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## IMMOVABLES CAN BE TRANSFERRED TAX-FREE UNTIL JANUARY 1, 2024, PROVIDED THAT THE TRANSFER ADHERES TO THE PARTIAL SPIN-OFF PROVISIONS OUTLINED IN THE CORPORATE TAX LAW

As known, a "partial spin-off" transaction is defined as follows in subparagraph (b) of paragraph 3 of Article 19 of the Corporate Tax Law No. 5520:

*"When one or more immovables listed in the balance sheet of a full taxpayer capital company or a foreign corporation operating as a capital company's place of business or permanent representative in Turkey, or shares held for a minimum of two full years, or one or more production or service enterprises owned by such entities, are transferred to an existing or newly established full taxpayer capital company as non-cash capital at their registered values, this transfer shall be considered a partial spin-off in the application of this Law. However, in the transfer of production or service enterprises, it is mandatory to transfer all assets and liabilities essential for the uninterrupted operation of the business while maintaining the integrity of the enterprise. In a partial spin-off, the shares of the transferee company that are acquired in exchange for the transferred assets can either be retained by the transferor company or distributed directly to the shareholders of the transferor company. In the transfer of immovables and participation shares, as outlined in this subparagraph, if the shares of the transferee company are allocated to the shareholders of the*

*transferor company, it is mandatory to transfer the debts associated with the transferred immovables and participation shares as well."*

As per the regulation stated in paragraph 3 of Article 20 of the same Law, any profits derived from the partial spin-off transactions specified in subparagraph (b) of paragraph 3 of Article 19 of this Law are not subject to calculation or taxation.

According to Article 20 of the "Law on the Imposition of Additional Motor Vehicles Tax and Amendments to Certain Laws and Decree-Law No. 375 for the Compensation of Economic Losses Caused by the Earthquakes of 6/2/2023" (Law No. 7456), which was published in the Official Gazette No. 32249 of July 15, 2023, "**immovables**" have been **excluded from the scope of partial spin-off transactions** governed by subparagraph (b) of paragraph 3 of Article 19 of the Corporate Tax Law (CTL).

However, it should be noted that before the regulation's effective date of January 1, 2024, corporate taxpayers have the opportunity to engage in tax-exempt transfers of immovables to newly established or existing companies through a partial spin-off, as per subparagraph (b) of paragraph 3 of Article 19 of the CTL **until December 31, 2023 (inclusive)**. Starting from the specified date,excluding these immovables from assets through partial spin-offs will be subject to corporate tax.

Therefore, we would like to remind taxpayers who intend to carry out the tax-free exclusion of their immovables from their assets through partial spin-offs to complete such transactions **by December 31, 2023 (inclusive)**. However, we would like to note that after January 1, 2024, partial spin-off transactions involving immovables can still be conducted under the Turkish Commercial Code, but the tax-free transfer opportunities provided by the CTL will no longer be available.

Sincerely,

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**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 incurred as a result of transactions to be made solely  based on the statements in our circular.

**(**)** Please contact our experts below for opinions, criticism, and questions about our circulars.

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