

The Bill of Law on  
Amending the Tax  
Procedure Law and the  
Corporate Income Tax  
Law Has Been Submitted  
to the Turkish Grand  
National Assembly

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The amendments envisaged to be made in the tax legislation with the "Draft Law on Amending the Tax Procedure Law and the Corporate Income Tax Law" submitted to the Turkish Grand National Assembly on 13.01.2022 are presented below for your information.

### **1. Inflation Adjustment Application Will Be Postponed Until 31.12.2023**

According to the reiterated article 298 of the Tax Procedure Law, if the conditions for inflation adjustment are met, the financial statements must be adjusted for inflation in the accounting periods when the conditions are met.

Inflation adjustment was applied in 2003 and 2004, and no inflation adjustment has been made since the conditions have not been met till now, except for those within the scope of subparagraph (9) of paragraph A of the aforementioned article.

In addition, with the regulation made in the temporary article 31 of the Tax Procedure Law with the Law dated 03.06.2021 and numbered 7326, the income and corporate taxpayers who keep the books according to the balance sheet method have an opportunity for revaluation of their immovables and other depreciable economic assets with a 2% tax until 31.12.2021.

Again in 2021, with the changes made in the Tax Procedure Law with the Law No. 7338 dated 14.10.2021; In terms of depreciable economic assets, continuous revaluation without tax has been introduced.

With this regulation, which is foreseen to be made based on the demands of taxpayers to postpone the application of inflation adjustment even if the conditions arise, due to the revaluation opportunities in question and the reason that inflation adjustment has not been implemented since 2004, it is foreseen that inflation adjustment will not be made until the end of 2023.

In the current situation, inflation adjustment would be made in the 2021/IV provisional tax period, since the conditions determined in the repetitive article

298/A of the Tax Procedure Law (10% in the last year, 100% Domestic PPI increase in the last 3 years) were fulfilled in the 2021 accounting period. Profits or losses resulting from this adjustment would not be considered in the determination of the 2021 corporate tax base.

However, with the temporary article 33 to be added to the Tax Procedure Law with the said Bill, it is foreseen that the inflation adjustment application will be postponed until the end of 2023.

## **2. Exemptions Envisioned to Be Added to the Corporate Income Tax Law with the Bill of Law**

With the 2nd article of the said Bill, it is foreseen that the temporary article 14 will be added to the Corporate Income Tax Law.

With this article, in order to support financial stability by increasing the share of Turkish Lira in the total size of deposits and participation funds in the banking system, it is aimed to apply tax exemption for the interest and profit shares that corporate taxpayers who convert their foreign currencies into Turkish Lira will obtain from their TRY savings accounts (time deposit) and participation accounts opened in this context, including foreign exchange gains during the conversion.

Accordingly;

- **With the first paragraph of the temporary article 14, which is envisaged to be added to the Corporate Income Tax Law;** In the case that institutions convert their foreign currencies in foreign currency deposit and participation accounts into Turkish Lira until the date of filing the declaration for the 2021/IV provisional tax period (17/2/2022) and evaluate the Turkish Lira assets thus obtained in Turkish Lira deposit and participation accounts with a maturity of at least three months, the portion of the foreign exchange gains corresponding to the last three months in period-end valuation will be exempt from corporate tax (the portion corresponding to the period between 01.10.2021 - 31.12.2021).

In addition, foreign currency gains on the date the foreign currency assets are converted into Turkish Lira, as well as interest and profit shares at the end of maturity are exempt from corporate tax.

Support payments made by the Central Bank of the Republic of Turkey and interest and dividends arising from period-end valuation will also be included in the aforementioned exemption.

- **With the second paragraph of the temporary article 14, which is envisaged to be added to the Corporate Income Tax Law;** In the case that the institutions convert the foreign currencies in their balance sheets dated 31.12.2021 into Turkish Lira at the conversion rate until the end of 2022, within the scope of "supporting the conversion of foreign currencies", and convert them into Turkish Lira deposit and participation accounts with a maturity of at least three months, the earnings from these accounts (including interest, dividend, support payments made by the Central Bank of the Republic of Turkey) will be exempt from corporate tax.

In this context, in case of conversion to Turkish Lira after a temporary tax period, foreign exchange gains corresponding to the period between the end of the period and the date of conversion into Turkish Lira will also be exempted.

- **With the third paragraph of the temporary article 14, which is envisaged to be added to the Corporate Income Tax Law;** In the case that the institutions convert the assets in their gold accounts and the gold account balances in return for processed and scrap gold into Turkish lira at the conversion price and evaluate the Turkish lira asset thus obtained within the minimum periods specified in the article, including the corporate income generated on the date the gold is converted into Turkish lira and those resulting from the period-end valuation, the interest and profit shares obtained from the accounts opened in this context at the end of maturity and other earnings will be exempt from corporate tax.

- **With the 4th paragraph of the temporary article 14, which is envisaged to be added to the Corporate Income Tax Law;** In case of withdrawals from accounts opened within this scope before due date, it is stipulated that taxes not accrued on time due to the amounts exempted under this article will be collected by applying tax loss penalty and default interest.

Click [here](#) to reach the version of the aforementioned Bill in Turkish submitted to the Turkish Grand National Assembly.

Kind Regards,

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