



CIRCULAR NO: 2024/085eng.

May 17, 2024

NEW REGULATION INTRODUCED: HALF OF DIVIDENDS RECEIVED FROM ABROAD EXEMPT FROM INCOME AND CORPORATE TAX

As is known, dividends received by full taxpayer real persons from companies resident abroad are subject to declaration in Türkiye. Dividends received by Turkish resident corporate taxpayers from their foreign subsidiaries are exempt from corporate tax, provided certain conditions are met.

With the enactment of Law No. 7491 published in the Official Gazette of December 28, 2024, half of the dividends received by individuals from non-resident corporations are exempt from income tax, subject to specific conditions.

The law above has simplified the conditions for exempting affiliation gains derived by corporate taxpayers from non-resident corporations. In this new regulation, only half of the dividend is exempt from taxation instead of the entire dividend.

Below are our explanations regarding the application for exemption of dividends received from abroad and affiliation gains under the new regulation.

1. Exemption for Dividends Received by Real Persons from Abroad

According to the recently amended Article 22(4) of the Income Tax Law, half of the dividends received by real persons from abroad will be tax-exempt provided they meet the following conditions:

- Dividends are obtained from **joint stock companies and limited liability companies with legal and operational headquarters outside of Türkiye,**
- The dividends received fall within the categories outlined in subparagraphs (1), (2), and (3) of Article 75 of the Income Tax Law¹,
- Ownership of at least **50% of the paid-in capital** of corporations distributing dividends,
- Completion of the dividend transfer to Türkiye by the **deadline for filing the annual income tax return** for the calendar year in which it is received.

2. Exemption for Affiliation Gains Generated Abroad by Corporate Taxpayers

Under the amendment to subparagraph 1-5-b/4 of Article 5 of the Corporate Tax Law, half of the affiliation gains earned by corporate taxpayers from abroad will be exempt from corporate tax, provided that the following conditions are met:

- Affiliation gains are obtained from **joint stock companies and limited liability companies with legal and operational headquarters outside of Türkiye,**
- Ownership of **at least 50% of the paid-in capital** of the affiliated corporation,
- Completion of the affiliation gains transfer to Türkiye by the **deadline for filing the corporate tax return** for the fiscal year in which the gains were earned.

Both exemptions came into effect on December 28, 2023, applicable to income and gains earned from January 1, 2023.

Sincerely,

¹The dividends covered by this provision include dividends on all kinds of shares, dividends from affiliation shares (such as those distributed to partners in limited liability companies, members in partnerships, and cooperatives), and dividends distributed to the chairperson and members of the board of directors of corporations.

**DENGE İSTANBUL YEMİNLİ
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(*) 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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