



Turkey Country Profile

EU Tax Centre

June 2021

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

EU Member State No.

Double Tax Treaties With the following countries, territories and jurisdictions:

Albania	France	Luxembourg	Singapore
Algeria	Gambia	Macedonia	Slovakia
Australia	Georgia	Malaysia	Slovenia
Austria	Germany	Malta	Somalia ^(a)
Azerbaijan	Greece	Mexico	South Africa
Bahrain	Hungary	Moldova	Spain
Bangladesh	India	Mongolia	Sudan
Belarus	Indonesia	Montenegro	Sweden
Belgium	Iran	Morocco	Switzerland
Bosnia & Herzegovina	Ireland	Netherlands	Syria
Brazil	Israel	New Zealand	Tajikistan
Bulgaria	Italy	Norway	Thailand
Canada	Ivory Coast ^(a)	Oman	TRN Cyprus
Chad ^(a)	Japan	Pakistan	Tunisia
China	Jordan	Philippines	Turkmenistan
Croatia	Kazakhstan	Poland	UAE
Czech Rep.	Rep. of Korea	Portugal	UK
Denmark	Kosovo	Qatar	Ukraine
Egypt	Kuwait	Romania	US
Estonia	Kyrgyzstan	Russia	Uzbekistan
Ethiopia	Latvia	Saudi Arabia	Vietnam
Finland	Lebanon	Serbia	Yemen
	Lithuania		

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

Most important 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.
Residence and tax system	A company is resident if either its legal seat or its effective place of management is located in Turkey or both. Resident companies are taxed on their worldwide income.
Compliance requirements for CIT purposes	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 30 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 17 th and paid until the 17 th of the second month following the end of each quarter.
Corporate income tax rate	The standard corporate income tax (CIT) rate is 20 percent. Please note that the CIT rate has been increased to 25 percent for the year 2021 and 23 percent for the year 2022. Reduced rates may be available for companies who hold a certificate for incentivized investments.
Withholding tax rates	<p>On dividends paid to non-resident companies</p> <p>15 percent.</p> <p>On interest paid to non-resident companies</p> <p>Rates vary from 0 percent to 15 percent depending on the type of interest and type of receiving entity.</p> <p>On patent royalties and certain copyright royalties paid to non-resident companies</p> <p>20 percent.</p> <p>On fees for technical services</p> <p>20 percent.</p> <p>On other payments</p> <p>20 percent.</p> <p>Branch withholding taxes</p> <p>15 percent.</p>

Holding rules

Dividend received from resident/non-resident subsidiaries

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:

- participation requirement: 10 percent of the paid-in capital of the subsidiary;
- minimum holding period: one year as of the date that earnings are generated;
- taxation requirement: 15 percent (including corporate and dividend taxes), or 20 percent (if financing, insurance or capital investments companies);
- dividends should be transferred to Turkey before the corporate tax filing date of the related fiscal year.

Capital gains obtained from resident/non-resident subsidiaries

Subject to tax at 25 percent for 2021 and 23 percent for 2022. Exemption (75 percent) of capital gains derived from disposal of shares and 50 percent exemption for capital gains derived from immovable property held for two full years, subject to certain conditions.

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.

Tax losses

Losses can be carried forward for a five-year period. Loss carry-back is not possible.

Tax consolidation rules/Group relief rules

No.

Registration duties

0.04 percent fund payable on capital contribution.

Transfer duties

On the transfer of shares

No.

On the transfer of land and buildings

2 percent for seller and buyer separately over the sales amount.

Stamp duties

Agreements are normally subject to stamp tax at 0.948 percent (capped at TRY 3,534,679.90 for 2021) but there are certain exemptions which may apply based on certain conditions.

Real estate taxes

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 the property).

Controlled Foreign Company rules

Yes (foreign subsidiaries that are at least 50 percent controlled by Turkish residents may be qualified as a Controlled Foreign Company (CFC) under certain conditions).

Transfer pricing rules

General transfer pricing rules

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 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 or related parties that operate in free trade zones.

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

Also, Country-by-Country Report/Masterfile/Country File Requirements are introduced by 2020.

Thin capitalization rules

A 3:1 debt-to-equity ratio applies in the case of borrowings obtained directly or indirectly from related parties. The ratio 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/Anti-Hybrid rules	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, stamp 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	<p>Turkey also has special tax exemptions for holding companies that are established for investment in foreign subsidiaries.</p> <p>The Turkish Government announced a limitation on the deduction of financial expenses (Presidential Decision no. 3490 published in the Official Gazette dated February 4, 2021), according to which 10 percent of the sum of financing expenses (e.g. interest, commissions, foreign exchange losses, and similar costs and expenses) related to borrowings that exceed the value of shareholders' equity is not tax-deductible. The limitation applies to earnings in financial years starting on or after January 1, 2021 .</p>
Mandatory Disclosure Rules Updates	For country specific information and updates on the EU Mandatory Disclosure Rules please visit KPMG's EU Tax Centre's MDR Updates page .

Source: Turkish tax law and local tax administration guidelines, updated 2021.

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