



CIRCULAR NO: 2024/192eng

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INFLATION ADJUSTMENT DIFFERENCES FOR ONGOING INVESTMENTS AND PROFITS/LOSSES FROM COMPANIES IN LIQUIDATION OR BANKRUPTCY FOR 2024-2025 TO BE EXCLUDED FROM THE CALCULATION OF PROFITS FOR THE PERIOD

The Law No. 7529, titled “Amendment to the Law on the Protection of Consumers and Certain Laws,” published in the Official Gazette dated October 30, 2024 and numbered 32707, introduced revisions to duplicate Article 298 and provisional Article 33 of the Tax Procedure Law (TPL) related to inflation adjustments. Our circular provides information on these amendments.

1. Adjustment Differences Related to Ongoing Investments Shall Not Be Included within the Profit for the Period Until the Investment is Completed

The addition of subparagraph (10) to paragraph (A) of the repeated Article 298 of the TPL has established a tax deferral regime for the differences resulting from the inflation adjustment of the ongoing investments account.

- Differences resulting from the inflation adjustment of amounts recorded in the **ongoing investments account**, as per accounting standards within the scope of the TPL, will be reflected in a **special fund account under liabilities on the balance sheet** and **will not be considered** when determining the profit for the period.

- In the Uniform Chart of Accounts, the “**ongoing investments**” account (number 258) encompasses expenditures for materials, supplies, labor, and overhead costs

related to ongoing investments, which will be transferred to the relevant **tangible fixed asset account** upon completion.

- The amounts in the special fund account will be considered in determining the profit for the period in equal installments during the investment completion period and in the four subsequent accounting periods when the related economic asset is capitalized.

- The amounts recorded in the special fund account that are not included in the determination of the profit for the period will be increased each year by the revaluation rate established in accordance with the TPL for the prior year. Amounts recorded in these accounts will not be subject to inflation adjustment.

- If the business is abandoned during the investment period or after capitalizing the economic asset, or if some or all amounts in the special fund account are transferred to another account or withdrawn from the enterprise, the adjustment differences related to the ongoing investments account—previously not considered in determining the profit for the period—will be included in the corporate profit for the period when the business is abandoned or when the special fund account is partially or completely utilized in violation of this provision.

2. Profit or Loss Differences Arising from the Inflation Adjustment of Companies in Liquidation and Bankruptcy, as well as State Economic Enterprises and Organizations, for the 2024 And 2025 Accounting Periods, Will Not Be Considered in Determining Profits

The amendment to the fourth paragraph of provisional Article 33 of the TPL stipulates that profit or loss differences arising from the inflation adjustment in the **2024 and 2025 accounting periods**—including temporary tax periods for companies in liquidation and bankruptcy, as well as economic state enterprises and state economic organizations under Decree Law No. 233—**will not be considered** in determining the profit for the period.

- The deferral provision will be effective from the following dates:
 - For companies in liquidation, from the accounting period in which the general assembly’s decision to enter liquidation is registered,
 - For companies in bankruptcy, from the accounting period in which the bankruptcy is declared.

No retrospective adjustments will be applied to the inflation adjustments made for provisional tax periods prior to this date.

- If liquidation is abandoned or bankruptcy is lifted, the inflation adjustment will be applied starting from the provisional tax period that includes the date of abandonment of liquidation or the court's decision to lift the bankruptcy.

- If liquidation is abandoned or bankruptcy is lifted, the amounts not previously included in the profit for the period will be considered in determining the profit for the period in which either event occurs.

The amendments introduced by Law No. 7529, outlined above under two separate headings, **took effect upon publication, with an effective date of January 1, 2024, and for taxpayers with a special accounting period, they will apply from the accounting period beginning in 2024.**

Sincerely,

**DENGE İSTANBUL YEMİNLİ
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APPENDIX:

Law No. 7529 on the Amendment of the Law on the Protection of Consumers and Certain Laws

(*) 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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