

CIRCULAR
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Subject:

INFORMATION GUIDELINE ON THE STANDARD FOR AUTOMATIC EXCHANGE OF INFORMATION ON FINANCIAL ACCOUNTS ON TAX MATTERS IS PUBLISHED

The Revenue Administration published the "**Information Guidelines on the Standard for Automatic Exchange Information on Financial Accounts on Tax Matters**".

What is the Automatic Exchange of Financial Account Information?

The "**Convention on Mutual Administrative Assistance in Tax Matters**" was prepared as a result of the efforts of the Organization for Economic Cooperation and Development (OECD), the G20 and the EU to combat tax loss and evasion on an international scale. So far, this convention has been signed by **136 countries** including but not limited to Switzerland, Norway, Brazil and India as well as the EU member states (The list of these 136 countries is provided as **APPENDIX-1** of the guidelines attached to our circular). Turkey signed the Convention on Mutual Administrative Assistance in Tax Matters in 2011. After 6 years, the "**Multilateral Competent Authority Agreement on Automatic Exchange of Information on Financial Accounts**", which regulates the **implementation of the Convention** and has so far been signed by **107 countries** (The list of these 107 countries is provided as **APPENDIX-2** to the guidelines attached to our circular), was signed by Turkey on April 21, 2017 before being ratified on **December 31, 2019**. Our circular no. 2020/36 of January 14, 2020 was published regarding the Presidential Decree No. 1965 pertaining to the ratification.

According to this agreement, signatory countries shall collect the **financial account information** of the residents of the respective countries **from financial institutions on the basis of reciprocity, and (automatically) share them** with the relevant country **annually without need for a separate request**. The competent authority to gather and share information for automatic exchange of information in Turkey is the Revenue Administration of the Ministry of Treasury and Finance. It is not possible for a financial institution to send information directly abroad.

Scope of Automatic Information Exchange

Automatic exchange of information means the automatic and electronic submission of **financial account information** of individuals in countries other than the country where they are settled (as residents) to their country of settlement (residence) by the tax administrations of the other country each year **for use for tax purposes on the basis of reciprocity (mutually)**.

For instance, it means the sharing of the eligible bank account information - in Turkey - of a Turkish citizen residing in Sweden on a reciprocal (mutual) basis. Similarly, the bank account information of a Swedish national residing in Turkey at a Swedish bank will be taken from Sweden.

To that end, financial information held by depository, custodian and investment institutions as well as certain insurance companies, such as:

- Deposit accounts,
- Custodial accounts,
- Partnership and debt relationship interest,
- Cash value insurance contracts,
- Annuity contracts, and
- Regular payment contracts will be shared.

Information to be exchanged include:

- The concerned person's name and surname,
- Address,
- Country of settlement (residence) and tax identification number (TIN),
- Birth place and date,
- Account number, account balance or value,
- The total gross amount of income such as interest and dividends paid to the account during the year or income from assets held in the account.

However, **real estate and vehicle information are not covered by automatic exchange of information.**

Accordingly, **details of account activities** shall not be taken from financial institutions and shall not be shared.

Information on both real persons (individual accounts) and organizations (corporate account) can be shared mutually if such information falls within the scope of the exchange.

The exchange of information between the two countries shall take place until the end of September of the next year in relation to the **status of the account on December 31** and the information collected (Due to the Covid-19 pandemic, the deadline for information exchange in 2020 has been extended from the end of September to the end of December).

The balance or value of the financial accounts falling under the scope of the agreement **as of December 31** and the income paid to this account during the year (such as interest, dividends, revenues from sales of financial assets, etc.) are within the scope of the notification.

Regarding **corporate** accounts opened **before July 1, 2017**, a financial institution is not obliged to report an account if the balance of the said account **does not exceed USD 250,000. There is no such threshold for individual accounts.** Both individual accounts and corporate accounts opened **after July 1, 2017** fall within the scope of the notification **regardless of their balance.**

Notifications shall be made in the currency in which the account is kept (Turkish Lira, Euro, British Pound, US Dollar, etc.).

Accounts whose holder **has not performed any account activity** such as depositing or withdrawing money **in the last 3 years** and has not contacted the financial institution **for the last 6 years** shall be deemed as **inactive accounts** in terms of automatic information exchange on the condition that their balance is **less than USD 1,000**, and no notification shall be made regarding such accounts (except for regular payment agreements and annuity). If the account holder performs a transaction regarding another account they hold in the financial institution which hosts the "inactive account", the "inactive account" shall also be subject to notification.

If the **account is closed during the year**, the information that it was closed shall be notified in the year following the year the account was closed. For instance, an account closed in 2019 shall be included in the 2020 exchange regarding the year 2019 (An account that was closed in 2018 or before shall not be included in the exchange to be made in 2020). A notification shall only be made for the year when the account was closed. The account balance or value for closed accounts shall be reported as zero "0". However, even if the account was closed, information such as the interest accrued until the closing date shall be subject to notification.

Furthermore, the "**Draft General Communiqué on the Automatic Exchange of Information on Financial Accounts in Tax Matters**" was prepared by the Revenue Administration in 2017, but it has not entered into force since it has not been published in the Official Gazette until today. We would like to note that detailed explanations on the draft communiqué are provided in our circular no. 2017/87 of May 23, 2017.

Has information exchange started within the scope of automatic exchange of information? The information for which period will be shared?

Turkey's first automatic exchange of information started in 2018 with Norway and Latvia. The names of **countries** with which **automatic exchange of information** will take place in 2020 under the Agreement **as of August 21, 2020** are provided in **APPENDIX-3** to the guide attached to our circular.

The list may change in the coming years, and new countries may be added or removed.

The automatic exchange of information process shall progress over time to cover all countries party to the Agreement.

The current list is available at the link below.

<https://www.oecd.org/tax/automatic-exchange/international-framework-for-the-crs/exchange-relationships/>

Information pertaining to 2019 shall be sent to countries, with which reciprocity is in place, in 2020. **It is not possible to exchange information about the years before these dates.**

According to the list in APPENDIX-3, Turkey **will receive information from 71 countries and send information to 54 countries.**

It is observed that countries such as **Germany, France, Netherlands, Belgium, Austria and Switzerland**, where the Turkish citizens mainly live or have financial accounts, are not included in the list of countries for reciprocal automatic exchange of information in relation to 2019 information in 2020.

Sincerely,

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

APPENDIX:

Information Guide on the Standard for Automatic Exchange of Financial Account Information on Tax Matters

(*) 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.