

# TURKISH TAXATION SYSTEM

## THE CLASSIFICATION OF THE TAX AS TO ITS SOURCE

### I- TAXES THROUGH INCOME:

#### 1. Income Tax:

**The Subject of Income Tax:** It is the income of individuals. Income is the net amount of revenue and gains of an individual which is earned in a calendar year .

Labor-> Wage

Capital-> Interest

Nature-> Rent

Entrepreneurs-> Profit

**The Specifications of the Income Which is Subject to Income Tax:**

- It belongs to a real person
- It is obtained within a calendar year
- It is the net amount of revenue and gains.

**Occurrence That Causes Tax:** It is obtaining the revenue which is stated in the law.

**Types of Income:**

- Trade gains
- Agricultural gains
- Wages
- Self-employment earnings
- Real estate capital gains
- Securities gains
- Other income and revenues

**Income:** Income is the values which are obtained with physical and intellectual work or labor that incorporated with capital.

**Gain:** It is the value which is obtained from due to movable or immovable properties and does not require such a work.

**Income Tax Rates of 2013:**

#### a) Wages:

| Income Quintile                               | Tax Rate |
|---|----------|
| Up to 11.000 TL                               | % 15     |
| 1.650 TL for 11.000 TL; 11.001 TL – 27.000 TL | % 20     |
| 4.850 TL for 27.000 TL; 27.001 TL – 97.000 TL | % 27     |
| 23.750 TL for 97.000 TL; more than 97.000 TL  | % 35     |

**b) Income except of wages:**

| <b>Income Quintile</b>                                  | <b>Tax Rate</b> |
|---|-----------------|
| <b>Up to 10.700 TL</b>                                  | <b>% 15</b>     |
| <b>1.605 TL TL for 10.700 TL; 10.701 TL – 27.000 TL</b> | <b>% 20</b>     |
| <b>4.850 TL for 27.000 TL, 27.001 TL – 60.000 TL</b>    | <b>% 27</b>     |
| <b>13.750 TL for 60.000 TL; more than 60.000 TL</b>     | <b>% 35</b>     |

**What is Stoppage?**

Stoppage(deducting from source), in income tax, especially paying the tax debt of salaries and wages, means that deducting the tax from the salary and wage before the beneficiary gets it. Filing the stoppage tax which is deducted from salary and wages until 23rd day of the following month by stoppage tax declaration is a general rule in Turkey. In the same way, according to Corporate Tax Law, the wages, self-employment income, in the limited liable corporates dar mükellefiyete tabi olan kurumlarda ücretler, serbest meslek kazançları, real estate capital gains, securities gains, the sale of intangible rights, values from transfer and assignement ere subject to withholding. According to the provisions of this law, the tax debt that paid by tax responsables is not the debt of them, but deposit the tax debt of actual tax payers to tax Office is concerned. The stoppage rate for rent and Professional gains is %20 of gross amount.

Corporate tax is taxing the income of legal entities. Corporate tax rate (%20) is applied to the taxable base.

The subject of corporate tax is the gains of the corporates. Calculation as to the balance sheet base for all kinds of revenue and gains is a general rule to detection of corporate income.

The corporates who have corporate tax liability are as below:

- a) Capital stock companies
- b) Cooperatives
- c) Public institutions
- d) Enterprises belongs to associations and foundations
- e) Business partnership

**The income types Subject to Corporate Tax:**

- a) Trade gains
- b) Agricultural gains
- c) Wages
- d) Self-employment earnings
- e) Real estate capital gains
- f) Securities gains
- g) Other income and revenues

## II- TAXES THROUGH WEALTH:

Wealth is the sum of the economic values in the assets of the individuals or legal entities.

**Property taxes:** Building and land are subject to the property tax.

### Rates of Property Tax:

|  | House | Business Place | Land  | Terrain |
|--|-------|----------------|-------|---------|
| The Normal Region                          | 0,001 | 0,002          | 0,003 | 0,001   |
| Metropolitan Boundaries and Adjacent Areas | 0,002 | 0,004          | 0,006 | 0,002   |

**Building Tax:** Buildings located within the borders of Turkey are the subject of this tax. The tax liable is the owner of the building or the beneficiary. Building tax base is the tax value which is declared by the tax liable.

**Land tax:** The lands and terrains within the borders of Turkey are the subject of this tax. Land is the subdivisions located in the municipal zoning area. The tax liable of this tax is the owner or beneficiary of the land. The base of the land tax is the tax value that is declared such as building tax.

### Vehicle Taxes:

**Motor vehicles tax:** The subject of the tax is land, sea and air vehicles that are registered legally. The tax liable is individuals or legal entities that are registered by the owner of the vehicles.

**Vehicle purchase tax:** Taxable events are as below:

- a) The acquisition of the ownership of the vehicles in any form
- b) Importing the vehicle which its ownership is acquired in abroad or taking over the rights by power of attorney

The tax liable is the owner of the vehicle or individual or legal entity who has taken over the rights by power of attorney.

### Inheritance and Gift Tax:

This tax occurs when money, securities, receivables, movable or immovable properties come from a person's property as gratuitous and transfer to another one's property due to reasons such as heritage, bequeathed or donation.

The tax liable is the individual or legal person who is the owner of the property by these ways. Those who take these taxable goods shall notify the tax authorities about the value of the goods by giving declaration within a certain period of time. Tax Office will accrue the tax according to the tax value that was declared. Also researching the actual value will accrue additional tax if necessary.

## III- TAXES THROUGH THE SERVICE:

1. **Banking and Insurance Transactions Tax:** In practice, banks get commission and interest due to the transactions like and the loans. Collecting this money in any form from the clients is the taxable event. The tax base is the amount which is collected by the bank. In practice, this tax is charged to the client by calculating with the amount which will be taken from the client.

From the tax base cannot be a discount by the name of expenditure and tax. Also they cannot be added to the tax base.

The tax rates are as below:

- %1 through the money collected in the transactions between the banks
- %0 through sales of Exchange between the banks
- %01 through Exchange sales amount that not between the banks
- %1 through Money market transactions among brokerage houses as a result of monies received
- Devlet tahvili, Hazine bonoları, Toplu Konut İdaresi, Kamu Ortaklığı İdaresi ve Özelleştirme İdaresince çıkartılan menkul kıymetlerin geri alım ve satım taahhüdü ile iktisap ve elden çıkarılması veya vadesi beklenmeksizin satışı nedeniyle lehe alınan paralar üzerinden % 1
- %1 for repurchase and resale commitments of the securities and the acquisition and disposal or maturity without waiting due to the sale in favor of monies received issued by Government bonds, Treasury bills, Mass Housing Administration, the Public Participation Administration and Privatization Administration
- %5 for other banking and insurance transactions

For banking and insurance transactions tax, the taxable period is each month of the calendar year. The taxpayers declare all their taxable transactions in a month with a declaration. The declaration of the related month will be given on 15th day of following month. The taxpayers who have not any transactions subject to the tax also have to give the declaration and notify the tax Office about their situation. The tax will levied by the tax Office that the declaration has been given. The levied tax has to be paid in the declaration giving period. In this case, the tax of each month has to be paid until 15th day of following month.

#### IV- TAXES THROUGH EXPENSES AND TRANSACTIONS:

##### 1. Value-Added Tax:

**Subject of the tax:** All goods and service production, consumption, sales and import of goods and services are subject to the tax.

**The specifications of the tax:**

- a) It is a general tax covering all goods and service production in the country.
- b) It is applied at each stages of production and delivery of the production of goods and service.
- c) There are three rates: %1, %8 and %18.
- d) The tax base is the price of the goods and services which sold or delivered.

**The taxable event:** Vergiye tabi müşteriye veya temsilcisine malın teslimi veya hizmetin yapılması anında katma değer vergisi doğar.

**Taxpayers:** Tax payers are making the process that is the subject of taxes.

**Deduction:** Liable parties pay the difference by subtracting from the value added tax their value-added tax for goods and services delivered to them, when they handed themselves charged for goods and services

**Special Communication Tax:**

- a) Under all kinds of mobile telecommunication business (including pre-paid card sales) plant, transfer, transport and communication services 25%

b) Radio and television broadcasts transmitted from the satellite platform and cable services relating to the environment, 15%,

c) Other telecommunications services except of (a) and (b) 15%

are subject to special communication tax.

Council of Ministers is authorized to decrease the rate of %25 to %10, and %15 to %5 separately or together, and increase these rates up to the statutory rates.

The taxpayer; are the telecommunications operators who are offering their services and mentioned in paragraph. The tax base is composed of the elements of value-added tax. The special communication tax of a month shall be paid until the fifteenth day of the following month by declaring.

This tax is not included in the value added tax base, income and corporate tax expenditures are not recorded in the application and will not be deducted from any tax.

## **2. Stamp Tax:**

Stamp tax: This tax is executed to the papers those are documenting the validity of the legal process between persons and legal entities and all kinds of contracts.

The taxpayer is two parties who are signing the contract.

The taxpayer for the contracts that was signed between individuals are the persons.

The tax of the papers those are arranged in the consulates in foreign countries and Turkey will be paid by who submits those papers to government offices, Türkiye'de bu kâğıtları resmi dairelere ibraz eden, makes transfer or endorse transactions on them or those who benefit from the provisions of any whereby.

### **The features of the tax:**

- a) It can be submitted.
- b) It can be signed or there can be phrases in lieu of signature.
- c) It has to contain terms.

### **Payment of the tax:**

Stamp duty is paid in two ways: Relative way and lump-way. If there is no value on the contract, the stamp duty will be taken in lump-way. If there is a value on the contract, the stamp tax will be taken by relative way.

### **Other matters related to stamp duty:**

- a) The taxpayer is who has signed the papers.
- b) If one of the signatories is exempted or government Office, the taxpayer will be the other party.
- c) The stamp duty is paid for each copy of the contract separately.
- d) The party who submits the contract to the tax authorities has to pay the stamp tax.
- e) If a contract has been signed between a joint-stock company and an individual, the tax authorities will accept the joint-stock company as taxpayer.
- f) If the provisions will be carried out in the country of a contract which is signed in abroad, this transaction is subject to stamp duty.