Turkey

Turkey offers tax free repatriation of foreign assets

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Turkey has declared several tax amnesties over the last decade to collect more revenues. In August 2016, Turkey again introduced another tax amnesty law that principally restructured defined tax debts and certain public receivables.

Under the law, the scope of the restructuring programme for public receivables generally contained taxes (e.g. individual income tax, corporate income tax, VAT, special consumption tax), levies and charges including penalties, default interest and late payment interest regulated under the Turkish Tax Procedures Code and assessed before July 30 2016.

There were also other public receivables (e.g. administrative fines) and their late payment interest within the scope of latest tax amnesty.

In addition, the tax amnesty law contains the repatriation of foreign assets (cash, gold, foreign exchange, securities, and other capital market instruments) owned by Turkish taxpayers.

Previous tax amnesty laws required taxpayers to pay certain amount of taxes. This time, the law does not impose any tax burdens and allows taxpayers to unconditionally repatriate foreign assets.

How to repatriate foreign assets

Foreign assets can be transferred to a new or existing account in a bank or intermediary institution based in Turkey, or the assets can be physically brought to Turkey.

Notification of securities and other capital market instruments to banks or intermediary institutions by a taxpayer or another authorised person will be sufficient for the authorities to accept that such securities have been repatriated. This means that it is not necessary to physically bring the foreign assets to Turkey.

Proof for foreign assets repatriation

A bank receipt or intermediary institution transaction form may be used to indicate that assets have been brought to Turkey. A special form will be used when the foreign assets are repatriated or the securities and other capital market instruments are notified to banks or intermediary institutions.

No tax assessment and investigation

If Turkish taxpayers chose to repatriate foreign assets, they will not be investigated and there will be no tax assessments, and no tax penalties or administrative fines will be applied. That means that there will be no retrospective tax examination or any other type of tax assessment.

In the event that the person repatriating the assets is a legal person, no tax investigation or prosecution will be carried out with the legal representatives, partners and deputies of the legal entity.

Last chance before AEOI

The Turkish Cabinet used its authority and recently extended the due date of application for tax free repatriation of foreign assets. Accordingly, Turkish taxpayers may apply for the repatriation programme until June 30 2017.

As Turkey has committed to the introduction of automatic exchange of information (AEOI) by 2018, this tax amnesty scheme is a good opportunity for Turkish taxpayers.

Considering the introduction of the AEOI, additional tax assessments for those who have not repatriated their foreign assets may be possible in the upcoming years once it is in force. Therefore, individuals and companies should repatriate their assets now and benefit from the tax free scheme. Therefore, their foreign assets will not be questioned and investigated once the AEOI is applicable.

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