



**CIRCULAR NO: 2023/066eng**

**FEBRUARY 27, 2023**

## **THE WITHHOLDING TAX RATE APPLICABLE TO THE COMPANIES ACQUIRING THEIR OWN SHARES HAS BEEN REDUCED FROM 15% TO 0%**

Under the Turkish Commercial Code, companies may acquire some of their own shares from their shareholders. With Law No. 7256 published in the Official Gazette No. 31307 of November 17, 2020, the Ministry of Finance has amended article 94 of the Income Tax Law regarding so-called profit distribution done by the companies purchasing their own shares. Under this regulation;

Own shares or partnership shares acquired by full taxpayer companies are considered as profit distribution, and a withholding tax of 15% is withheld on these amounts in the following timeframes:

- i) In case of redemption through capital decrease, as of the date the difference amount between the acquisition price and the nominal value of the shares or partnership shares is registered in the decision regarding the capital decrease in the trade registry,
- ii) In case of disposal for a price less than the acquisition price, as of the date of disposal of the difference amount between the acquisition price and the disposal price,

- iii) if they are not redeemed or disposed of through capital decrease within two full years from the date of acquisition, as of the last day of the two entire year period from the date of purchase of the difference amount between the acquisition price and the nominal value of the shares or partnership shares.

With Presidential Decree No. 6791 amending Article 94 of the Income Tax Law, the rate of withholding tax to be withheld on the amounts considered profit distribution by the companies acquiring their own shares or partnership shares has been reduced from 15% to 0%. The decision entered into force on February 14, 2023.

Sincerely,

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

(\*) The remarks in our circulars are for information purposes only. We recommend that the opinion and support of a qualified counsellor be sought before taking final action on 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, criticism and questions about our circulars, please contact our experts below.

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