

# New Law on Tax and Social Security Premium Amnesty in Turkey

---

August 2016

**Author:** [Hakan Eraslan](#)

On August 3, 2016, Turkey passed a detailed new law entitled “Statutory Proposal on Restructuring of Certain Receivables” (the “Law”) which offers taxpayers a broad amnesty for most types of unpaid taxes and for unpaid social security insurance premiums relating to the period up to June 30, 2016.

The Law also addresses restructuring of certain public receivables, repatriation to Turkey of assets held abroad by individual and corporate Turkish taxpayers without risk of any inspection or tax penalty, adjustment of unrecorded assets and adjustment of assets that are recorded but which do not exist or are not available.

The Law will become effective after it is approved by the President and published in the Official Gazette, which is expected to be soon.

## 1. Public Receivables Covered by the Law

Taxes, duties and charges which are within the scope of Tax Procedure Act no. 213 relating to tax periods prior to June 30, 2016 are covered by the Law.

These include both direct and indirect taxes. Therefore, all of the following are covered by the amnesty individual income tax, corporate income tax, Value Added Tax, stamp tax, social security premiums, property tax, motor vehicles tax, BITT (banking and insurance transactions tax), special consumption tax and all other taxes, duties, charges and fees. The contribution on protecting cultural property which is calculated on property tax, motor vehicles tax, customs tariffs, premiums collected by Social Security Institution and interest and any other additions such as fines or penalties are also covered.

The law also covers certain other public receivables which are collected under Law no. 6183 on the Collection Procedure for Public Receivables, such as those charged under special legislation.

We refer to all of the receivables covered by the Law in this alert as the “Receivables”.

As we explain below, depending on the type of Receivable, the Law offers full or partial amnesty for the principal amount, penalties and/or interest provided that the taxpayer satisfies the conditions and followed the processes described in the Law. Secondary legislation will also be promulgated after passage of the Law.

---

## **2. Restructuring of Receivables Payable to the Ministry of Finance or to Municipalities and Which are Undisputed or No Longer in Dispute and Therefore Overdue**

The Law also addresses the treatment of Receivables which are payable to the Ministry of Finance or to Municipalities and which are undisputed or no longer in dispute. In other words, these are Receivables which the taxpayer has challenged but for which it has exhausted the legal process and which are therefore considered overdue as a matter of law.

If the taxpayer pays the principal of these Receivables increased by the producer price index, then the penalties and interest on these amounts will be forgiven. Where the Receivable is a penalty only (with no underlying tax or other principal), then 50% of the penalty amount and all of the default interest relating to the penalty will be forgiven.

## **3. Disputed Receivables or Receivables Still on Lawsuit Process**

The Law also addresses taxes and customs taxes which are still being disputed through legal process.

If the statute of limitations to challenge a Receivable has still not run, or if there is an existing challenge against the Receivable in the first degree courts, then the taxpayer may benefit from the amnesty by paying only 50% of the principal amount increased by the producer price index, after which the balance of the principal and penalties and interest will be forgiven.

If the taxpayer has won a challenge in respect of the Receivable in the first degree court, and the challenge is the subject of an appeal (of which there are several kinds), then the taxpayer may benefit from the amnesty by paying only 20% of the principal amount increased by the producer price index, after which the balance of the principal and penalties and interest will be forgiven.

## **4. Transactions at the Inspection and Assessment Stage**

Taxpayers may also benefit from the law if they are under tax inspection before the effective date of the Law. Receivables which are the subject of inspection will benefit from the same provisions as those which are being litigated in the first degree courts (see above).

## **5. Tax Base and Tax Boost**

The Law gives taxpayers the opportunity to get immunity on tax assessment for previous taxation periods for which they failed to declare income if they make an additional payment for income tax, corporate income tax, VAT or withholding tax for past years.

The Law provides that if taxpayers voluntarily increase their tax base at the declaration rates specified in the Law for each type of tax and pay the applicable tax (which, as explained below is 20% for corporate income tax), then for that tax, they can no longer be subject to a further tax assessment. In other words, it will be possible for them to avoid previous period tax risks by making this additional payment.

To give the example of corporate income tax, taxpayers must pay corporate income tax at the rate of 20% on the increased tax base by increasing their corporate income tax base which was declared for the period between 2011 and 2015, at the rates prescribed in the Law. If the taxpayer declared loss for the relevant years, the tax base will be increased at the minimum declaration rates specified in the Law.

Taxpayers may decrease this tax rate from 20% to 15% if: (i) the taxpayer has timely submitted its tax return for those years; and (ii) has not made an application to benefit from the provisions described under Sections 2 or 3 above.

The taxes paid by the taxpayer on the increased tax base must be recorded as disallowable expense items in the corporate tax calculations for corporate taxpayers. Additionally, 50% of the tax losses carried forward by the taxpayer relating to the periods for which the income or corporate taxpayers have made a tax base increase cannot be deducted from the profits of 2016 or of upcoming years. In other words, the taxpayer loses the right to use 50% of its carried-forward losses if it benefits from these particular provisions of the Law.

---

For withholding taxes and value added taxes, the Law provides that previous taxes paid must be increased (as opposed to any tax base increase) and tax paid on such increase in order to benefit from amnesty on these amounts at a certain rate.

## 6. Unrecorded Assets

Taxpayers who have goods, machinery, equipment or fixtures which are used in their business but which are unrecorded can benefit from the Law to regularise the status of such assets. For these assets to be recorded, the taxpayer must pay %10 value added tax (for assets to which the standard 18% value added tax applies) on the declared value of the assets. The taxpayer may deduct in its value added tax declaration only the value added tax payments made to record commercial inventory. For assets subject to lower value added tax rates, half of the applicable value added tax rate will apply.

The taxpayer will not pay tax penalties or interest for the off record assets it declares through this process.

## 7. Recorded Assets, Cash Receivables And Receivables from Shareholders Which do not Exist but Which are Included in the Records

Taxpayers who have assets, cash receivables or receivables from shareholders which are recorded in their books but which are not available to the business or which do not exist can benefit from the Law to regularise the status of such receivables.

For assets other than cash and receivables from shareholders, the taxpayer must issue an invoice for such asset and record the transaction in its records. No tax penalty or delay charge will apply to such transaction; however it will form part of the taxpayer's revenue. In order to benefit from such provisions, a taxpayer should issue a sales invoice as if the sale is made in current period and fulfil all tax obligations relating to sales invoice.

Cash and receivables from shareholders which are included in the records but which are not available to the business (for example, because the shareholder withdrew cash) can be deleted from the taxpayer's accounting records if 3% of the relevant amount is paid as tax.

## 8. Cash Repatriation - Transfer of Assets Abroad to Turkey

The regulation regarding transfer of assets abroad to Turkey was included into the "Draft Tax Bill Regarding Improvement of the Investment Environment". However such regulation was removed from the Draft bill and moved into the Law (Statutory Proposal on Restructuring of Certain Receivables).

The Law provides that real persons and legal entity taxpayers who repatriate money, gold, foreign exchange, securities and other capital market instruments to Turkey by the end of 2016 can dispose of such assets freely and no taxes, penalties or interest will be imposed on these assets.

## 9. Installment Payment of Receivables

Taxpayers are provided an opportunity to pay the amounts due under the Law in instalments at interest rates lower than those otherwise provided by law by following the procedure provided. Taxpayers may choose to pay in 18 bi-monthly instalments (for a total payment period of 36 months). In such case, rather than attracting interest, the Receivable amount will be multiplied by the following coefficients depending on the payment plan chosen by the taxpayer: 1,08 for 6 equal installments; 1,12 for 9 equal installments; 1,16 for 12 equal installments and 1,24 for 18 equal installments. Considering that the monthly delay interest rate applied to late payment is otherwise 1.4 %, it is obvious that the Law provides much more favourable payment conditions to taxpayers.

The Law is quite detailed and will be followed by secondary legislation. The information in this client alert only aims to provide certain useful general information about the Law and should not be relied upon as legal advice.

---

White & Case Europe Danışmanlık Hizmetleri Avukatlık Ortaklığı  
Büyükdere Caddesi No: 102 Kat 28/109  
34394 Esentepe-Istanbul  
Turkey

T +90 212 275 7533

In this publication, White & Case means the international legal practice comprising White & Case LLP, a New York State registered limited liability partnership, White & Case LLP, a limited liability partnership incorporated under English law and all other affiliated partnerships, companies and entities.

This publication is prepared for the general information of our clients and other interested persons. It is not, and does not attempt to be, comprehensive in nature. Due to the general nature of its content, it should not be regarded as legal advice.