

Law No.7456 has entered into force as of July 15th, 2023, by being promulgated on the Official Gazette

In the Official Gazette dated 15/7/2023 and numbered 32249, Law No.7456, "Law on the Amendment of Additional Motor Vehicles Tax for Compensation of Economic Losses Caused by Earthquakes Occurring on 6/2/2023 and Amendments to Some Laws and Decree-Law No. 375" was published.



With the new Law, the below changes are made in tax legislation:

1. The corporate income tax (CIT) is increased by 5% the CIT rate for the earnings from export activities are reduced by 5%.
2. The CIT and VAT exceptions applied to the sale of immovables are removed. Besides, the immovables will no longer be subject to "partial spin-off" as of 1.1.2024.
3. The exceptions provided for the income obtained by the corporations from other investment funds are no longer applicable.
4. An additional motor vehicle tax for the fiscal year 2023 is applied for once only.
5. The President is granted with a new authority for increasing the fixed tax amounts of the goods included in the list (I) attached to the Special Consumption Tax Law (SCT).

6. The President is authorized to double the Recycling Participation Fees (GEKAP).
7. A VAT exception is introduced until 31/12/2024 for the deliveries and services made to professional organizations (that are public institutions) due to the construction of houses to be donated to the disaster victims in the earthquake zone.
8. Minimum wage support to employers are provided.

1) Increasing the Corporate Tax Rate by 5% and a Reduction of 5% in CIT Rates For the Company Earnings from Export Activities

As it is known, in the first paragraph of Article 32nd of Corporate Tax Law No. 5520 (to be applied to corporate earnings for the year 2023 and the following taxation periods), corporate tax was collected at the rate, of 20% on corporate income.

On the other hand for; the banks, Financial Leasing, Factoring, Financing and Savings Finance Companies Law No. 6361, electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies, and pension companies, the tax was collected at the rate of 25%.

However, as per the Article 21st of the new Law;

For companies other than those in the financial sector, the corporate tax rate is increased from **20% to 25%** with effect from **1 October 2023**.

For financial sector companies (listed above) the corporate tax rate increases from **25% to 30%**.

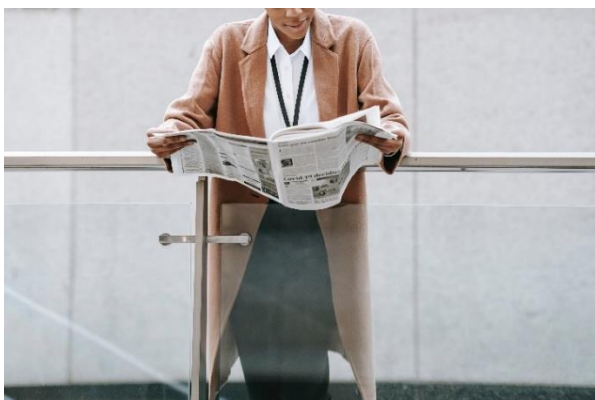
On the other hand, exporting corporations will receive a 5% discount on their corporate tax rate for their earnings exclusively from exports.

This change will be started to be applied for the declarations that must be submitted as of 1/10/2023. It entered into force on 15/7/2023 to be applied to the earnings of corporations in 2023 (and the following taxation periods) and to the earnings of corporations subject to the special accounting period (for the special accounting period starting in the 2023 calendar year and the following taxation periods).

2) Removal of Exceptions Applied to the Sale of Immovables in the Assets of Corporations for a Period of At least Two Full Years and Removal of Partial Spin-Off of the Immovables

Pursuant to clause 5/1-(e) of the Corporate Tax Law, 50% of the profits arising from the sale of immovables that are in the assets of the corporations for at least two full years were exceptional from corporate tax.

In addition, pursuant to clause 17/4-(r) of the Value Added Tax Law, the sale of immovables that have been in the assets of corporations for at least two full years were exceptional from Value Added Tax.



2.1) Corporation aspect

However, with the 19th Article of the new Law, the exception application for the sales of immovables that are in the assets of the corporations for at least two full years has been abolished. **(Effective Date: 15/7/2023)**

With Article 22nd of the new law, if the immovables that were included in the assets of the corporations before the effective date will be sold after 15/7/2023, 50% exception rate in the 5/1-(e) clause of the Law No. 5520 will still be applied as **25%. (Effective Date: 15/7/2023)**

Under current law, immovable property held by a company may be transferred to an existing or a newly established company under tax-free spin-off provisions (i.e. without paying taxes) after two years holding period. The proposal repeals this provision with effect from 1 January 2024.

2.2) VAT Aspect

With the 7th Article of the new Law, VAT exception on the sale of immovable properties held for at least two full years in the assets of the corporations has been abolished effective from **15 July 2023**

In addition to this norm, it is also regulated with Article 8th of the new Law that VAT exception still applies to the sale of properties that were acquired and registered in the assets of the corporations at least two full years before the effective date of this article, **15 July 2023**.

3) Removal of the Exception Provided for the Income Obtained by Institutions from Other Investment Funds

As mentioned above, with Article 19th of the new Law, the corporate tax exception granted to earnings from immovable sales has been abolished.

The new Law abolishes the corporate income tax exception for income derived from "other investment funds" excluding the exception for income from venture capital investment fund participation shares and venture capital investment partnership shares.

This regulation has entered into force to be implemented for investment funds participation shares acquired as of **15/7/2023**.

4) Additional Motor Vehicle Tax

With the 1st Article of the new Law, for the vehicles already registered as of 15/7/2023 and

the vehicles to be registered for the first time until 31/12/2023, **for once** only, an additional tax equivalent to the motor vehicles tax accrued in 2023 is to be charged again.

The additional motor vehicle tax regarding the vehicles registered in the relevant registries as of 15/7/2023 is to be paid in two equal installments; the first installment until the end of August and the second installment until the end of November 2023.

The additional motor vehicle tax for the vehicles to be registered for the first time between the dates 15/7/2023 and 31/12/2023 will be paid in cash, together with the motor vehicle tax of these vehicles.

5) New Authorization Regarding the Increase of the Fixed Tax Amounts of the Goods in the List (I) Attached to the SCT Law

With the 12th Article of the same Law, the authority given to the President to increase the tax amounts of the goods included in the list (I) attached to the Special Consumption Tax Law is amended.

Accordingly, the President is authorized to increase the fixed tax amounts in the list (I) up to five times the highest tax amount included in the said list or re-determined and reduce it to zero.

The power granted to the President pursuant to the Special Consumption Tax Law have been expanded and it is envisaged that the lump sum tax rate for the products specified in the list (I) annexed to the Law (fuel oil products such as gasoline, diesel fuel, jet fuel, fuel oil; liquefied petroleum gas (L.P.G.), natural gas, etc.) will be automatically updated by the domestic producer price index. This change is effective from July 15, 2023.

6) Authorization to Double the Recycling Participation Fees

With Article 6th of the same Law, the President has been authorized to double or half the amount of recycling participation fees (GEKAP) in the list (1) attached to Law No.2872. **This change is effective from 15/7/2023.**

7) Exception from VAT until 31/12/2024 for the Deliveries and Services for the Construction of the Houses to be Donated in the Earthquake Zone

With the 9th Article of the new Law, deliveries and services to professional organizations with public institution status for the construction of houses to be donated to the disaster victims, within the scope of the protocol signed with the Disaster and Emergency Management Presidency (AFAD), will be exceptional from Value Added Tax until **31/12/2024.**

Any taxes incurred within this scope can be deducted from the tax calculated on taxable transactions. Any uncompensated taxes will be refunded upon taxpayer request. This exception is effective from **July 15, 2023.**

8) Minimum Wage Support

As it is known, minimum wage support has been provided every year from 2016 to the end of 2023/June period in order to support employers to protect and increase employment by reducing labor costs.

With the 17th article of new Law, temporary Article 96th was added to the Social Security and General Health Insurance Law No.5510. And in order to reduce labor costs and in order to support employment for the period from July and December 2023 as well, the employers specified in the article text will receive minimum wage support of 16,66 Turkish Liras per day and 500 Turkish Liras per month. This will be financed from the Unemployment Insurance Fund and deducted from payable insurance premiums. This initiative was implemented on July 1, 2023, but officially takes effect **on July 15, 2023.**

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