

CIRCULAR

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SUBJECT: THE LAW ON AMENDMENT OF DIGITAL SERVICE TAX LAW AND SOME LAWS AND DECREE LAW NO. 375

With “THE LAW ON AMENDMENT OF DIGITAL SERVICE TAX LAW AND SOME LAWS AND DECREE LAW NO. 375” numbered 7194 published in the Official Gazette dated December 7, 2019 and numbered 30971, the Digital Service Law was created and regulations to new taxes and amendments to current taxes were also carried out; and summary of some of the amendments relating the tax is provided below and as an attachment in full text.

Article Number of Law No. 7194	Related Law and Article Number	Explanation
1-7	Digital Service Tax	<p>Sales of all kinds of advertising services and any audio, visual and digital contents offered in the digital platform in Turkey and revenues from other services specified in the law are subject to the digital service tax. The rate of digital service tax is 7.5%.</p> <p>With the clarification that the word “or” in the statement “those whose revenue obtained in Turkey is less than TL 20 million or obtained all over the world is less than EUR 750 million or its equivalent, in any currency, in Turkish lira are exempted from the digital service tax.” in law shall be construed to mean both in the law proposal meetings; for the transactions within the scope as the taxpayer of the digital service tax, only those whose revenue obtained all over the world is more than EUR 750 million or its equivalent, in any currency, in Turkish lira shall be taken into consideration. Therefore, company below this criterion will not have any liability. For consumers, digital service tax will be paid for the services within the scope.</p> <p>Effective date: 01/03/2020</p>

8	6802- Excise Tax Law /33	<p>In foreign exchange transactions, the tax rate is increased from one per thousand to two per thousand.</p> <p>Effective date: 07/12/2019</p>
9	6802- Excise Tax Law/34	<p>In addition to the accommodation services provided in accommodation facilities such as hotel, motel, holiday village, pension, apart hotel, guest house, camping, chalet, mountain house, the other services provided under such accommodation facilities (food, drinks, activities, entertainment and use of pool, sports, thermal and similar areas) are subject to accommodation tax. The rate of accommodation tax is 2%. (Accommodation tax will be applied as 1% until 31/12/2020.)</p> <p>Effective date: 1/4/2020</p>
10	193- Income Tax Law/18	<p>In cases where the sum of earnings of author, translator, sculptor, calligrapher, painter, composer, computer programmer and inventors and their legal heirs subject to the exemption for self-employed earnings exceeds the amount specified in the fourth income bracket in the tariff written in article 103, they will not be able to benefit from this exemption.</p> <p>Effective date: 07/12/2019, to be applied on incomes to be obtained as of 1/1/2020</p>
11	193- Income Tax Law/23-1 (10)	<p>In cases where transportation service is not provided by the employer, if the daily commute fee does not exceed TL 10 and payment thereof is made by providing a collective transportation card, ticket or payment means used for this purpose, such amount will be subject to the tax exemption.</p> <p>Effective date: 01.01.2020</p>
13	193- Income Tax Law/40-1 (1-5-7)	<p>While determining the commercial earnings, except for the cases where a part or whole of activities is about renting personal cars or operating these in various ways, the amounts above TL 5,500 of monthly rental fee for each personal cars obtained through renting and the part exceeding TL 115,000 of the sum of special consumption tax and value added tax in the purchase of personal cars are not deemed as expense.</p> <p>Also, at most 70% of expenses related to personal cars can be reduced; for the personal cars of which historical cost exceeds TL 135,000 other than special consumption tax and value added tax, and in cases where such taxes are included within the expense cost or the personal car is acquired as a second hand, of which cost subject to the depreciation exceeds TL 250,000, the part of both whose depreciation costs are at most at such amounts can be written off as expenses.</p> <p>Effective date: 07/12/2019, to be applied on the incomes and earnings for the taxation period starting as of 1/1/2020</p>

14	193- Income Tax Law/68-1 (4-5)	The regulations described in the article above shall also be applied in the determination of the professional expenses within the scope of earnings from self-employment in the same way. Effective date: 07/12/2019, to be applied on the incomes and earnings for the taxation period starting as of 1/1/2020
15	193- Income Tax Law/86-1 (1b)	The obligation to submit annual declarations is initiated for those obtaining wages exceeding the amount in the fourth income brackets of the tariff written in article 103. (This is for those who obtain an annual income of more than TL 500,000 for 2019, and it enters into effect as of 2020.) Effective date: 07/12/2019, to be applied on incomes to be obtained as of 1/1/2020
16	193- Income Tax Law/94-3 (new paragraph)	The income tax withholding of payments of attorney fee to the attorney, borne to the other party, is regulated to be carried out by the payers. Effective date: 07/12/2019
17	193- Income Tax Law/103	The income tax tariff changes as follows. ARTICLE 103 - Incomes subject to income tax are taxed at the following rates, 15 percent up to TL 18,000 TL 2,700 for TL 18,000 out of TL 40,000, and 20 percent for the surplus TL 7,100 for TL 40,000 out of TL 98,000, (TL 7,100 for TL 40,000 out of TL 148,000 for wage incomes) and 27 percent for the surplus TL 22,760 for TL 98,000 out of TL 500,000, (TL 36,260 for TL 148,000 out of TL 500,000 for wage incomes) and 35 percent for the surplus TL 163,460 for TL 500,000 out of more than TL 500,000, (TL 159,460 for TL 500,000 out of more than TL 500,000 for wage incomes) and 40 percent for the surplus Effective date: 07/12/2019, to be applied on incomes to be obtained as of 1/1/2019 Note: With Article 22 of the Law and the Provisional Article 91 added to the Income Tax Law, it is stated that the tariff before the amendment shall be applied to the wage incomes obtained between 1/1/2019 and 31/12/2019.

18	193- Income Tax Law/ Repeating 121-2 (1-2)-5	In regulation of Tax Reduction for Taxpayers Complying with the Tax, some facilitations are provided compared to the current situation. Effective date: 07/12/2019, to be applied on annual income and corporate tax declarations required to be submitted as of 1/1/2020
22	193- Income Tax Law/Provi- sional 91 (new article)	There is a regulation relating the non-applica- tion of the tariff specified above (article 17) for the wage income obtained between 1/1/2019 and 31/12/2019. Effective date: 07/12/2019
23	213- Tax Procedure Law/112-3 (c) (new paragraph)	In the event that the legal remedy is waived within the scope of Article 379, a special payment term is regulated. Effective date: 1/1/2020
25	213- Tax Procedure Law/370	In the event that taxpayers are invited for an explanation and provide a declaration according to the determination to be made as a result thereof, there are regulations that the penalty for loss of tax shall be collected at the rate of 20% over the tax subject to the loss and regulations relating the other matter. Effective date: 1/1/2020
26	213- Tax Procedure Law/376-1	In the event that the tax or tax difference and loss of tax assessed complementarily, ex officio or by the administration, penalties of irregularity and special irregularity are paid within the period, the other half is reduced. In case of reconciliation, if the seventy-five percent of the settled tax or tax difference and loss of tax are paid, the settled penalty is reduced by twenty-five percent. Effective date: 07/12/2019
27	213- Tax Procedure Law/379 (new regulation)	With this article, a regulation for waiving from the remedy was introduced to Tax Procedure Law. Thus, in lawsuits filed against the tax/penalty notice in due time, in decrees given by the tax court that can be appealed and in decrees given by the regional administrative court that can be appealed (except for the decrees given upon the overturning decision of the Council of State), provided that the petition that the remedy is waived is submitted to the tax office, reductions can be provided in the due payments. Effective date: 1/1/2020

32	1319- Real Estate Tax Law/42	<p>Those among the residential real estates whose building tax value or value determined by the General Directorate of Land Registry and Cadastre are TL 5,000,000 and more shall be subject to the valuable housing tax. The tax assessment shall be the building tax value or the value determined by the General Directorate of Land Registry and Cadastre, whichever is higher. Among the residential real estates subject to the valuable housing tax, those with the value of;</p> <p>TL 5,000,000 to 7,500,000 TL (3 per thousand), TL 7,500.001 to 10,000,000 TL (6 per thousand), and more than 10,000,001 TL (10 per thousand) shall be taxed at the respective rates.</p> <p>Exemptions;</p> <ul style="list-style-type: none"> • From persons who have only one residential real estate within the borders of Turkey; residential real estates of those who prove to have no income other than those who have guardians and are not yet eighteen years old, and those whose only incomes, exclusively established with the law, are the monthly wage from the social security institutions (including those with the right of usufruct) • Newly built residential real estates registered to the establishments of those whose main field of activity is building construction and that are not yet subject to the sale, transfer and assignment (including the residential real estates kept by the contractor undertaking the contract work as per construction contract in return for land share) <p>Effective date: 07/12/2019</p>
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If you need any further information for the matter herein, please contact us.

Regards
PKF İstanbul

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