



TURKISH TAX SYSTEM



GENERAL PROPERTIES OF TURKISH TAX SYSTEM

CONSTITUTION

Under the constitution;

- Taxes, fees, duties and fiscal liabilities alike can be established, changed or abolished by law.
- Board of ministers can be entitled to modify the provisions on exemptions, exceptions, deductions and rates of taxes, fees, duties and fiscal liabilities between upper and lower limits specified in the law.

CLASSIFICATION OF THE TAXES CONSIDERING THE SOURCE THEY ARE IMPOSED

Taxes on Income

- Personal Income Tax
- Corporate Income Tax

Taxes on Property

- Motor Vehicles Tax
- Real Estate Tax
- Inheritance and Gift Tax

Taxes on Expenditure

- Value Added Tax
- Excise Tax

TAXES ON INCOME

PERSONAL INCOME TAX

TAXES ON INCOME

PERSONAL INCOME TAX – The Taxpayer

- Taxpayers of the Personal Income Tax are real persons .
- Real person is the one who has a personality and fits for rights and debts under the provisions of the Civil Law . Civil capacity or age has no effect on personal income tax concerning the real person.

TAXES ON INCOME

PERSONAL INCOME TAX – Types of Liability

FULL FLEDGED LIABILITY

Real persons considered to be full fledged taxpayer are taxed on the totality of their profits and revenues obtained within and outside Turkey. Those resident in Turkey are full fledged taxpayers. The persons indicated below are considered as established in Turkey:

- Those whose residence is in Turkey
- Those who reside in Turkey continuously for more than six months in the course of one calendar year. Provisional absence do not interrupt the continuity of residing in Turkey.

TAXES ON INCOME

PERSONAL INCOME TAX – Types of Liability



LIMITED TAX LIABILITY

Real persons not resident in Turkey are taxed only on the income and revenue they obtain in Turkey.

Business men, scientists, specialists, officials, press and radio correspondents, who come to Turkey on a given or temporary mission or for business and other persons in a similar situation as well as those who come to Turkey for studies, medical treatment, rest and travel are not considered as resident in Turkey even if they stay for more than six months in Turkey.

TAXES ON INCOME

PERSONAL INCOME TAX – Tax Object



Object of personal income tax is the total net earnings and profit of the real persons gained within a calendar year.

Elements of the income:

- Commercial earnings
- Agricultural earnings
- Salary
- Professional earnings
- Real estate capital gains
- Security gains
- Other earnings and profit

TAXES ON INCOME

PERSONAL INCOME TAX – Tax Rate

Tax rate is determined as progressive in the Personal Income Tax Law. The tax scale to be applied to any income of 2017 is as follows:

Taxable Income (YTL)	Tax Rate (%)
Up to 13.000	15
13.001 - 30.000	20
30.001 - 70.000 (110.000 for salary)	27
Over 70.000 (110.000 for salary)	35

TAXES ON INCOME

CORPORATE INCOME TAX

TAXES ON INCOME

CORPORATE INCOME TAX – The Taxpayer

The incomes of the following corporate bodies are subject to Corporate Income Tax :

- Capital companies
- Cooperatives
- State enterprises
- Economic enterprises of associates and foundations
- Business partnerships

TAXES ON INCOME

CORPORATE INCOME TAX – Types of Liability

FULL FLEDGED LIABILITY

- Among the corporate bodies indicated in the Law, those whose legal or business centers are located in Turkey are taxed over all the corporate income earned both in Turkey and abroad
- Legal center means the center of the taxpayer corporations denoted in their foundation law, statute or contract. Business center is the place where the transactions are actually collected and managed on the basis of business

TAXES ON INCOME

CORPORATE INCOME TAX – Types of Liability



LIMITED LIABILITY

- Among the corporate bodies indicated in the law, those whose legal and business centers are both located outside Turkey shall only be taxed over the profit received in Turkey

TAXES ON INCOME

CORPORATE INCOME TAX –Tax Rate and Advance Tax

CORPORATE AND ADVANCE TAX RATES

- Corporate income tax on the corporate income is 20%
- Corporate income taxpayers pay advance tax over the corporate tax rate of the current term under the principals indicated in the Personal Income Tax Law and they deduct it from the corporate income tax of the current taxation term.

TAXES ON EXPENDITURE

VALUE ADDED TAX

TAXES ON EXPENDITURE

VALUE ADDED TAX – Tax Rate



- The VAT rate is 10 % for all transactions subject to tax
- The Council of Ministers is authorized to increase such tax rate up to four times (40 %) and lower to 1 %
- General Vat rate applied currently is 18%
- Application of reduced rate is currently applied as 1% and 8%

TAXES ON EXPENDITURE

SPECIAL CONSUMPTION TAX

TAXES ON EXPENDITURE

SPECIAL CONSUMPTION TAX – Characteristics



- Applied at one stage (collected for once at production or importation stage)
- Easy to manage (approximately 7.000 taxpayers)
- Included goods are definite (totally 210 kinds of goods are in the scope of this tax)
- High revenue (22,8 % of general budget tax income with a collection of 40,13 billion \$ in 2016)

TAXES ON EXPENDITURE

SPECIAL CONSUMPTION TAX – Subject of Tax



GOODS IN THE SCOPE OF SPECIAL CONSUMPTION TAX

LIST I	LIST II	LIST III	LIST IV
<p>TABLE (A) FUEL PRODUCTS LPG NATURAL GAS</p> <p>TABLE (B) SOLVENT DERIVATIVES LUBE OILS</p>	<p>AUTOMOBILES AND OTHER LAND TRANSPORT VEHICLES</p> <p>MOTORCYCLES</p> <p>AIRCRAFTS- HELICOPTERS</p> <p>YACHT-CUTTER</p>	<p>COLA DRINKS</p> <p>ALCOHOLIC DRINKS</p> <p>CIGARETTES AND OTHER TOBACCO PRODUCTS</p>	<p>CAVIAR, FUR AND SOME OTHER CONSUMER ITEMS</p> <p>WEAPONS</p> <p>WHITE GOODS AND OTHER ELECTRICAL HOUSEHOLD APPLIANCES</p>

TAXES ON PROPERTY

INHERITANCE AND GIFT TAX

TAXES ON PROPERTY

INHERITANCE AND GIFT TAX – The Taxpayer

- Taxpayers of Inheritance and Gift Tax are those who acquire asset by way of inheritance or gratuitously
- The taxpayers are:
 - Legal and testamentary heirs who has not disclaimed the inheritance
 - Those who acquire assets gratuitously

TAXES ON PROPERTY

MOTOR VEHICLES TAX

TAXES ON PROPERTY

MOTOR VEHICLES TAX – The Taxpayer



- The taxpayers of Motor Vehicles Tax are real and legal persons to whom motor vehicles are registered in traffic, municipal or seaport records and in civil aviation records kept by Ministry of Transport
- Automobile, minibus, of-road vehicles and alike, motorcycles specified in list I, minibus, van, motor caravan, bus and alike and pick-up truck, truck, tractor and alike specified in list II
- Yacht, cutter, any kind of motorized private boats registered in seaport and municipality records and specified in list III
- Air crafts and helicopters registered in Ministry of Transport Air Transportation Directorate and indicated in list IV excluding those that belong to Türkkuşu and Turkish Aeronautical Association

RECENT POLICY CHANGES

E-Services

- E-notification, e-invoice (&e-ticket), e-bookkeeping, e-filing (99,8%), e-payment (including payments to the banks, 76%), e-seizure, pre-prepaid tax return system for some income types (income from property, capital gains and other income), VAT risk detection system, PIT/CIT risk detection system and general risk analysis system aimed at determining risky taxpayers.

Future Plans

- Central e-bookkeeping for small scale taxpayers
New project to be introduced envisaging that keeping books of taxpayers with a lower scale income level as well as filing the tax returns automatically depending on these books. The system will be kept and managed by the TRA.

RECENT POLICY CHANGES

Value Added Tax: E-Trade

- VAT related to electronically provided services to non-VAT taxpayers by those who has no residence, office, legal or business center in Turkey is declared and paid by the providers of these services. Ministry of Finance is authorized to determine the context, procedures and basis of application regarding the services provided electronically.

Future Plans

Unification of Personal and Corporate Tax Laws

- Our future policy change plans include unification of these two laws into one single regulation that will foster investment, production, employment and exports and create a more fair tax burden. It is going to be a modification that will allow Turkey to be a more competitive economy.

Introduction of New Tax Procedures Law

MANY THANKS...