

**CIRCULAR**  
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**Subject:**

**MULTILATERAL COMPETENT AUTHORITY AGREEMENT ON THE EXCHANGE OF COUNTRY-BY-COUNTRY REPORTS IS PUBLISHED IN THE OFFICIAL GAZETTE**

The Presidential Resolution No. 2151 published in the Official Gazette No. 31050 of February 25, 2020 introduced a regulation in Turkey within the framework of the transfer pricing reporting standards listed in the Base Erosion and Profit Shifting (BEPS) action plan No: 13 by the Organization for Economic Cooperation and Development (OECD). The Communiqué Serial No. 4 Amending the General Communiqué on Disguised Profit Distribution Through Transfer Pricing Serial No. 1 was published in the Official Gazette No. 31231 of September 1, 2020.

Pursuant to the relevant Communiqué, certification obligations of taxpayers as determined in accordance with certain value thresholds include:

- Master file,
- Local File,
- Notification for country-by-country reporting and country-by-country report (CbCR), and
- Transfer pricing, and the form regarding the controlled foreign institution and thin capitalization.

The notification on Country-by-Country Reporting and the country-by-country report **are an obligation for the Multinational Enterprise Group (MNE Group), whose revenues according to the consolidated financial statements for the accounting period prior to the reported accounting period are equivalent to or higher than EUR 750 million.**

However, **the country which will submit the Country-by-Country Report is subject to certain conditions in the Communiqué, which are as follows:**

1. If the **Multinational Enterprise Group has an ultimate parent entity (UPE) or a surrogate parent entity (SPE) residing in Turkey**, the country-by-country report must be issued by the end of the twelfth month after the reported accounting period and be electronically submitted to the Turkish Revenue Administration.
2. In cases where the **ultimate parent entity (UPE) or surrogate parent entity (SPE) does not reside in Turkey**, the country-by-country report **does not have to be delivered** in Turkey if **all** of the **following conditions** are fulfilled.
  - a. Where **there is an obligation** of CbCR in the country where the UPE or SPE is residing,
  - b. Where there is an international agreement applicable between the Administration and the administration of the country where UPE or SPE is resident, and **there is a competent authority agreement** applicable regarding the exchange of CbCR (CbC MCAA).

3. **If one of the following conditions materializes in cases where the UPE or the SPE is not residing in Turkey**, the entity residing in Turkey (if the MNE group has multiple enterprises in Turkey, one of them on behalf of the others) **must electronically submit** the country-by-country report to the **Turkish Tax Administration**:
- a. Where **there is no obligation** of country-by-country reporting in the country where ultimate parent entity or surrogate parent entity is residing,
  - b. Where there is an obligation of country-by-country reporting in the country where UPE or SPE is residing and there is an international agreement applicable between the Administration and the administration of the country where UPE or SPE is residing, but **there is no competent authority agreement** applicable regarding the exchange of country-by-country reporting information (CbC MCAA),
  - c. Where there is an obligation of country-by-country reporting in the country where UPE or SPE is residing, there is an international agreement applicable between the Administration and the administration of the country where UPE or SPE is residing, and there is also a competent authority agreement applicable regarding the exchange of country-by-country reporting information, but **there is a systemic failure** concerning information exchange.

The aforementioned competent authority agreement is the Multilateral Competent Authority Agreement (MCAA), which refers to concluding multilateral agreements instead of making multiple Competent Authority Agreements (CAA). The legal basis of the Multilateral Competent Authority Agreement is the Article 6 of the Multilateral Agreement on Mutual Administrative Assistance in Tax Matters.

**Another agreement model developed on the basis of the Multilateral Competent Authority Agreement is the "Multilateral Competent Authority Agreement on the Exchange of Country-by-Country Reports".**

**The "Multilateral Competent Authority Agreement on the Exchange of Country-by-Country Reports", which was signed on December 30, 2019, was ratified with the Presidential Resolution No. 3038, published in the Official Gazette No. 31261 (repeated) dated October 1, 2020. However, pursuant to Article 8 of the relevant agreement, the agreement will become effective once Turkey submits the parties, date of entry into force and other information to the Co-ordinating Body Secretariat in full, and the Co-ordinating Body Secretariat publishes on the OECD website the list that includes information on the competent authorities which signed the agreement and on the authorities between which the agreement is enforced.**

**As a result, until the relevant Agreement becomes effective, in cases where the ultimate parent entity or the surrogate parent entity is not residing in Turkey**, the entity residing in Turkey (if the MNE group has multiple enterprises in Turkey, one of them on behalf of the others) **must electronically submit** the country-by-country report to the **Turkish Administration**.

Another obligation regarding the Country-by-country report is the Notification for Country-by-country reporting. As is known, members of the MNE group that fall within the scope of country-by-country reporting must submit to the Revenue Administration the Notification on:

- Whether they are an ultimate parent entity or a surrogate parent entity,
- Which entity of the Group need to be the reporting entity, and
- Information about the reported accounting period.

Notifications for the first country-by-country report will be completed in line with the content in Annex-5 of the said communiqué and the explanations by the Internet Tax Office before being submitted electronically via the Internet Tax Office until 23:59 on October 30, 2020.

**Notification should be completed until October 30 in accordance with the developments related to commitments of CbC MCAA and the matter should be followed up on the basis of the country where the Ultimate Parent Entity is residing.**

We will keep you posted on developments.

Sincerely,

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

**APPENDIX:**

The Presidential Resolution No. 3038

(\*) The remarks in our circular are for informational 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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