



CIRCULAR NO: 2021/032eng.

05.02.2021

FINANCIAL EXPENDITURE RESTRICTION WILL BE APPLIED TO THE EARNINGS DURING THE TAXATION PERIOD STARTING ON 1.1.2021

Article 41/9 of Income Tax Law where expenditures that are not accepted as per Law no. 6322 are regulated, and financing expenditure restriction added to the Article 11/1-(i) of Corporate Income Tax Law could not find an area of application as the financial expenditure restriction ratio was not decided by the President until today. However, the ratio in question has been determined to be applied as 10% starting from the taxation period starting on 1.1.2021, as per the Presidential Decision no. 3490 published in the Official Gazette dated 04.02.2021 and numbered 31385.

Within this framework, as of 1.1.2021,

- As per subparagraph (9) of the first paragraph of Article 41 of Corporate Tax Law; businesses whose foreign capital exceed their equity capital, exclusively for the portion that exceeds the equity capital, except for those that are added to the cost of investment, the discount of 10% as expenditures made over the total of costs and expenditures under the names interest, commission, delay interest, dividend and similar from foreign capital used in the business will not be accepted.

- As per subparagraph (i) of the first paragraph of Article 11 of Corporate Tax Law; apart from the credit agencies, financial entities, and financial leasing, factoring, and financing companies, and exclusively for the businesses whose foreign capital exceed their equity capital, except for those that are added to the cost of investment, the discount of 10% made over the total of costs and expenditures under the names interest, commission, delay interest, dividend and similar from foreign capital used in the business while determining the corporate profit will not be accepted.

Many problems about the practice will probably come to the fore. Within this framework, we would like to point out that we expect Turkish Revenue Administration to publish a general announcement soon regarding the procedures and principles of the practice.

Regards,

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

ANNEX

Presidential Decision no. 3490

(*) The explanations contained in our circular is only for informative purposes. We recommend getting professional advice and support from an expert before making final decisions regarding any transactions if there are any doubtful aspects; our financial consultancy firm shall not be responsible for any losses caused by transactions made based on the explanations in our circular alone.

(**) You can contact our experts whose details are given below for your opinions, comments, and questions.

Erkan YETKİNER

YMM

Mazars/Denge, Partner

eyetkiner@mazarsdenge.com.tr

Güray ÖĞREDİK

SMMM

Mazars/Denge, Director

gogredik@mazarsdenge.com.tr