

Turkey

New tax opportunities through the revaluation of immovables



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New Law No 7144 (Law) amending the Turkish Tax Procedure Code was published in the Official Gazette on May 25 2018. Through this Law, Temporary Article 31 was added to the Turkish Tax Procedure Code.

The Law allows individual and corporate income taxpayers whose tax base is determined on the basis of balance to revalue the immovables registered in their legal books with a reduced tax rate. It is required under the Law that 5% tax is paid on the increase in value of the immovables and that the revaluation of the immovables is conducted by September 30 2018.

The scope of the regulation on the revaluation of immovables

All resident individual and corporate income taxpayers whose tax base is determined on the basis of balance fall within the scope of the regulation on the revaluation of immovables. Nevertheless, the regulation does not apply to all taxpayers. Those not included are:

- Financial institutions and banks;
- Insurance and reinsurance companies;
- Retirement institutions and retirement investment funds;
- Those actively engaging in the trading and production of machined gold and silver; and
- Those who have been permitted to keep their legal books on the basis of a foreign exchange.

Immovables which are not within the scope of the regulation

The temporary provisions only cover immovables which are registered in the legal books of the taxpayer. However, machinery and intangibles are not within the scope of the revaluation and it is not possible for such assets to benefit from the temporary provisions.

In addition, the following immovables are not considered within the scope of regulation:

- Immovables subject to sell-rent-buy-back transactions; and
- Immovables subject to the issuance of a lease certificate.

Conditions for the revaluation of immovables

The following issues should be considered in the revaluation of immovables:

- For the purpose of revaluation, the value and the depreciation of the immovables stated in the legal record book and determined according to the valuation provisions of the Tax Procedure Code will be considered;
- The value of the immovables after the revaluation will be calculated by taking the determined value of the immovables and the depreciation amount related to them and multiplying them by the revaluation rate; and
- The increase in the value of the immovable assets as a result of the revaluation will be shown in the liabilities on the balance sheet of a special fund account, which will show the value increases of each of the revalued immovable items in detail.

Tax payable related to revaluation of immovables

Tax will be calculated at 5% of the amount of the value increase as shown in the liabilities on the balance sheet of the special fund account. This must be declared to the tax office by the 25th day following the date of the revaluation, and must be paid within the same period.

Individual and corporation income tax to be paid in this context will not be regarded as an expense in determining the tax base. If the declaration is not made on time, or if the accrued tax is not paid by the due date, it will not be possible to benefit from the temporary provisions on the revaluation of immovables.

Alienation of the revaluated immovables

It is worth mentioning that in cases where immovables subject to revaluation are alienated, the value increases shown in the special fund account will not be taken into account in determining the tax base.

However, except for additions to the capital, any part of the value increase showing in the special fund account which is transferred to another account or withdrawn from the account will be subject to individual or corporate income tax irrespective of the tax period.

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