

New Wealth Amnesty Law

Transferring Assets to Turkey

Law numbered 6486 was promulgated in the Official Gazette No. 28661 dated May 29, 2013 ("Wealth Amnesty Law"). Provisional Article 85 was added to the Income Tax Law (Law No. 193) (published in the Official Gazette dated January 6, 1961 and No. 10700) together with Article 13 of Law No. 6486 which regulates the wealth amnesty, came into force in May 29, 2013.

Turkey's new Wealth Amnesty Law encourages Turkish taxpayers to transfer certain assets (see below) to Turkey. According to the new regulation, assets outside Turkey which have been in possession of taxpayers as of April 15, 2013, can be transferred to Turkey. To benefit from the provisions of the Wealth Amnesty Law, the assets should be reported to banks or brokerage houses in Turkey or declared the tax offices with their market values in Turkish lira by July 31, 2013.

- Money,
- Gold,
- Foreign currency,
- Securities,
- Other capital market instruments,
- Real property

The above assets are to be registered in the legal books of the taxpayers holding the commercial books in accordance with the Tax Procedural Law (Law No. 213) (published in the Official Gazette dated January 10, 1961 and No. 10703) (the "TPL") by the end of the month following the one in which the declaration is made. Such assets will not be recorded as income, but a special fund account will be created under the equity section of the balance sheet which will be part of the equity. The amount recorded in the special fund account cannot be used for purposes other than increasing capital. Such fund will not be taxed should the corporation be liquidated.

A 2% tax will be assessed over the market value of assets reported/declared. If such assets are declared to the tax offices, tax payments are to be made by the taxpayers by the end of the month following the one in which the tax assessment is made. If such assets are reported to banks or brokerage houses, those banks or brokerage houses are liable to declare and pay the 2% tax to the tax authority by the 15th of the month following the one in which the assets are reported to the banks or the brokerage houses.

- The tax to be paid in the scope of the Wealth Amnesty Law cannot be regarded as deductible expense in terms of tax purposes.
- There cannot be a tax examination or tax assessment of the assets declared in accordance with the Wealth Amnesty Law.

Amortization provisions of the TPL will not be applicable to the declared assets. The losses incurred due to the disposal of such assets shall not be regarded as an expense or deduction from the tax base in the calculation of the income or corporation taxes. If the presence of assets located in foreign countries cannot be supported by a reasonable documentation as of April 15, 2013, the declared assets will not benefit from the provisions and will be subject to a tax examination and assessments.

In addition to the above, if the declared assets will not transferred to Turkey or deposited into the accounts opened in the banks or the brokerage houses by the end of the month following the one in which they are declared, the declared assets will not benefit from the provision and will be subject to tax examination and assessments.

Apart from the above stated regime, the below income, derived outside Turkey by October 31, 2013 by real and legal persons with full tax liability, will be exempt from income and corporation tax; in the event that such income is transferred to Turkey by December 31, 2013;

- Income from the sale of participation shares of institutions registered or with a business head offices outside Turkey;
- Income from institutions of registered or business head offices outside Turkey,
- Business (commercial) income from permanent establishments or permanent representatives outside Turkey.

In addition, income, gained by real and legal persons, who have full tax liability, through the liquidation of foreign companies, with registered or business head offices outside Turkey, will be exempt from income and corporation tax providing that such income is transferred to Turkey by December 31, 2013.

To discuss how these developments affect your business interests please contact:

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