

Article

# TURKEY INTRODUCING OECD'S COMMON REPORTING STANDARD



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## TURKEY INTRODUCING OECD'S COMMON REPORTING STANDARD<sup>1</sup>

The Turkish National Assembly has recently passed a law ratifying the Convention on Mutual Administrative Assistance in Tax Matters. The OECD has also issued a notification that Turkey is the 88th country to sign the Multilateral Competent Authority Agreement on Automatic Exchange of Information.

In this regard, the Turkish tax authorities have prepared a draft communiqué adapting the OECD's common reporting standard (CRS) into Turkish tax legislation.

Based on the draft communique, the CRS will be applicable from July 1 2017. Accordingly, the financial institutions (FIs) will be obliged to regularly inform the Revenue Administration of Finance Ministry about the financial accounts of non-residents in Turkey on a yearly basis.

### Scope of the draft communiqué

Under the draft communiqué, the following FIs will be subject to reporting obligations:

- Custodians;
- Deposit institutions;
- Investment institutions; and
- Insurance companies.

The financial accounts subject to reporting are those held by FIs, such as:

- Depository accounts;
- Custodial accounts;
- Equity and debt interest in certain investment entities;
- Cash value insurance contracts; and
- Annuity contracts.

We understand from the explanations in the draft communiqué that in line with OECD's CRS, due diligence procedures will be conducted by FIs on the below accounts:

- Pre-existing individual accounts;
- New individual accounts;
- Pre-existing entity accounts; and

- New entity accounts.

### Reporting period

According to the draft general communiqué:

- Reporting is required on compulsory accounts;
- Reporting on financial accounts will be made by FIs until the end of May 31 of the calendar year following the respected reporting year; and
- Reporting will be electronically delivered by FIs to the Turkish Revenue Administration.

To this point, the reporting for the year 2017 will not be made for the first six months of the year, but the first notification for the second six months (from July 1 2017 to December 31 2017) will be made by FIs until May 31 2018.

### Reporting procedure

FIs will make reporting through the "BTrans Electronic System of the Revenue Administration". According to this, FIs that have a reporting obligation will first obtain their username and password through the B-Trans system.

In order to complete the reporting process by defining the username and password, FIs must send a petition to the Revenue Administration within seven days following the publication of the general communiqué.

### Failure to comply with notification Obligations

If the reporting obligation is not followed, incomplete or misleading reporting is made, or if the rules and procedures regarding the reporting are not complied with, it is stated in the draft communiqué that a special irregularity penalty will be imposed for each reporting obligation in accordance with the Tax Procedure Code.

### Take aways

The draft communiqué on automatic exchange of information will bring significant obligations to

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FIs in Turkey. For that reason, it is advisable that FIs fulfil their due diligence obligations in accordance with the disclosures in the draft communiqué.

Furthermore, Turkey has not released the list of countries Turkey will automatically exchange financial accounts, yet. For this reason, it will be appropriate for FIs to base their reporting on the list to be released by the Turkish tax authorities.



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