

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

| Income Tax Tariff | |
|--|-------------------|
| Income Bracket | Tax Rate % |
| Up to 32,000 TRY | 15% |
| For 32,000 of 70,000 TRY, tax is determined as 4,800 TRY, for more | 20% |
| For 70,000 of 250,000 TRY, tax is determined as 12,400 TRY, for more | 27% |
| For 250,000 of 880,000 TRY tax is determined as 61,000 TRY, for more | 35% |
| For 880,000 TRY, tax is determined as 281,500 TRY, for more | 40% |

The table can be summarized as below:

| Rate | Base |
|-----------------------------|-------------------|
| 1st Tax Bracket 15% | 0 – 32,000 |
| 2nd Tax Bracket 20% | 32,000 – 70,000 |
| 3rd Tax Bracket 27% | 70,000 – 250,000 |
| 4rth Tax Bracket 35% | 250,000 – 880,000 |
| 5th Tax Bracket 40% | 880,000+ |

Although according to the tax tariff of 2022 the minimum wage workers seem to be reaching the 1st tax bracket in the 8th month, as agreed by the government, there won't be any income tax on the minimum wage. Therefore, the net minimum wage will not change throughout the year and the minimum wage will also be exempted from stamp duty.

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 23%.

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%.