

# Turkey Country Profile

EU Tax Centre

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## Key tax factors for efficient cross-border business and investment involving Turkey

<b>EU Member State</b>	No
<b>Double Tax Treaties</b>	With:
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Albania	France
Algeria	Gambia <sup>(a)</sup>
Australia	Georgia
Austria	Germany
Azerbaijan	Greece
Bahrain	Hungary
Bangladesh	India
Belarus	Indonesia
Belgium	Iran
Bosnia & Herzegovina	Rep. of Ireland
Brazil	Israel
Bulgaria	Italy
Canada	Jordan
China	Kazakhstan
Croatia	Rep. of Korea
Czech Rep.	Kosovo
Denmark	Kuwait
Egypt	Kyrgyzstan
Estonia	Latvia
Ethiopia	Lebanon
Finland	Lithuania
	Luxembourg
	Macedonia
	Malaysia
	Malta
	Mexico
	Moldova
	Mongolia
	Montenegro
	Morocco
	Netherlands
	New Zealand
	Norway
	Oman
	Pakistan
	Palestine <sup>(a)</sup>
	Philippines
	Poland
	Portugal
	Qatar
	Romania
	Russia
	Saudi Arabia
	Serbia
	Singapore
	Slovakia
	Slovenia
	South Africa
	Spain
	Sudan
	Sweden
	Switzerland
	Syria
	Tajikistan
	Thailand
	TRN Cyprus
	Tunisia
	Turkmenistan
	UAE
	UK
	Ukraine
	US
	Uzbekistan
	Vietnam <sup>(a)</sup>
	Yemen

Note: (a) Treaties signed or initialized, but not yet in force.

**Forms of doing business** Joint-stock corporation (Anonim Sirket - AS)  
Limited liability company (Limited Sirket - Ltd)

**Legal entity capital requirements** AS: TL 50,000  
Ltd: TL 10,000



<b>Residence and tax system</b>	A company is resident if either its legal seat or its effective place of management is located in Turkey. Resident companies are taxed on their worldwide income.
<b>Compliance requirements for CIT purposes</b>	Generally, fiscal year is the same as calendar year. Corporate tax declarations are made on an annual basis through a corporate tax return. This return can be filed until April 25 following the close of the fiscal year. Companies must file advance tax returns for their quarterly profits. Total corporate taxes declared through the advance tax returns are offset against the final corporate tax payable. Advance tax returns can be filed until the 14th and paid until the 17th of the second month following the end of each quarter.
<b>Tax rate</b>	The standard corporate income tax rate is 20 percent. Reduced rates may be available for companies who hold a certificate for incentivized investments.
<b>Withholding tax rates</b>	<p><b>On dividends paid to non-resident companies</b> 15 percent.</p> <p><b>On interest paid to non-resident companies</b> Rates vary from 0 percent to 10 percent depending on the type of interest and type of receiving entity.</p> <p><b>On patent royalties and certain copyright royalties paid to non-resident companies</b> 20 percent.</p> <p><b>On fees for technical services</b> 20 percent.</p> <p><b>On other payments</b> 20 percent.</p> <p><b>Branch withholding taxes</b> 15 percent.</p>
<b>Holding rules</b>	<p><b>Dividend received from resident/non-resident subsidiaries</b> Dividends received from resident subsidiaries are exempt from corporate tax without further conditions. Dividends received from non-resident subsidiaries may be exempt under certain conditions; otherwise credit method is applicable:</p> <ul style="list-style-type: none"> <li>■ Participation requirement: 10 percent of the paid-in capital of the subsidiary;</li> <li>■ Minimum holding period: one year as of the date that earnings are generated;</li> <li>■ Taxation requirement: 15 percent (including corporate and dividend taxes), or 20 percent (if financing, insurance or capital investments companies);</li> <li>■ Dividends should be transferred to Turkey before the corporate tax filing date of the related fiscal year.</li> </ul>



	<p><b>Capital gains obtained from resident/non-resident subsidiaries</b></p> <p>Subject to tax at 20 percent.</p> <p>Exemption (75 percent) of capital gains derived from disposal of shares and immovable property held for two full years, subject to certain conditions.</p> <p>Specific exemption (100 percent) related to sale of shares in foreign subsidiaries (10 percent minimum shareholding) held for two full years subject to certain conditions.</p>
<b>Tax losses</b>	Losses can be carried forward for a five-year period. Loss carry-back is not possible.
<b>Tax consolidation rules/Group relief rules</b>	No
<b>Registration duties</b>	0.04 percent fund payable on capital contribution.
<b>Transfer duties</b>	<p><b>On the transfer of shares</b></p> <p>No</p> <p><b>On the transfer of land and buildings</b></p> <p>2 percent for seller and buyer separately over the sales amount.</p> <p><b>Stamp duties</b></p> <p>Agreements are normally subject to stamp tax at 0.948 percent (capped at TRY 1,865,947 for 2017) but there are certain exemptions which may apply based on certain conditions.</p> <p><b>Real estate taxes</b></p> <p>For buildings: 0.1 percent, 0.2 percent and 0.4 percent of the value calculated by using the value per square meters set by the Authorities. For land and plots: 0.1 percent, 0.2 percent, 0.3 percent and 0.6 percent (depending on the location of property).</p>
<b>Controlled Foreign Company rules</b>	Yes (foreign subsidiaries that are at least 50 percent controlled by Turkish residents may be qualified as a CFC under certain conditions).
<b>Transfer pricing rules</b>	<p><b>General transfer pricing rules</b></p> <p>According to Transfer Pricing rules, if companies enter into transactions with related individuals/parties by setting prices or amounts that are not in line with</p>



the arm's length principle, related profits will be treated as if they were wholly or partially distributed.

#### Documentation requirement

Yes, Transfer Pricing rules set forth detailed documentation requirements to explain and support the determination of the transfer prices used in dealings with related parties. Submission (upon request) of a transfer pricing report is required if:

- the company is a large company (based on annual net sales), registered with the VIP tax office;
- the company is not a large company but has transactions with foreign related parties.

Transactions between domestic parties do not require a transfer pricing report for small and medium-sized companies.

#### Thin capitalization rules

A 3:1 debt-to-equity ratio applies in the case of borrowings obtained directly or indirectly from related parties. The ratios is 6:1 if the related party providing the loan is a bank or financial institution (excluding those which are solely involved in the financing of group companies).

#### General Anti-Avoidance rules (GAAR)

Substance over form principle applies.

#### Specific Anti-Avoidance rules/Anti-Treaty Shopping Provisions

CFC, thin capitalization rules, transfer pricing rules, taxation of payments to low tax jurisdictions.

#### Advance Ruling system

Yes

#### IP / R&D incentives

R&D Incentives - 100 percent deduction in the CIT calculation; also exemption from income tax and social security contribution of R&D employees.

#### Other incentives

Incentives under Investment Incentive Regime (Reduced rate corporate tax, VAT, Customs duty, Social security, Income tax) available for investments under certain conditions and subject to an Investment Incentive Certificate.

#### VAT

The standard rate is 18 percent, and the reduced rates are 8 and 1 percent.

#### Other relevant points of attention

Turkey also has special tax exemptions for holding companies that are established for investment in foreign subsidiaries.

Source: Turkish tax law and local tax administration guidelines, updated 2017.



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