

# Turkey: Authorities introduce tax amnesty law

May 18, 2018

## In brief

Turkish authorities recently introduced the Tax Amnesty Law for individual and corporate taxpayers who have failed to fulfil their tax obligations in previous years. Individuals applying to benefit from the amnesty provisions will be allowed to settle past liabilities under significantly favorable conditions and/or may avoid tax audits for certain periods. Also, any cash (including foreign currency), gold, securities, other capital market tools, and movable assets located outside of the country, can be declared in accordance with this legislation without being subject to any inspections, enquiry, or tax assessment.

This *Insight* provides a high-level summary regarding some of the key dynamics of the program. The Law came into force and was announced through the official gazette on May 18, 2018. There are a number of additional procedural and technical clarifications needed – further details are expected to be released by authorities in the coming weeks.

## In detail

### Scope

Individuals who failed to report their income in Turkey or who failed to pay their full or partial Turkish taxes or tax penalties can benefit from the amnesty for calendar years between 2013 and 2017 (inclusive). By doing so, they can pay their debts under significantly favorable conditions and/or prevent any tax assessments for the related years.

The scope of this amnesty law is wide including but not limited to certain social security debts, various other taxes, administrative fines, and tax amnesty for assets held abroad.

The following details relate only to individuals who did not file their tax returns and/or pay their taxes in one or more of the years covered. For information on other situations, please contact your PwC representative.

### Benefits

*Nil or partial payment of accrued taxes, penalties, and interest (assuming full disclosure)*

The Law provides the opportunity to settle tax liabilities with a discounted interest rate and eliminates corresponding tax penalties.

### Ongoing assessments and disputed debts

If a lawsuit is already filed, the Law would allow a write-off of:

- a certain portion of the tax
- the full tax penalty, and
- a certain portion of the tax penalty if the tax penalty is not imposed on the basis of the tax due.

Also, a discounted interest rate will be applied instead of the usual interest rate (1.4% per month.)

Tax inspections which have already been initialized prior to the date on which the amnesty

law is enacted, will remain unaffected. Relief, similar to the above, can only be sought for taxes to be levied after the tax inspection is completed.

### *Tax base increase method*

Individuals who would like to increase the tax bases that they have declared in a previous year's tax return (2013, 2014, 2015, 2016, and 2017) can do so by increasing the tax base by a flat rate – varying between 20% to 35% depending on the year in question – irrespective of the level of actual income and pay income tax over the declared amount at a flat rate of 20% instead of the regular tax rates going up to 35%. By doing this, the related years will be closed to any tax audit, unless a tax audit has already started.

This alternative is also available for individuals who have never filed tax returns for the years concerned. In such case, the amnesty law allows individual taxpayers to declare a lump-sum income (amounts determined by law depending upon the type of income received but not declared) irrespective of the level of

actual income and pay income tax over the declared amount at a flat rate of 20%.

The deadline for tax amnesty is the end of August, 2018.

### *Amnesty for assets held abroad*

The aim of this amnesty is to attract cash (including foreign currency), gold, securities, other capital market tools, and movable and immovable assets located outside of the country into Turkey.

The legislation brings a generous immunity from inspections, enquiry, penalty, and assessment for the aforementioned assets if brought to Turkey by:

- July 31, 2018
- November 30, 2018 and a tax at the rate of 2% is paid over the transferred asset amount.

Under the new legislation, the assets should be physically brought or transferred to a bank / intermediary company account in Turkey within

three months after declaration of these assets to the same institutions. This being said, previous practice on the same subject in 2016 has put this 'physically bringing' requirement only for cash and gold via communique published after the legislation was announced. So, the same practice can be applied for this new amnesty.

### *The takeaway*

#### **Next steps**

Taxpayers should await further guidance coming from the Ministry of Finance especially with respect to documentation and evidence requirements (guidance typically has been issued in the past when an amnesty program is released.)

Apart from straightforward cases, depending on the details of the structures, a proper strategy regarding this expected amnesty program should be considered on a case-by-case basis. There may be a number of technical details to consider, along with an evaluation of the potential benefits.

## **Let's talk**

For a deeper discussion of how this issue might affect your business, please contact your regular Global Mobility Services engagement team or one of the following team members:

### **Global Mobility Services – Turkey**

Bilgutay Yasar  
+90 (212) 326 6094  
[bilgutay.yasar@tr.pwc.com](mailto:bilgutay.yasar@tr.pwc.com)

Ekin Altintas  
+90 (212) 326 6428  
[ekin.altintas@tr.pwc.com](mailto:ekin.altintas@tr.pwc.com)

### **Global Mobility Services – United States**

Peter Clarke, *Global Leader*  
+1 (646) 471-4743  
[peter.clarke@pwc.com](mailto:peter.clarke@pwc.com)

**Stay current and connected.** Our timely news insights, periodicals, thought leadership, and webcasts help you anticipate and adapt in today's evolving business environment. Subscribe or manage your subscriptions at:

[pwc.com/us/subscriptions](http://pwc.com/us/subscriptions)

#### SOLICITATION

© 2018 PwC. All rights reserved. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.

This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 158 countries with more than 236,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at [www.pwc.com](http://www.pwc.com).