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LAW NUMBERED 7326 INCLUDING STRUCTURING RECEIVABLES, INCREASING TAX BASIS, CORRECTING BUSINESS RECORDS AND REVALUATION REGULATIONS IS PASSED BY THE GRAND NATIONAL ASSEMBLY OF TURKEY

The Law numbered 7326 on the Restructuring of Certain Receivables and Amendments to Some Laws is passed by the Grand National Assembly of Turkey. In this circular, **some regulations** in the Law are briefly mentioned.

1. Receivables within the Scope of the Law

a) For the periods before 30.04.2021, the original tax and related tax penalties, delay interests, late fees, tax penalties not related to the tax base, administrative fines, and receivables followed by the collection departments of the Ministry of Treasury and Finance.

b) Customs duties, administrative fines, interest, delay interest, late fee receivables covered by the customs tax law before 30.04.2021.

c) Followed by the collection offices affiliated to the Social Security Institution within the scope of Law numbered 6183 and accrued but not paid until the publication date of this Law or the end of the periods specified in the relevant provisions of this Law;

- Insurance premiums, pension deductions and corporate reserves, unemployment insurance premiums, social security support premiums and related delay fines and late fees, optional insurance premiums and community insurance premiums and related delay fine and delay interest receivables with regards to April 2021 and previous months,
- Insurance premium calculated over the amount of missing workmanship found as a result of the preliminary evaluation, research, or determination made regarding the special constructions and works that are the subject of the tender, which were completed until 30.04.2021 (this date inclusive) and the related delay fine and late fee receivables,
- Administrative fines pertaining to acts committed until 30.04.2021 (this date inclusive) and applied per relevant laws and the related delay fine and late fee receivables,
- Stamp duty, special transaction tax, and contribution to education for April 2021 and previous months, which are followed in accordance with the relevant laws and the related delay fine and late fee receivables,

ç) Special provincial administrations, municipalities, metropolitan municipalities, water and sewerage administrations of metropolitan municipalities receivables, and Investment Monitoring and Coordination Presidencies receivables.

Separate and quite detailed regulations have been made in the law for the specified receivables from the aforementioned receivables, receivables that are not specified or are in the litigation phase, and transactions at the stage of examination and assessment. After the law is published in the Official Gazette, our detailed circular on these issues will be published.

2. Application and first installment payment periods

Without prejudice to the provisions regarding the application and payment period in the relevant articles of the Law, the debtors who want to benefit from the provisions of this Law must;

- a) Apply to the relevant tax administration until 31.08.2021 (this date inclusive),
- b) Pay the first installment of the amounts to be paid to the Ministry of Treasury and Finance, Ministry of Commerce, special provincial administrations, municipalities and collection offices affiliated to Investment Monitoring and Coordination Presidencies until 30.09.2021 (this date inclusive), pay the first installment of the amounts to be paid to the collection offices affiliated to the Social Security Institution until 31.10.2021 (this date inclusive), pay the other installments in maximum eighteen equal installments in two-month periods following these dates.

3. Coefficient application in case of payment in installments

In case the calculated amounts are requested to be paid in installments, without prejudice to the provisions of the relevant articles, debtors must choose one of the payment options in 6, 9, 12 or 18 equal installments at the time of application. In the payments to be made in installments of the calculated amounts, the amount determined according to the relevant articles will be multiplied by;

- 1) For six equal installments (1.09),
- 2) For nine equal installments (1.135),
- 3) For twelve equal installments (1.18),
- 4) For eighteen equal installments (1.27),

coefficient and the amount to be paid in two-month periods will be calculated by dividing the amount found by the number of installments.

If all the restructured amounts are paid within the first installment payment period or within the first two installment payment periods, based on the D-PPI, additional deductions will be made from the administrative fine from the amount.

We would like to point out that in this restructuring law, a regulation has been made stating that assessments that are structured by not filing a lawsuit or by withdrawing the lawsuit and thus finalized will not be prevented from benefiting from 5% tax deduction.

4. Other Receivables within the Scope of the Law

Other receivables within the scope of the Law are as follows;

- Dues, chamber shares, stock market registration fees until 30.04.2021 in accordance with the provisions of the Law numbered 5174 of Union of Chambers and Commodity Exchanges of Turkey and Chambers and Commodity Exchanges,
- Dues due to the chambers of which the members of the profession are members in accordance with the provisions of the Law numbered 3568 of Certified Public Accountancy and Sworn-in Certified Public Accountancy and the union share debts of the chambers to the Union of Chambers of Certified Public Accountants and Sworn-in Certified Public Accountants of Turkey,
- Late fees to be collected from those who do not have their inspections done on time, although they are required to have their vehicle inspected in accordance with the Law numbered 2918,
- Dues due to the chambers of which tradesmen and craftsmen are members in accordance with the provisions of the Law numbered 5362 on Tradesmen and Craftsmen Professional Organizations and the participation share of the chambers to the union and the federations of which they are members, and of the unions and federations to the Turkish Confederation of Tradesmen and Craftsmen and debts of tradesmen and craftsmen to develop and support vocational training,
- Bar association fees and internship loan debts of attorneys and trainee attorneys according to the provisions of the Attorneyship Law numbered 1136,

- Dues of members of the profession to the chambers of which they are members according to the provisions of the Law numbered 6235 on Turkish Engineer and Architect Chambers Union,
- Dues of members of the profession to the chambers of which they are members according to the provisions of the Law numbered 6023 on Turkish Medical Association and the union share debts of the chambers to the Central Council,

- Dues of members of the profession to the chambers of which they are members according to the provisions of the Law numbered 3224 on Turkish Dental Association and the union share debts of the chambers to the Turkish Dental Association,
- Except for the deferred fees within the scope of provisional 25, provisional 26 and provisional 28 articles of the Law numbered 4706 Amending the Law on Evaluation of Immovable Property Owned by the Treasury and Value Added Tax, usage fees and revenue/commercial dividends arising from the final permit, final allocation, decision to use, easement right, usage permit and rental transactions made for the places considered forests in accordance with the relevant laws and the immovables that are in the private property of the Treasury or under the jurisdiction and disposal of the State and which are due as of 30.04.2021 but have not been paid as of the publication date of this Law,
- Dues of members of the profession to the chambers of which they are members according to the provisions of the Law numbered 6343 on the Practice of the Veterinary Profession, the Formation of the Turkish Veterinary Medical Association and its Chambers and the union share debts of the chambers to the Turkish Veterinary Medical Association,
- Receivables related to income and pensions determined by the Social Security Institution to be paid excessively or improperly and to be collected pursuant to the repealed provisions of the Law numbered 506, Law numbered 1479, Social Insurance Act Concerning Agricultural Workers numbered 2925, Law numbered 2926, Law numbered 5434 and pursuant to Article 96 of Law numbered 5510,
- Prices of agricultural products sold in accordance with the twelfth paragraph of Article 88 of the same Law due to the premium debts of those deemed to be insured within the scope of sub-clause (4) of the first paragraph of Article 4 of the Law numbered 5510,
- All kinds of debts that employers and third parties are obliged to pay due to work accident and occupational disease, invalidity, ordinary disability and death cases, as well as actions against the general health insurance holder and their dependents, in accordance with the Articles 14, 21, 23, 39 and 76 of Law numbered 5510, repealed Articles 10, 26, 27 and 28 of the Social Security Law numbered 506, repealed Article 63 of Law numbered 1479 and repealed Article 129 of the Law numbered 5434 on the Retirement Fund of the Republic of Turkey.

5. Tax Base Increase

Taxpayers will be able to apply for tax base and tax increase until 31.08.2021 for income tax, corporate tax, income and corporate tax withholding bases and value added taxes for the years 2016, 2017, 2018, 2019 and 2020. **A tax investigation and tax assessment will not be possible for the periods and tax types in which the tax base and tax increase are made.**

5.1. Corporate Tax Base Increase

Year	Tax Base Increase Rate	Minimum Increase Amount (TL)	Normal Tax Rate	Reduced Tax Rate
2016	35%	94.000	20%	15%
2017	30%	99.600	20%	15%
2018	25%	105.800	20%	15%
2019	20%	112.400	20%	15%
2020	15%	127.500	20%	15%

*If a loss has been declared in the corporate taxpayers' tax returns regarding the year they want to increase, or if no tax base has been formed due to deductions and exceptions, or if no tax return has been filed at all, the bases to be taken as a basis for taxation and the bases they increase cannot be less than the minimum tax base increase amount.

**Increased tax bases will be taxed at a rate of 15%; provided that corporate taxpayers have submitted their annual tax returns for the year they want to increase, paid the taxes accrued from these tax types in due time and have not benefited from the provisions of Articles 2 and 3 of the Law for these tax types.

***50% of the losses of the years in which the corporate taxpayers increased their tax base **will not be deducted from profits for 2021 and the following years.**

5.2. Income Tax Base Increase

Year	Tax Base Increase Rate	Minimum Increase Amount (TL) (Those who keep books on the basis of operation account)	Minimum Increase Amount (TL) (Those who keep books on the basis of balance and freelancer)	Normal Tax Rate	Reduced Tax Rate
2016	35%	31.900	47.000	20%	15%
2017	30%	33.200	49.800	20%	15%
2018	25%	35.250	52.900	20%	15%
2019	20%	37.500	56.200	20%	15%
2020	15%	42.500	63.700	20%	15%

*If a loss has been declared in the income taxpayers' tax returns regarding the year they want to increase, or if no tax base has been formed due to deductions and exceptions, or if no tax return has been filed at all, the bases to be taken as a basis for taxation and the bases they increase cannot be less than the minimum tax base increase amount.

**The minimum tax base to be taken as a basis for taxation for taxpayers whose income consists only of commercial gains determined in a simple entry cannot be less than 1/10 of the amounts determined for taxpayers who keep books on the balance sheet basis, 1/5 for those whose income consists only of real estate capital revenues and the amount determined for taxpayers who keep books on the basis of operation account for other income taxpayers whose income is not included. In the application of this paragraph, the exemption amounts determined for real estate capital revenues as of the relevant years are not taken into account. In order not to be subject to tax investigation and tax assessment by taxpayers who have more than one income element, it is obligatory to increase the tax base in terms of the relevant income element specified in this paragraph.

***Income taxpayers **will not be able to deduct 50% of the losses for the years in which they increased their tax base from their profits for 2021 and the following years.**

5.3. Value Added Tax Increase

Year	Increase Rate
2016	3%
2017	3%
2018	2.5%
2019	2%
2020	2%

*As per to item (c) of paragraph (1) of Article 11 and provisional Article 17 of the Value Added Tax Law, for taxpayers who benefit from the deferment-cancellation application, the deferred taxes will be deducted from the calculated tax in determining the amount subject to the increase.

**If no tax return has been filed or if a tax return for one or two periods has been filed, this paragraph is utilized by increasing the value added tax by 18% over the increased tax base; provided that the income or corporate tax base has been increased for the relevant year.

***In case all of the transactions within the relevant calendar year consist of deliveries and services within the scope of exceptions, and deliveries within the scope of deferment-cancellation application or if there is no value added tax calculated in all periods of the calendar year for other reasons, the taxpayers will be able to benefit from the VAT base increase by increasing the value added tax by 18% over the increased base; provided that the income or corporate tax base has been increased for the relevant year.

5.4. Increase in income tax withholding / corporate tax withholding (Increase in withholding tax return)

Mode of payment included in the withholding tax return	2016	2017	2018	2019	2020
Over the annual sum of gross amount of prices	6%	5%	4%	3%	2%
Over the annual sum of gross amounts of self-employment payments	6%	5%	4%	3%	2%
Over the annual sum of gross amounts of payments made in return for the rental of goods and rights written in Article 70 of the Income Tax Law	6%	5%	4%	3%	2%
Over the annual sum of the gross amounts of the rent payments made to the immovables belonging to the cooperatives in return for the rental	6%	5%	4%	3%	2%
Over the annual sum of gross amounts of construction and repair work payments over the years	1%	1%	1%	1%	1%
Over the annual sum of gross amounts of payments made for agricultural crops and services purchased from farmers and payments made for goods and services purchases from tradesmen exemption	25% of the tax withholding rate applicable in the relevant year	25% of the tax withholding rate applicable in the relevant year	25% of the tax withholding rate applicable in the relevant year	25% of the tax withholding rate applicable in the relevant year	25% of the tax withholding rate applicable in the relevant year

5.5. Other issues

Applications for tax base and tax increase must be made until the date of 31.08.2021. The taxes calculated as a result of the tax base or tax increase must be paid in a maximum of six equal installments in two-month periods, starting from the date of 30.09.2021. If all of the taxes accrued as a result of the tax base or tax increase are

paid in advance within the first installment payment period, 10% deduction will be made from these taxes and no coefficient will be applied.

Application for a tax base or tax increase shall not constitute an obstacle to tax inspections and appraisal procedures that were initiated before the publication date of this Law. However, in case the tax investigations and appraisal proceedings initiated against the taxpayers making the increase cannot be concluded until 02.08.2021 (this date inclusive), without prejudice to the provisions of the law, On the other hand, investigations to be made within the scope of Article 367 of the Tax Procedure Law titled "Procedure for Punishment of Certain Smuggling Offenses" for those who increase their tax base and tax by taking advantage of the provisions of paragraphs 1, 2 and 3 of Article 5 of the Law are reserved. Nevertheless, for periods and taxes for which the base or tax increase is made as a result of these inspections, assessment will not be made.

After the law is published in the Official Gazette, our detailed circular on these issues will be published.

6. Correcting Business Records

6.1. Commodities, machinery, equipment and fixtures that are not included in the records although they are present in the business

Income and corporate taxpayers (including ordinary companies, unlimited companies and limited partnerships) will be able to record commodities, machinery, equipment and fixtures that are present in their businesses but are not in their records, with the current value to be determined by them or the professional organization they are affiliated with, by notifying the tax offices with an inventory list until 31.08.2021 (this date inclusive).

Taxpayers who keep books on the basis of balance will open a special provision account separately for the commodities they will record in their assets and separately for machinery, equipment and fixtures. In case of distribution to shareholders or liquidation of the business, the provision for commodity will be considered as an element of the capital and will not be taxed.

VAT will be calculated based on half of the VAT rates to which they are subject, over the value of the machinery, equipment, fixtures and commodities to be declared and will be declared as reverse charge with a separate tax return and paid within the period of filing.

6.2. Commodities, machinery, equipment and fixtures that are not present in the business but are included in the records

Income and corporate taxpayers (including ordinary companies, unlimited companies and limited partnerships) will be able to have commodities, machinery, equipment and fixtures included in their records but not present in their businesses transferred to their

records and tax returns **until 31.08.2021 (this date inclusive)**, by issuing invoices and fulfilling all kinds of tax liabilities, taking into account;

- In terms of commodities, the gross profit rate determined according to the current year records for commodities of the same type,
- In terms of machinery, equipment and fixtures, their current values to be determined by themselves or the professional organization they are affiliated.

In cases where the gross profit rate cannot be determined according to the current year records, the rates to be determined by the professional chambers to which the taxpayer is affiliated will be taken as basis. VAT to be paid in this context will be paid in three equal installments, with the first installment within the filing period and the following installments in the second and fourth months following the period of filing.

6.3. Cash balance and receivables from shareholders that are not present in the business but are included in the records and other related transactions

Corporate taxpayers, who keep books on the basis of balance, will be able to correct their records by declaring;

- Cash in hand
- Amounts that the entity is receivable from its shareholders due to transactions other than its main field of activity (occurring due to lending and similar reasons) and the net receivables between the amounts owed to the shareholders and the transactions in other accounts related to them

that are not present in their businesses, although found in their balance sheets as of 31.12.2020, to the tax offices **until 31.08.2021 (this date inclusive)**. The tax calculated at the rate of 3% on the amounts to be declared will be paid within the period of filing.

7. Revaluation Opportunity for Immovables and Depreciable Economic Assets

With the paragraph added to the provisional Article 31 of the Tax Procedure Law with the 11th Article of the Law numbered 7326, the **immovables and other depreciable economic assets registered in the current assets** of the taxpayers (Except for immovable and economic assets subject to the sale and lease back transaction or the issuance of lease certificates) within the scope as of the date of entry into force of the regulation may be revalued in line with the principles set forth in the provisional Article 31 of the Tax Procedure Law.

Taxpayers who want their immovables and other depreciable economic assets to be revalued will be able to do this **until 31.12.2021**. As a result of the revaluation transaction, a tax of 2% will be calculated and paid on the **value increase amount**

shown in a special fund account in the liabilities and this tax will not be recorded as expense.

We would also like to point out that the President of the Republic has the authority to extend the application and first installment payment deadlines up to one month.

Yours respectfully,

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

ANNEX:

Law numbered 7326

(*) 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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