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The Law No. 7338 on Amendments to Tax Procedural Law and to Certain Laws Published in The Official Gazette

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vergiport.com
centrumturkey.com
/CentrumTurkey
+90 (212) 267 21 00

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The "Draft Bill on Amendments to Tax Procedural Law and to Certain Laws", which consists of a total of 63 articles including the enforcement articles, was submitted to the Grand National Assembly of Turkey on 01.10.2021.

The above-mentioned Bill of Law was published in the Official Gazette dated 26.10.2021 under the name of "the Law No. 7338 on Amendments to Tax Procedural Law and to Certain Laws". Since the Bill of Law has undergone some changes during the parliamentary debates, there have been some differences between the text of the proposal and the text of the law. In this regard, the regulations in the said Law are listed below:

1. **Tax Reduction for Tax Compliant Taxpayers**
   - The conditions for benefiting from tax deductions for tax-compliant taxpayers were facilitated. To benefit from 5% reduction, the taxpayers were required not to have additional assessment during the relevant year for the tax return or the previous two years.
   - Within the new amendment, the taxpayers can benefit from the reduction if said additional assessment is not finalized.
   - If a finalized assessment made is less than 1% of the threshold for the reduction (TRY 1.5 million for 2021), the reduction will still be applicable.
   - The amendment to the reduction for tax compliant taxpayers will come into effect on 26.10.2021 and will be applicable for returns filed as of 01.02.2022.
2. **Irregularities and Repetition Practice**
   - Irregularity and special irregularity penalties exceeding TRY 5,000 were included in the scope of reconciliation and pre-assessment reconciliation. The reduction percentage will be 75% for penalties not exceeding TRY 5,000.
   - It has been ensured that the increase amount is not more than the finalized penalty in repetition practice.

- The acts of non-compliance with the recording order in the electronic ledger and registry applications are included in the first-degree irregularity penalty.

3. **Tax Audit/Inspection**
   - During a tax audit, it has been made possible to file tax returns with voluntary disclosure for taxes that are not subject to tax audit.
   - The opportunity to conduct tax inspections remotely has been provided, and the practice of issuing the initiation report has been abandoned.
4. **Cash Capital Increase**
   - In the cash capital increase application, the discount rate is increased from 50% to 75% if the capital is paid with cash brought from abroad.
5. **Valuation, Revaluation, Depreciation and Replacement Fund**
   - Revaluation opportunity was introduced in periods when inflation adjustment conditions were not met.
   - In the depreciation/amortization application, the possibility of day basis depreciation and extending the depreciation periods has been provided. In this regard, said depreciation period cannot exceed the two-fold of the asset's published useful life or 50 years.
   - Purchase Price Measure has been added to the Law, which is defined as following: "The purchase price is the purchase price of an economic asset. Other expenses related to the acquisition of an economic asset are not included in the purchase price".
   - Mandatory and non-obligatory elements to be included in the cost value measure have been determined in detail.
   - Hesitations regarding the beginning of the 3-year waiting period in the fund account related to Replacement Funds have been resolved. It has been regulated that the 3-year period will start from the year following the date of sale.
6. **Other Important Amendments**
   - The fourth advance tax period has been abolished starting from 2022.

- In the doubtful receivables' application, a maximum amount has been determined for receivables that are too small to be worth litigation and enforcement proceedings, which is determined as TRY 3,000.
- 10% of the investment contribution amount is allowed to be deducted from other tax debts, excluding SCT and VAT.
- Regulations regarding the mutual agreement procedure applied within the scope of double taxation agreements have been introduced.
- The Ministry of Treasury and Finance was authorized to establish a tax office in electronic environment.
- Obtaining a certificate for electronic ledgers or the approval of the ledgers by the Revenue Administration (GİB) will be deemed as the Ministry's official approval of these ledgers.
- An additional 60-day period has been given for situations that require a sworn-in CPA certification report.
- Some exceptions applied to Asset Management Companies have been made permanent.
- Within the scope of Article 31/b of the Capital Market Law, stamp duty exemption has been provided for the receipts and papers issued for the collateral subject to the issuance of capital market instruments, including the collateral manager.
- Commercial earnings of those subject to the simple procedure are exempt from income tax.
- Situations where it is obligatory to issue an expense note have been clarified.
- A tax exemption is granted up to a certain amount of earnings from social media (TRY 650,000 for 2021).
- An income exemption was introduced for agricultural support payments.
- The taxpayers, along with their shareholders and managers, from whom the Revenue Administration (GIB) purchases services have also been added to the scope of tax privacy.

- Changes are made in the method of notification to those who are abroad, and it has been made possible for Tax/Revenue Offices to send direct messages to embassies and consulates.
- In case the notifications to be made exceed TRY 3,600, an announcement will be made on the official website of Revenue Administration in terms of tax and tax penalties, and the relevant administration in terms of other receivables.
- The Revenue Administration may allow corrections to be made by tax offices other than the affiliated tax office.
- Investment monitoring and coordination departments have been included to the official offices in the implementation of the stamp tax law.
- The President was given the authority to increase the SCT rate up to 3 times for tobacco products and automobiles.
- Tractors, ATV (all-terrain vehicle) and UTV (multi-purpose utility vehicle) and motor caravans have been added to the list numbered II annexed to the SCT Law.

Click here to reach the version of Law No. 7338 published in the Official Gazette.

Kind Regards,

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