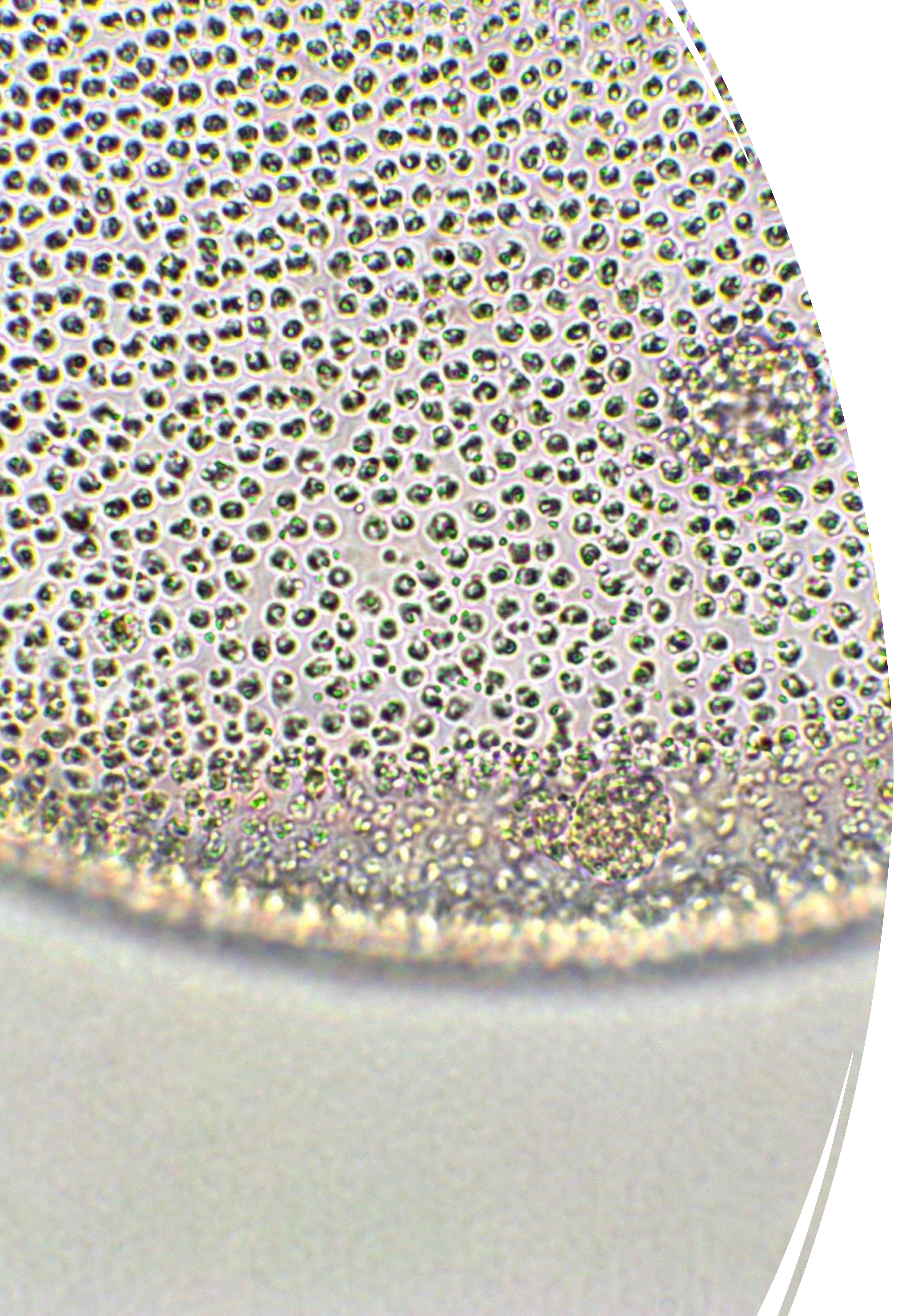
Investment contribution amount that the company is entitled to due to the investment made: 1,000,000 TL * 60% = 600,000 TL

Reduced corporate tax rate to be applied: 23% - (23% * 40%) = 13.8%

Corporate tax that would be paid if there were no reduced corporate tax rate: 700,000 TL * 23% = 161,000 TL

Corporate tax to be paid due to the reduced corporate tax rate: 700,000 TL * 13.8% = 96,600 TL

Advantage gained due to the reduced corporate tax rate: 161,000 TL - 96,600 TL = 64,400 TL



THIN CAPITILIZATION

THIN CAPITALISATION

Any debt that corporations use in the business by directly or indirectly procuring from their partners or individuals associated with the partners shall be deemed to be covered capital for the relevant accounting period in excess of three times the equity capital of the corporation at any time during the accounting period.

In order for the debts used in the enterprise to be considered as thin capitalisation;

- If obtained directly or indirectly from a partner or a related person,
- Used in the business,
- The debt used in this way must exceed three times the company's beginning-of-period equity at any time during the accounting period

In the application of thin capitalisation, a related person refers to:

- A corporation in which the partner has a direct or indirect ownership of at least 10 percent or has at least 10 percent of the voting or profit-sharing rights, or
- A natural or legal person who holds at least 10 percent of the capital, voting rights, or profit-sharing shares of the partner or related corporation, directly or indirectly

THIN CAPITALISATION

Depts that are not considered thin capitalisation :

- Borrowings obtained from third parties against non-cash collateral,
- Borrowings obtained from banks and financial institutions and used under the same terms,
- Borrowings obtained by banks from financial leasing companies, financing and factoring companies, and mortgage finance institutions.

The Status of Trade Payables and Advances against Thin Capital:

- Purchases made with payment terms exceeding market conditions and commercial customs should be included in the debts covered by thin capitalisation.
- Advances, regardless of the purpose for which they are obtained, will be considered as borrowed funds for the business since they provide financing opportunities and will be taken into account in the calculation of thin capitalisation.

Non-Deductible Expenses under Hidden Capital (KKEG):

Interest, exchange rate differences, and similar expenses paid or calculated on hidden capital are not deductible expenses in corporate tax calculations and are added to the corporate tax base as KKEG. Similarly, VAT paid for the section covered by hidden capital cannot be deducted."

THIN CAPITALISATION

<u>Sample Calculation:</u>

- Company's beginning of period equity: 1,000,000.-TL
- Total debt owed to related parties and shareholders by the end of the year: 5,000,000.-TL
- In the relevant calendar year, the company paid 400,000.-TL interest and 72,000.-TL VAT for the 5,000,000.-TL debt

<u>Accordingly;</u>

- Thin Capital Limit: 1,000,000*3=3,000,000.-TL. Three times the beginning of period equity.
- Amount exceeding Thin Capitalisation Limit: 5,000,000-TL-3,000,000.-TL=2,000,000.-TL
- Thin Capitalisation Ratio: 2,000,000-TL/5,000,000.-TL=%40
- The interest amount that will not be accepted as an expense in corporate tax calculation: 400,000%40=160,000
- The VAT amount that will not be considered as a deductible expense and will be treated as Non-deductible Expenses allowed by law: 72,000*%40=28,800

THIN CAPITALISATION

In the scope of previous example:

- If the company's debt were a foreign currency debt and exchange rate difference expenses were calculated in this calculation, the 40% portion of the exchange rate expenses would not be recognized as a deductible expense in corporate tax calculation and would be added to the temporary or corporate tax base as a non-deductible expense.

- If the company's debt were a foreign currency debt and interest was paid to a foreign entity, the 40% portion of the paid interest would not be recognized as a deductible expense in corporate tax calculation and would be added to the corporate tax/temporary tax base as a non-deductible expense.

- If the company's debt were a foreign currency debt and a withholding tax of 10% and VAT of 18% paid on the interest paid to a foreign entity, the 40% portion of the withholding tax and VAT would not be recognized as a deductible expense in the corporate tax calculation.

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