

Tax Bulletin



2017/4 Law on Amendment of Certain Taxes and Laws and Other Acts Takes Effect

The Law numbered 7061 on Amendment of Certain Taxes and Laws and Other Acts came into effect, being published on the official gazette dated December 5, 2017 and numbered 30261.

Abstract

In accordance with the aforementioned Law, Special Communication Tax Rates, amended by Article 39 of the Law Numbered 6802 on Excise Tax, will be subject to a single tax rate application effective as of January 1, 2018. Prior to this amendment, the Special Communication Tax Rates were applied as below:

- 25% for transactions within the scope of mobile electronic communication
- 15% for services regarding transmitting radio and TV broadcast via cable or satellite platform
- 5% for wired, wireless or mobile internet service providers
- 15% for other electronic communication services

The new amendment regulates the Special Communication Tax as 7.5% for all services.

In accordance with the new regulation implemented by Article 13 of the Law numbered 7061 on Amendment of Certain Taxes and Laws and Other Acts, inheritance and transfer tax applied to games of chance, contests and lotteries held by individuals and enterprises will be raised from 10% to 20% effective as of the beginning of the following month of the publication date of the Law.

According to Article 91 of the Law numbered 7061 on Amendment of Certain Taxes and Laws and Other Acts, the Corporate Tax Rate regarding the taxation periods of 2018, 2019 and 2020 have been raised from 20% to 22% through the below mentioned provisional clause added to the Corporate Tax Law numbered 5520.

Provisional Clause 10: (1) "The 20% corporate tax rate listed in the first sub-clause of Article 32 of this Law, will be applied as 22% for enterprises' corporate income belonging to the taxation periods of 2018, 2019 and 2020." (To financial years, which start within the related year for enterprises that are appointed a special accounting period.)

"The Council of Ministers is entitled to decrease the rate of 22% stated in the first sub-clause to as low as 20%"

Amendments Aimed to the Finance Sector

- 1) Notwithstanding any place of transaction, gains in cash or on account taken from transactions regarding futures and option contracts will be exempt from Banking and Insurance Transaction Tax (BITT) effective as of January 1, 2018.
- 2) As applied from the publication date of the Law (December 5, 2017), 75% corporate tax exemption rate applied over income from immovable real estate properties and participation shares in return for borrowers' and guarantors' debts to banks; have been set as 50% for real estate

properties and 75% for other assets. In addition, the aforementioned exemption regulation will be include Financial Leasing and Financing companies effective as of January 1, 2018.

3) VAT exemption provided to transfer and delivery of real estate properties and participation shares to banks in return for borrowers' and guarantors' debts will be including Financial Leasing and Financing companies effective as of January 1, 2018. In addition to this, the mentioned assets through transfer and delivery resulting from sales by leasing and financing companies will be also exempt from VAT.

4) Effective as of January 1, 2019, bad debt loan provisions that set aside in accordance with the principles of Banking Regulation and Supervision Agency's regulation will be also able to deduct from corporate tax base by Financial Leasing and Financing companies as the Banks.

Please contact us in case of any questions about the issues covered in our bulletin.

Yours sincerely,

Contact Us:

Tax Services
KPMG Yeminli Mali Müşavirlik A.Ş.

KPMG İstanbul Office
İş Kuleleri, Kule 3, Kat:2-9,
Levent, İstanbul
T: +90 (212) 316 60 00

KPMG Ankara Office
Paragon Tower
Kızılırmak Mah.
Ufuk Üniversitesi Cad. No: 8
Çukurambar, Ankara
Tel :+90 (312) 491 72 31
Fax : +90 (312) 491 71 31

KPMG Izmir Office
Heris Tower, Akdeniz Mah.Şehit
Fethi Bey Cad. No:55 Kat:21 D:34
Alsancak-Konak / İZMİR
Tel : +90 (232) 464 20 45
Fax : +90 (232) 464 21 45



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