

**CIRCULAR LETTER**  
**Issue: 2011/188**

**Istanbul, 22.09.2011**  
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**Subject:**

**THE AGREEMENT ON THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF TAX EVASION BETWEEN TURKEY AND GERMANY FOR TAXES LEVIED ON INCOME WAS SIGNED IN BERLIN ON SEPTEMBER 19, 2011**

In accordance with the announcement published on the website of the Revenue Administration on September 19, 2011, the Agreement which was signed by Finance Minister Mehmet Şimşek on behalf of Turkey and Dr. Wolfgang Schäuble, Federal Minister of Finance on behalf of Germany aims to render Turkey and Germany more attractive to the investors of both countries.

**The Agreement will enter into force upon the approval of the Parliaments of both states. There are no agreements in force to date.**

In consideration of the legislative agenda of the Turkish Grand National Assembly following its official opening on October 1, 2011, it is likely that the required regulation will be enacted by the end of the year.

**In accordance with the information contained in the Revenue Administration's announcement, an agreement has been reached for the provisions of the Agreement to be in effect as of January 1, 2011.** Considering the fact that the provisions of the repealed Agreement has not been in effect since January 1, 2011, this arrangement stipulated by the Agreement removes the time gap between the two Agreements.

Nonetheless, since the Agreement with Germany has not been in effect since January 1, 2011, a 20% tax withholding has been levied on intangible right payments made to companies based in Germany from January 1, 2011 to date. Similarly the 183-day requirement was not sought and a 20% tax withholding was levied on payments of the nature of self-employment activities during the same period. Furthermore, it is obligatory that such tax withholding be levied on any tax-withholding requiring payments to be made to individuals or companies based in Germany until such date as the Agreement is enacted and put into effect.

Since the Agreement comes into force retrospectively so as to be applicable as of January 1, 2011, we are of the opinion that the Finance Administration will provide enlightening explanations with regard to the refund of any excess and unnecessary tax withholding.

Yours faithfully,

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