



Tax Alert 2015/1

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



TAX NEWSLETTER

New General Application Communique on Special Consumption Tax List No (I)

The General Application Communique on Special Consumption Tax ("**SCT**") List No (I) (*published in the Official Gazette dated March 05, 2015 and No. 29286*) includes the provisions with regard to goods stated under List No.(I) of the Special Consumption Tax Code ("**SCT Code**") (Law No. 4760) (*published in the Official Gazette dated June 12, 2002, No. 24783*). The significant provisions which are regulated under the abovementioned Communique include the following:

- Certain goods listed under Table (B) of the List No. (I) are included in the scope of the withholding tax application;
- It is clarified that the exportation exemption shall not apply to the supply of goods within free trade zones or to operators of certified customs warehouses;
- The exemption shall apply to the supply of natural gas made to taxpayers benefiting from exemptions introduced under the SCT Code for military purposes;
- The explanations are made in relation to the supply of air fuels with a rate of 0%. Also, a guarantee application has been introduced.

Most of the provisions regulated under the SCT Application General Communique have become effective on March 16, 2015. However, the provisions in relation to the supply of air fuels will be effective on 1 July 2015.

Amendments on the Investment Incentives System

The Council of Ministers Decree in relation to Government Supports on the Investment Incentives No. 2012/3305 (the "**Decree No. 2012/3305**") was amended by the Council of Ministers Decree No.2014/7273 (the "**Decree No.2014/7273**") (*published in the Official Gazette dated March 05, 2015 and No. 29286*)

The amendments made on the investment incentives system include the following:

- importation of a used complete plants within the scope of the investment incentive certificate is subject to an application fee of TL 10.000;
- The table which is attached to the Decree No. 2012/3305 (Attachment/2B) shows the regions, cities and sectors by referring to the sector numbers listed under the Attachment/2A of the Decree No. 2012/3305. It shows the types of investments which may benefit from incentives region by region, and city by city. With Decree No.2014/7273, the "chemical agents and products manufacturing" sector, sector 11, is added to the list which concerns the first 5 regions and accordingly cities under those regions not including Istanbul.

Electronic Book Keeping Application Guideline

The Revenue Administration has published the Electronic Book Keeping Application Guideline (the "**Guideline**") which explains certain issues that should be considered by registered users and compatible software companies. The issues covered under the Guideline are as following:

- If a transaction, constituting the basis of an accounting record, is based on a document, the field of the document type shall be used. If the transaction is not based on a document, the information such as document date or document number could not be provided.
- Document type shall be recorded as "other" and the document description shall be recorded as "receipt" for receipts in an e-book keeping system. Transactions performed with each bank can be processed in accounting slips on condition that that those are sorted daily.
- Within the scope of the e-book keeping application, each cheque or bill shall be recorded under separate journal entries. If such documents are in relation to the same purchaser or seller, multiple cheques or multiple bills may be recorded in the same journal entry.
- Companies may record monthly fee payrolls under a single list for all their employees and state the document type as "other" and the document description as "Payroll Summary".
- A self-employment voucher should not be confused with the receipt which is listed among the documents stated under the e-book keeping guidelines. Since the self-employment voucher is not included under the listed documents, those shall be recorded by stating the document type as "other" and the document definition as "self-employment voucher".
- Only the information showing the payment type (cash, bank, credit card, cheque, and bill) shall be entered into the payment method field.

Ratification on the Double Taxation Treaty between Turkey and Kosovo

Upon the publication of Law No. 6606 (*published in the Official Gazette dated February 27, 2015 and No.29280*), the Treaty on the Prevention of Double Taxation on Income and Fiscal Evasion (the "**DTT**") signed between the Republic of Turkey and the Republic of Kosovo on September 10, 2012 has been ratified. Accordingly, through the abovementioned Law, the protocol which is

attached to the DTT has also been ratified.

The DTT will enter into force upon the notification of both countries to each other in relation to which the DTT has been approved by their parliaments.

Ratification on the Double Taxation Treaty between Turkey and Mexico

Upon the publication of Law No. 6594 (*published in the Official Gazette dated February 20, 2015 and No.29273*), the Treaty on the Prevention of Double Taxation on Income and Fiscal Evasion (the "**DTT**") signed between the Republic of Turkey and the United Mexican States on December 17, 2013 has been ratified. Accordingly, through the abovementioned Law, the protocol which is attached to the DTT has also been ratified.

The DTT will enter into force upon the notification of both countries to each other in relation to which the DTT has been approved by their parliaments.

With the Internal Circular no. 2015/1, additional explanations have been made regarding the restructuring of the defined tax payables.

Article 73 of Law No. 6552 regulates the provisions in relation to the restructuring of accrued public debts such as tax, tax penalty, delay interest and the administrative fine introduced under certain laws. Under the Internal Circular No. 2015/1, dated February 12, 2015, the following explanations were made on the application of Article 73:

- In a case where the taxpayers who are indebted to more than one tax office but have only applied to the affiliated tax office will also submit a written request (in order for restructuring of their public debts) to the other tax offices to which they are indebted until April 30, 2015 (including this date), such taxpayers may have the right to restructure their public debts before the following tax offices;
- In a case where the taxpayers (i.e.; *inheritors, guarantors, company shareholders, legal representatives, sworn-in certified public accountants and certified public accountants*) who have applied online for restructuring of their public debts due to their liabilities, they will also make a written application to the respective tax office not later than April 30, 2015 (including this date), they may have the right to restructure their public debts;
- In a case where the first instalment has not been paid by the end of February 2, 2015 or when it is not paid in full, such payment violation will be considered as a violation pertaining to 2014 calendar year;
- In a case where the payment period extends to the following month due to the fact that the last day of the payment period for the instalment is an official holiday, such instalments will not be considered as instalments of the extended month;
- In a case where the taxpayers who prefer to restructure their public debts through the advance payment method under which the payment shall be paid as of February 2, 2015, those taxpayers will pay the respective amount not later than March 2, 2015 (including this date) with the delay interest accrued for one month. Such taxpayers will have the right to benefit from the restructuring.

New VAT Rates on Certain Goods

Upon the publication of the Decree of Council of Ministers No. 2015/7205 (*published in the Official Gazette dated January 31, 2015 and No.29253*) the VAT rate that will be applied on the wholesale supply of rice has been reduced to 1% as of 1 February 2015.

Upon the amendment made on the 17th line of the List No.(I) of the VAT Code, the VAT rate applied on the lease and supply of the goods with GTIP no. 8502.31 and defined as "*Those working with wind exit power (those whose exit power is equal to and also more than 50 kw and but below 500 kw)*" under the financial lease agreements that will be executed as of 31 January 2015 has been determined as 1%.

The Obligation to Submit "Declaration of Taxpayer Information" was abolished

Upon the publication of Tax Procedural Code (the "**TPC**") General Communiqué Serial No. 444 (*published in the Official Gazette dated 17 January 2015 and No.29239*); the TPC General Communiqué Serial No. 413 was abolished. Accordingly, taxpayers will not submit "Declaration of Taxpayer Information" for the periods starting from January 17, 2015.

This legal newsletter has been prepared for informational purposes only; it has not been prepared for advertising purposes or with the intention of creating an attorney-client relationship. It does not seek to provide information on all legal developments in Turkey with the quarter specified. None of the information contained in this legal newsletter shall constitute legal advice or anything akin thereto. To unsubscribe email the Editor:

newsletter@pekin.pekin.com