



Tax Alert 2014/6

The award winning Pekin & Pekin Tax practice team leaves regular compliance support to accounting firms and instead focuses on more complex cases, giving clients direct practical and innovative advice.

To discuss how these developments affect your business interests please contact Fethi Pekin, Managing Partner. Email: fpekin@pekin-pekin.com



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The Circular of Revenue Administration Regarding the Foundation Deed

The Corporate Income Tax Circular (Circular No. 34) was published by the Turkish Ministry of Finance Revenue Administration. The Circular mainly includes certain explanations with regard to the criteria required for the tax exempt statute of foundations and the public benefit statute of associations.

In order to provide a foundation with a tax exempt statute through the Decree of the Council of Ministers, under the foundation deed it must be stated that two thirds of the annual gross income of the foundation shall be allocated to the expenditures spent for the purposes of health, social aid, education, scientific research and development, cultural protection and planting activities.

Under the Circular, it is regulated that even if the above mentioned ratio (2/3) is stated as 80% under a foundation's deed, that ratio will not be considered as the breach of the criteria and it will not be required to change the ratio as two third (2/3) under the foundation deed.

The Refund of the Special Consumption Tax which is levied over the LPG used during the Production of Aerosol

According to the Decree of the Council of Ministers (Decree No.2014/6881) (*O.G. October 17, 2014,29148*); during the supply of LPG (liquefied petroleum gas) with the HS Code No.2711.19.00.00.11, the current special consumption tax ("**SCT**") rate shall be applied by the seller (i.e.; the SCT taxpayer) and the respective SCT amount shall be paid by the buyer. In accordance with the abovementioned Decree; if the purchased LPG is then used during the production of Aerosol, the producer will have the right to claim for refund of the whole SCT amount which has been already paid.

Certain Amendments on the Value Added Tax General Implementation Communique

The Value Added Tax Communique, which makes several amendments on the Value Added Tax General Implementation Communique, was published by the Ministry of Finance (*O.G. October 16, 2014, 29147*). The amendments are effective as of November 1, 2014. The significant amendments are briefly stated as follows;

- The withholding tax rate which applies at the rate of 7/10 over the supply of ingot metal is changed as 5/10;
- Certain cash refund applications (e.g.; arising from exportation of services, the services regarding the modification, maintenance and renovation of vehicles and plants and etc.) which could be solved only through the tax inspection report could also be solved through the Sworn CPA's report;
- Several explanations are made regarding the criteria of VAT exemption which apply on certain precious stones;
- "The supply of precious stones" heading is added to the types of private VAT basis.

The Reevaluation Rate for the Year 2014 is determined as 10.11%

According to the Tax Procedural Communique (Communique No.441) (*O.G. November 15, 2014, 29176*); the reevaluation rate for the year 2014 is determined as 10.11%. This rate is also applicable for the last advance tax period of 2014.

Application Deadlines are extended for the Restructuring of Certain Public Debts

Through the Decree of Council of Ministers (Decree No.2014/7016) (*O.G: November 30, 2014, 29191*); certain application deadlines and payment due dates for the first installments are extended within the scope of the restructuring of public debts which was regulated by the Law No.6552. In this regard, the following due dates and application deadlines are extended:

- The due date regarding the first installment payment of accrued tax debts is extended to February 02, 2015;
- The last application date for utilizing from the restructuring of social security premium debts (apart from the general health insurance premium debts) is extended to February 02, 2015 and the due date for the payment of first installment of such debts is extended to March 02, 2015;
- The last application date for the vehicle inspection is extended to June 30, 2015;
- The due date for the first installment payment of public debts arising from the consumption of electricity is extended to February 02, 2015.

The Circular in relation to the Value Added Tax Implementation on Precious Stones

The Turkish Ministry of Finance, Revenue Administration publishes a Value Added Tax ("VAT") Circular (Circular No. KDV-67/2014-2) on December 03, 2014 in relation to the exemption on the supply of precious stones regulated under Article 17/4-g of the VAT Code No.3065.

As it was stated in our Newsletter No. 2014/5.2; the VAT exemption on precious stones was

substantially amended by Article 26 of the Law No. 6552 by excluding the supply of the isometric zirconia from the exemption, and modifying the marketplace of the supply. Starting from September 11, 2014, the referred exemption only applies in cases of i) the importation of precious gemstones for the purpose of being traded at the stock exchanges established in Turkey under the Capital Market Law (Law No. 6362) ii) delivery to the stock exchange and iii) deliveries between the members of stock exchange. Therefore, the sale of precious gemstones to the final customers and the purchase and sale of such precious gemstones by the persons except for the members of stock exchange will be subject to the VAT.

Under the VAT Circular No.67; the explanations are made in relation to the problematic issues on the VAT exemption of precious stones.

New Tax Rates, Amounts and Thresholds Applicable for 2015

The revaluation rate has been determined as 10.11% for the year 2014 according to the Tax Procedural Law General Communique No. 441 (*O.G. November 15, 2014,29176*). Taking into consideration the revaluation rate of 10.11%, the Ministry of Finance has recalculated certain tax rates and related amounts and thresholds that will be applied for the year 2015. You may find below the new rates, amounts and thresholds to be applicable for 2015.

Subject	Tax Rate/Amount/Threshold	The Relevant Communiqué
Income Tax Rates	<p>Up to TRY 12,000: 15%.</p> <p>Up to TRY 29,000: TRY 1,800 for the first TRY 12,000, plus 20% on the excess.</p> <p>Up to TRY 66,000: TRY 5,200 for the first TRY 29,000, plus 27% on the excess. (For employment income up to 106,000: TRY 5,200 for the first TRY 29,000, plus 27% on the excess)</p> <p>More than TRY 66,000: TRY 15,190 for the first TRY 66,000, plus 35% on the excess. (For employment income exceeding TRY 106,000, TRY 25,990 for the first TRY 106,000, plus 35% for the excess.)</p>	<p>The Income Tax Communiqué No. 287 (<i>O.G. December 30,2014, 29221</i>)</p>
The Exemption Amount for the Rental Income Derived from the Residences	TRY 3,600	The Income Tax Communiqué No. 287
The Exemption Amount for the meal benefits provided to the employees	TRY 13	The Income Tax Communiqué No. 287

outside the place of business

The Disability Reduction Amounts	For the 1st degree disabled employees : TRY 880 For the 2nd degree disabled employees : TRY 440 For the 3rd degree disabled employees : TRY 200	The Income Tax Communiqué No. 287
The Conditions for being subject to Simplified Taxation System	<p>General Conditions</p> <ul style="list-style-type: none">the annual rental value for the place of business rented by the taxpayer and the annual fair rental value for the ones owned by the taxpayers shall not exceed TRY 6,000 within the boundaries of metropolitan municipality and TRY 4,000 within other places. <p>Specific Conditions</p> <ul style="list-style-type: none">For the taxpayers who sell the goods, without processing or after processing, that they purchased;The annual purchase amount shall not exceed TRY 84,000, orThe annual sale amount shall not exceed TRY 120,000The gross income of the taxpayers other than the abovementioned ones shall not exceed TRY 40,000For the taxpayers engaging in the businesses fall under both the first and the second bullets stated above, the total of the annual sale amounts and the gross income shall not exceed TRY 84,000	The Income Tax Communiqué No. 287
The Exemption Amount for Capital Gains	TRY 10,600	The Income Tax Communiqué No. 287
The Exemption Amount for Incidental Earnings	TRY 23,000	The Income Tax Communiqué No. 287
The threshold amount for filing tax return regarding the	TRY 1,500	The Income Tax Communiqué No. 287

security income and income from immovable property which are not subject to any exemption and withholding tax

The Inflation Reduction rate that will be applied over some securities derived in 2014 The inflation reduction rate will apply at the rate of 103.8% for the income derived by individual investors within 2014 from:

- Treasury bills and government bonds,
- Securities issued by Housing Development Administration and Privatization Administration,
- Corporate bonds

which are issued in Turkish currency before January 01, 2006.

The Income Tax Communiqué No. 287

The threshold amount for the VAT refund applications arising from the transactions subject to the reduced VAT rate TRY 19,500

The Value Added Tax Communiqué (Serial No:2) made Amendments on General Value Added Tax Application Communiqué (O.G. December 30,2014, re. 29221)

Stamp Tax Threshold TRY 1,702,138

The Stamp Tax Communiqué No. 58 (Published in the Repetitive Official Gazette No. 29221 dated December 30,2014)

Inheritance and Transfer Tax		<u>Inheritance</u>	<u>Gift</u>	The Inheritance and Transfer Tax General Communiqué No.
	For TRY 200,000	% 1	% 10	
	For additional TRY 480,000	% 3	% 15	
	For additional TRY 1,060,000	% 5	% 20	

For additional TRY 1,900,000 % 7 % 25
more than TRY 3,640,000 % 10 %
30
46 (*Published in the Repetitive Official Gazette No. 29221 dated December 30,2014*)

Inheritance and Transfer Tax Exemptions

- TRY 161,097 of the inheritance shares corresponding to each child and spouse, including adopted children
- TRY 322,392 of the inheritance share corresponding to the spouse if there are no children
- TRY 3,711 of gratuitous transfers
- TRY 3,711 of the prizes won in games of chance defined under Law No.5602

The Inheritance and Transfer Tax General Communique No. 46

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