

Turkey

A new period for tax audits



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The Turkish Minister of Finance Nağcı Ağbal mentioned that tax audits will be handled in a new way at a recent press conference. Although he did not clarify what this new way would be, Ağbal said that the Turkish tax authorities will be more transparent during future audits.

In this regard, Turkish tax authorities amended the tax audit guidelines in late September, which introduced new rights for taxpayers to defend themselves during and after the tax audits.

Increased cooperation during audits

In our experience, tax auditors may sometimes request certain documents or data not relevant to a specific tax audit, which increases the burden on the taxpayer. However, the new guidelines will mean that tax auditors will not be able to ask such information if it is not relevant to the subject of the ongoing tax audit.

The changes also intend to increase the cooperation between the tax auditor and taxpayer by allowing the taxpayer to see the tax audit report before it is finalised so that they can develop their arguments against the auditor's claims. In the past, taxpayers only heard the auditor's findings for the first time during the discussion with the report evaluation committee, which is responsible for scrutinising the auditor's report.

In addition, the taxpayer can discuss the auditor's findings and the auditor has to inform the taxpayer about the potential results of the audit report in advance of finalising the audit report.

Taxpayers' new rights

Under the changes, taxpayers will also have the following rights during tax audits:

- Taxpayers can electronically deliver the documents and data requested by tax auditor;
- Taxpayers can present explanations and objections that make up a detailed part of the tax audit report;
- In order to understand the tax auditor's findings and provide their arguments, draft minutes on tax audit findings must be shared with the taxpayers two days before the final audit, including the ultimate conclusions, are mutually signed by the taxpayer and the tax auditor;

- Taxpayers can choose to defend themselves before the report evaluation committee; and
- The summarised tax audit report must be forwarded to the taxpayer to inform them of the findings before being heard by the report evaluation committee.

Report evaluation committee

In Turkey, a tax audit is not finalised by a tax audit report.

Where the tax reassessment amount is up to TRY 10 million (\$3 million), the audit reports are evaluated by a local report evaluation committee. In cases where the amount is higher than TRY 10 million, the central report evaluation committee must assess the findings within the report.

Where the tax auditor's findings and assessment are not in line with Turkish tax legislation, the report evaluation committee may invalidate and revoke the report. Although this is legally possible, in practice, evaluation committees rarely revoke a tax auditor's report.

In terms of the new guidance, the change is that the taxpayer will know the auditor's findings and claims before being heard by the committee. This change will be quite beneficial for taxpayers to develop strong arguments.

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