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TAX

Collections and Payments exceeding TL 7.000 must be made through Financial Intermediaries Institutions

The Tax Procedural Code General Communiqué (Serial No. 459) (*published in the Official Gazette dated December 24, 2015 and No. 29572*) ("**Communiqué**") includes the explanations on the principles in relation to the collections and payments to be made through financial intermediaries as of January 01, 2016.

In this regard, any kind of collections and payments exceeding TL 7.000 made by/between the below taxpayers or made by the below taxpayers to any other person who are not under the obligation to comply with the Communiqué;

- First and second class merchants,
- Independent professionals,
- Merchants whose profits are determined in accordance with simplified procedure,
- Farmers obliged to keep books,
- Tax-exempt craftsman

Collections and payments meeting the above criteria must be made through financial intermediary institutions, and they are obliged to certify such collections and payments with documents issued by the abovementioned financial intermediary institutions.

Financial intermediary institutions refer to Posta ve Telgraf Teşkilatı A.Ş. (i.e.; "Turkish Postal Service"), authorized payment institutions and banks which act as an intermediary in collections and payments.

Collections and payments in relation to the transactions of;

- Public authorities and respective circulating capital enterprises,
- Capital market intermediaries,
- Authorized exchange offices,
- Land registry directorates,
- Notaries

are not required to be made through the financial intermediary institutions.

Obligation to provide information on E-Commerce and Certain Business Transactions

Under the Tax Procedural Code General Communiqué (Serial no. 464) (*published in the Official Gazette dated December 24, 2015 and No. 29572*) ("**Communiqué**"); certain taxpayers are obliged to continuously provide information in relation to their e-commerce and certain business transactions; also taxpayers selling goods and services via internet are obliged to implement e-archive application. In this regard;

- Intermediary service providers providing intermediary services via internet for the performance of transactions such as purchase, sale, rent and distribution of goods and services,
- Banks, in terms of payments with respect to selling and renting transactions performed via internet,
- Internet advertisement service providers intermediating for the delivery of advertisement services for commercial purposes on internet,
- Cargo and logistics operators with M1, M2 and M3 authority certificates

must provide the information required under the Communiqué to the Revenue Administration via BTRANS (i.e.; electronic data transfer system) in monthly periods. The information pertaining to a month must be submitted by 24:00 on the last day of the following month.

- Taxpayers who are obliged to comply with the abovementioned procedure must prepare the information required for the transactions which they conduct as of July 01, 2016 and submit those starting from the following month.
- As known, in accordance with the TPC General Communiqué (Serial No.433), taxpayers selling goods and services via internet and also having a gross sales revenue of TL 5 million and above in 2014 were obliged to implement e-archive application by January 01, 2016. However, with the Communiqué (Serial No.464), taxpayers having a gross sales revenue of TL 5 million and above in 2015 and subsequent fiscal periods are also obliged to implement the e-archive application. Such taxpayers must implement the e-archive application by making their applications by the beginning of the fiscal period following the date when the income or corporate income tax return of the related period will be filed.

Amendments on the Application of Investment Incentives

The Council of Ministers Decree (Decree No. 2015/8216) (*published in the Official Gazette dated November 19, 2015 and No.29537*) has amended the Council of Ministers Decree on State Investment Incentives (Decree No. 2012/3305) ("**Investment Incentives Decree**").

As a result of the above amendment made on the Investment Incentives Decree, "*investments on manufacturing of turbine and generator for renewable power investments and manufacturing of vanes used in the generation of wind power*" are included in primary investment subjects.

This amendment became effective on the publication date of the Decree.

Principles in relation to the Taxation of Tour Guides

The below explanations with respect to the taxation of tour guides are provided under the Income Tax Code General Communiqué (Serial No. 289) (*published in the Official Gazette dated November 19 2015 and No. 29537*):

- Active tour guides who actually perform their activities in their own name and account as a continuous and customary profession according to determinations of the tax authority, shall be taxed under the provisions of Income Tax Code with respect to the taxation of professional service income,

- Those who do not conduct tour guide activities on a continuous basis shall be treated under Article 82/1-4 of the Income Tax Code (i.e.; incidental income),
- Inactive tour guides are entitled to income tax exemption,
- It does not have any importance of whether the professional service income is continuous or incidental or whether such service is exempt from income tax in terms of applying the income withholding tax. Accordingly, persons who are required liable to apply withholding tax over the professional service payments that they made to tour guides, must declare and pay 20% income withholding tax over such payments.
- Active tour guides must issue professional service receipt in return for the payments they receive due to their professional service activities.
- Since tour guides who conduct their activities incidentally and are exempt from income tax cannot issue professional service receipt, the payment must be documented with the note of expenses by the person (i.e.; whether such person is income taxpayer or corporate income taxpayer) making the payment. Tour guides are obliged to keep these documents.

Double Taxation Treaty between Turkey and Senegal was Signed in Antalya

Under the announcement published on the website of the Ministry of Finance Revenue Administration (www.gib.gov.tr); it has been announced that Double Taxation Treaty between Turkey and Senegal was signed in Antalya on November 14, 2015.

The abovementioned treaty will enter into force upon its ratification by the parliaments of both countries.

Amendments on the Procedures and Principles that must be complied with during Tax Inspections

“Regulation regarding the Procedures and Principles to be complied with in Tax Inspections” (the “Tax Inspection Regulation”) amended with the “Regulation amending the Tax Inspection Regulation” (*published in the Official Gazette dated November 06, 2015 and No. 29524* (the “New Regulation”). The New Regulation amends the Tax Inspection Regulation as follows:

- Taxpayers must be informed regarding the procedures which will potentially be performed on the basis of tax inspection minutes,
- Tax rulings which are presented by taxpayers to tax inspectors related to the subject of the tax inspection must be annexed to the tax inspection minutes. Tax inspectors shall make an assessment under the tax inspection report whether the tax ruling clarifies the taxpayer's situation,
- The New Regulation has cancelled Article 19/4 of the Tax Inspection Regulation, which states that the tax inspector must notify the taxpayer with a report if there is nothing to criticize the taxpayer as a result of the tax inspection,
- Researches which will be conducted for the provision of information based on the information exchange rules specified under international agreements shall have the priority and shall be completed immediately. This period cannot exceed two months starting from the notification date of the information request to the Directorate of Tax Inspection Board.

New Tax Rates, Amounts and Thresholds Applicable for 2016

The revaluation rate has been determined as 5,58% for the year 2015 according to the Tax Procedural Code General Communiqué No. 457 (*published in the Official Gazette dated November 10, 2015, No. 29528*). Taking into consideration the revaluation rate of 5,58%, Ministry of Finance has recalculated certain tax rates and related amounts and thresholds that will be applied for the year 2016. You may find below the new rates, amounts and thresholds to be applicable for 2016.

Subject	Tax Rate/Amount/Threshold	The Relevant Communique
Income Tax Rates	<p>Up to TL 12,000.00: 15%.</p> <p>Up to TL 30,000.00: TL 1,890.00 for the first TL 12,600.00, plus 20% on the excess.</p> <p>Up to TL 69,000.00: TL 5,370.00 for the first TL 30,000.00, plus 27% on the excess. (For employment income up to 110,000.00: TL 5,370.00 for the first TL 30,000.00, plus 27% on the excess)</p> <p>More than TL 69,000.00: TL 15,900.00 for the first TL 69,000.00, plus 35% on the excess. (For employment income exceeding TL 110,000.00, TL 26,970.00 for the first TL 110,000.00, plus 35% for the excess.)</p>	The Income Tax Communique No. 290 (<i>Published in the Official Gazette No. 29573 dated December 25,2015</i>)
The Exemption Amount for the Rental Income Derived from the Residences	TL 3,800.00	The Income Tax Communique No. 290
The Exemption Amount for the meal benefits provided to the employee outside of the place of business	TL 13.70	The Income Tax Communique No. 290
The Disability Reduction Amounts	<p>For the 1st degree disabled employees : TL 9000.00</p> <p>For the 2nd degree disabled employees : TL 460.00</p> <p>For the 3rd degree disabled employees : TL 210.00</p>	The Income Tax Communique No. 290
The Conditions for being subject to Simplified Taxation System	<p>General Conditions</p> <p>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 TL 6,300 within the boundaries of metropolitan municipality and TL 4,200 within other places.</p> <p>Specific Conditions</p> <p>For the taxpayers who sell the goods, without processing or after processing, that they purchased;</p> <p>The annual purchase amount shall not exceed TL 88,000.00, or</p> <p>The annual sale amount shall not exceed TL 126,000.00</p> <p>The gross income of the taxpayers other than the abovementioned ones shall not exceed TL 42,000.00.</p> <p>For 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 TL 88,000.00</p>	The Income Tax Communique No. 290

The Exemption Amount for Capital Gains	TL 11,000.00	The Income Tax Communique No. 290																		
The Exemption Amount for Incidental Earnings	TL 24,000.00	The Income Tax Communique No. 290																		
The threshold amount for filing tax return regarding the security income and income from immovable property which are not subject to any exemption and withholding tax	TL 1,580.00	The Income Tax Communique No. 290																		
The Inflation Reduction rate that will be applied over some securities derived in 2015	The inflation reduction rate will apply at the rate of 60,39% for the income derived by individual investors within 2015 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 Communique No. 290																		
The threshold amount for the VAT refund applications arising from the transactions subject to the reduced VAT rate	TL 20,600.00	The Value Added Tax Communique (Serial No:4) made Amendments on General Value Added Tax Application Communique (Published in the Official Gazette No. 29573 dated December 25,2015)																		
Stamp Tax Threshold	TL 1.797.117,30	The Stamp Tax Communique No. 59 (Published in the Official Gazette No. 29573 dated December 25,2015)																		
Inheritance and Transfer Tax	<table border="0"> <thead> <tr> <th></th> <th><u>Inheritance</u></th> <th><u>Gift</u></th> </tr> </thead> <tbody> <tr> <td>For TL 210,000.00</td> <td>% 1</td> <td>% 10</td> </tr> <tr> <td>For additional TL 500,000.00</td> <td>% 3</td> <td>% 15</td> </tr> <tr> <td>For additional TL 1,110,000.00</td> <td>% 5</td> <td>% 20</td> </tr> <tr> <td>For additional TL 2,000,000.00</td> <td>% 7</td> <td>% 25</td> </tr> <tr> <td>more than TL 3,820,000.00</td> <td>% 10</td> <td>% 30</td> </tr> </tbody> </table>		<u>Inheritance</u>	<u>Gift</u>	For TL 210,000.00	% 1	% 10	For additional TL 500,000.00	% 3	% 15	For additional TL 1,110,000.00	% 5	% 20	For additional TL 2,000,000.00	% 7	% 25	more than TL 3,820,000.00	% 10	% 30	The Inheritance and Transfer Tax General Communique No. 47 (Published in the Official Gazette No. 29573 dated December 25,2015)
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Inheritance and Transfer Tax Exemptions	TL 170,086.00 of the inheritance shares corresponding to each child and spouse, including adopted children TL 340, 381.00 of the inheritance share corresponding to the spouse if there are no children TL 3,918.00 of gratuitous transfers TL 3,918.00 of the prizes won in games of chance defined under Law No.5602	The Inheritance and Transfer Tax General Communique No. 47
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