

CIRCULAR
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Subject:

THE WITHHOLDING TAX RATES FOR INTEREST APPLIED TO FOREIGN CURRENCY DEPOSIT ACCOUNTS, INTEREST TO THE NOTES AND LEASE CERTIFICATES ISSUED ABROAD AND TO THE INTEREST ON LOANS OBTAINED BY FINANCE INSTITUTIONS HAVE BEEN AMENDED

The following regulations have been issued through the Presidential Decree No. 842 published in the Official Gazette No. 30721 dated March 21, 2019.

1. The withholding tax rates to be applied to the interest paid out of the notes and the lease certificates issued abroad by Turkish corporates have been amended.

New regulations have decreased the withholding tax rate and encouraged the fund raising from abroad by this means. Details of the regulations introduced in this regard are as follows:

1.1. Article 1/7(b) of the Resolution of the Council of Ministers No. 2009/14592 setting the withholding tax rates stipulated in Article 94 of the Income Tax Law has been amended as follows:

Text of the article before the amendment:

Text of the article after the amendment:

b) Out of the other items; ba) As for the notes issued abroad by Turkish corporates; i) 10% withholding tax for notes with an initial maturity of less than one year; ii) 7% withholding tax for notes with an initial maturity of at least one year and less than three years; iii) 3% withholding tax for notes with an initial maturity of at least three years and less than five years; and iv) 0% withholding tax for notes with an initial maturity of five years and more.	b) Out of the other items; ba) As for the notes issued abroad by Turkish corporates; i) 7% withholding tax for notes with an initial maturity of less than one year; ii) 3% withholding tax for notes with an initial maturity of at least one year and less than three years; iii) 0% withholding tax for notes with an initial maturity of five years and more.
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<p>bb) As for the lease certificates issued abroad by Turkish asset leasing companies;</p> <p>i) 10% withholding tax for notes with an initial maturity of less than one year;</p> <p>ii) 7% withholding tax for notes with an initial maturity of at least one year and less than three years;</p> <p>iii) 3% withholding tax for notes with an initial maturity of at least three years and less than five years; and</p> <p>iv) 0% withholding tax for notes with an initial maturity of five years and more.</p> <p>bc) 10 % for those except for the ones specified in (ba) and (bb)</p>	<p>bb) As for the lease certificates issued abroad by Turkish asset leasing companies;</p> <p>i) 7% withholding tax for notes with an initial maturity of less than one year;</p> <p>ii) 3% withholding tax for notes with an initial maturity of at least one year and less than three years;</p> <p>iii) iii) 0% withholding tax for notes with an initial maturity of five years and more.</p> <p>bc) 10 % for those except for the ones specified in (ba) and (bb)</p>
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1.2. Article 1/1/4(b) of Council of Ministers Decree No. 2009/14593 determining the withholding tax rates to be applied to the earnings and revenues of non-resident corporations stipulated in Article 30 of Corporate Tax Law has been amended as follows and the "1%" rate specified in 5/(b) of the same article has been amended as "0%".

Text of the article before the amendment:

Text of the article after the amendment:

<p>b) Out of the other items;</p> <p>ba) As for the notes issued abroad by Turkish corporates;</p> <p>i) 10% withholding tax for notes with an initial maturity of less than one year;</p> <p>ii) 7% withholding tax for notes with an initial maturity of at least one year and less than three years;</p> <p>iii) 3% withholding tax for notes with an initial maturity of at least three years and less than five years; and</p> <p>iv) 0% withholding tax for notes with an initial maturity of five years and more.</p>	<p>b) Out of the other items;</p> <p>ba) As for the notes issued abroad by Turkish corporates;</p> <p>i) 7% withholding tax for notes with an initial maturity of less than one year;</p> <p>ii) 3% withholding tax for notes with an initial maturity of at least one year and less than three years;</p> <p>iii) 0% withholding tax for notes with an initial maturity of five years and more.</p>
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<p>bb) As for the lease certificates issued abroad by Turkish asset leasing companies;</p> <p>i) 10% withholding tax for notes with an initial maturity of less than one year;</p> <p>ii) 7% withholding tax for notes with an initial maturity of at least one year and less than three years;</p> <p>iii) 3% withholding tax for notes with an initial maturity of at least three years and less than five years; and</p> <p>iv) 0% withholding tax for notes with an initial maturity of five years and more.</p> <p>bc) 10 % for those except for the ones specified in (ba) and (bb)</p>	<p>bb) As for the lease certificates issued abroad by Turkish asset leasing companies;</p> <p>i) 7% withholding tax for notes with an initial maturity of less than one year;</p> <p>ii) 3% withholding tax for notes with an initial maturity of at least one year and less than three years;</p> <p>iii) 0% withholding tax for notes with an initial maturity of five years and more.</p> <p>bc) 10 % for those except for the ones specified in (ba) and (bb)</p>
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1.3. Article 1/1/3(b) of Council of Ministers Decree No. 2009/14594 determining the withholding tax rates stipulated in Article 15 of the Corporate Tax Law has been amended as follows:

Text of the article before the amendment:

Text of the article after the amendment:

<p>b) Out of the other items;</p> <p>ba) As for the notes issued abroad by Turkish corporates;</p> <p>i) 10% withholding tax for notes with an initial maturity of less than one year;</p> <p>ii) 7% withholding tax for notes with an initial maturity of at least one year and less than three years</p> <p>iii) 3% withholding tax for notes with an initial maturity of at least three years and less than five years; and</p> <p>iv) 0% withholding tax for notes with an initial maturity of five years and more.</p>	<p>b) Out of the other items;</p> <p>ba) As for the notes issued abroad by Turkish corporates;</p> <p>i) 7% withholding tax for notes with an initial maturity of less than one year;</p> <p>ii) 3% withholding tax for notes with an initial maturity of at least one year and less than three years;</p> <p>iii) 0% withholding tax for notes with an initial maturity of five years and more.</p>
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<p>bb) As for the lease certificates issued abroad by Turkish asset leasing companies;</p> <p>i) 10% withholding tax for notes with an initial maturity of less than one year;</p> <p>ii) 7% withholding tax for notes with an initial maturity of at least one year and less than three years;</p> <p>iii) 3% withholding tax for notes with an initial maturity of at least three years and less than five years; and</p> <p>iv) 0% withholding tax for notes with an initial maturity of five years and more.</p> <p>bc) 10 % for those except for the ones specified in (ba) and (bb)</p>	<p>bb) As for the lease certificates issued abroad by Turkish asset leasing companies;</p> <p>i) 7% withholding tax for notes with an initial maturity of less than one year;</p> <p>ii) 3% withholding tax for notes with an initial maturity of at least one year and less than three years;</p> <p>iii) 0% withholding tax for notes with an initial maturity of five years and more.</p> <p>bc) 10 % for those except for the ones specified in (ba) and (bb)</p>
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2. The withholding tax rate applied to the interest paid for the secondary subordinate loans of banks as deemed appropriated by the Banking Law No. 5411 as well as the loans obtained by corporations other than banks based on a flow or asset portfolio through securitization taken place abroad has been lowered from 1% to 0%. Details of the regulation introduced thereon are as follows:

The "1%" rate specified in Article 1/1/5(b) of Council of Ministers Decree No. 2009/14593 determining the withholding tax rate to be applied to the earnings and revenues of non-resident corporations as stipulated in Article 30 of the Corporate Tax Law has been amended as "0%".

Text of the article before the amendment:

Text of the article after the amendment:

<p>5 - Out of all types of receivable interest;</p> <p>a) 0% for the interest paid for any and all loans received from foreign states, international institutions or foreign banks or foreign banks or the institutions which are habitually authorized to extend loans in the respective country, but extend loans not only to associated institutions, but also to all real and legal persons (including the funds provided by participation banks from other countries in line with their respective procedures and the dividends paid thereby for similar funds),</p>	<p>5 - Out of all types of receivable interest;</p> <p>a) 0% for the interest paid for any and all loans received from foreign states, international institutions or foreign banks or foreign banks or the institutions which are habitually authorized to extend loans in the respective country, but extend loans not only to associated institutions, but also to all real and legal persons (including the funds provided by participation banks from other countries in line with their respective procedures and the dividends paid thereby for similar funds),</p>
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b) 1% for the interest paid for the secondary subordinate loans of banks as deemed appropriated by the Banking Law No. 5411 as well as the loans to be received by other corporations other than banks based on a flow or asset portfolio through securitization taken place abroad,	b) 0% for the interest paid for the secondary subordinate loans of banks as deemed appropriated by the Banking Law No. 5411 as well as the loans to be received by corporations other than banks based on a flow or asset portfolio through securitization taken place abroad,
c) 5% for the delay interest arising out of the supply of goods except for the dividends paid by participation banks,	c) 5% for the delay interest arising out of the supply of goods except for the dividends paid by participation banks,
ç) 10% for other items,	ç) 10% for other items,

3. The withholding tax rates applied to the interest income obtained from foreign currency deposit accounts have been increased.

This regulation came into force **on March 21, 2019** with regard to **the interest and dividends to be paid to drawing accounts and private current accounts and the interest and dividends to be paid to time deposit accounts which are opened or renewed starting from March 21, 2019.**

Details of the regulation introduced in this regard are as follows:

Article 1/1/d(1) of Council of Ministers Decree No. 2006/10731 determining the withholding tax rate to be applied within the scope of Provisional Article 67 of the Income Tax Law has been amended as follows:

Text of the article before the amendment:

Text of the article after the amendment:

d) 1) interest accrued from foreign currency deposit accounts and the dividends paid by participation banks for the foreign currency participation accounts; i) 20% for drawing accounts, call accounts and the time deposit accounts with a maturity of up to 6 months (including the sixth month), ii) 16% for the time deposit accounts with a maturity of up to 1 year (including one year), iii) 13% for the time deposit accounts with a maturity of longer than 1 year,	d) 1) interest accrued from foreign currency deposit accounts and the dividends paid by participation banks for the foreign currency participation accounts; i) 20% for drawing accounts, call accounts and the time deposit accounts with a maturity of up to 1 year (including one year), ii) 18% for the time deposit accounts with a maturity of longer than 1 year,
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Sincerely,

**DENGE İSTANBUL YEMİNLİ
MALİ MÜŞAVİRLİK A.Ş.**

ANNEX:

The Presidential Decree No. 842

(*) The remarks in our circular are for information purposes only. We recommend that the opinion and support of a qualified counsellor be received before establishing final transactions on the questionable matters. Our company shall not be held responsible for any damages to be incurred as a result of transactions to be made solely on the basis of the statements in our circular.

(**) For opinions, criticisms and questions about our circular, you can contact our specialists the contact information of whom is provided below.

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