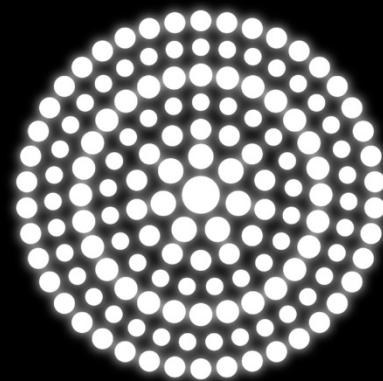


## International Tax Turkey Highlights 2021

Updated April 2021



### Investment basics

**Currency:** Turkish Lira (TRY)

**Foreign exchange control:** The TRY is fully convertible, at least from the Turkish side, to the extent Turkey is recognized by the International Monetary Fund as having achieved article 8 status. (Under article 8, no limitation may be imposed on the purchase and sale of foreign exchange within the scope of current items in the balance of payments. Profits from these transactions must be freely convertible.)

Companies and individuals may open foreign currency denominated accounts and transfer funds abroad through banks (i.e., savings deposit banks, participation banks (formerly “special finance houses”), and development and investment banks). There are no restrictions on the export of capital, but a special form must be submitted to the Undersecretariat of the Treasury within 30 days following the export of capital of USD 50,000 or its equivalent.

Although the import and export of TRY and foreign currency are possible, the export of cash exceeding TRY 25,000 or the export of cash in foreign currency exceeding the equivalent of EUR 10,000 is subject to procedures established by the Ministry of Economy.

Turkish resident companies may grant loans to their foreign parent companies, affiliates, and group companies abroad in TRY or foreign currency, provided the requirements under the Commercial Code are met.

Measures have been introduced to protect the value of the Turkish currency, including prohibiting residents from executing certain agreements, imposing limits on foreign currency loans, requiring the proceeds from export transactions to be brought directly into Turkey following payment for the goods, etc.

**Accounting principles/financial statements:** In principle, all taxpayers are subject to the valuation rules in the Tax Procedures Code. A Uniform Chart of Accounts (UCA), governed by the Procedures Code, prescribes the basis on which statutory books are required to be kept. Another UCA applies to banks, insurance companies, and other financial entities. Public companies whose shares are traded on the Istanbul stock exchange or companies registered with the Capital Market Board must comply with the accounting/reporting principles and standards of the board, which generally are in line with IFRS. Companies that satisfy certain conditions and operate in regulated industries must prepare both single and consolidated financial statements according to IFRS.

Financial reporting standards for large and medium size enterprises (BOBI FRS) apply to such companies that are subject to independent audit under the Turkish Commercial Code.

**Principal business entities:** These are the corporation (Anonim Sirket (AS)), limited liability company (Limited Sirket (Ltd. Sti.)), ordinary partnership, limited partnership, sole proprietorship, and branch of a foreign company.

## Corporate taxation

Rates	
Corporate income tax rate	25%
Branch tax rate	25%, plus 15% tax on after-tax profits remitted to a foreign head office (subject to treaty relief)
Capital gains tax rate	25%

**Residence:** A company is resident in Turkey if its legal seat or place of management is in Turkey.

**Basis:** Resident companies with unlimited liability are taxed on worldwide income; nonresident companies are subject to tax only on Turkish-source income. In general, branches are taxed in the same way as subsidiaries.

**Taxable income:** All profits derived from the earning of income are included in taxable income, except for dividends qualifying under the domestic participation exemption. Expenses incurred in the course of the business generally are deductible.

**Rate:** The standard corporate income tax rate for 2021 is 25% (increased from 22%). The rate will be reduced to 23% for 2022. A reduced rate applies to earnings derived from investments in specified sectors/regions (see "Incentives," below). Companies (other than banks, financial institutions, insurance companies, and pension funds) offering at least 20% of their shares via their first initial public offering (IPO) on the Istanbul stock exchange, are subject to a corporate income tax rate reduced by two percentage points, i.e., 23% instead of 25% for 2021, for five years starting from the year when the IPO is made.

**Surtax:** There is no surtax.

**Alternative minimum tax:** There is no alternative minimum tax.

**Taxation of dividends:** See "Participation exemption," below.

**Capital gains:** Capital gains derived by a company generally are taxable as ordinary corporate income. However, 75% of capital gains derived from the sale of domestic participations is exempt from corporate income tax where:

- The participation has been held for at least two years;
- The gains are kept in a special fund account under shareholders' equity for five years following the year of the sale;
- The exempt profits are not transferred within the specified period to another account (except for transfers to the capital account by way of a capital injection);
- The consideration for the sale is collected by the end of the second calendar year following the year of the sale; and
- The company does not hold the participations for the purpose of an ordinary business involving the trading of participations.

A 50% exemption applies to capital gains derived from the sale of immovable property that has been held for at least two years. Capital gains derived from the sale of foreign participations that have been held for at least two years by an

international holding company resident in Turkey are exempt from corporate income tax (see “Holding company regime,” below).

**Losses:** Tax losses may be carried forward for five years. Losses may not be carried back, except where the company is liquidated.

**Foreign tax relief:** A tax credit is granted for foreign tax paid, up to the amount of Turkish corporate income tax attributable to the foreign income. Any unused credit may be carried forward to the following three years, but the foreign tax credit is limited to the Turkish corporate income tax attributable to the foreign income. The foreign tax paid must be documented through foreign tax office receipts approved by the Turkish consulate in the country in which the foreign tax was paid. Specific conditions apply to foreign tax credits relating to dividends received by Turkish resident companies from their foreign participations.

**Participation exemption:** Dividends received by a resident company from another Turkish company are exempt from corporate income tax in the hands of the shareholder. Dividends received from a nonresident company are exempt from corporate income tax where:

- The nonresident payer is a corporation or limited liability company;
- The Turkish recipient has owned at least 10% of the paid-in capital of the payer for at least one year;
- The profits out of which the dividends are paid were subject to foreign income tax of at least 15% (20% where the main activity of the payer is the provision of financing, including finance leasing, insurance services, or investments in securities); and
- The dividends are remitted to Turkey by the date the corporate income tax return is due.

**Holding company regime:** To qualify as an international holding company, a Turkish company must meet the following requirements:

- It must be a corporation;
- At least 75% of its total assets (excluding cash items) must be comprised of foreign participations that have been held for a continuous period of at least one year;
- It must hold at least 10% of the capital of each foreign participation; and
- The foreign participation must be in the form of a corporation or limited liability company.

Capital gains derived by a Turkish international holding company are exempt from corporate income tax, provided the foreign participation has been held for at least two years (see “Capital gains,” above).

**Incentives:** Various incentives are available. An allowance is available until 31 December 2023 to companies that carry out qualifying research and development (R&D) and design activities. The allowance is equal to 100% of R&D and design expenditure and is available in addition to a deduction for such expenditure in the statutory accounts. Further, 80% (95% for employees with a PhD or master’s degree in fundamental sciences, and 90% for employees with a master’s degree in any field or an undergraduate degree in fundamental sciences) of the income tax computed on the wages of R&D and design personnel is exempt from income withholding tax. In addition, 50% of the social security premium contributions paid for each R&D and design employee will be reimbursed by the Ministry of Treasury and Finance (up to 10% of the total number of full-time R&D employees).

The import of goods to be used for research as part of a qualifying R&D or design project is exempt from customs duty and mandatory contributions to importation funds. Documents issued and procedures performed with respect to the imported goods are exempt from stamp duty and fees. Documents prepared with respect to R&D, and innovation and

design activities also are exempt from stamp duty. To qualify for the benefits, the R&D and design center must be set up outside the designated technology development zones (TDZs) and must have at least 15 full-time R&D and 10 full-time design center employees.

Profits derived from software, design, and R&D activities that are exclusively carried out in TDZs are exempt from income tax and corporate income tax through 31 December 2023. The wages of R&D, design, and support staff (up to a maximum of 10% of the number of R&D and design employees) who work in these zones are exempt from taxes until 31 December 2023. In addition, 50% of the social security premium contributions paid for these employees will be reimbursed by the Ministry of Treasury and Finance. Certain deliveries of software applications, etc., developed in the TDZs are exempt from VAT. The import of goods to be used for research as part of an R&D, software, or design project is exempt from customs duty and mandatory contributions to importation funds. Documents issued and procedures performed with respect to the imported goods are exempt from stamp duty and fees.

In general, the investment incentive legislation is comprised of general, regional, and strategic investment incentive schemes. A new Technology Focused Industry Move Program has been introduced as part of the investment incentive legislation, which aims to incentivize investments related to products listed on a Priority Products List to be published by the Ministry of Industry and Technology. The list will include products in the medium-high and high-technology sectors and products that are critical for the development of these sectors.

The Center of Attraction Program covers industrial, call center, and data storage center investments to be made in any of the 24 provinces located in the eastern and southeastern regions of Turkey. The program has been included within the scope of the investment incentive legislation. As a result, qualified investments will benefit from incentives provided to investments realized in Region 6 (covering East and Southeast Turkey) even if they are located in other regions. An energy support also may be provided under certain conditions.

In addition to the investment incentive legislation, a project-based investment incentive package is available that aims to provide financial support for innovative, technology-oriented, R&D focused, high value-added projects that also contribute to reduce foreign dependency. Projects seeking support under the incentive must be in conformity with the Turkish government's targets as set out in national development plans and annual programs, and with those promoted by the Ministry of Industry and Technology.

## **Other**

### **Notional interest deduction**

A notional interest deduction (NID) is available. Corporations, except for those that operate in the finance, banking, and insurance sectors, and public economic enterprises, are allowed to claim a deemed interest deduction equal to 50% of the interest calculated on cash increases in registered capital (for existing corporations) or cash capital contributions (for newly incorporated corporations) based on the average interest rate announced by the Central Bank for TRY-denominated commercial loans. The NID is allowed starting from the fiscal year in which the resolution for the cash capital increase is registered.

### **Exclusion of foreign exchange gains/losses**

Companies established after 27 March 2018 may exclude foreign exchange gains/losses realized on cash capital contributions from abroad in foreign currency until the end of the year following the establishment year. To benefit from this rule, companies must apply for and obtain an Investment Incentive Certificate within the required periods.

## Compliance for corporations

**Tax year:** The tax year is the calendar year or fiscal year. It is possible to obtain permission from the Ministry of Treasury and Finance to use a special accounting period.

**Consolidated returns:** Turkey does not allow for tax consolidation; each company in a group must file its own corporate income tax return.

**Filing and payment:** The corporate income tax return must be filed between the first and 30th day of the fourth month after the end of the company's accounting period. Corporate income tax is payable by the end of the month in which the tax return is due (i.e., by the end of April for companies using the calendar year).

Corporations are required to pay advance corporate income tax at 25% based on their quarterly profits (20% for the quarter ended 31 March 2021). Advance payments made during the year are offset against the ultimate corporate income tax liability, which is determined in the annual corporate income tax return. Advance corporate tax returns must be submitted by the 17th day of the second month following the quarter, and the tax is payable by the 17th of the same month (the Ministry of Treasury and Finance may extend the deadline for submission of quarterly advance tax returns).

**Penalties** –Delay charge interest (currently 1.6% per month) is charged for the period between the date the tax was due and the date of assessment. Procedural penalties are imposed for failure to submit tax returns on time, failure to properly keep statutory accounts, failure to comply with the statutory accounting principles, and failure to have the statutory books notarized on time. Special noncompliance penalties are charged at fixed amounts (subject to change annually) for failure to issue invoices and other documents as specified in the tax procedures code. A tax loss penalty imposed for tax evasion is equal to the tax loss amount.

**Rulings:** A taxpayer may request an advance ruling on the tax treatment of specific transactions.

## Individual taxation

Rates		
Individual income tax rate	Taxable income	Rate
	Up to TRY 22,000	15%
	TRY 22,001–TRY 49,000	20%
	TRY 49,001–TRY 120,000 (for employment income, TRY 49,001–TRY 180,000)	27%
	TRY 120,001–TRY 600,000 (for employment income, TRY 180,001–TRY 600,000)	35%
	Over TRY 600,000	40%
<b>Capital gains tax rate</b>		Same as income tax rates

**Residence:** Individuals who are in Turkey for a continuous period (including temporary absences) of more than six months in any calendar year are deemed to be resident for tax purposes. However, foreign individuals who are on assignment in Turkey for a specific business project or mission, or those in Turkey for holiday, health care, or educational purposes are not regarded as resident, even if they stay for more than six months.

**Basis:** Residents are taxed on worldwide income; nonresidents are taxed only on Turkish-source income.

**Taxable income:** Taxable income is comprised of employment income, professional income, business income, income from agricultural activities, income derived from shares, income from immovable property, and other income (capital gains and nonrecurring income).

**Rates:** Individual income tax rates for income earned in the 2020 calendar year are progressive ranging from 15% to 40%. The income tax brackets are adjusted annually.

**Capital gains:** Capital gains derived from the sale of shares and capital market instruments are subject to income tax, with certain exceptions. Regardless of the holding period, gains derived from the sale of intangible rights, capital gains from the sale of shares/participations in limited liability companies, and gains derived from the alienation of an enterprise that has ceased operations are subject to income tax. Gains on the sale of immovable property within five years from the date of acquisition also are subject to income tax.

In determining the taxable gain, the acquisition cost is adjusted for inflation by the increase in the producer price index between the date of acquisition and the date of sale in certain cases.

**Deductions and allowances:** Available deductions depend on the type of income. For business income, the same general deductions as apply to corporations are available. The scope of deductions for income derived from professional services is narrower. For salaried employees, the deductions generally are limited to social insurance premiums.

**Foreign tax relief:** A tax credit is granted for foreign income tax paid that is personal in nature, up to the amount of Turkish income tax attributable to the foreign income. The foreign income tax paid must be documented through foreign tax office receipts approved by the Turkish consulate in the country in which the foreign income tax was paid. The documents must be submitted to the Turkish tax office.

## Compliance for individuals

**Tax year:** The tax year is the calendar year or fiscal year.

**Filing status:** Each individual must file an individual income tax return; joint returns are not permitted. However, certain exemptions are available.

**Filing and payment:** An income tax return must be filed by all individuals that derive business or professional income. For other types of income (e.g., salary, income from securities, income from immovable property, capital gains, etc.), the obligation to file an annual return depends on the type of income, the amount, the applicable exemption limits, and whether the income is subject to withholding tax at source. Individuals whose salary income exceeds the amount in the fourth tax bracket (i.e., TRY 600,000 for 2020, subject to annual increases up to the revaluation rate of the previous year) must report their salary income when filing their annual income tax return even where the income tax has been withheld at source. Additionally, individuals who benefit from an income tax exemption on income derived from independent professional services are not eligible for the exemption where their income derived from such activities exceeds the amount in the fourth tax bracket (i.e., TRY 600,000 for 2020, subject to annual increases up to the revaluation rate of the previous year) and they are required to file an annual income tax return.

Individuals required to file an annual income tax return must submit the return between 1 and 31 March of the following calendar year. Income tax accrued must be paid in two equal installments in March and July.

**Penalties:** Penalties apply for late filing, failure to file, or tax evasion.

**Rulings:** A taxpayer may request an advance ruling on the tax treatment of specific transactions.

## Withholding tax

<b>Rates</b>				
<b>Type of payment</b>	<b>Residents</b>		<b>Nonresidents</b>	
	<b>Company</b>	<b>Individual</b>	<b>Company</b>	<b>Individual</b>
<b>Dividends</b>	0%	15%	15%	15%
<b>Interest</b>	0%	0%	0%/10%	0%/10%
<b>Royalties</b>	0%	20%	20%	20%
<b>Fees for technical services</b>	0%	20%	20%	20%

**Dividends:** No withholding tax is imposed on dividends paid to a resident company. Dividends paid to a resident or nonresident individual, or a nonresident company, are subject to a 15% withholding tax, unless the rate is reduced under a tax treaty.

**Interest:** No withholding tax is imposed on interest paid to residents. Interest on loans payable to a foreign state, international institution, foreign bank, or a foreign corporation that qualifies as a “financial entity” is subject to a 0% withholding tax. A 10% rate applies to interest paid on loans from other nonresident entities and individuals, unless the rate is reduced under a tax treaty.

**Royalties:** No withholding tax is imposed on royalties paid to a resident company. A 20% withholding tax is imposed on royalties paid to a resident or nonresident individual, or a nonresident company, unless the rate is reduced under a tax treaty.

**Fees for technical services:** No withholding tax is imposed on fees paid to a resident company. A 20% withholding tax is levied on fees paid for professional services, such as consulting, supervision, technical assistance, and design fees, paid to a resident or nonresident individual, or a nonresident company, unless the rate is reduced under a tax treaty.

**Branch remittance tax:** A 15% withholding tax is levied on after-tax branch profits remitted by a Turkish branch to a foreign head office, unless the rate is eliminated under a tax treaty.

**Other:** A 15% withholding tax applies to payments made to nonresidents in exchange for online advertising services, deductible either by the payer or an intermediary.

## Anti-avoidance rules

**Transfer pricing:** When a transaction between related parties (domestic or foreign) is not carried out on arm's length terms, profits arising from the transaction will be deemed to be “constructive dividends” subject to both corporate income tax and dividend withholding tax. The transfer pricing rules provide for the comparable uncontrolled price, cost-plus, and resale price methods, as well as profit-based methods (e.g., profit-split and transactional net margin methods), although a taxpayer may adopt another method based on its circumstances.

Taxpayers are required to maintain documentation to support their transfer pricing. Corporate taxpayers that are registered with the large taxpayers’ tax office must prepare an annual documentation report with respect to both domestic and foreign related party transactions. Those registered with other tax offices only have to prepare the annual report with respect to foreign related party transactions.

Taxpayers registered with the large taxpayers’ tax office must include in their annual transfer pricing report their transactions with related parties (including branches) in free trade zones (FTZs) and their branches abroad. Corporate

taxpayers operating in FTZs must prepare an annual transfer pricing documentation report with respect to domestic related party transactions.

Turkish corporate income tax payers that are members of a multinational entity (MNE) group with prior year assets and net revenue of at least TRY 500 million must submit a master file by the end of the fiscal year following the fiscal year to which the master file relates.

Ultimate parent entities or agency surrogate parent entities resident in Turkey that are part of an MNE group whose consolidated group revenue is at least EUR 750 million in the accounting period preceding the reporting fiscal year, are required to file and submit electronically a country-by-country (CbC) report to the Turkish tax authorities by the end of the year following the reporting period.

The CbC notification form must be submitted annually by 30 June of the year following the reporting period. The notification must be submitted electronically via the online tax office (İnternet Vergi Dairesi). Taxpayers required to submit a notification must request their user code and password from the relevant tax office.

Unilateral, bilateral, and multilateral advance pricing agreements (APAs) may be concluded with the Ministry of Treasury and Finance. Turkey has introduced pre-filing meetings to negotiate the terms and details of the APA process, the application form to be completed, the timeline for finalizing the application, etc.

**Interest deduction limitations:** Thin capitalization rules apply when loans from shareholders or related parties exceed a 3:1 debt-to-equity ratio at any time in an accounting period (six times shareholder equity for loans from related party banks or financial institutions). Related parties for these purposes are defined as shareholders and persons related to shareholders that own, directly or indirectly, 10% or more of the shares, voting rights, or rights to receive dividends of the company. The amount of equity is that determined under the tax procedures code at the beginning of the accounting period.

If the debt-to-equity ratio is exceeded, interest payments exceeding the safe harbor ratio will be deemed to constitute a hidden profit distribution or a remittance of profits on the last day of the accounting period in which the conditions for application of the thin capitalization rules are satisfied and, therefore, subject to the 15% dividend withholding tax. Related expenses, foreign exchange losses, and interest payments are nondeductible.

**Controlled foreign companies:** The CFC rules are triggered where a Turkish resident company controls, directly or indirectly, at least 50% of the share capital, dividends, or voting power of a foreign entity, and:

- 25% or more of the gross income of the CFC is comprised of passive income, such as dividends, interest, rents, license fees, or gains from the sale of securities that are outside the scope of commercial, agricultural, or professional income;
- The CFC is subject to an effective tax rate lower than 10% in its country of residence; and
- The annual total gross revenue of the CFC exceeds the foreign currency equivalent of TRY 100,000.

Where these requirements are met, the profits of the CFC are included in the profits of the Turkish company in proportion to the Turkish company's share in the capital of the CFC, regardless of whether such profits are distributed, and taxed at the relevant corporate income tax rate (25% for 2021).

**Hybrids:** There are no specific anti-hybrid provisions in the Turkish tax regulations.

**Economic substance requirements:** There are no statutory substance requirements in Turkey. Where a company has its legal seat or commercial center in Turkey, it is considered to be a company resident in Turkey, liable for Turkish corporate income tax on its worldwide income. There are no specific substance tests to determine whether a company is resident in



Turkey for tax purposes. Obtaining a certificate of residence from the Turkish tax authorities should be sufficient to prove the tax residency of the company in Turkey.

**Disclosure requirements:** Certain disclosures must be made in the footnotes attached to the statutory financial statements submitted to the tax office, together with the corporate income tax return.

**Exit tax:** Apart from capital gains taxation, there is no specific exit tax in Turkey.

**General anti-avoidance rule:** There is no general anti-avoidance rule.

**Other:** Transactions with parties resident in countries/regions that are deemed to cause “harmful tax competition” (to be determined by the Turkish president) are considered related party transactions. Payments made by resident companies to such parties are, in principle, subject to a 30% withholding tax (with some exemptions); however, the withholding tax is not applied in practice because the list of relevant countries/regions has not yet been announced.

## Value added tax

Rates	
Standard rate	18%
Reduced rate	0%/1%/8%

**Taxable transactions:** VAT is imposed on the supply of most goods and the provision of services.

**Rates:** The standard rate is 18%, with reduced rates of 8% applicable to basic foodstuffs, pharmaceutical products, certain services, and other items, and 1% for certain farm products and certain machinery/equipment acquired under finance leases. The reduced 8% VAT rate on educational services is temporarily reduced to 1% for services provided as from 1 September 2020 through 30 June 2021. Printed books, journals, and newspapers are exempt from VAT, but online sales of newspapers, magazines, and electronic books are subject to VAT at the standard rate. Certain supplies are exempt. Reverse-charge VAT at 18% is applied to payments made to nonresidents for professional services, the use of intangibles (e.g., royalties, licenses, or know-how), and on the sale of such rights.

**Registration:** There is no turnover threshold for VAT registration in Turkey. Any person or entity engaged in an activity within the scope of the VAT law must notify the local tax office where its place of business is located or, if there is more than one place of business, the same tax office at which the business registered for income/corporate income tax purposes. A foreign business with no establishment in Turkey but that sells goods located in Turkey must appoint a tax representative (agent) to register for VAT. Direct registration is not possible. Such a business must use the reverse charge mechanism for charging VAT.

VAT on electronic services provided by nonresident service providers to Turkish resident individuals who are not registered for VAT in Turkey must be declared and paid by the service providers.

**Filing and payment:** VAT payments are due monthly. VAT returns must be filed with the local tax office by the 26th day of the following month, and VAT is payable by the 26th day of the month in which the return is submitted.

## Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply both to companies and individuals and are imposed at the national level.

**Social security contributions:** Both the employer and the employee must make social security contributions. The general rates are 20.5% for the employer (although the employer share for long-term risk is 6% instead of 11% where the monthly social security declarations are submitted on time and there are no unpaid social security premiums, penalties, or unemployment premiums for current and previous months), and 14% for the employee. The employer and the employee also must contribute to the unemployment benefit plan at rates of 2% and 1%, respectively, based on the gross salary of the employee (subject to the maximum base applicable for the social security premium calculations). The employee contribution to social security is 14% of gross earnings: 9% for disability, retirement, and life insurance; and 5% for general health insurance. The employee also is required to contribute to the unemployment benefit plan at 1% of gross salary.

**Payroll tax:** There is no payroll tax other than the income tax, social security premium contributions, and stamp tax on salary income.

**Capital duty:** No duty is imposed on share capital, but there is a mandatory contribution to the competition board equal to 0.04% of the capital amount committed when the company is established, and 0.04% of any subsequent increase in capital.

**Real property tax:** Real property tax is payable based on the value of land or buildings at rates of 0.2% for buildings, 0.1% for dwellings, 0.1% for land, and 0.3% for building sites. The rates are increased by 100% for buildings and land located within larger cities. The square meter rates for valuing buildings depend on the location of the property.

An environmental tax is imposed by the municipalities on buildings used, inter alia, as a place of business. Tax is imposed in fixed amounts that change annually based on defined categories. The resident of the building (either the landlord or the tenant) is liable for the environmental tax. The landlord is responsible for making a compulsory contribution to the municipality at a rate of 10% of the annual accrued real estate tax for the protection of immovable cultural property. The contribution is collected via the real estate tax.

**Transfer tax:** The registration of a transfer of real estate is subject to real estate transfer tax calculated as 4% of the acquisition/transfer value, which is split equally between the buyer and the seller.

**Stamp duty:** Stamp duty applies at rates ranging from 0.189% to 0.948%, depending on the type of document. The Turkish president may increase or decrease the fixed and proportional rates jointly or separately in terms of document type. Salary payments are subject to stamp tax at a rate of 0.759%.

**Net wealth/worth tax:** There is no net wealth or net worth tax in Turkey. However, highly valuable residential housing tax (HVRHT) applies as from 1 January 2021 to residential housing with a value exceeding TRY 5 million. (This limit is subject to annual increases based on the revaluation rate of the previous year.) HVRHT rates vary between 0.3% and 1%, depending on the real estate tax value of the residence. The tax must be reported annually and paid in two installments, by the end of February and August in the relevant year. Where a taxpayer has a single residence potentially liable to HVRHT, no liability arises; where a taxpayer has more than one residence within the scope of HVRHT, the residence with the lowest value is exempt from HVRHT.

**Inheritance/estate tax:** Items acquired as gifts or by inheritance are subject to gift tax at rates between 10% and 30%, and inheritance tax between 1% and 10% of the appraised value of the item.

**Other**

### **Digital services tax (DST)**

A 7.5% DST applies as from 1 March 2020 to revenue derived from digital services (i.e., advertising services; the sale, access, and download of digital content such as software, applications, music, video, and games; or the provision or operation of a digital platform enabling the interaction of users, including intermediary services for the sale and purchase of goods between users) performed by digital service providers in Turkey. The Turkish president is authorized to double the DST rate or reduce it to 1%, depending on the type of digital service. The tax liability does not depend on whether digital services providers are individual or corporate income tax payers, or whether they have a place of business or a permanent representative in Turkey. Service providers whose revenue derived from digital services during 2019 did not exceed TRY 20 million in Turkey, or EUR 750 million worldwide, were exempt from DST when introduced. Such exempt companies should monitor their revenues on a quarterly and cumulative basis, since where the relevant thresholds are exceeded, a DST liability is triggered as from the fourth month following the taxation period in which the thresholds were exceeded. The president is authorized to triple the exemption thresholds or reduce them to zero.

### **Banking and insurance transaction tax**

A banking and insurance transaction tax applies at a general rate of 5% on bank and insurance charges. Banks are required to withhold a contribution to the resource utilization support fund (RUSF) on the principal amounts of foreign-denominated loans with an average maturity period of three years or less. The rate is 3% for loans with an average maturity period of less than one year, 1% for loans with an average maturity period of at least one year but less than two years, and 0.5% where the average maturity period is between two and three years. No RUSF applies where the average maturity exceeds three years. A 1% contribution applies to the interest accrued on TRY-denominated loans with an average maturity of less than one year, and 0% applies to TRY loans with an average maturity of one year or more. Imports realized on credit are subject to a 6% RUSF (subject to certain exemptions).

The banking and insurance transaction tax also applies to foreign exchange purchases from banks, insurance companies, and foreign exchange offices, at a rate of 0.2%. The Turkish president is authorized to reduce the rate to 0% or increase it to 2%.

### **Tourism share**

A “tourism share” applies to tourism revenue generated as from 1 October 2019. The tourism share is collected from specified enterprises at rates ranging between TRY 2 and TRY 7.5 per TRY 1,000 of total net sales and leasing income derived by individual investors, legal entity investors, or operators of commercial tourism enterprises from activities in these enterprises. Rates are reduced by 50% for revenue from tourism sectors subject to special incentives, such as winter, thermal, health, rural, or qualified sports tourism.

The tourism share must be declared on a monthly basis by the 24th day of the following month and paid by the 26th day of the following month. The tourism share is deductible for individual income tax and corporate income tax purposes.

### **Accommodation tax**

A tax on certain accommodation services, along with other services (food and beverage, activities, entertainment, swimming pool, sports, thermal, and similar services) provided by hotels, motels, holiday villages, hostels, apartment hotels, guest houses, camping, chalets, or mountain houses, originally scheduled to apply as from 1 April 2020 has been deferred and is proposed to apply as from 1 January 2022.

**Tax treaties:** Turkey signed the OECD multilateral instrument (MLI) on 7 June 2017. For information on Turkey's tax treaty network, visit [Deloitte International Tax Source](#).

**Tax authorities:** Ministry of Treasury and Finance, Turkish Revenue Administration

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