
[Steuern]

Ab | **Ayhan Bayar**
Financial Advisory

S.M.Mali Msavir Ayhan Bayar

Airefendi Caddesi Emir Han N.14 Da.402 Sirkeci Eminn İstanbul Tel: +90 212 5206429 +90 532 2948719

www.ayhanbayar.com **S.M.Mali Msavir Ayhan Bayar**

TAX GUIDE

Turkey has one of the most competitive corporate tax rates among OECD member countries. The Turkish corporate tax legislation has noticeably clear, objective, and harmonized provisions that are in line with international standards. The Turkish tax legislation may be classified under three main headings:

1. Income Taxes

The Turkish tax legislation includes two main income taxes, namely personal income tax and corporate income tax.

1.1. Personal Income Tax

Real persons' income is subject to personal income tax. Income is defined as the net amount of all earnings and revenues derived by an individual within a single calendar year. An individual's income may consist of one or more income elements listed as follows:



Agricultural profits

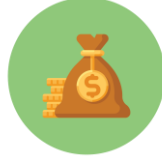


Business profits



Salaries and wages

*



Income from
independent personal services



Income from immovable property and rights (rental income)



Income from movable property (income from capital investment)



Other income and earnings

Individual income tax rates vary from 15% to 35%. Individual income tax rates applicable for 2019 are as follows:

Income Scales (TRY) (Employment Income)	Rate (%)	Income Scales (TRY) (Non-Employment Income)	Rate (%)
Up to 18,000	15	Up to 18,000	15
18,001-40,000	20	18,001-40,000	20

40,001-148,000	27	40,001-98,000	27
148,001 and over	35	98,001 and over	35

1.2. Corporate Income Taxes

In case income elements specified in the Income Tax Law are derived by corporations, taxation is applicable on the legal entities of these corporations. Corporate taxpayers defined in the law are as follows:



Capital companies



Cooperatives



Public economic enterprises



Economic enterprises owned by associations and foundations



Joint ventures

In Turkey, the corporate income tax rate levied on business profits is 20%. The rate for corporate income tax has been increased to 22% for the tax periods 2018, 2019, and 2020; however, the Council of Ministers is authorized to reduce the 22% rate to a rate as low as 20%.

2. Taxes on Expenditure

2.1. Value Added Tax (VAT)

The generally applied VAT rates are set at 1%, 8%, and 18%. Commercial, industrial, agricultural, and independent professional goods and services, goods and services imported into the country, and deliveries of goods and services as a result of other activities are all subject to VAT.

2.2. Special Consumption Tax (SCT)

There are four main product groups that are subject to SCT at different tax rates:

- Petroleum products, natural gas, lubricating oil, solvents, and derivatives of solvents
- Automobiles and other vehicles, motorcycles, planes, helicopters, yachts
- Tobacco and tobacco products, alcoholic beverages
- Luxury products

Unlike VAT, which is applied on each delivery, SCT is charged only once.

2.3. Banking and Insurance Transaction Tax

Banking and insurance company transactions remain exempt from VAT but are subject to a Banking and Insurance Transaction Tax. This tax applies to income earned by banks, such as loan interest. Although the general rate is 5%, some transactions, such as interest on deposit transactions between banks, are taxed at 1%. No tax has been levied on sales from foreign exchange transactions since 2008.

2.4. Stamp Duty

Stamp duty applies to a wide range of documents, including contracts, notes payable, capital contributions, letters of credit, letters of guarantee, financial statements, and payrolls. Stamp duty is levied as a percentage of the value of the document at rates ranging from 0.189% to 0.948% or is collected as a fixed price (a pre-determined price) for some documents.

3. Taxes on Wealth

There are three kinds of taxes on wealth:

- Property taxes
- Motor vehicle tax
- Inheritance and gift tax

Buildings, apartments, and land owned in Turkey are subject to real estate tax ranging at a rate between 0.1% and 0.6%, while Contribution to the Conservation of Immovable Cultural Property is levied at a rate of 10% of this real estate tax. Motor vehicle taxes are collected on the basis of fixed amounts that vary according to the age and engine capacity of the vehicles each year. Meanwhile, inheritance and gift taxes are levied at a rate of 1% to 30%.