



ANT
DYNAMIC
ACCOUNTANT
AND
FINANCIAL
ADVISORY

Taxes - Accounting - Financial Reporting - Banking

TURKEY BUSINESS GUIDE 2024



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INTRODUCTION

Welcome to the ANT Dynamic Accountant and Financial Advisory
“TURKEY BUSINESS GUIDE 2024”

This guide provides information on Turkey’s Business Conditions and Opportunities and serves as a quick reference for individuals contemplating investments in Turkey. While this guide covers key aspects of taxes, it is not exhaustive. In practical situations where specific issues arise, it is crucial to consult relevant legal regulations and seek appropriate professional advice.

«The secret of success is to follow the path of others until you find your own»

Steve Jobs

Investing to Turkey

Top reasons to invest in Turkey

❑ **Expansive Domestic and Regional Markets:**

Turkey offers entry to a sizable domestic market and serves as a key entry point to regional markets.

Strategic Location as a Crossroads:

Situated at the intersection of East-West and North-South axes, Turkey functions as a highly efficient and cost-effective hub linking significant markets.

❑ **Proximity to Significant Markets:**

Turkey's strategic geographical location facilitates convenient entry to an extensive market encompassing 1.5 billion people and a combined GDP of USD 24 trillion in Europe, the Middle East and North Africa (MENA), and Central Asia, all within a 4-hour flight radius.

Top reasons to invest in Turkey

❑ **Preferred Hub for Multinationals:**

An escalating number of multinational corporations are selecting Turkey as a central hub for manufacturing, exports, and overall management operations.

❑ **Skilled and Cost-Competitive Workforce:**

Turkey possesses a labor force of around 32.7 million people, ranking as the third largest in Europe. The workforce is characterized by a combination of skillfulness and cost competitiveness.

❑ **Favorable Demographics:**

The nation features a youthful and dynamic population, with half of its inhabitants being under the age of 32.

Top reasons to invest in Turkey

❑ **Liberal Investment Climate:**

Turkey upholds an open investment environment with no obstacles for Foreign Direct Investment (FDI) and robust measures for investor protection.

❑ **Investment Incentives:**

The Turkish government provides incentives for investments in machinery, equipment, and plant facilities.

❑ **Ideal Hub for R&D Investments:**

Turkey is a perfect hub for Research and Development (R&D) investments, supported by generous incentives.

❑ **Adherence to Civil and Tax Laws:**

The civil and tax laws in Turkey are modeled after Swiss and German laws, continuously updated during the EU accession process.

Economic Information

Foreign Trade According To General Trade System By Top Twenty Countries, 2022, 2023 Source (TUIK NEWSLETTER)

| Countries | November | | | | | January-November | | | | |
|----------------|-------------------------|------------|-----------------|------------|-------------|------------------|------------|------------------|------------|------------|
| | 2022 | | 2023 | | Change | 2022 | | 2023 | | Change |
| | Value | Share (%) | Value | Share (%) | (%) | Value | Share (%) | Value | Share (%) | (%) |
| Exports | (Thousand US \$) | | | | | | | | | |
| Total | 22898749 | 100 | 23000067 | 100 | 0,44 | 254169748 | 100 | 255777398 | 100 | 0,6 |
| Germany | 1806309 | 7,89 | 1678746 | 7,30 | -7,06 | 21141783 | 8,32 | 21091893 | 8,25 | -0,24 |
| UAE | 1379511 | 6,02 | 1314063 | 5,71 | -4,74 | 16885325 | 6,64 | 14826032 | 5,80 | -12,20 |
| Iraq | 1150109 | 5,02 | 1253737 | 5,45 | 9,01 | 13750276 | 5,41 | 12786292 | 5,00 | -7,01 |
| USA | 1064354 | 4,65 | 1217317 | 5,29 | 14,37 | 13004798 | 5,12 | 12468161 | 4,87 | -4,13 |
| Italy | 1039980 | 4,54 | 1021993 | 4,44 | -1,73 | 12386045 | 4,87 | 12381030 | 4,84 | -0,04 |
| United Kingdom | 1047487 | 4,57 | 940277,2 | 4,09 | -10,23 | 9534619 | 3,75 | 10288082 | 4,02 | 7,90 |
| Russia | 1313401 | 5,74 | 884103,7 | 3,84 | -32,69 | 9342796 | 3,68 | 10921085 | 4,27 | 16,89 |
| Spain | 583180 | 2,55 | 812507,9 | 3,53 | 39,32 | 8026254 | 3,16 | 7873160 | 3,08 | -1,91 |
| France | 535726 | 2,34 | 805795,5 | 3,50 | 50,41 | 5252673 | 2,07 | 8593637 | 3,36 | 63,61 |
| Netherlands | 760853 | 3,32 | 707707,1 | 3,08 | -6,99 | 9654318 | 3,80 | 9776732 | 3,82 | 1,27 |
| Romania | 626214 | 2,73 | 578223,4 | 2,51 | -7,66 | 6947484 | 2,73 | 6957789 | 2,72 | 0,15 |
| Poland | 446954 | 1,95 | 469806,5 | 2,04 | 5,11 | 5417452 | 2,13 | 5952077 | 2,33 | 9,87 |
| Iran | 610505 | 2,67 | 430417,4 | 1,87 | -29,50 | 7032339 | 2,77 | 5425182 | 2,12 | -22,85 |
| Bulgaria | 421046 | 1,84 | 389777,2 | 1,69 | -7,43 | 4556656 | 1,79 | 3339031 | 1,31 | -26,72 |
| Greece | 232072 | 1,01 | 366307,9 | 1,59 | 57,84 | 3302681 | 1,30 | 4172866 | 1,63 | 26,35 |
| Belgium | 198181 | 0,87 | 360798,4 | 1,57 | 82,06 | 2068120 | 0,81 | 2714038 | 1,06 | 31,23 |
| Israel | 254785 | 1,11 | 350708,2 | 1,52 | 37,65 | 2504423 | 0,99 | 2802263 | 1,10 | 11,89 |
| Ukraine | 287617 | 1,26 | 347132,8 | 1,51 | 20,69 | 3067097 | 1,21 | 3313819 | 1,30 | 8,04 |
| China | 372732 | 1,63 | 340242 | 1,48 | -8,72 | 4778506 | 1,88 | 4369344 | 1,71 | -8,56 |
| Switzerland | 223539 | 0,98 | 328974,8 | 1,43 | 47,17 | 1046453 | 0,41 | 2620074 | 1,02 | 150,38 |
| Others | 8544194 | 37,31 | 8401430 | 36,53 | -1,67 | 94469650 | 37,17 | 93104812 | 36,40 | -1,44 |

Foreign Trade According To General Trade System By Top Twenty Countries, 2022, 2023 (TUIK NEWSLETTER)

| Countries | November | | | | | January-November | | | | |
|----------------|-------------------------|------------|-----------------|------------|-----------------|------------------|------------|------------------|------------|---------------|
| | 2022 | | 2023 | | Change (%) | 2022 | | 2023 | | Change (%) |
| | Value | Share (%) | Value | Share (%) | | Value | Share (%) | Value | Share (%) | |
| Imports | (Thousand US \$) | | | | | | | | | |
| Total | 32611552 | 100 | 29038859 | 100 | -10,9553 | 363710575 | 100 | 361774043 | 100 | 0,5 |
| China | | | | | | | | | | |
| Russia | 4545052 | 13,94 | 4209157 | 14,49 | -7,39 | 58848948 | 16,18 | 45602217 | 12,61 | -22,51 |
| Germany | 3642578 | 11,17 | 3269525 | 11,26 | -10,24 | 41354561 | 11,37 | 44980349 | 12,43 | 8,77 |
| AE | 2469047 | 7,57 | 2513685 | 8,66 | 1,81 | 24033074 | 6,61 | 28683721 | 7,93 | 19,35 |
| USA | 1409453 | 4,32 | 1470432 | 5,06 | 4,33 | 14082252 | 3,87 | 14993611 | 4,14 | 6,47 |
| Italy | 1183514 | 3,63 | 1329575 | 4,58 | 12,34 | 15228078 | 4,19 | 15777583 | 4,36 | 3,61 |
| Switzerland | 2462520 | 7,55 | 1087180 | 3,74 | -55,85 | 15335897 | 4,22 | 19902495 | 5,50 | 29,78 |
| France | 892205 | 2,74 | 1051700 | 3,62 | 17,88 | 9429702 | 2,59 | 11545474 | 3,19 | 22,44 |
| Spain | 735625 | 2,26 | 761582 | 2,62 | 3,53 | 7004013 | 1,93 | 9483747 | 2,62 | 35,40 |
| South Korea | 696305 | 2,14 | 652932 | 2,25 | -6,23 | 9004399 | 2,48 | 9479293 | 2,62 | 5,27 |
| India | 393650 | 1,21 | 643449 | 2,22 | 63,46 | 4470951 | 1,23 | 11530506 | 3,19 | 157,90 |
| United Kingdom | 575984 | 1,77 | 562560 | 1,94 | -2,33 | 5904556 | 1,62 | 6522971 | 1,80 | 10,47 |
| Japan | 631807 | 1,94 | 473549 | 1,63 | -25,05 | 10697077 | 2,94 | 7931067 | 2,19 | -25,86 |
| Poland | 438629 | 1,35 | 425587 | 1,47 | -2,97 | 4294369 | 1,18 | 5073998 | 1,40 | 18,15 |
| Malaysia | 524853 | 1,61 | 410664 | 1,41 | -21,76 | 4640815 | 1,28 | 5466806 | 1,51 | 17,80 |
| Czech Republic | 357666 | 1,10 | 390865 | 1,35 | 9,28 | 4497087 | 1,24 | 4421058 | 1,22 | -1,69 |
| Netherlands | 303318 | 0,93 | 365773 | 1,26 | 20,59 | 2895417 | 0,80 | 3824983 | 1,06 | 32,10 |
| Belgium | 331794 | 1,02 | 342519 | 1,18 | 3,23 | 4420585 | 1,22 | 4301881 | 1,19 | -2,69 |
| Romania | 283643 | 0,87 | 304395 | 1,05 | 7,32 | 2550803 | 0,70 | 3645402 | 1,01 | 42,91 |
| Brazil | 284548 | 0,87 | 297892 | 1,03 | 4,69 | 3335646 | 0,92 | 3685517 | 1,02 | 10,49 |
| Others | 240513 | 0,74 | 289675 | 1,00 | 20,44 | 3514908 | 0,97 | 3501132 | 0,97 | -0,39 |

Investing to Izmir

İZMİR HARITASI



Investing to Izmir

- ❑ **Strong Economy:** İzmir is one of the most developed cities in Türkiye with its strong economic indicators. While İzmir creates 6.19% of the total GDP of Türkiye, in total exports of Türkiye the city has a 6.66% share.
- ❑ **Strategic Location:** With its strategic location in the middle of Europe and Asia, İzmir provides easy access to a market with a population of 1.6 billion, 26 trillion USD GDP, and 22.5 trillion USD trade volume.
- ❑ **Developed Investment Infrastructure:** Hosting 5 Technoparks, 16 Organized Industrial Zones and 3 Free Zones, İzmir offers an ideal investment environment and infrastructure to investors in all kinds of activities.
- ❑ **Young And Dynamic Workforce:** With a population of 4.4 million, 69.8% of which is the Working Age Population, İzmir is one of the most productive cities in Türkiye. Meanwhile, the Youth Population of 13.1% provides a young spirit to the city.

Investing to Izmir

- ❑ **High Quality Of Life:** İzmir is one of the most modern and peaceful cities in Türkiye with a vibrant social life enlivened by historical and natural heritage, diversified cultural events, tourism opportunities and local cuisine.
- ❑ **Wide Innovation And R&D Ecosystem:** Thanks to the educational infrastructure and importance placed on science and technology, İzmir is one of the most encouraging locations in eastern Europe and the Mediterranean to conduct innovative activities.
- ❑ **Intense FDI Interest:** İzmir attracted 2,823 foreign companies until now with its favorable investment climate and their success stories created intense foreign direct investment (FDI) interest in İzmir from various countries.
- ❑ **Eco-Friendly Business Environment:** Green Growth and Blue Growth are the main focus areas defined by İzmir Development Agency for İzmir, which creates an eco-friendly business environment for the investors and business side of the city.

Investment Incentive Schemes

Fundamentals Of the Incentive System In Türkiye

REGIONAL PERSPECTIVE: Turkey is categorized into 6 regions based on industrialization levels. Region 1 comprises the most developed cities, while Region 6 encompasses the least developed cities. The primary objective of this perspective is to bolster the development of less developed regions through the promotion and encouragement of investments.

PRODUCT PERSPECTIVE: However, there are certain exceptions to the regional perspective. Notably, medium-high tech products are eligible for Region 4 incentives, while high tech products can benefit from Region 5 incentives regardless of the investment region. Additionally, there exists an incentive program known as "Project-Based Incentives," which is a customized scheme designed to attract investments of significant importance for Turkey.

Incentives Provided By The Ministry Of Industry And Technology

GENERAL INVESTMENT INCENTIVES

- VAT Exemption for Machinery
- Customs Duty Exemption

Medium High Tech (Region 4) Incentives
Priority (Region 5) Incentives

REGIONAL INVESTMENT INCENTIVES

- VAT Exemption for Machinery
- VAT Exemption for Construction
- Customs Duty Exemption
- Corporate Tax Reduction
- Social Security Premium Support (Employer's Share)
- Land Allocation
- Interest Rate Support
- Social Security Premium Support (Employee's Share)
- Income Tax Withholding Support

Region 6 Incentives

STRATEGIC INVESTMENT INCENTIVES

- VAT Exemption for Machinery
- VAT Exemption for Construction
- Customs Duty Exemption
- Corporate Tax Reduction
- Social Security Premium Support (Employer's Share)
- Land Allocation
- Interest Rate Support

PROJECT-BASED INVESTMENT INCENTIVES

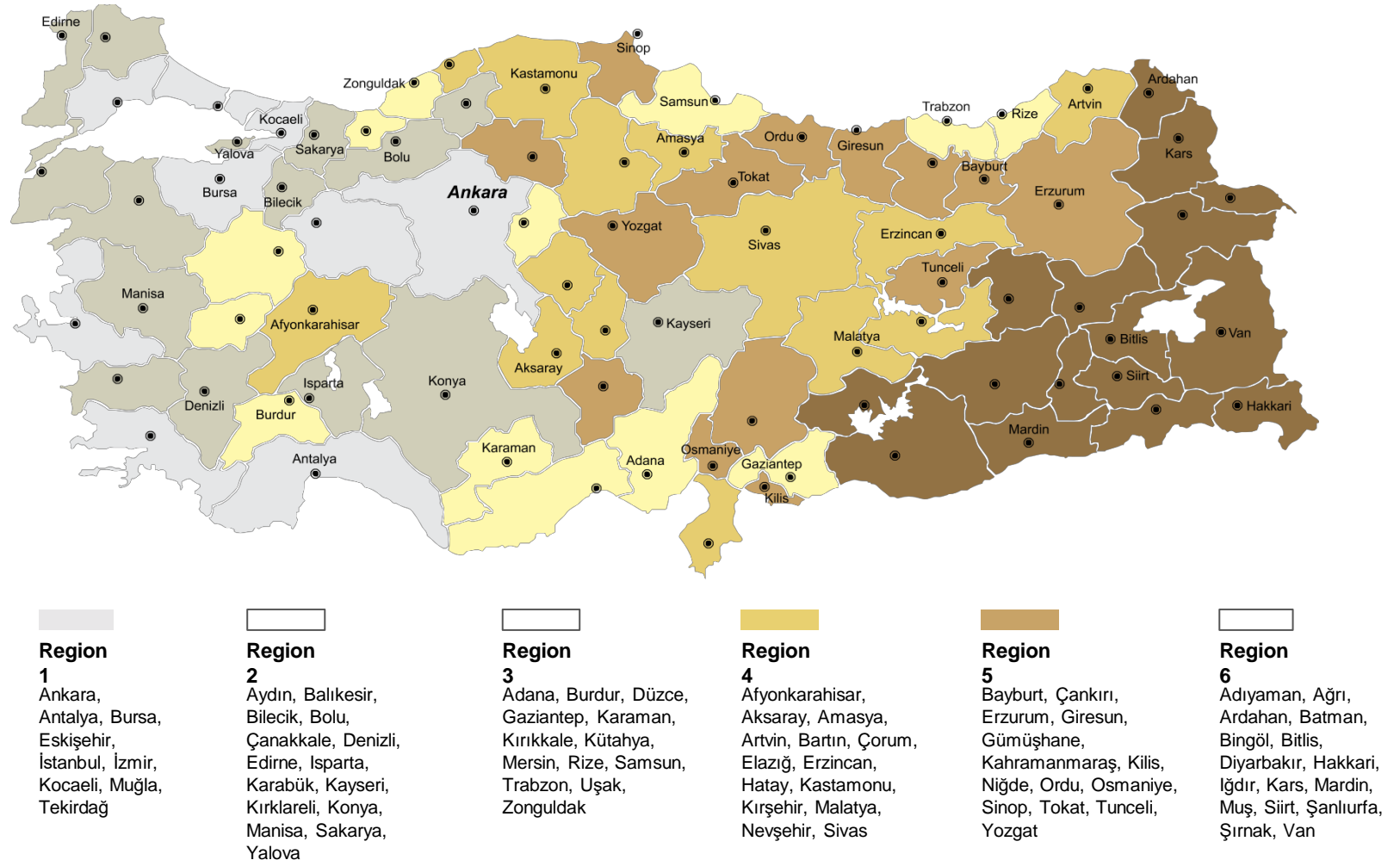
- Cashback Support
- VAT Exemption for Machinery
- VAT Exemption for Construction
- Customs Duty Exemption
- Corporate Tax Reduction
- Social Security Premium Support (Employer's Share)
- Income Tax Withholding Support
- Qualified Personnel Support
- Energy Support
- Interest Rate Support Capital Contribution Support Land Allocation Infrastructure Support Purchasing Guarantee
- Facilitation of Permit Procedures

Incentive Regions & Provinces of Türkiye

The range of support instruments is contingent upon the developmental status of the regions.

Within Turkey's Incentive Scheme, investments made in less developed regions are eligible for more substantial incentives.

Region 1 comprises the most developed cities, while Region 6 encompasses the least developed ones. The objective of this approach is to foster investment and contribute to the progress of less developed regions.



General Investment Incentives

| Incentive | Eligibility Criteria | Supports |
|-------------------------------|--|--|
| General Investment Incentives | Minimum fixed investment amount between TRY 1,500,000-TRY 3,000,000 depending on the investment location | <ul style="list-style-type: none">▪ VAT Exemption for Machinery▪ Customs Duty Exemption |

Regional Investment Incentives

| Incentive | Eligibility Criteria | Supports |
|--------------------------------|--|--|
| Regional Investment Incentives | Minimum fixed investment amount between TRY 1,500,000- TRY 4,000,000 depending on the investment location and industry | <ul style="list-style-type: none"><input type="checkbox"/> VAT Exemption for Machinery<input type="checkbox"/> VAT Exemption for Construction*<input type="checkbox"/> Customs Duty Exemption<input type="checkbox"/> Corporate Tax Reduction of 15-55% of investment expenditures depending on the investment location<input type="checkbox"/> Social Security Premium Support (Employer's Share) for 2-12 years depending on the investment location<input type="checkbox"/> Land Allocation<input type="checkbox"/> Interest Rate Support** in the amount of TRY 1 to 1.8M depending on the investment location |

Medium High-Tech Investment Incentives

| Incentive | Eligibility Criteria | Supports |
|---|---|---|
| Medium High-Tech Investment Incentives (Region 4) | Minimum fixed investment amount between TRY 1,500,000- TRY 4,000,000 depending on the investment location and industry The investment subject is among the "medium high technology investments" | <ul style="list-style-type: none"><input type="checkbox"/> VAT Exemption for Machinery<input type="checkbox"/> VAT Exemption for Construction*<input type="checkbox"/> Customs Duty Exemption<input type="checkbox"/> Corporate Tax Reduction of 30-55% of investment expenditures depending on the investment location<input type="checkbox"/> Social Security Premium Support (Employer's Share) for 6-12 years depending on the investment location<input type="checkbox"/> Land Allocation<input type="checkbox"/> Interest Rate Support between TRY 1,200,000 – 1,800,000 depending on the investment location |

Priority Investment Incentives

| Incentive | Eligibility Criteria | Supports |
|--|---|--|
| Priority Investment Incentives (Region 5) | Minimum fixed investment amount between TRY 1,500,000 - TRY 4,000,000 depending on the investment location and industry The investment subject is among the “priority investments” determined by the Ministry. | <ul style="list-style-type: none"><input type="checkbox"/> VAT Exemption for Machinery<input type="checkbox"/> VAT Exemption for Construction*<input type="checkbox"/> Customs Duty Exemption<input type="checkbox"/> Corporate Tax Reduction of 40-55% of investment expenditures depending on the investment location<input type="checkbox"/> Social Security Premium Support (Employer’s Share) for 7-12 years depending on the investment location<input type="checkbox"/> Land Allocation<input type="checkbox"/> Interest Rate Support between TRY 1,400,000 – 1,800,000 depending on the investment location |

Priority Investment Areas

| | | |
|--|--|---|
| <p>Transportation investments by sea, airway or railway.</p> | <p>Energy efficiency investments, realized in existing industry facilities with a minimum annual energy consumption of 500 tons of oil equivalent.</p> | <p>Laboratory complex investments with research and control units.</p> |
| <p>Test center investments for products in the middle-high and high-tech industry class according to OECD's technology density definition. (US-97 Code: 2423, 30, 32, 33 and 353)</p> | <p>Manufacturing investments in the high-tech industry class according to OECD's technology density definition. (US-97 Code: 2423, 30, 32, 33 and 353).</p> | <p>Greenhouse investments of min. TRY 5 Million of 25 decares including domestically produced greenhouse technologies, based on automation.</p> |
| <p>Tourism investments in Tourism Protection and Development Regions.</p> | <p>Liquefied natural gas (LNG) investments and underground natural gas storage investments of min. TRY 50 Million.</p> | <p>Investments subject to Environmental License within the scope of Environmental Permit and License Regulation.</p> |
| <p>Defense industry investments approved by the Presidency of Defense Industry Agency.</p> | <p>Investments in carbon fiber production or in the production of composite materials made of carbon fiber together with carbon fiber production.</p> | <p>Nuclear power plant investments.</p> |

Priority Investment Areas

| | | |
|---|--|--|
| <p>Mine extraction and processing investments.</p> | <p>Electricity generation investments by recovery from waste heat in a facility originating from waste heat.</p> | <p>Investments amounting to a minimum of TRY 500 Million to be made in the medium-high technology investment areas of the OECD.</p> |
| <p>Training investments for the use, repair and maintenance of aircrafts.</p> | <p>Mineral exploration investments in licensed areas.</p> | <p>Manufacturing of software and IT products realized in free zones.</p> |
| <p>Manufacturing investments developed through R&D projects supported by the Ministry, TÜBİTAK and KOSGEB.</p> | <p>Renewable energy investments (Manufacturing of turbines, generators, solar panels and wind blades)</p> | <p>Industrial facility investments including the manufacturing of electricity or hydrogen-powered transportation vehicles of min. TRY 50 Million.</p> |
| <p>Motor parts investments of min. TRY 20 Million; motor investments of min. TRY 75 Million and motor land vehicles of min. TRY 300 Million.</p> | <p>Integrated investments for the aluminum flat products with direct cooling slab casting and hot rolling method.</p> | <p>R&D and environmental investments.</p> |
| <p>Electricity generation investments with coal-based minerals.</p> | <p>Licensed warehousing investments.</p> | <p>Data center investments compatible with international technical standards and minimum white space requirement of 5,000 m2.</p> |

Project Based Investment Incentives

| Incentive | Eligibility Criteria | Supports |
|---|---|--|
| <p>Project Based Investment Incentives</p> | <p>Minimum fixed investment amount of TRY 1 Billion (~52 Million USD)</p> <p>Technology intensive and strategic products should be produced</p> <p>High added-value in investment and manufacturing</p> <p>Manufacturing focusing on import-dependent products (non-locally produced or locally produced at small quantities)</p> | <ul style="list-style-type: none"> <input type="checkbox"/> Cashback Support <input type="checkbox"/> VAT Exemption for Machinery <input type="checkbox"/> VAT Exemption for Construction <input type="checkbox"/> Customs Duty Exemption <input type="checkbox"/> Corporate Tax Reduction up to 200% of investment expenditures <input type="checkbox"/> Social Security Premium Support (Employer's Share) for up to 10 years <input type="checkbox"/> Income Tax Withholding Support* for 10 years <input type="checkbox"/> Qualified Personnel Support for up to 5 years <input type="checkbox"/> Energy Support for up to 50% of energy expenditures for up to 10 years <input type="checkbox"/> Interest Rate Support for up to 10 years <input type="checkbox"/> Capital Contribution up to 49% of the investment amount <input type="checkbox"/> Land Allocation <input type="checkbox"/> Infrastructure Support <input type="checkbox"/> Purchasing Guarantee <input type="checkbox"/> Facilitation of Authorization / Permit / License Procedures |

Technology Focused Industrial Movement Program

| Support Items | Incentives | |
|--|---|---|
| | Strategic Incentives | Project Based Incentives |
| VAT Exemption for Machinery | ✓ | ✓ |
| VAT Exemption for Construction | ✓ | ✓ |
| Customs Duty Exemption | ✓ | ✓ |
| Corporate Tax Reduction | Rate of contribution : 50% Tax reduction rate : 90% | Rate of contribution : up to 200% Tax reduction rate : 100% |
| Social Security Premium Support (Employer's Share) | Region 6 - 10 Years Other regions - 7 Years | 10 Years (Gross Minimum Wage) |
| Social Security Premium Support (Employee's Share) | High Tech: 7 Years Medium-High Tech: 5 Years | N/A |
| Income Tax Withholding Support | 10 Years High Tech: 500 People Medium-High Tech: 300 People | 10 Years No limit on number of people |

Technology Focused Industrial Movement Program

| Support Items | Incentives | |
|-------------------------------------|--|---|
| | Strategic Incentives | Project Based Incentives |
| Interest Rate Support | FX Loans: 2 Points <input type="checkbox"/> High tech(TRY Loans): 10 Points Medium-High Tech(TRY Loans): 8 Points <input type="checkbox"/> Upper limit: 20% of the investment amount or TRY 50 Million | 10 Years No limit |
| Land Allocation | ✓ | ✓ |
| Energy Support | N/A | 10 Years 50% of the energy expenditures |
| Qualified Personnel Support | N/A | 20 x Gross Minimum Wage 5 Years |
| Capital Contribution Support | N/A | ✓ |
| Purchasing Guarantee | N/A | ✓ |

Employment Incentives

Turkish Employment Agency (İşkur) Incentives

| Incentive | Eligibility Criteria | Supports |
|---|--|--|
| <p>Additional Employment Incentive</p> | <ul style="list-style-type: none"> <input type="checkbox"/> The individuals to be hired should not have social security registration for more than 10 days in the last 3 months <input type="checkbox"/> Trainees must be unemployed individuals registered to the Turkish Employment Agency (İŞKUR) | <ul style="list-style-type: none"> <input type="checkbox"/> All premiums payable per personnel employed are supported for 12 months (18 months for women and men under age 25) for up to TRY 6,471 per month, while this varies depending on the sector. Income tax on employee's wages and stamp tax will also be covered. |
| <p>On-the-Job Training Program</p> | <ul style="list-style-type: none"> <input type="checkbox"/> 50% of the trainees must be employed at the end of the program <input type="checkbox"/> The total number of trainees can be at maximum 30% of total employment <input type="checkbox"/> Trainees must be unemployed individuals registered at the Turkish Employment Agency | <ul style="list-style-type: none"> <input type="checkbox"/> Companies can train employees on the job, without incurring any costs. <input type="checkbox"/> İŞKUR makes a daily payment of up to TRY 232 for 6 months to the employees. <input type="checkbox"/> Work accident, occupational disease and general health insurance premiums of the trainees are paid by İŞKUR. |

Turkish Employment Agency (İşkur) Incentives

| Incentive | Eligibility Criteria | Supports |
|--|---|---|
| <p align="center">Technical and Vocational Training Program</p> | <ul style="list-style-type: none"> <input type="checkbox"/> 50% of the trainees must be employed at the end of the program <input type="checkbox"/> The training venue and the materials to be used in training should be supplied by the company <input type="checkbox"/> Trainees must be unemployed individuals registered to the Turkish Employment Agency | <ul style="list-style-type: none"> <input type="checkbox"/> Expenses of the trainer (Salary + SGK Premium + Income Tax Withholding) are covered by İŞKUR. <input type="checkbox"/> İŞKUR makes a daily payment of up to TRY 137 to the employees during the course period. <input type="checkbox"/> Work accident, occupational disease and general health insurance premiums of the trainees are paid by İŞKUR. |
| <p align="center">Incentives for the Employment of Women, Youths and Individuals with Professional Competence Certificate</p> | <ul style="list-style-type: none"> <input type="checkbox"/> The individuals who have been unemployed for the last 6 months can be hired within the scope of the program. | <ul style="list-style-type: none"> <input type="checkbox"/> All social security premium employer's shares payable per personnel employed are supported for up to 54 months with TRY 9,949 per month, depending on the gender and age. |

R&D And Design Center Incentives

| Incentive Instruments for R&D and Design Centers | | Exemption Rate |
|---|--|-------------------------------------|
| R&D and Design Discount | Reduction of the R&D expenditures from the corporate tax base. | 100% |
| Income Tax Withholding Support | Income tax withholding support on employees' wages. This support is a discount shaped according to the education level of the employee. | 80% (BSc) 90% (MSc) 95% (PhD) |
| Social Security Premium Support (Employer's Share) | Social security premium support (employer's share) is exempted. Employer's share of social security premium is normally 15.5% of the gross wage. | 50% |
| Stamp Duty Exemption | Stamp duty exemption for applicable documents. | 100% |
| Customs Duty Exemption | Customs duty exemption for imported products. | 100% |
| Fundamental Sciences Employment Support | Two-year gross wage support for R&D personnel having BSc degree (mathematics, physics, chemistry, biology). | Up to gross minimum wage per month |

Technology Development Zone Incentives

| Incentive Instruments for Technoparks | | Exemption Rate |
|---------------------------------------|---|----------------|
| Corporate Tax Exemption | Profits derived from software development, R&D, and design activities are exempt from income and corporate taxes. | 100% |
| VAT Exemption | Sales of application software produced exclusively in TDZs are exempt from VAT. (Ex: software for system management, data management, business applications, and different business domains, the internet, mobile phones and military command and control systems). For the products procured on project basis, there will also be VAT exemption. | 100% |
| Income Tax Withholding Support | Remuneration for R&D, design and support personnel employed in the zone is exempt from all taxes. The number of support personnel covered by the exemption may not exceed 10 percent of the total number of those involved in R&D, though. | 100% |

Technology Development Zone Incentives

| Incentive Instruments for Technoparks | | Exemption Rate |
|---|--|---|
| Social Security Premium Support (Employer's Share) | Social security premium support (employer's share) is exempted. Employer's share of social security premium is normally 15.5% of the gross wage. | 50% |
| Stamp Duty Exemption | Stamp duty exemption for applicable documents. | 100% |
| Customs Duty Exemption | Customs duty exemption for imported products. | 100% |
| Fundamental Sciences Employment Support | Two-year gross wage support for R&D personnel having BSc degree (mathematics, physics, chemistry, biology). | Up to gross minimum wage per month |

TUBITAK R&D And Innovation Incentives

| Private Sector R&D and Innovation Projects | | Developing Entrepreneurship and Innovative Capacity | |
|--|---|---|--------------------------|
| 1501 – Industrial R&D Program | 1511 – R&D and Innovation Projects Program | 1503 – R&D Project Brokerage Support Program | 1601 – Capacity Building |
| 1505 - University Industry Collaboration Support Program | 1515 - Frontier R&D Laboratory Program | 1513 - Technology Transfer Offices Support Program | 1602 – Patent Support |
| 1507 – SME Research Development and Innovation Program | 1707 – Order-Based R&D Program | 1514 - Venture Capital Support Program | 1702 – Patent License |
| 1509 – International-Industrial R&D Projects Program | SAYEM – Industrial Innovation Network Program | | |
| 1512 – Techno-Entrepreneurship Support Program | | | |

Set-up Process

Set-up Process

The two forms of Corporations that a foreign company can establish are ; Joint Stock (A.Ş.) and Limited Liabe Companies (Ltd.)

JSC Joint-Stock Corporation (A.Ş.)

- MINIMUM SHARE CAPITAL = 250,000 TRY
- AT LEAST ONE SHAREHOLDER IN NEED TO INCORPORATE THIS COMPANY TYPE

LTD Limited Liabe Corporation (Ltd)

- MINIMUM SHARE CAPITAL = 50,000 TRY
- AT LEAST ONE SHAREHOLDER IN NEED TO INCORPORATE THIS COMPANY TYPE

NO DIFFERENCE IN TAXATION WISE BETWEEN JSC and LLC and Branch

Branches

- NO MINIMUM SHARE CAPITAL
- BRANCHES ARE REPRESENTED BY THE BRANCH MANAGER(S)

Liaison Offices

- NO COMMERCIAL ACTIVITY

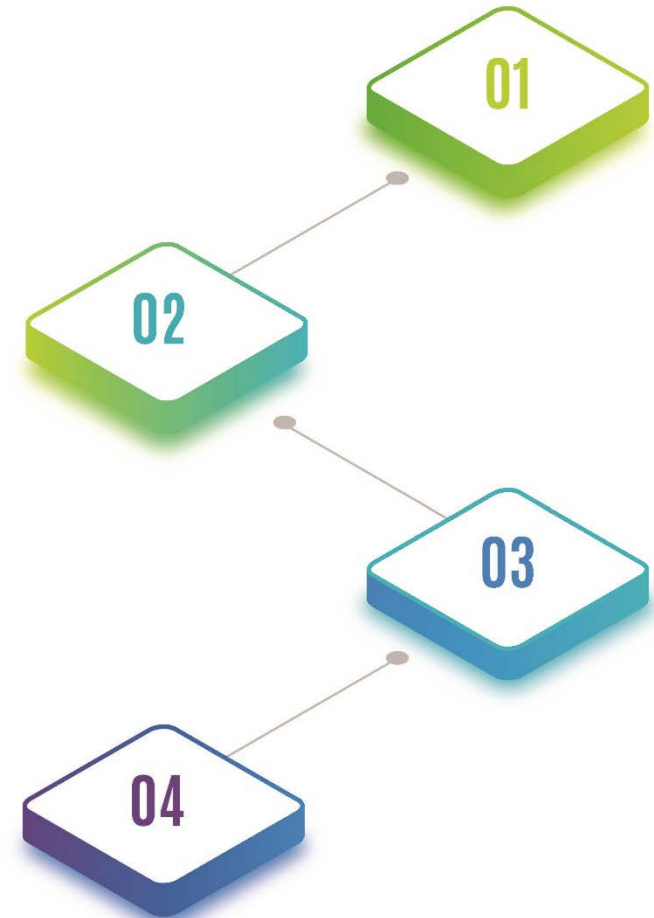
Set-up Process - JSC Joint-Stock Corporation (A.Ş.)

- ❑ A joint stock company is a company whose capital is determined and divided into shares and is liable for its debts only with its assets.
- ❑ Shareholders are responsible to the company only for the capital shares they have subscribed.
- ❑ Joint stock companies can be established for all kinds of economic purposes and subjects that are not prohibited by law.
- ❑ A joint stock company has a written articles of association that are registered in the trade registry where its headquarters are located.



Set-up Process - JSC Joint-Stock Corporation (A.Ş.)

- ❑ A joint stock company with a single shareholder can be established.
- ❑ Real persons and legal entities can be shareholders.
- ❑ As a rule, general assembly approval is not required for the transfer of shares. Shareholders can freely transfer their shares to others.
- ❑ Joint stock companies are the only type of companies whose shares can be offered to the public and whose shares can be traded on the stock exchange.



Set-up Process - JSC Joint-Stock Corporation (A.Ş.)

- ❑ The minimum capital amount is 250,000 Turkish Liras. (For non-public joint stock companies that accept the registered capital system, the initial capital may be at least 500,000 Turkish Liras.)
- ❑ At least one quarter of the nominal value of the shares committed in cash must be paid before registration.
- ❑ The remaining amount is paid within 24 months following the registration of the company. The payment schedule may be regulated in the company's articles of association or may be determined by the board of directors.



Set-up Process - JSC Joint-Stock Corporation (A.Ş.)

- ❑ Joint stock companies can issue registered and bearer shares to represent shares. They may also issue bonds and similar debt instruments.
- ❑ Joint stock companies that carry out certain fields of activity and joint stock companies that exceed the threshold values of criteria determined according to total balance sheet assets, annual net sales revenue and number of employees are subject to independent audit.



Set-up Process - JSC Joint-Stock Corporation (A.Ş.)

The joint stock company has two bodies:

GENERAL ASSEMBLY: As a rule, it is the body in which all shareholders are represented and which is exclusively authorized to make some important decisions regarding the company (e.g. amendment of the articles of association, election of the board of directors, election of the auditor, dissolution of the company, etc.).

BOARD OF DIRECTORS: It is the body basically responsible for the management and representation of the company. It is possible for the board of directors to consist of a single member. There is no requirement for board members to be Turkish citizens or resident in Turkey.

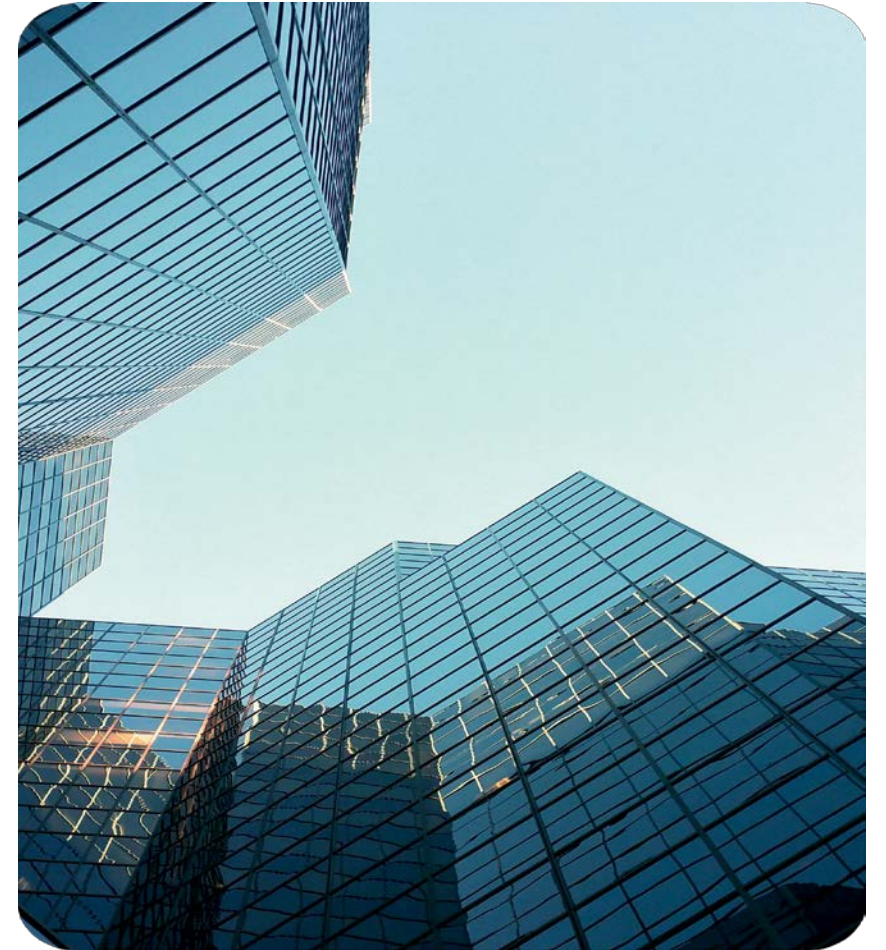
Set-up Process - LTD Limited Liability Corporation (Ltd)

- ❑ A limited company is a company whose capital is determined and divided into shares and is liable for its debts only with its assets.
- ❑ Partners are not responsible for the company's debts, they are only obliged to pay the basic capital shares they have committed and to fulfill the additional payment and side performance obligations stipulated in the company agreement.
- ❑ Partners are responsible for public debts that cannot be collected from the company in proportion to their capital shares.
- ❑ A limited company has a company contract that is written and registered in the trade registry where its headquarters is located.
- ❑ Limited companies cannot be offered to the public.



Set-up Process - LTD Limited Liability Corporation (Ltd)

- ❑ A single partner limited company can be established.
- ❑ The number of partners cannot exceed fifty. Limited company partners can be natural persons or legal entities.
- ❑ The main capital of the limited company is at least 50,000 Turkish Liras. It is possible to pay the entire capital brought in cash within 24 months after the registration of the company.
- ❑ The payment schedule can be regulated in the company contract or determined by the managers.
- ❑ Bearer shares cannot be issued in limited companies.
- ❑ Transfer of limited company shares is subject to general assembly approval.



Set-up Process - LTD Limited Liabe Corporation (Ltd)

The limited company has two bodies:

GENERAL ASSEMBLY: As a rule, it is the body in which all shareholders are represented and which is exclusively authorized to make some important decisions regarding the company (e.g. changing the company contract, election of managers, election of auditor, dissolution of the company, etc.).

BOARD OF MANAGERS: It is the body basically responsible for the management and representation of the company. It is possible for the company to have only one director. At least one of the directors must be a company partner. There is no requirement for directors to be Turkish citizens and resident in Turkey.

Registration Process for Setting Up a Company in Turkey

Registration Process for Setting Up a Company in Turkey



Documents Required for the Establishment of Company

Documents Required for the Establishment of Company

- ❑ Registration petition regarding the registration request for the establishment of joint stock and limited companies, with the company name written and signed by the company official;
- ❑ Two copies of the company agreement, one of which is the original, approved by the directorate.
- ❑ Translated, notarized passport copies of foreign natural person partners, tax number or document showing identification numbers specific to foreigners, residence permit if residing in Turkey.
- ❑ Registration request issued with the company title of those authorized to represent,
- ❑ Letter of undertaking issued in accordance with Article 24 of the Trade Registry Regulation
- ❑ Document showing acceptance of duty for non-partner directors
- ❑ Signature Declaration Prepared in the Presence of a Notary Public or Trade Registry Office for Those Authorized to Represent: It is mandatory to present your identity card during the signature process.

Documents Required for the Establishment of Company

- ❑ In case of a foreign shareholder (partner) or a foreigner in the management body:
 - ❑ In case there are FOREIGN REAL PERSONS among the shareholders;
 - ❑ Passport Photocopy and Notarized Translation
 - ❑ Document showing the place of residence
 - ❑ Document showing Tax Identification Number
 - ❑ In case there is a FOREIGN LEGAL PERSON;
 - ❑ Document showing Tax Identification Number
 - ❑ Approved by the competent authorities of the country to which the foreign legal entity is affiliated; Apostilled Original document and Notarized Translation showing that it continues its activities, its fields of activity, partners and officials.
 - ❑ Participation decision of the foreign legal entity (Apostilled Original and Notarized translation)

Documents Required for the Establishment of Company

- E-Insurance Agreement: In case there is an employee working (Power of Attorney issued within the framework of this Agreement, if any), the Agreement will be filled out via Mersis and delivered to us with a wet signature in the physical environment.
- Bank Blockage Letter stating that at least 1/4 of the capital has been paid in proportion to the shares: At least 25% of the share prices have been paid in accordance with the law; The amounts deposited separately for each shareholder into the account opened at the bank on behalf of the company to be established are stated as amounts.
- Bank Blockage Receipt proving that at least 1/4 of the capital has been paid in proportion to the shares: If the signature circular of those authorized to sign the bank letter is not attached, it is required.
- Chamber Registration Declaration, Passport Photograph of the Official. Photocopies of Identity Cards of Partners and Officials,
- Other documents deemed necessary by the Registry Offices.

Transactions Carried Out in The Trade Registry

Transactions Carried Out in The Trade Registry

- Limited Company Establishment Process
- Limited Company Partner/Manager Name-Surname Change Procedure
- Limited Company Manager Appointment Process
- Limited Company Representation Internal Directive Procedure
- Appointment of Limited Officials According to the Limited Company Representation Internal Directive
- Limited Company Manager Resignation Procedure
- Limited Company Liquidation Entry Procedure
- Limited Company Return from Liquidation Procedure
- Limited Company Liquidation End Process

Transactions Carried Out in The Trade Registry

- Limited Company General Assembly Procedure
- Limited Company Articles of Association Amendment Process
- Limited Company Basic Capital Increase Transaction
- Limited Company Basic Capital Reduction Transaction
- Limited Company Capital Decrease and Capital Increase Simultaneous Process
- Limited Company Address Change Process
- Limited Company Branch Opening Process
- Limited Company Headquarters Transfer Procedure
- Limited Company Share (Share) Transfer Transaction

Transactions Carried Out in The Trade Registry

- Joint Stock Company Establishment Process
- Joint Stock Company Address Change Process
- Joint Stock Company Branch Opening Process
- Joint Stock Company Branch Closing Procedure
- Joint Stock Company Head Office Transfer Procedure
- Joint Stock Company General Assembly Procedure
- Joint Stock Company Articles of Association Amendment Process
- Joint Stock Company Basic Capital Increase Transaction
- Joint Stock Company Basic Capital Reduction Transaction
- Simultaneous Process of Joint Stock
- Company Capital Decrease and Capital Increase

Transactions Carried Out in The Trade Registry

- Resignation and Appointment of a Joint Stock Company Board Member
- Joint Stock Company Representation Process
- Joint Stock Company Representation Internal Directive Procedure
- Appointment of Limited Officials According to the Joint Stock Company Representation Internal Directive
- Joint Stock Company Single Shareholder Notification Procedure
- Joint Stock Company Single Shareholder Change Procedure

Transactions Carried Out in The Trade Registry

- Joint Stock Company Representation Internal Directive Procedure
- Appointment of Limited Officials According to the Joint Stock Company Representation Internal Directive
- Joint Stock Company Single Shareholder Notification Procedure
- Joint Stock Company Single Shareholder Change Procedure
- Joint Stock Company Transition Process from Single Shareholder to Multiple Shareholders
- Joint Stock Company Liquidation Entry Procedure
- Joint Stock Company Return from Liquidation Process
- Joint Stock Company Liquidation End Process
- Regarding Change of Registered Independent Auditor

Company Set-up Services

Company Set-up Services

Company Establishment Services will include the following:

The establishment of a Turkish entity in the form of Limited Liability (Ltd) or JSC Joint-Stock Corporation (A.Ş.), encompassing the following incorporation services:

- Establishing the Turkish entity based on details provided by the parent company (share split, capital allocation, and form).
- Drafting the Articles of Association for the Turkish entity.
- Obtaining a potential tax number.
- Opening a bank account for the payment of share capital.
- Obtaining the VAT number.
- Conducting a meeting with the tax officer during VAT registration and signing the necessary documents.
- Issuing the legal books of the company through a notary public (including general ledger, trial balance, and board resolution).
- Registering the Turkish entity for Social Security.
- Registering the Turkish entity for VAT.
- The documents obtained after the establishment will include Trade Registration Gazette, Tax Certificate, Trade Registration Certificate, Signature Circular, and Notarized Articles of Association

Set-up Process in Free Zones

Set-up Process in Free Zones

It is preferable for real or legal persons who want to operate in free zones to be currently operating in Turkey or abroad, and companies resident in Turkey are required to carry out their activities in the free zone through their branches. In this case, issues such as capital structure and profitability will be taken into consideration when examining the balance sheets of the headquarters company for the last three years.

In order for the branch that will operate in the free zone to start commercial activities, capital will be allocated and operating expenses will be anticipated.

It is essential that the final consumer goods purchased, sold or produced are mostly sold abroad on an annual basis. Users who engage in trading and production must be included in the trade registry or in the company's articles of association.

The cash capital and operating expenses declared to be transferred from Turkey to the free zone must be brought to the free zone in accordance with the foreign exchange legislation.

If an operating license is obtained for service activities, the validity area of the operating license to be issued is limited only to the relevant free zone border.

Set-up Process in Free Zones

Although it is essential for users to employ Turkish national personnel, foreign national personnel with special training or experience may also be employed.

Requests for new operating licenses from natural or legal persons whose operating licenses have been canceled due to their actions contrary to the legislation and the companies in which these persons are partners will not be accepted.

Companies whose head office is located in a free zone, if they transfer shares, must submit documents showing the new partnership structure of the company after completing the transfer in accordance with the provisions of the Turkish Commercial Code. The Operating License of those who do not notify their share transfers on time will be cancelled.

Free zone activities can be carried out by branches or companies established with free zone addresses, within the following principles.

In addition to the provisions of the Turkish Commercial Code, those whose head office is in Turkey and still continue their commercial activities in Turkey are obliged to carry out their activities in the free zone through the "Free Zone Branch" they will establish, due to the necessity of keeping separate accounting records and capital allocation for activities in the free zone.

Set-up Process in Free Zones

Although it is essential for users to employ Turkish national personnel, foreign national personnel with special training or experience may also be employed.

A company can also be established by persons residing in Turkey, providing that they operate exclusively in the free zone, by stating their address in the free zone. In this case, before the establishment of the company, following the approval of the articles of association and the issuance of an operating license, it will not be able to operate or establish a branch elsewhere in Turkey, and these issues will be clearly stated in the articles of association.

Companies located in Turkey, which carry out their free zone activities through their branches, can move their headquarters to the free zone, provided that they cease all their activities in Turkey.

Foreign sales made since the date of free zone activities, total trade volume, cash capital brought to the zone, revenues transferred from the zone, etc. Examinations on issues and articles of association are important.

Set-up Process in Free Zones

The work permit application and time extension application of the foreigner legally present in Turkey to work in the free zone are made by the company.

If the foreigner who will work in the free zone is not in Turkey, the application for a work permit is made to the Turkish foreign representative office of which the foreigner is a citizen or legally resides. The company submits the petition to the relevant Free Zone Directorate along with the Foreign Personnel Application Form and the petition indicating which Turkish foreign representative office the application was made to.

If the person who will work in the free zone is the owner or partner of the user company, diplomas and similar qualification documents are not required.

Foreign personnel who will work in the free zone must be managers or qualified personnel who are difficult to obtain domestically, unless they are the owner or partner of the user company. It is essential that the expertise of the relevant person be documented with a diploma, otherwise it is mandatory to submit a certificate or references from companies where the relevant person has worked before.

In evaluating requests for employment of foreign personnel, the issue of employing Turkish workers is taken into account.

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In evaluating requests for employment of foreign personnel, the issue of employing Turkish workers is taken into account. The justification for employing foreign personnel instead of Turkish citizens is an important element.

Set-up Process in Free Zones

The Work Permit Certificate issued by the Ministry of Labor and Social Security is received from the relevant Free Zone Directorate.

In order to receive the Work Permit Certificate, receipts showing that the Work Permit Certificate fee and the Negotiable Paper Fee have been deposited to the relevant accounts by the user or the foreigner must be submitted to the relevant Free Zone Directorate, following the notification to be made to the company by the Free Zone Directorate.

The duration of the operating license issued is 3 (three) years. At the end of three years of activity, it complies with the Free Zones Legislation Companies operating as an operating license may be issued a new operating license if they apply.

In the region, activities aimed at producing software or IT products, other foreign exchange earning service activities to be determined by the Ministry according to the characteristics of the region, and medium-high or high technology manufacturing activities are carried out.

Companies established at least three years ago and established in the country or other free zones with a certain export experience can apply for an operating license by moving their headquarters to the region, establishing a branch or establishing a new company with majority shares.

Set-up Process in Free Zones

Companies established abroad at least three years ago can apply for an operating license by establishing a branch or establishing a new company with majority shares.

Existing specialized free zone users can apply for a new operating license.

In the specialized free zone, users of this nature can apply for an operating license, provided that there is a suitable place in the area determined in a limited way for users of this nature, who engage in free zone activities or are complementary to, supporting the activities or activities that they deem related to the needs of the zone.

Companies that provide complementary, supportive or support related to the needs of the region cannot benefit from the supports.

Users who have been granted an Operating License can apply to the Regional Directorate to benefit from the support by proving that they have completed their investments with a capacity report.

Set-up Process in Free Zones

Support to be Provided to Companies:

Qualified Personnel Wage Expense Support

- The support amount cannot exceed USD 15,000 per year and USD 1,250 per month for each qualified personnel to be employed.

Rent Expense Support

- The support amount cannot exceed 50% of the rental expense and \$75,000 annually.

Interest or Dividend Expense Support

- The loan is used from a single bank at a time. The loan amount cannot exceed 50% of the committed investment amount and 10 million USD. The maturity of the loan cannot be shorter than the completion period of the investments in the investment program, provided that it is a maximum of ten years. The investments in the investment program are subject to all conditions, including the additional periods to be given.
- It is essential that the loan be completed before maturity.
- The amount of support to be given by the Ministry cannot exceed 50% of interest or dividend expenses.
- The loan can be used in Turkish lira or US dollars.

Tax Information of Turkey

The Tax Schedule Of Turkey

| WITHHOLDING TAX | CORPORATE TAX | VALUE ADDED TAX | TEMPORARY TAX |
|---------------------------------|---------------|-----------------|----------------|
| Monthly Period - 3 Month Period | Annual Period | Monthly Period | 3 Month Period |
| Applicable | Applicable | Applicable | Applicable |

The fiscal year /The financial account status starts from the day the company was founded until the end of the year.

It is the financial year from January 1 to December 31 in Turkey.

The fiscal year period of 2024 is following the 3 provisional tax periods.

Corporate tax for the period between 01/01/2024 - 31/12/2024 will be declared until the end of April

Value Added Tax is paid on the 28th of the following month. The last declaration date and the last payment date are on the same day.

Provisional tax return will be declared (evening of the 17th day of the 2nd month following the 3-month period) . The last declaration date and the last payment date are on the same day. It has three periods; 1st Term May 17, 2nd Term 17 August 3rd Term 17 November

Tax Declaration Due Dates

| DECLARATION PERIODS | SUBJECT OF THE DECLARATION | DECLARATION DEADLINES AND PAYMENT TIMES |
|---------------------|---|---|
| Annually | Corporate Income Tax Return (Final) | Declaration: April 30 of the next year Payment: April 30 of the next year |
| Quarterly | Withholding Tax Return (If there are fewer than 10 employees) Provisional Corporate Income Tax Return (always year-to-date) | Last week of April, July, October and Second week of May, August, November, February |
| Monthly | Reverse Charge on VAT (If any related invoice is available) SSI Declaration Withholding Tax Return (If there are 10 or more than 10 employees) Stamp Tax Declaration (If any related agreement is available) * BA & BS Declarations | Declaration: 26 of next month Payment: 26 of next month Declaration: 26 of next month Payment: At the end of the next month Declaration: 26 of next month Filing: At the end of the next month No payment is required. |

Tax Certification Services (SMMM Cert.)

Certification of the financial statements for year 31.12.2024 (SMMM Certification)

In accordance with Turkish regulations, tax certification involves the certification of tax returns by a Certified Public Accountant, as mandated by the Ministry of Finance. The scope of tax certification can be outlined in three main categories: tax certification, tax calculation, and reporting. It is important to note that tax certification services not only mitigate the risk of undergoing a tax inspection but also facilitate the early detection and correction of erroneous tax implementations.

Furthermore, tax certification services provide significant added value by identifying tax planning opportunities, which are then communicated to management during the audit process.

Certified Public Accountants are responsible for delivering tax certification and advisory services. Tax certification specifically pertains to the certification of a company's corporate tax return, social security return, Value Added Tax Return, and Withholding Tax Return by Certified Public Accountants.



Tax Certification Services (SMMM Cert.)

Scope of Certification Work:

The certification of the tax return is a statutory audit that focuses on tax compliance aspects. Additional audit and tax procedures needed for certification will be tailored to the materiality level.

Tax Calculations:

Utilizing the finalized balance sheet and income statement, we will implement necessary adjustments to determine the taxable base. This involves calculating corporate tax, associated withholding taxes, and supplementary charges.

Certification of Tax Returns:

In compliance with relevant legislation, we are obligated to certify the Company's tax returns and submit them to the tax and social security department through the internet.



Tax Position of Free Zones

Tax Position of Free Zones

- ❑ 100% Corporate Tax Exemption
- ❑ 100% Personnel Income Tax Exemption (Includes all personnel working in the free zone)
- ❑ 100% VAT and Stamp Duty Exemption
- ❑ 100% Customs Duty Exemption

Tax Position of Free Zones

Companies producing in Free Zones can benefit from corporate tax and employee income tax exemption. Buying and selling companies can benefit from all of the advantages listed below, except for the corporate tax and employee income tax exemptions that manufacturing companies benefit from. The free zone advantages that companies wishing to engage in production or trade will benefit from are as follows:

- ❑ 100% Corporate Tax Exemption for production activities
- ❑ Income tax exemption for employees of companies that export 85% of their production abroad
- ❑ 100% Customs Duty Exemption for goods and machinery brought to the Region from abroad
- ❑ Possibility to keep stock in the duty-free area without any time limit and sell goods domestically in batches upon demand, paying the Customs Duty or only the VAT, if any.

Tax Position of Free Zones

- ❑ Opportunity to purchase goods domestically, VAT-free, at export price
- ❑ Free profit transfer domestically and internationally
- ❑ Minimized bureaucratic procedures
- ❑ Logistics advantage arising from its unique location
- ❑ Plots and buildings with ready infrastructure for manufacturing companies
- ❑ Ready-made warehouses for trading companies

Invoice

E-Invoice

E-invoice is a document created, stored, and presented in electronic format with the same qualities and legal features as a paper invoice. It is signed with a fiscal seal to ensure its immutability. When creating e-invoices, there is no need for a fiscal seal; the fiscal seal is only used during the e-invoice activation process for authentication.

Registered users in the system can create e-invoices in accordance with the UBL-TR Invoice format through the E-Invoice Portal. The generated e-invoices can be sent to registered users in the system.

The Revenue Administration updates the mandatory groups for this requirement every year through announcements. Therefore, each year, a specific section of companies is obligated to include e-invoice and e-archive usage.

If you are an e-invoice taxpayer, you need to complete your transition to e-invoicing within the following year. There is no turnover limitation for using e-invoice and e-archive. Businesses with turnover below the mandatory transition limit for electronic invoicing can also become electronic invoice users upon request. Any company can choose to be an e-invoice user.

E-Invoice

E-Invoice Usage Methods

GIB Portal Method: Developed by the Revenue Administration (GIB) to facilitate taxpayers' access to the e-invoice application, the GIB Portal Method is a web application with basic functions and a storage service with a specified period (6 months).

Integration Method: The Integration System of the Information Technology System allows large companies with their own information technology systems to integrate with the Presidency's system, enabling uninterrupted 24/7 connection for taxpayers who can opt for this method.

Special Integration Method: The Special Integration Method provides the opportunity for taxpayers with specific invoicing needs or those issuing a large number of e-invoices. It is suitable for those with insufficient IT infrastructure or those unwilling to bear the costs of the Integration System, yet possessing the technical competence. This method allows them to integrate through their own information technology system or accounting software, providing the capability to send and receive electronic invoices.

E-Invoice

As of July 1, 2023, taxpayers are required to use e-invoices.

According to the amendment made with the Tax Procedure Law Communiqué No. 535:

Taxpayers with gross sales revenue of 3 million TL and above for the 2022 financial periods,

b) Taxpayers who conduct the sale of goods or services through their own websites, internet sales platforms, or any kind of electronic media, and whose gross sales revenue (or sales and gross business revenue) is 500,000 TL and above for the 2022 or subsequent financial periods,

c) Taxpayers engaged in real estate and/or motor vehicle, construction, manufacturing, purchase, sale, or leasing transactions, as well as those involved in intermediary activities for these transactions, with gross sales revenue (or sales and gross business revenue) of 500,000 TL and above for the 2022 or subsequent financial periods, are required to transition to e-invoice or e-archive invoice by July 1, 2023, and to e-ledger application from January 1, 2024 onwards.

E-Invoice

Goods delivery or service performance must be invoiced within 7 days. In 2024, the mandatory invoicing limit is 6.900 TL TRY. Entities not issuing or receiving invoices are subject to a special irregularity penalty, which is 10% of the amount or the difference in amount to be recorded on this document, with a minimum of 3,400 TRY.

If stated in Turkish Lira on the invoice, the invoice amount can also be shown in a foreign currency. However, invoices related to export sales can be issued in a foreign currency.

Hotels providing accommodation services by obtaining an investment and/or operation certificate from the Ministry of Culture and Tourism and municipalities, businesses engaged in the trade of fruits and vegetables as brokers or merchants, and legal entities or individuals facilitating the online sale, lease, or distribution of goods or services falling under the electronic commerce category are now obligated to transition to e-Invoice applications.

Online add service providers facilitating the online advertising services for the rental or sale of real estate or motor vehicles owned by individuals or legal entities are also required to use e-Invoice applications

E-Archive

The e-archive application is essentially an archival service for invoices issued to taxpayers outside the e-invoice application. If both parties are e-invoice taxpayers, an e-invoice must be issued. E-archive invoices, on the other hand, are issued for those who are not e-invoice taxpayers, meaning individual consumers and businesses that are not e-invoice taxpayers.

E-Archive; is an application that involves the electronic creation, storage, presentation, and reporting of invoices in accordance with the standards set by the Revenue Administration.

In the E-Archive invoice application, unlike the E-Invoice application, the generated invoices are not delivered to the recipient through the Revenue Administration.

If the amount of the invoice issued is over 6.900 TL as of 2024 and you are a taxpayer company, then you have to issue an e-archive invoice. If a business without tax liability issues an invoice exceeding 6,900 TL during the day, it is obliged to issue an e-archive invoice.

VAT Tax

VAT Rates

Goods and service deliveries are subject to different VAT rates, namely 1%, 10%, and 20%. The general rate is 20%. The VAT deducted from local purchases and imports is considered as 'deducted VAT,' while the VAT calculated and collected from sales is regarded as 'calculated VAT.' The deducted VAT is reconciled with the calculated VAT in the VAT return filed at the relevant tax office. If the calculated VAT exceeds the deducted VAT, the excess amount is paid to the related tax office. Conversely, if the deducted VAT exceeds the calculated VAT, the balance is carried forward to the following months to be offset against future calculated VAT.

The VAT rates are 1%, 10%, and 20%. The general rate is 20%.



VAT Refund

According to the Value Added Tax Law numbered 3065, it is possible for taxpayers to receive a VAT refund in certain transactions. This right to refund arises from the fact that VAT is not collected on the transaction and the uncollected VAT cannot be compensated through deduction.

Transactions that give rise to the right of refund according to the VAT Law are as follows:

- Transactions within the scope of complete exemption.
- Transactions subject to partial withholding.
- Transactions related to goods and services for which the tax rate is reduced by Presidential Decree.
- Transactions arising from partial withholding made by tax responsables.

In the event that taxpayers are entitled to a refund on account, it is possible to offset the VAT refund against public receivables followed by cash or tax offices. This includes offsetting against imported taxes, social security premium debts, and other public receivables.

Taxpayers must declare their refund requests related to transactions subject to a reduced rate in the VAT return of any of the January-November tax periods of the year following the year in which the transaction subject to the reduced rate took place, including correction returns submitted by the end of the year for the January-November tax periods. They are required to apply to the tax offices with the standard refund request petition, along with the documents listed in the relevant sections of the regulation, by the end of the year following the year in which the transaction subject to the reduced rate occurred.

FULL EXEMPTION COVERS THE FOLLOWING TRANSACTIONS FOR VAT

FULL EXEMPTION COVERS THE FOLLOWING TRANSACTIONS

Goods exports

Service exports

Roaming services

Delivery, construction, maintenance, and repair of sea, air, and railway vehicles

Services provided at ports and airports for sea and air transport vehicles

Deliveries and services related to the construction and modernization of oil exploration and oil pipeline projects

Deliveries and services related to mining, operation, enrichment, and refining activities for gold, silver, or platinum mines

*VAT Law-(II/B-4)]

Delivery of incentivized investment goods

Construction, renewal, and expansion of railway lines connecting to ports and construction of ports and airports

Deliveries and services for national security purposes

International transportation

Deliveries and services to diplomatic organs and missions

Deliveries and services to international organizations

Exceptions under internationally ratified agreements (with the right of refund)

Diesel fuel deliveries to trucks, tractors, and semi-trailers transporting exported goods

Subcontracting services for customers in free zones

Equipment and computer programs related to the education, professions, and daily lives of people with disabilities

FULL EXEMPTION COVERS THE FOLLOWING TRANSACTIONS FOR VAT

FULL EXEMPTION COVERS THE FOLLOWING TRANSACTIONS

Projects carried out under the build-operate-transfer model according to Law No. 3996, projects for health facilities leased according to Law No. 3359, and projects leased according to Decree-Law No. 652

Vehicle deliveries to the Prime Ministry Central Organization

Deliveries and services to Istanbul Project Coordination Unit, operating under Istanbul Special Provincial Administration, within the scope of ISMEP

Deliveries and service performances for the United Nations (UN) and the North Atlantic Treaty Organization (NATO) delegations and affiliated programs, funds, and specialized agencies, as well as deliveries and services for official use by the Organisation for Economic Co-operation and Development (OECD)

Deliveries and services provided free of charge for social and economic aid purposes, and related deliveries and services
Deliveries made with a special invoice to non-residents in Turkey *VAT Law-(II/A- 1.2)]

First deliveries of product certificates regulated by Law No. 5300 through commodity/exchange markets

Deliveries and services to the Turkish Red Crescent Association and services by the Turkish Red Crescent Association

Feed deliveries

Delivery of fertilizers registered by the Ministry of Food, Agriculture, and Livestock

Delivery of raw materials contained in fertilizers registered by the Ministry of Food, Agriculture, and Livestock to fertilizer producers

Others

PARTIAL EXEMPTION COVERS THE FOLLOWING TRANSACTIONS FOR VAT

PARTIAL EXEMPTION COVERS THE FOLLOWING TRANSACTIONS

Cultural and educational transactions

Transactions for health, environment, and social assistance purposes

Purchase of goods and services related to donations made by foreign diplomatic missions and charitable institutions

Deliveries related to immovable cultural assets and architectural services

Transactions of professional organizations

Operations of military factories, shipyards, and workshops

Mergers, acquisitions, transformations, and divisions

Transactions falling under the scope of the banking and insurance transaction tax

Deliveries of water for agricultural purposes and drinking water deliveries made by village legal entities

Services provided in free zones

Transportation of oil and gas through pipelines

Deliveries of land and workplaces in organized industrial zones and housing deliveries to members of housing cooperatives

Transactions of asset management companies

Transactions of the Savings Deposit Insurance Fund

News services provided to the Directorate of Press and Information

Services related to customs warehouses, temporary storage places, customs areas, and tax-free shops

Transactions of the Directorate General of Treasury and Land Office

PARTIAL EXEMPTION COVERS THE FOLLOWING TRANSACTIONS FOR VAT

PARTIAL EXEMPTION COVERS THE FOLLOWING TRANSACTIONS

Sales of participation shares and real estate

Construction commitment services provided to housing cooperatives, municipalities, and social security institutions

Transactions conducted in technology development zones

Deliveries related to computer donations made to the Ministry of National Education

Free education and training services provided by private schools, universities, and colleges

Deliveries and services made free of charge based on statutory requirements

Deliveries and services made free of charge to institutions and organizations listed in Article 17/1 of the law

Donations of food, cleaning, clothing, and heating materials to associations and foundations engaged in food banking activities

Deliveries of bullion gold, bullion silver, and precious stones

Deliveries of metal, plastic, rubber, paper, glass scrap, and waste

Deliveries of foreign exchange, money, postage stamps, valuable papers, stocks, and bonds

Deliveries of homes pledged and mortgaged for housing finance purposes

Deliveries of goods subject to transit and customs warehousing regimes, as well as temporary storage and free zone provisions

Exceptions under internationally ratified agreements in accordance with the prescribed procedures (non-refundable)

Deliveries following the first delivery of product certificates regulated by Law No. 5300 through commodity/exchange markets

PARTIAL EXEMPTION COVERS THE FOLLOWING TRANSACTIONS FOR VAT

PARTIAL EXEMPTION COVERS THE FOLLOWING TRANSACTIONS

Transfer of assets to Asset Leasing Companies, leasing of these assets by Asset Leasing Companies, and transfer to the acquiring institution

Transfer of real estate to Financial Leasing Companies, leasing and transfer by Financial Leasing Companies

Leasing, transfer, and sale of intellectual property rights related to patented or utility model inventions

Others

Withholding Tax

Withholding Tax

Withholding declaration is one of the income tax declarations. Withholding declaration is intended for reporting the taxes deducted by employers or other persons making tax withholdings (Tax Responsibles) collectively, together with their bases, to the tax office (GVK art. 84).

Those who are obliged to make tax withholdings in accordance with Article 94 of the Income Tax Law are obliged to report the payments they have made or accrued profits and revenues within a month, as well as the taxes they have withheld from them, to the tax office affiliated to the place where the payment or accrual is made, by the evening of the twenty-third day of the following month. Withholding declaration is prepared monthly or quarterly and submitted to the relevant tax office.

Pursuant to the Corporate Tax Law (KVK) No. 5520, withholdings to be made to Limited Taxpayers are regulated in Article 30 of the KVK. The deduction rate for payments made to limited taxpayer institutions is determined as 15% in Article 30 of KVK. 15% is the general rate, and different rates have been determined for each income by the Council of Ministers Decision No. 2009/14593.

Major Withholding Tax Rates on Payments

| Types of Income | Tax Rates |
|---|-----------|
| Income from professional services | 20% |
| Income from construction and repair work extending to more than one year | 5% |
| Dividends | 10% |
| Interest (deposit) | 0% - 20% |
| Interest (loans) paid to non-financial institutions | 10% |
| Interest (loans) paid to financial institutions | 0% |
| Repo income | 15% |
| Capital gains on share certificates (provided that they are traded in the Borsa İstanbul and held for more than one year) | 0% |
| Royalty | 20% |
| Income from intangible assets (copyrights, patents, knowhow, copyrights, patents and trademarks) | 20% |
| Rental Income from Immovable Property | 20% |
| Cross-border online advertising services | 0% - 15% |
| Petroleum services | 5% |

Stamp Taxes

Stamp Taxes Rates

Stamp duty is a tax collected on papers documenting legal and official transactions between individuals and individuals, individuals and institutions, or institutions and institutions. Stamp tax is collected to prove the validity of contracts and agreements made between individuals and institutions. These contracts can be between individuals, or between individuals and government agencies. However, as an important point, while both parties must pay the stamp duty in contracts made between two people, individuals pay the stamp duty on papers pertaining to transactions between public offices and individuals.

Stamp Taxes Rates

| SOME OF STAMP TAX RATES AND AMOUNTS | RATES/AMOUNTS |
|---|-------------------|
| Charges (Including advance payments) | 7,59 per thousand |
| Receipts and Quittance Given To Government Offices | 9,48 per thousand |
| Contracts, Letter Of Undertakings and Letter of Conveyances (Containing Specific Sum) | 9,48 per thousand |
| Rental Contracts (Over the amount according the rental period) | 1,89 per thousand |
| Bailments, Warranties and Pledge Certificates (Containing Specific Sum) | 9,48 per thousand |
| Bond of Arbitration and Negotiated Settlements (Containing Specific Sum) | 9,48 per thousand |
| Certificate of Annulments (Including the documents containing specific sum) | 1,89 per thousand |
| Annual Income Tax Return | 467.20 TRY |
| Corporate Income Tax Return | 624.10 TRY |
| Withholding Tax Return | 308.30 TRY |
| VAT Returns | 308.30 TRY |
| Other Tax Returns (Excluding Stamp Tax Returns) | 308.30 TRY |
| Declarations to Municipalities and Provincial Special Administrations | 228.80 TRY |
| SGK Declarations to Social Security Institution | 228.80 TRY |
| Declarations to Customs | 624.10 TRY |
| Balance Sheets | 360.10 TRY |
| Income Statements | 171.90 TRY |

Provisional and Corporate Tax

Provisional Tax

The Provisional Tax rate is 15% for Income Tax Payers and 25% for Corporate Tax payers for 2024.

In quarterly periods, the profit/loss situation is calculated cumulatively (from the beginning of the year to the end of the relevant period) and the Provisional Tax amount calculated for the previous period is deducted from the declaration, so that tax is accrued only on the profit obtained in addition to the previous period.

Provisional Tax means that the tax you will pay on your earnings is collected from you piecemeal on a quarterly basis. In other words, it is not a tax paid separately other than Income/Corporate Tax.

The Provisional Taxes you pay will be deducted from the Income Tax Declaration you will submit in March of the following year if you are an Income Tax Payer at the end of the year.

The Provisional Taxes you pay will be deducted from Corporate Tax Declaration you will submit in April of the following year if you are a Corporate Tax Payer at the end of the year.

Corporate Tax Base

Corporate tax will be calculated based on the tax base found by deducting previous years' losses and exemptions and deductions in case of gains from the financial profit.

CORPORATE TAX BASE = Commercial Profit/Loss + Expenses Not Allowed by Law - (Exceptions and Discounts to be Deducted Even if there is a Loss) - (Previous Year Losses) - (Exceptions and Deductions to be Deducted in Case of Profit).

Corporate Tax - Deductible and Non-Deductible Expenses

- In Article 6 of the KVK, it is stated that the provisions of the KVK on commercial income will be complied with in determining the net corporate income.
- Deductible Expenses
 - Income Tax Law (GVK) Article 40 Deductible Expenses
 - KVK Article 8 Deductible Expenses
- Non-Deductible Expenses
 - GVK Article 41 Non-Deductible Expenses
 - KVK Article 11 Non-Deductible Expenses

Corporation Tax - Deductions

- Financial losses of previous years
- Participation earnings
- Provisions that were considered as Legally Unacceptable Expenses in the previous period and closed in the current period
- Emission premiums
- Participation shares and real estate sales gains
- Earnings from free zone, R&D, Technopark activities
- Reduced corporate tax mechanism based on investment incentive certificate
- Interest discount mechanism for cash capital increase

Corporation Tax - Expenses to be Deducted

- Business-related expenses incurred in the business
- Expenses related to the development and maintenance of the business
- Depreciations allocated in accordance with the Tax Procedure Law
- Securities issuance expenses
- Establishment and organization expenses
- General assembly meeting expenses
- Merger, transfer, division, termination, liquidation expenses

Corporation Tax - Non-Deductible Expenses

- Interest paid or calculated on equity capital
- Interest, exchange rate difference, etc. related to implicit capital. expenses
- Gains distributed implicitly through transfer pricing
- Expenses and depreciations of motorized marine vehicles such as yachts, cutters, boats, speedboats, and aircraft such as planes and helicopters, obtained through rental or registered in the business, that are not related to the main activity of the business.
- Paid corporate taxes, administrative fines, tax penalties, late fees and interest
- Penalties for crimes committed through press and TV
- Reserve funds
- Motor vehicle tax for passenger cars, air and sea vehicles (except those used for commercial purposes)

Corporation Tax - Non-Deductible Expenses

- Depreciation and rental fee of passenger car expenses exceeding the legal limit of 30%
- Special communication taxes
- Financing expense restriction
- VAT on Expenses Not Accepted by Law
- Unpaid SSI premiums
- Previous year expenses
- Undocumented expenses
- Provisions that do not comply with the Tax Procedure Law (severance, leave, etc....)

TRANSFER PRICING

If institutions purchase or sell goods or services with related parties at the price or price they determine, contrary to the arm's length principle, the profit is deemed to be distributed implicitly, in whole or in part, through transfer pricing.

Purchasing, selling, manufacturing and construction transactions, renting and leasing transactions, borrowing and lending money, transactions requiring bonuses, fees and similar payments are considered as the purchase or sale of goods or services under all circumstances and conditions.

The acceptance of a disguised distribution of profits due to domestic transactions carried out within the scope of a related party between fully taxpayer institutions and foreign institutions' workplaces or permanent representatives in Turkey is subject to the condition of incurring a loss to the Treasury.

Hidden capital

The part of the debts obtained directly or indirectly from the partners or persons related to the partners of the institutions, exceeding 3 times the equity capital of the institution at any time during the accounting period, is considered as disguised capital for the relevant accounting period.

Except for borrowings from credit companies that only give loans to related companies, 50% is taken into account for borrowings from banks or similar credit institutions that operate in accordance with their main field of activity and are considered partners or persons related to the partner.

Person related to the partner refers to an institution in which the partner is a direct or indirect partner of at least 10% or has at least 10% voting or dividend rights, or a real person or institution that directly or indirectly holds at least 10% of the capital, voting or dividend rights of the partner or this institution related to the partner.

Hidden capital

In case of presence of disguised capital;

- Interest, exchange rate difference, etc. within the scope of disguised capital.
- Financing costs are considered as Non-Acceptable Expenses interest paid on implicit capital, etc.
- Financing costs are evaluated as distributed dividends at the end of the relevant accounting period.
- Situations that cannot be considered disguised capital;
- Debts from banks and financial institutions
- Debts obtained from banks and financial institutions
- Borrowings from third parties against non-cash guarantees

Financial Expense Restriction

Except for credit institutions, financial institutions, financial leasing, factoring and financing companies, in businesses whose foreign resources exceed their equity capital, except for those added to the cost of the investment based on the excess, 10% of the total of expenses and cost elements incurred under the names of interest, commission, maturity difference, profit share, exchange rate difference and similar items related to foreign resources used in the business will be taken into account as a legally unacceptable expense.

In order for an expense or cost element to be subject to expense restriction, it must arise based on the use of foreign resources and the duration of use of this resource.

Dividends

- ❑ 1st Series Legal Reserve Fund

5% of the net profit is reserved as first reserve fund until 20% of the paid capital is reached.

- ❑ Dividend

5% of paid capital

- ❑ 2nd Series Legal Reserve Fund

1/11 of the remaining amount

- ❑ 2nd dividend

10/11 of the remaining amount

Taxation of Dividend Payments

Dividend Payments Are Shared Between Source and Resident Countries According to MLM Agreements.

Source Country Taxation is limited to a certain limit.

If the beneficial owner of the dividend is a company (excluding partnership) that directly holds at least 25 percent of the capital of the company paying the dividend, 5 percent of the gross dividend amount;

15% in all other cases

The lower rate is only valid for the Real Beneficiary Of The Dividend.

Taxation of Dividend Payments

- Payments made in exchange for the following securities or rights are considered Dividends.
- Stocks
- Usufruct shares
- Usufruct rights
- Mining bills
- Founder's shares
- Income obtained from other rights that are not receivables but enable participation in profits
- Other income taxable, such as stock income, according to the legislation of the state in which the company distributing the dividends is a resident
- Distributions made against documentation from investment funds or investment partnerships

Taxation of Dividend Payments

- ❑ Taxation of Business Profits Transferred to the Center;
- ❑ In accordance with KVK 30/6; a 15% corporate tax deduction is made within the institution on the amount transferred to the Head Office from the remaining portion after deducting the calculated corporate tax from the corporate earnings before deductions and exemptions for Limited taxpayer institutions that file annual or special returns.
- ❑ It is limited according to EDM agreements.

Taxation of Interest Income

Definition of INTEREST According to ELM Agreements;

Turkey's Preferred Definition:

The term "interest" as used in this article includes income arising from government bonds, bills or bonds and all kinds of receivables, whether or not subject to mortgage guarantee or granting the right to share the proceeds, and all other income that is considered loan income according to the tax legislation of the State in which such income is obtained.

OECD Definition:

The term "interest" used in this article refers to income arising from all kinds of receivables, whether or not based on mortgage guarantee, and especially income obtained from public securities and bonds or debt securities, as well as premiums and bonuses attached to such securities, bonds or debt securities. Penalties resulting from late payments will not be considered interest for the purpose of this article.

Taxation of Interest Income

The general principle is that resident country taxation is limited to a certain extent by the source country.

The lower rate is only valid for the Real Beneficiary of The Interest.

Certain interest payments are exempt in the source country. These are;

- Interest paid to another state,
- Interest paid to central banks,
- Interest paid on debts guaranteed by another government or government agency.

Although the tax withholding tax on interest income paid to non-resident taxpayers is the recipient's tax, it generally falls on the payer.

Expenses Not Allowed by Law and Other Additions (KKEG)

- Severance pay
- Rediscounts that do not comply with the provisions of the Tax Procedure Law
- Other provisions that do not comply with the provisions of the Tax Procedure Law
- Unpaid Social Insurance Institution (SII) premiums,
- Expenses included in this year contrary to the accrual principle
- Expenses included in this year contrary to the principle of periodicity
- Undocumented expenses
- Passenger car and motor vehicle taxes
- Special communication tax
- Penalties, late payment interest, late payment interest, regret increase, postponement interest

Expenses Not Allowed by Law and Other Additions (KKEG)

- Gains distributed implicitly through transfer pricing
- Interest, exchange rate differences and similar expenses paid or calculated on implicit capital
- All donations that are accepted or not deducted (except donations within the scope of food banking, which are considered as expenses)
- Controlled foreign corporation (CFC) earnings
- Compensations not accepted by law
- Expenses related to exempt earnings and losses arising from activities within the scope of exemption
- Other legally unacceptable expenses and other additions

EXPENDITURES NOT REGARDED AS AN EXPENSE IN THE CALCULATION OF THE CORPORATE TAX

- Gains distributed implicitly through transfer pricing
- Interest, exchange rate differences and similar expenses paid or calculated on implicit capital
- All donations that are accepted or not deducted (except donations within the scope of food banking, which are considered as expenses)
- Controlled foreign corporation (CFC) earnings
- Compensations not accepted by law
- Expenses related to exempt earnings and losses arising from activities within the scope of exemption
- Other legally unacceptable expenses and other additions

Income Tax

Income Tax

Income subject to income tax is defined in the "Income Tax Law". Accordingly, the earnings and revenues included in the income are as follows:

- Business profits
- Agricultural earnings
- Fees/Salaries/Payroll Taxes
- Self-employment earnings
- Real estate capital gains
- Movable capital income
- Other earnings and revenues.

Income Tax Rates and Brackets

| Quantity | Tax Rate |
|--|----------|
| Up to 110.000 TL | 15% |
| 16.500 TL TL for 110.000 TL out of 230.000 TL, excess | 20% |
| 40.500 TL for 230.000 TL of 580.000 TL (40.500 TL for 230.000 TL of 870.000 TL in wage income), excess | %27 |
| 135.000 TL for 580.000 TL out of 3.000.000 TL (213.300 TL for 870.000 TL out of 3.000.000 TL in wage income), excess | 35% |
| 982.000 TL for 3.000.000 TL of more than 3.000.000 TL (958.800 TL for 3.000.000 TL of more than 3.000.000 TL in wage income), excess | 40% |

Taxpayer Types

Taxpayer Types - Full Taxpayer

Full
Taxpayer

Limited
Taxpayer

Taxpayer Types - Full Taxpayer

Full Taxpayer: Taxpayers from institutions and legal entities whose legal or business headquarters are in Turkey. Legal headquarters is the place shown in the articles of association or the statutes subject to establishment tax of taxable institutions. (Capital companies and cooperatives are required to indicate their legal headquarters in their articles of association.)

The business center is the place where business transactions are actually collected and managed. Fully taxpayer corporations are subject to corporate tax on all of the profits they earn outside Turkey, as well as the profits they earn in Turkey. However, if a tax in the form of corporate tax is paid in that country for the earnings earned in foreign countries, this tax can be offset from the corporate tax calculated in Turkey under certain conditions.

Taxpayer Types - Limited Taxpayer

Limited Taxpayer: Taxpayers who are taxable institutions and whose legal and business headquarters are not located in Turkey. Therefore, it does not matter whether the partners of these institutions have Turkish nationality or where they reside. The important issue in determining limited liability is that both the legal headquarters and business centers are abroad.

Limited taxpayer institutions are taxed only on the profits they earn from their activities in Turkey or on the profits they generate in Turkey. Taxation methods vary depending on the types of activities of these taxpayers in Turkey or the types of income they generate in Turkey.

Taxpayer Types - Limited Taxpayer

The earnings and revenues of limited taxpayer institutions in Turkey are specified in Article 3 of the Corporate Tax Law. Business profits from business conducted at their locations or through their representatives by foreign institutions that have a permanent establishment or a permanent representative in Turkey in accordance with the provisions of the Tax Procedure Law. Earnings from agricultural enterprises in Turkey. Self-employment earnings earned in Turkey. Income obtained from renting movable and immovable properties and rights in Turkey. Revenues from movable capital obtained in Turkey. Other earnings and revenues obtained in Turkey.

Full taxpayers for income tax

Those who reside in Turkey continuously for more than six months in a calendar year. Turkish citizens who are affiliated with official departments and institutions or organizations and enterprises headquartered in Turkey and reside in foreign countries due to the work of the said departments, institutions, organizations and enterprises. These taxpayers are taxed on all of their earnings and income earned within and outside Turkey. Real persons who do not reside in Turkey are considered as limited taxpayers and are taxed only on the earnings and revenues they earn in Turkey.

Taxation Method for Limited Taxpayers

Limited taxpayers may be subject to three types of taxation methods.

1. Taxation on the basis of annual declaration,
2. Taxation with special declaration,
3. Taxation by withholding.

The application of these methods is not optional, with exceptions. The method essentially determines the type of earnings. It is necessary to determine which of the seven income elements listed in the Income Tax Law are included in the limited taxpayer institutions. All income listed in the Income Tax Law obtained by fully taxpayer institutions is considered as commercial income.

Fines and Penalties

Fines and Penalties

| Article No | Explanation | Penalty Amount (2024) |
|-------------------------------------|---|-----------------------|
| 352 | Capital Companies | 1.100 |
| 352 | First-class traders and freelancers excluding capital companies | 660 |
| 352 | Second-class traders | 330 |
| 352 | Those outside the above and subject to income tax on a declaration basis. | 150 |
| 352 | Those whose income is determined under the simplified taxation method. | 87 |
| 352 | Tax-exempt artisan/tradesperson | 40 |
| Second-degree irregularities | | |
| 352 | Capital Companies | 580 |
| 352 | First-class traders and freelancers excluding capital companies | 330 |
| 352 | Second-class traders | 150 |
| 352 | Those outside the above and subject to income tax on a declaration basis. | 87 |
| 352 | Those whose income is determined under the simplified taxation method. | 40 |
| 352 | Tax-exempt artisan/tradesperson | 23 |

Fines and Penalties

| Article No | Explanation | Penalty Amount (2024) |
|-------------------------------------|---|-----------------------|
| Second-degree irregularities | | |
| 353/1 | In case of non-issuance and non-receipt of invoices, expense receipts, producer's receipts, and freelance receipts, 10% of the amount that should be written on the document. | 3.400 |
| 353/1 | The maximum total penalty for each document type to be issued within a calendar year. | 1.700.000 |
| 353/2 | The failure to issue, use, or keep documents such as retail sales receipts, payment recording device receipts, entry and passenger transportation tickets, delivery notes, transportation notes, passenger lists, daily customer lists, and documents required to be prepared by the Ministry of Finance. | 3.400 |
| 353/2 | Total penalty for each determination for each document type (maximum) | 170.000 |
| 353/2 | Total penalty to be imposed for each document type within a calendar year | 1.700.000 |

Fines and Penalties

| Article No | Explanation | Penalty Amount (2024) |
|-------------------------------------|---|-----------------------|
| Second-degree irregularities | | |
| 353/3 | Invoices, expense notes, producer's receipts, freelance receipts, retail sales slips, payment recording device receipts, to non-taxpayers who do not issue invoices and receipts for entry and passenger transportation tickets, | |
| 353/4 | The failure to keep and record books made mandatory by the Ministry of Finance on a daily basis; not keeping, not recording on a daily basis, not presenting to authorities, and non-compliance with the obligation to display and hang the board. | 1.700 |
| 353/6 | The failure to comply with the principles and rules related to the prescribed accounting standards, the uniform chart of accounts, and the procedures and principles related to financial statements, as well as the rules and standards for the production of accounting software. | 40.000 |
| 353/7 | Each transaction made without using the required tax identification number in transactions conducted by public institutions and organizations, as well as by natural and legal persons, shall incur a penalty for each transaction. | 2.000 |
| 353/8 | Print shop operators who fail to fulfill the notification duty related to document printing, either entirely or partially, shall be subject to penalties. | 6.600 |

Fines and Penalties

| Article No | Explanation | Penalty Amount (2024) |
|-------------------------------------|---|-----------------------|
| Second-degree irregularities | | |
| 353/8 | According to this clause, the total penalty for specific irregularities to be imposed within a calendar year (at most) | 1.300.000 |
| 353/9 | Those organizations subject to the obligation of using the tax identification number according to Law No. 4358, who fail to submit their notifications regarding the transactions they conduct in the specified standards and timeframe, shall be subject to penalties. | 8.700 |
| 353/10 | In accordance with Article 127(d) of the Tax Procedure Law, for the owner of a vehicle that does not stop despite the warning from the specially marked official of the Ministry of Finance | 6.600 |
| 355 (Duplicate) | | |
| 355/1 | 1- Regarding first-class merchants and self-employed professionals | 11.800 |
| 355/2 | 2- Regarding second-class merchants, record-keeping farmers, and those whose income is determined under the simplified taxation method | 5.800 |
| 355/3 | 3- Regarding those not mentioned in the above clauses | 3.000 |

Bookkeeping Obligations and Certification Times

Obligation to Keep Books in Limited Companies and Joint Stock Companies

| Books | Limited Companies | Joint Stock Companies |
|---|-------------------|-----------------------|
| Journal Ledger | Applicable | Applicable |
| General Ledger | Applicable | Applicable |
| Inventory Ledger | Applicable | Applicable |
| Stock Ledger | Applicable | Applicable |
| Board of Directors Decision Book | Not Applicable | Applicable |
| General Assembly Meeting and Negotiation Book | Applicable | Applicable |

| Obligation of Certification | Limited Companies | Joint Stock Companies |
|-------------------------------------|-------------------|-----------------------|
| Opening Confirmation | Applicable | Applicable |
| Closing Confirmation | Applicable | Applicable |
| Approval Renewal (Interim Approval) | Applicable | Applicable |

Certification Times for Limited Companies and Joint Stock Companies

| Books | Opening Confirmation | Closing Confirmation | Approval Renewal (Interim Approval) |
|---|--|--|---|
| Journal Ledger | During initial installation and before use | By the end of the sixth month of the following accounting period | Within the first month of the new accounting period |
| General Ledger | During initial installation and before use | Not Applicable | Within the first month of the new accounting period |
| Inventory Ledger | During initial installation and before use | Not Applicable | Within the first month of the new accounting period |
| Stock Ledger | During initial installation and before use | Not Applicable | Not Applicable |
| Board of Directors Decision Book | During initial installation and before use | By the end of the sixth month of the following accounting period | Within the first month of the new accounting period |
| General Assembly Meeting and Negotiation Book | During initial installation and before use | Not Applicable | Not Applicable |

Attendance Fee

Attendance Fee

- ❑ Attendance allowance is a type of additional salary paid to people in senior positions, officials, managers or board members, taking into account risky situations that may arise in certain decisions. This payment provides income beyond the regular salary and can be obtained in exchange for various decisions or obligations. However, it is not a payment that can be received by all personnel.
- ❑ Certain responsibilities and obligations of company partners, managers and board members are regulated within the framework of legislation. The attendance fee is defined as a financial compensation paid to reduce the risks arising from these responsibilities.
- ❑ Attendance allowance is calculated based on the Income Tax Law and paid to the tax office. Attendance payments can be shown as expenses. Within the scope of the Turkish Commercial Code, it must be in accordance with the articles of association and general assembly decisions of the companies.

Attendance Fee

- ❑ According to Article 61 of the Income Tax Law No. 193, the wage includes the money and salaries given to the employees subject to the employer in return for their services and the benefits provided. The fact that the wage is paid under various names does not change its nature.
- ❑ Payments made other than salaries are also taken into account in the taxation of wage income. These payments are taxed on the basis of cumulative base. Discounts and exemptions applied in the relevant period are applied once to the total of payments. Income tax exemption and Stamp tax exemption may be applied to attendance fee payments within the scope of the fee.



Tax Exemption for Wage Income

Tax Exemption for Wage Income

- ❑ Below are the important issues on which tax exemption is applied for wage income: In general, the benefits provided by providing housing to workers working in mining enterprises and factories, and to civil servants and employees who must be accommodated in accordance with special laws, and the provision of their lighting, heating and water, and the benefits provided by allocating houses owned by the employer, with a gross area not exceeding 100 m², as residences to service personnel. (If these residences exceed 100 m², this exception provision does not apply to the interest falling on the excess part).
- ❑ Transportation expenses incurred by employers to ensure that service personnel travel to and from their workplaces collectively.
- ❑ Wages of apprentices subject to the Apprenticeship and Vocational Training Law No. 3308, not exceeding the minimum wage.
- ❑ Retirement, disability, widow and orphan pensions paid by social security institutions in foreign countries
- ❑ Fees paid in foreign currency to employee for employers subject to limited liability, whose legal and business headquarters are not in Turkey, based on the earnings earned outside Turkey by the employer.

Tax Exemption for Wage Income

- ❑ Compensation and benefits given due to death, disability, illness and unemployment (including compensation for not starting work) Benefits provided by employers to employees by providing meals at the workplace or outbuildings, In cases where meals are not provided by employers in the workplace or its outbuildings, the portion not exceeding one day's meal cost for the days worked is within the scope of exception.
- ❑ Transportation expenses incurred by employers to enable service personnel to travel to and from their workplaces collectively.
- ❑ Benefits provided by employees through the provision of public transportation cards, tickets or payment instruments used for this purpose are also exempt from income tax, provided that they do not exceed the daily determined amount for each day worked.
- ❑ In cases where nursery and day care services are not provided by employers at the workplace, benefits provided by payments to nurseries and day care centers operated by income or corporate taxpayers from which female employees receive services are also within the scope of the exception.

Tax Exemption for Wage Income

- ❑ In order for the benefits provided to female employees to be subject to wage exemption; This service must be received from nurseries and day care centers operated by income or corporate taxpayers, and the payment must be made directly to the taxpayers who provide this service, not to the employees. The amount to benefit from the exemption will not exceed 50% of the monthly gross amount of the minimum wage for each child.
- ❑ Aids provided to those in need for a certain period of time or on condition of survival (Aid given to military families and aid from charitable associations and aid funds are definitely included in this exception).
- ❑ Child raises paid to employees (If these raises exceed the amounts given by the State, the excess is subject to tax.
- ❑ Aids given to employees on the occasion of marriage and birth (This exception is applied to the aid part of the employees up to two months or the equivalent amount of their daily wages.)
- ❑ All of the severance pay payable in accordance with Laws No. 1475 and 854 and the amounts of severance pay paid in accordance with Law No. 5953 that do not exceed 24 months of service (wages paid without performing service are not considered compensation)

Vehicle Expense Restriction

Vehicle Expense Restriction

Vehicles acquired for business purposes are considered as company expenses, allowing for deductions in tax payments. However, limitations on passenger car expenses specify that these costs are deductible for companies within certain limits. The regulations outlined in the Income Tax General Communiqué involve the deduction of vehicle expenses from the tax base, covering purchase, rental, and repair costs.

The limitations on these expenses are as follows:

- a) For passenger cars acquired through rental, up to 26,000 TL of the monthly rental fee for each vehicle in the year 2024,
- b) The total amount of special consumption tax and value-added tax on the acquisition of passenger cars, up to a maximum of 690,000 Turkish liras for 2024,
- c) The portion of depreciation allocated for passenger cars with an initial acquisition value exceeding 790,000 Turkish liras for 2024, excluding special consumption tax and value-added tax, corresponding to these amounts at most,
- d) The portion of depreciation allocated for passenger cars with an initial acquisition price exceeding 790,000 Turkish liras for 2024 and whose depreciation exceeds 1,500,000 Turkish liras, corresponding to these amounts at most.

Amounts that exceed the specified limits and are considered as expenses (including depreciation) are deemed as expenses that are not legally accepted.

Self-Employment Activities - Double Taxation Agreements

Self-Employment Activities - Double Taxation Agreements

- ❑ The disclosures include explanations regarding the taxation of income earned by natural or legal persons residing in other countries from their self-employment activities or similar activities in Turkey, within the scope of Turkey's double taxation avoidance agreements.
- ❑ The regulations determining the taxation of income earned by individuals or entities from such activities, provided to recipients in Turkey, are outlined in the relevant articles of the agreements, specifically Article 14 addressing, Article 5 regulating and Article 7. Some agreements may also include additional provisions in the form of an Extra Protocol to the Double Taxation Avoidance Agreement.
- ❑ The crucial factor in determining the taxation authority is the location where the activity is carried out. If the activity is conducted through a workplace or fixed base in Turkey, elements such as the workplace or fixed base, duration of stay, or payment from Turkey become decisive in allocating taxation authority.

Self-Employment Activities - Double Taxation Agreements

- ❑ Different elements are utilized in various Double Taxation Avoidance Agreements to which Turkey is a party, and these elements vary across agreements. Thus, it is essential to refer to the specific agreement's provisions to ascertain which country holds the taxing authority.
- ❑ In the context of agreements involving self-employment activities, Turkey's taxation authority is determined by factors like the workplace or fixed base, the duration of stay, and payment from Turkey. The use of these elements may differ based on the specific agreement. For instance, some agreements may solely rely on the workplace or fixed location element, while others might include the duration of stay as an additional factor.



Self-Employment Activities - Double Taxation Agreements

- ❑ The disparities necessitate consideration of the unique conditions outlined in each agreement. When taxing income earned in Turkey by individuals residing in other countries covered by the Agreements, it is crucial to establish whether the activity is based on a workplace or fixed base in Turkey.
- ❑ The duration of stay may also be a decisive factor in some agreements, particularly when individuals spend a significant period in Turkey.
- ❑ Additionally, the requirement that the payment must originate from Turkey could be another element determining taxation authority in specific agreements. Consequently, determining taxation authority in alignment with the provisions of Double Taxation Avoidance Agreements is paramount for proper implementation.



Income Tax Obligations of Foreign Employees

Income Tax Obligations of Foreign Employees

Foreign employees working for foreign companies in Turkey or foreign companies assigning personnel to work in Turkey must declare their income earned in Turkey by filing an income tax return. It is essential to check if there are any double taxation avoidance agreements in place. Foreign employees need to obtain a work permit and residence permit before starting work in Turkey. Foreign employees staying in Turkey for more than 3 months must register with the social security institution. Benefits provided by the employer and representable in monetary terms are included in the gross salary. Some payments, like individual pension and health insurance, may be eligible for income tax deductions.

Potential Tax Identification Number

Potential Tax Identification Number

- ❑ All legal entities, non-legal entities and individuals must obtain a Tax Identification Number (TIN) in order to engage in professional or commercial activities in Turkey. Since July 1, 2006, the National Identity Number has been used as a TIN for Turkish citizens and these numbers are matched with the National Identity Number in the tax database system.
- ❑ Foreigners who stay in Turkey for more than six months must also obtain a TIN (Tax Identification Number).
- ❑ Turkish citizens automatically have a TIN since their national identification numbers are used as TINs in domestic law.
- ❑ Foreigners staying in Turkey for more than 90 days or visa period must obtain a foreigner identification number used as TIN.
- ❑ It is necessary to submit a TIN to public or private organizations for many transactions such as banking and financial services, securities, checks, guarantees, leasing, insurance, post office services, vehicle registration.

Potential Tax Identification Number

- ❑ Shareholders, board members and authorized employees of the company who are not Turkish citizens must obtain a potential tax identification number from the relevant tax office.
- ❑ If the transaction is being pursued by proxy, a power of attorney stating the authority to act on behalf of the company must be issued in order to obtain the potential tax identification number from the tax office.
- ❑ Valid passport and application form are the basic requirements to obtain a tax identification number.
- ❑ Obtaining a potential tax number is free from the tax office and is valid for both companies and individuals.



Social Security

Social Security

- ❑ E-Declarations for monthly social security contributions must be submitted by the 26th of the subsequent month, and payments should be made by the end of that month
- ❑ Starting from January 1, 2019, the income tax withheld from employees' earnings by their employers and the Social Security Institution (SSI) premium contributions will be consolidated into a unified form known as the "Withholding Tax and Monthly Premium Service Document." This consolidated document will be submitted online to tax offices.



Social Security

- ❑ Social insurance premiums are calculated on the basis of monthly wages and are paid jointly by the worker and the employer at the following rates:

| CODE OF THE INSURED | EMPLOYER SHARE (%) | EMPLOYEE SHARE (%) | TOTAL (%) |
|-------------------------------|--------------------|--------------------|-----------|
| Disability, Old Age, Death | 11% | 9% | 20% |
| Short Term Insurance Branches | 2% | - | 2% |
| General health insurance | 7,5% | 5% | %12,5 |
| Unemployment insurance | 2% | 1% | 3% |
| TOTAL | 22,5 | 15 | 37,5 |

Salary Incomes

Salary Incomes

During the payment of wages, the withholding tax method, where tax is deducted by responsible parties and deposited into tax offices, is referred to as the withholding (tevkifat) method. The principles related to tax withholdings are specified in Articles 94 and subsequent articles of the Income Tax Law. Wages obtained under the actual method are primarily taxed through this method.

In some cases, wages taxed through withholding need to be additionally included in the annual income tax return. The reason for this is to apply the progressive tax rate to wage incomes.

Wage incomes not subject to withholding tax during the year (excluding other incomes specified in Article 64 of Law No. 193) will be declared on the annual income tax return regardless of the amount, based on the provision of Article 95 of the same law. For example, the incomes of service professionals who directly receive their wages from an employer in a foreign country.

Salary Incomes

A taxpayer who receives wages subject to withholding tax from more than one employer, and whose total gross wages from subsequent employers do not exceed the amount specified in the second income bracket of the tariff written in Article 103 of the Income Tax Law, will not be required to declare their fully withheld wages on the annual income tax return.

As stated in Income Tax General Communique Serial No: 311, there are three criteria considered when taxing wages subject to withholding separately through the annual income tax return. These are:

- ❑ The amount of the wage subject to withholding from a single employer, taxed under the fourth income bracket specified in Article 103 of the Income Tax Law.
- ❑ The total of wages received from multiple employers, exceeding the amount specified in the second income bracket of the tariff written in Article 103, starting from the second employer.
- ❑ The total of wages, including those received from the first employer, for taxpayers receiving wage income from multiple employers, exceeding the amount specified in the fourth income bracket of the income tax tariff.

Salary Incomes

Income subject to income tax is defined in the "Income Tax Law". Accordingly, the earnings and revenues included in the income are as follows:

- Business profits
- Agricultural earnings
- Fees/Salaries/Payroll Taxes**
- Self-employment earnings
- Real estate capital gains
- Movable capital income
- Other earnings and revenues.



Income Tax Rates and Brackets

| Quantity | Tax Rate |
|--|----------|
| Up to 110.000 TL | 15% |
| 16.500 TL TL for 110.000 TL out of 230.000 TL, excess | 20% |
| 40.500 TL for 230.000 TL of 580.000 TL (40.500 TL for 230.000 TL of 870.000 TL in wage income), excess | %27 |
| 135.000 TL for 580.000 TL out of 3.000.000 TL (213.300 TL for 870.000 TL out of 3.000.000 TL in wage income), excess | 35% |
| 982.000 TL for 3.000.000 TL of more than 3.000.000 TL (958.800 TL for 3.000.000 TL of more than 3.000.000 TL in wage income), excess | 40% |

Payroll Reporting

Payroll Reporting

- ❑ The reporting requirements to the authorities in Turkey are as follows:

Monthly

- ❑ All reporting, essentially involving the submission of monthly tax declarations to the authorities, is conducted on a monthly basis.
- ❑ There are no additional payments or procedures on a quarterly or year-end basis.
- ❑ New Social Security Institution (SSI) registration
- ❑ Declaration of missing days
- ❑ E-Declarations (Social Security – 26th of the month)



Prime Based Earnings Examples

Prime Based Earnings Examples

| EARNINGS SUBJECT AND NOT SUBJECT TO PREMIUM | SUBJECT TO PREMIUM/NOT SUBJECT TO PREMIUM | IN WHICH MONTH IT IS SUBJECT TO PREMIUM |
|---|---|---|
| Original Wage | SUBJECT TO PREMIUM | Deserved Month |
| Fee per Time Unit | SUBJECT TO PREMIUM | Deserved Month |
| Week Holiday Fee | SUBJECT TO PREMIUM | Deserved Month |
| National Holiday/General Holiday Fee | SUBJECT TO PREMIUM | Deserved Month |
| Overtime / Overtime Working | SUBJECT TO PREMIUM | Deserved Month |
| Annual Leave Fee | SUBJECT TO PREMIUM | Deserved Month |

Prime Based Earnings Examples

| EARNINGS SUBJECT AND NOT SUBJECT TO PREMIUM^c | SUBJECT TO PREMIUM/NOT SUBJECT TO PREMIUM | IN WHICH MONTH IT IS SUBJECT TO PREMIUM |
|--|--|--|
| Premium Payments | SUBJECT TO PREMIUM | Paid Month |
| Wear and tear compensation | SUBJECT TO PREMIUM | Paid Month |
| Special Service / Foreign Language Compensation | SUBJECT TO PREMIUM | Paid Month |
| Rental Aid Paid in Cash | SUBJECT TO PREMIUM | Paid Month |
| Clothing Aid Paid in Cash | SUBJECT TO PREMIUM | Paid Month |
| Fuel Aid Paid in Cash | SUBJECT TO PREMIUM | Paid Month |
| Military Aid | SUBJECT TO PREMIUM | Paid Month |
| Circumcision Aid | SUBJECT TO PREMIUM | Paid Month |
| New Year Allowance | SUBJECT TO PREMIUM | Paid Month |
| Holiday Allowance | SUBJECT TO PREMIUM | Paid Month |
| Nursery Fee | SUBJECT TO PREMIUM | Paid Month |

Prime Based Earnings Examples

| EARNINGS SUBJECT AND NOT SUBJECT TO PREMIUM | SUBJECT TO PREMIUM/NOT SUBJECT TO PREMIUM | IN WHICH MONTH IT IS SUBJECT TO PREMIUM |
|--|---|---|
| Mission allowance | NOT SUBJECT TO PREMIUM | Paid Month |
| Child surcharge (not to exceed the amount to be determined by the Institution) | NOT SUBJECT TO PREMIUM | Paid Month |
| Family raise (not to exceed the amount determined by the Institution) | NOT SUBJECT TO PREMIUM | Paid Month |
| Meal Allowance (not to exceed the amount to be determined by the Institution) | NOT SUBJECT TO PREMIUM | Paid Month |
| Amounts of private health insurance premiums and private pension contributions paid by employers to the private health insurance and private pension system for the insured, the monthly total of which does not exceed 30% of the minimum wage. | NOT SUBJECT TO PREMIUM | Paid Month |

Prime Based Earnings Examples

| EARNINGS SUBJECT AND NOT SUBJECT TO PREMIUM | SUBJECT TO PREMIUM/NOT SUBJECT TO PREMIUM | IN WHICH MONTH IT IS SUBJECT TO PREMIUM |
|---|---|---|
| Death aid | NOT SUBJECT TO PREMIUM | Paid Month |
| Birth aid | NOT SUBJECT TO PREMIUM | Paid Month |
| Marriage aid | NOT SUBJECT TO PREMIUM | Paid Month |
| Aid in kind | NOT SUBJECT TO PREMIUM | Paid Month |
| a) In-kind housing allocation | NOT SUBJECT TO PREMIUM | Paid Month |
| b) Items such as towels and soap for use in the workplace | NOT SUBJECT TO PREMIUM | Paid Month |
| Refundable wage advances | NOT SUBJECT TO PREMIUM | Paid Month |
| Severance pay, severance pay or lump sum payments in the form of severance pay and survey fee | NOT SUBJECT TO PREMIUM | Paid Month |
| Termination benefits | NOT SUBJECT TO PREMIUM | Paid Month |
| Cash/Financial liability compensation | NOT SUBJECT TO PREMIUM | Paid Month |

Prime Based Earnings Examples

| EARNINGS SUBJECT AND NOT SUBJECT TO PREMIUM | SUBJECT TO PREMIUM/NOT SUBJECT TO PREMIUM | IN WHICH MONTH IT IS SUBJECT TO PREMIUM |
|---|---|---|
| Mobile Duty Compensation | NOT SUBJECT TO PREMIUM | Paid Month |
| Refundable wage advances | NOT SUBJECT TO PREMIUM | Paid Month |
| Severance pay, severance pay or lump sum payments in the form of severance pay and survey fee | NOT SUBJECT TO PREMIUM | Paid Month |
| Termination benefits | NOT SUBJECT TO PREMIUM | Paid Month |

How to Calculate ?

How to Calculate ?

Salaries are paid in TL according to Turkish labor law.

a-SSI deductions

1. SGK Employee Share: It is calculated over the SGK base. The rate is 14%.
2. SGK Employer Share: It is calculated over the SGK base. Its rate is 20.5%. If you do not have any debts to your SGK directorate, this rate is applied as 15.5%.
3. Unemployment Employee Share: It is calculated over the SGK base. Its rate is 1%.
4. Unemployment Employer Share: It is calculated over the SGK base. Its rate is 2%.

b- Income Tax Deductions: It is calculated over the income tax base. Income tax brackets in Turkey vary between 15-40%. These tranches increase depending on the Cumulative Income Tax Base of the personnel.

c- Stamp duty withholding: 7.59 per thousand of the total income is deducted.

New Hires

New Hires

To initiate the registration process for a new employee, it is mandatory to complete the online registration form on the Social Security Institution (SSI) registration website. The new employee must be registered no later than one working day before their intended start date. Legally, employees cannot receive payment without proper registration. The table provided below specifies the necessary information essential for the onboarding of a new employee.

| GENERAL INFORMATION | BANK INFORMATION | SALARY INFORMATION | Newly arrived expatriates are obligated to furnish the following documentation for processing |
|---|--|---|---|
| Name Date and Place of Birth Nationality Gender Marital Status Address Telephone Number Workplace/Location Department/Job Title Start Date Agreement Type (Full time/Part time) Normal/Retired State of Disability/Disablement Degree SSI Number Turkish ID Number | Bank Name and Branch Bank Sort/Swift Code Bank Account/IBAN Number | Annual/Monthly Salary Cumulative Income from Previous Workplace Recurring Payments | Passport Permit residence (original and copy, this should be taken from the Foreign Branch of the District Police Headquarters) Six small passport style photographs Diploma Contract Application Form from Labour Ministry Employer Address from General Directorate of Population and Citizenship Affairs Copy of Employer's ID card Employers' e-state code |

The Annual Leaves

The Annual Leaves

Employee shall be entitled to an annual paid leave in accordance with the Turkish Labour Code and Employer's policy. The annual leaves shall be following:

- ❑ Fourteen days if the employee's length of service is between one and five years, (five included),
- ❑ Twenty days if it is more than five and less than fifteen years,
- ❑ Twenty-six days if it is fifteen years and more (fifteen included).
- ❑ Under the appraisal of the Employer, the Employer may give right to Employee to use his/her wholly or partially annual paid leave of the following year within the previous year.
- ❑ The length of paid annual leave may be increased in the future by the Employer according to seniority of Employee.
- ❑ The obligatory provisions of the Turkish Labor Law regarding the paid annual leave which are more beneficial to Employee are reserved.
- ❑ Employee may use his/her paid annual right any time by being taken into consideration the needs of the Employer.

Employee must give a written notice of proposed holiday days to the Employer a reasonable period before and these must be approved by the Employer as written.

Severance Payment

Severance Payment

Severance pay is a type of payment an employee receives when employee leaves the workplace or retires. It is usually calculated based on the employee's years of service in the workplace and provides financial security to people who leave or retire. The Labor Law is a legal guarantee that regulates the procedures and principles regarding this compensation.

Basic Conditions:

- ❑ **Form of Termination:** According to the Labor Law, in order for the employee to be entitled to receive this payment, the employment contract must be terminated by the employer or the employee must leave the job for a justified reason.
- ❑ **Working Period:** In order for an employee to be entitled to receive severance pay, employee must have worked with the same employer for at least one year.



Severance Payment

Eligibility Situations:

- ❑ Retirement: If the employee retires, severance pay is paid.
- ❑ Death: If the worker dies, his heirs can receive compensation.
- ❑ Reasons for Leaving Work: Employees who quit their jobs in accordance with the rules specified in the Labor Law can receive this payment.

For example, if the employee terminates the employment contract for a justified reason, the employee is entitled to severance pay.



Severance Payment

Calculation Method:

- ❑ Severance pay calculation is made based on the worker's gross wage. Net wage is not included in the calculations.
- ❑ The worker's gross wage is based on his gross salary before deductions such as insurance premiums, union dues and taxes.
- ❑ For a person with one year of seniority, severance pay is calculated by paying a 30-day adjusted wage.

Severance pay is determined based on the number of years employees have spent at work and other factors. This payment ensures the financial security of employees and their families in cases where the employee becomes entitled to retirement at the end of many years of working life, dies, or loses the ability to work. This is an important support for workers' business life and future.



Severance Payment

The grounds on which employees are eligible to receive severance pay include:

- Termination of employment due to the fulfillment of compulsory military service obligations (for males)
- Retirement to receive old-age, retirement pension, or disability allowance from relevant insurance institutions
- Employee's resignation after completing 3,600 premium days and 15 years of the insurance period, meeting retirement conditions except the age limit, and providing documentation from the Social Security Institution confirming the fulfillment of retirement conditions to the employer
- Voluntary termination by female employees within one year following the date of marriage
- Death of the employee
- Termination of the employment contract without a valid reason as outlined in the Labor Law by the employer and/or for a valid reason.

Working Times

Working Times

In accordance with Article 63 of the Labor Law No. 4857, the maximum weekly working time is 45 hours and unless otherwise agreed, this time is divided by the working days of the week.

Accordingly, in a workplace that works six days a week, the daily working time will be 7.5 hours.

In SII transactions, a month is taken into account as 30 days, so monthly working hours are applied as $30 \times 7.5 = 225$ hours.

According to the Labor Law, weekly working hours cannot be increased beyond 45 hours through employment contracts or collective bargaining agreements.

In workplaces where employees work less than 45 hours per week, as determined by an employment contract, work up to 45 hours is described as "Overtime Working".



Working Times

In accordance with Article 41 of the Labor Law No. 4857 (Overtime Pay);

Normal overtime is 1.5 times the hourly wage,

1 day's wage for holiday shifts,

In work with overtime working up to 45 hours, the payment is made by increasing the normal hourly wage amount by 25% for each hour.

Overtime Calculations

For monthly wage earners, it should be calculated as $\text{Gross/Net Monthly Wage} / 225 * \text{Overtime Coefficient}$.

For hourly wage earners, it should be calculated as $\text{Gross/Net Hourly Wage} * \text{Overtime Coefficient}$.

Overtime coefficient varies depending on the type of Overtime Work performed.

Meal Cost Exemption

Meal Cost Exemption

Daily meal allowance is determined by employers. However, the meal exemption fee is determined by the state. Tax advantages can be enjoyed for payments made in accordance with this exception. If the fee determined by the state is exceeded, the exceeded amount is subject to tax.

The employer is exempt from income tax only up to the amount published in the Official Gazette of that year from the meal exemption paid to the personnel. In other words, the 2024 meal fee is determined as 170 TL (187 TL including VAT), but the employer may pay a higher fee. For example, if the employer pays 200.00 TL per day, the business is exempt from income tax only for the portion of 170 TL (187 TL including VAT) per day. The extra amount given will still be included in the tax.



Meal Cost Exemption

In order to benefit from this exemption, food must not be served to employees in the workplace or its outbuildings.

The benefits provided by employers are applied without being limited to any amount if the meal purchased from taxpayers providing ready-made food services is given to service personnel in the workplace or its outbuildings.

If you choose a meal card in your business, you will be exempt from Income Tax, SSI Premium Employee Share, SSI Premium Employer Share and Stamp tax.

Cost to the employer when you get a meal card = Monthly Meal Fee - VAT Discount



Travel Fee Exemption

Travel Fee Exemption

The payment by the employer of the fee required by the employees to enable them to travel to and from work is called travel fee. The tax-exempt 2024 travel fee paid by employers to cover the transportation of their employees is 88.00 TL. In order to benefit from this exemption, employees should not be paid road fees in the form of transportation services. Payments can be made in the form of public transport cards, tickets or payment instruments.



CAR



BUS



TRAM



METRO



TRAIN



AIRPLANE



SHIP

Notice Periods

Notice Periods

The Employer may terminate without any justifiable reason, at any time, by giving written notice to the Employee. The pre-notice periods shall be according to the Turkish Labor Law. In such case, Employee will be entitled to receive monthly salaries and benefits till the effective date of termination.

The notice period provided by the employer for the dismissal of the worker in accordance with the Labor Law;

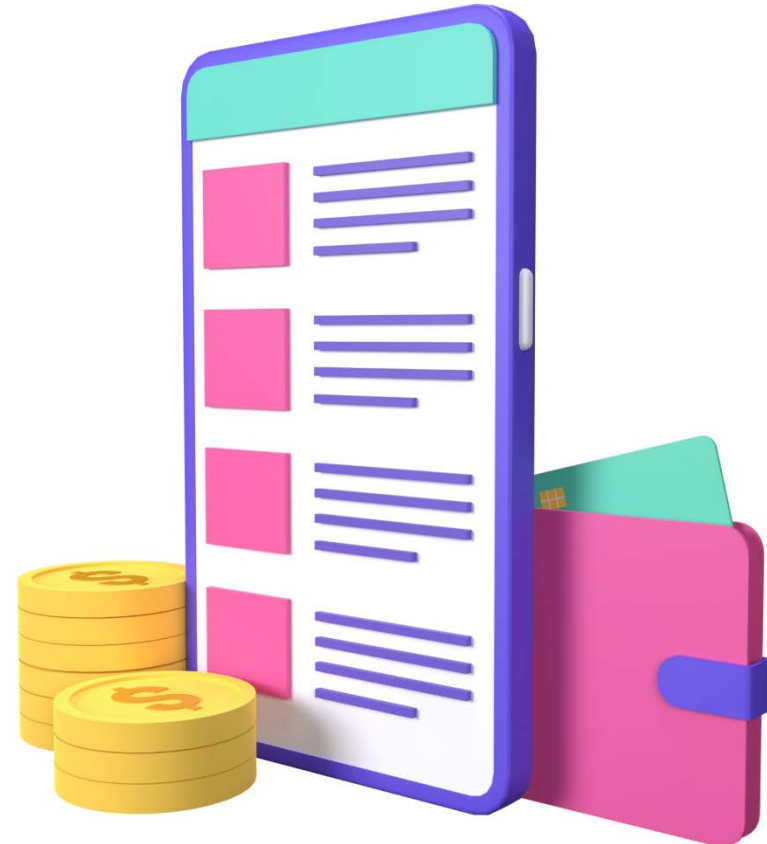
- 2 weeks (14 days) for the worker whose job lasted less than 6 months,
- 4 weeks (28 days) for the worker whose job lasted from 6 months to 1.5 years,
- 6 weeks (42 days) for the worker whose job has lasted from 1.5 to 3 years,
- 8 weeks (56 days) for a worker whose job has lasted more than 3 years

This period is determined by the length of service of the worker.

Salary Payment by Banking

Salary Payment by Banking

The employee's salary must be paid through a bank. In Turkey, there are local and international banks that employers can utilize. If a foreign bank has a branch in Turkey, the transfer of payments will be more convenient



Fines and Penalties

Fines and Penalties - Administrative fines applicable under the Social Insurance and General Health Insurance Law numbered 510

| Article No | Explanation |
|------------|--|
| 102/a-1 | Those who fail to submit the employee entry declaration and the GSS entry declaration in a timely manner and in the form and manner determined by the Institution shall be subject to a monthly minimum wage amount for each insured individual. |
| 102/a-1 | In case it is determined through a court decision or inspections conducted by authorized officers for audit and control by the Institution or other public institutions, or through information and documents obtained from banks, revolving fund institutions, and institutions established by law, that the employee entry declaration has not been submitted, a penalty of twice the monthly minimum wage amount for each insured individual shall apply. |
| 102/a-3 | If it is determined within one year from the date of the court's decision, the date of detection by the authorized officers for audit and control by the Institution, the date of the report by the audit officers of other public institutions, or the date of receipt of information or documents from banks, revolving fund institutions, and institutions established by law that the declaration has not been submitted again under one of the situations listed in subparagraph (2) of this paragraph, in this case, administrative fines of five times the minimum wage amount for each insured individual shall be imposed on those obligated to submit the declaration. |

Fines and Penalties - Administrative fines applicable under the Social Insurance and General Health Insurance Law numbered 510

| Article No | Explanation |
|------------|--|
| 102/b | Those who fail to submit the workplace declaration in the form and manner determined by the Institution within the legal deadline: |
| 102/b-1 | For public institutions and those required to keep accounts based on the balance sheet, an administrative fine equal to three times the minimum wage amount. |
| 102/b-2 | For others required to keep records, an administrative fine equal to twice the minimum wage amount. |
| 102/b-3 | For those not obligated to keep records, an administrative fine equal to the minimum wage amount. |

Fines and Penalties - Administrative fines applicable under the Social Insurance and General Health Insurance Law numbered 510

| Article No | Explanation |
|------------|--|
| 102/c | For those who fail to submit the monthly premium and service document in a timely manner and in the form and manner determined by the Institution, for each violation: |
| 102/c-1 | If the document is genuine, an amount not exceeding twice the monthly minimum wage, and for each registered insured individual, one-fifth of the monthly minimum wage. |
| 102/c-2 | — If the document is additional, an amount not exceeding twice the monthly minimum wage and for each registered insured individual in each additional document, one-eighth of the monthly minimum wage. |
| 102/c-3 | — If the information and documents indicating that the insured individuals worked for less than thirty days in the additional document are not submitted within the specified period or if the information and documents submitted are not considered valid by the Institution and, as a result, are issued ex officio by the Institution, an amount not exceeding twice the monthly minimum wage and for each registered insured individual in each additional document, half of the monthly minimum wage |

Fines and Penalties - Administrative fines applicable under the Social Insurance and General Health Insurance Law numbered 510

| Article No | Explanation |
|------------|--|
| 102/c-4 | If, as a result of court decision, determinations made by officers appointed for audit and control by the Institution, or investigations, audits, and inspections conducted by audit officials of other public institutions, or information and documents obtained from banks, revolving fund institutions, and institutions established by law, it is understood that the services or earnings of insured individuals are not reported to the Institution or are reported incompletely, regardless of whether the document is primary or additional, whether it is prepared by the employer or not, an amount not exceeding twice the monthly minimum wage. |
| 102/d | If, based on reports prepared by the Institution's authorized officers for audit and control or certified public accountants (CPAs) or sworn-in certified public accountants (SCPAs), it is determined that the incomplete labor cost amount, which was not reported to the Institution, was capitalized for each month, an amount not exceeding twice the monthly minimum wage. |

Fines and Penalties - Administrative fines applicable under the Social Insurance and General Health Insurance Law numbered 510

| Article No | Explanation |
|------------|---|
| 102/e-1 | For those obligated to keep accounts based on the balance sheet, an amount equal to twelve times the monthly minimum wage. |
| 102/e-2 | For those obligated to keep other records, an amount equal to six times the monthly minimum wage. |
| 102/e-3 | For those not obligated to keep records, an amount equal to three times the monthly minimum wage. |
| 102/e-4 | If all books and documents are submitted within the given period but, in the event that the ledger records are deemed invalid, for each calendar month in which the invalidity occurs: — For those obligated to keep accounts based on the balance sheet, an amount equal to half of the monthly minimum wage, not exceeding twelve times the minimum wage. —For those responsible for keeping other records, an amount equal to half of the monthly minimum wage, not exceeding six times the minimum wage, shall be applicable. — For those not obligated to keep records, an amount equal to half of the monthly minimum wage, not exceeding three times the minimum wage, shall be applicable. |
| | While it is necessary to keep books on a balance sheet basis, if books are kept on a business account basis, it is twelve times the monthly minimum wage. |

Fines and Penalties - Administrative fines applicable under the Social Insurance and General Health Insurance Law numbered 510

| Article No | Explanation |
|------------|--|
| 102/e-5 | Each invalidated payroll for wages shall incur an amount equal to half of the monthly minimum wage |
| 102/e-5 | After the presentation deadline has passed, for the records and documents submitted for examination, where all or part of them are found to be invalid, administrative fines will be imposed separately for the invalidity actions without additional penalties: |
| | — For those obligated to keep accounts based on the balance sheet, an amount equal to twelve times the monthly minimum wage shall be applicable. |
| | — For those obligated to keep other records, an amount equal to six times the monthly minimum wage shall be applicable. |
| | — For those not obligated to keep records, an amount equal to three times the monthly minimum wage shall be applicable |
| 102/f | Public institutions, revolving fund institutions, institutions established by law, and banks that fail to provide the information and documents requested in writing by the Institution regarding the implementation of the minimum wage specified in the fifth paragraph of Article 85 within one month shall be subject to a penalty equal to twice the monthly minimum wage |

Fines and Penalties - Administrative fines applicable under the Social Insurance and General Health Insurance Law numbered 510

| Article No | Explanation |
|------------|---|
| 102/g | Organizations and institutions, as well as legal entities, that fail to issue and submit to the Institution an employee entry declaration for the 4/b (Self-Employed) insured individuals whose registration and registration they have completed according to their own regulations shall be subject to a penalty equal to the monthly minimum wage amount. |
| | Organizations and tax offices that fail to report to the Institution the 4/b insured individuals who have notified the termination of their activities, and those who report their own cessation of activities, shall be subject to a penalty equal to the monthly minimum wage amount. |
| | Public institutions that fail to report to the Institution the incidents leading to occupational disability within the specified period shall be subject to a penalty equal to the monthly minimum wage amount. |
| | Public institutions, revolving fund institutions, organizations established by law, and organizations within the scope of the Banking Law No. 5411 that fail to report to the Institution the contractors who undertake any kind of work through the tender process and their addresses within the specified period shall be subject to a penalty equal to the monthly minimum wage amount. |
| | In cases where transactions are determined by the Institution, public institutions and banks that fail to check whether the individuals they transact with are registered for insurance and do not report to the Institution those individuals found to be uninsured shall be subject to a penalty equal to one-tenth of the monthly minimum wage per insured person. |

Fines and Penalties - Administrative fines applicable under the Social Insurance and General Health Insurance Law numbered 510

| Article No | Explanation |
|------------|--|
| | Employers who, during the establishment phase of a company, notify the trade registry offices of the number of insured employees they will employ and their starting dates but fail to submit these notifications to the Institution within the specified period, shall be subject to a penalty equal to the monthly minimum wage amount for each reporting obligation, imposed on the trade registry offices that failed to submit such notifications in a timely manner. |
| | Provincial authorities, municipalities, and other public and private legal entities authorized to issue building permits and other permits or transactions with permit characteristics that do not submit information and documents related to employment, as well as the basic employment information for these processes, to the Institution within the specified period shall be subject to a penalty equal to the monthly minimum wage amount for each reporting obligation. |
| | Employers, insured individuals, business owners, and other individuals related to the matter who obstruct the performance of duties by the officers assigned by the Institution for inspection and investigation tasks arising from Law No. 5510 during the execution of their duties shall be subject to a penalty equal to five times the monthly minimum wage. |
| | Employers, insured individuals, business owners, and other individuals related to the matter who use force and threats with the intention of obstructing the performance of duties by officers assigned by the Institution for inspection and control shall be subject to a penalty equal to ten times the monthly minimum wage. |

Fines and Penalties - Administrative fines applicable under the Social Insurance and General Health Insurance Law numbered 510

| Article No | Explanation |
|------------|--|
| | Employers who, during the establishment phase of a company, notify the trade registry offices of the number of insured employees they will employ and their starting dates but fail to submit these notifications to the Institution within the specified period, shall be subject to a penalty equal to the monthly minimum wage amount for each reporting obligation, imposed on the trade registry offices that failed to submit such notifications in a timely manner. |
| | Provincial authorities, municipalities, and other public and private legal entities authorized to issue building permits and other permits or transactions with permit characteristics that do not submit information and documents related to employment, as well as the basic employment information for these processes, to the Institution within the specified period shall be subject to a penalty equal to the monthly minimum wage amount for each reporting obligation. |
| | Employers, insured individuals, business owners, and other individuals related to the matter who obstruct the performance of duties by the officers assigned by the Institution for inspection and investigation tasks arising from Law No. 5510 during the execution of their duties shall be subject to a penalty equal to five times the monthly minimum wage. |
| | Employers, insured individuals, business owners, and other individuals related to the matter who use force and threats with the intention of obstructing the performance of duties by officers assigned by the Institution for inspection and control shall be subject to a penalty equal to ten times the monthly minimum wage. |

Fines and Penalties - Administrative fines applicable under the Social Insurance and General Health Insurance Law numbered 510

| Article No | Explanation |
|------------|---|
| | Public institutions, banks, revolving fund institutions, institutions established by law, and other natural and legal persons who fail to provide the information and documents requested by the Institution under Article 100 of Law No. 5510 on Social Insurance and General Health Insurance within the specified period without force majeure shall be subject to a penalty equal to five times the monthly minimum wage. |
| | Public institutions, banks, revolving fund institutions, institutions established by law, and other natural and legal persons who provide the information and documents requested by the Institution under Article 100 of Law No. 5510 on Social Insurance and General Health Insurance late shall be subject to a penalty equal to twice the monthly minimum wage. |
| | If the notifications requested by the Institution from employers under Article 100, concerning temporary incapacity benefit payments to insured individuals within the scope of 4/a, are not made within the specified period and in electronic format, a penalty equal to one-tenth of the monthly minimum wage per insured individual shall be applied. |
| | If the notifications requested by the Institution from employers under Article 100, concerning temporary incapacity benefit payments to insured individuals within the scope of 4/a, are not made at all, a penalty equal to half of the monthly minimum wage per insured individual shall be applied. |

Fines and Penalties - Administrative fines applicable under the Social Insurance and General Health Insurance Law numbered 510

| Article No | Explanation |
|------------|--|
| | For those whose insurance coverage under Law No. 4/a has terminated, failing to submit the notification regarding the commencement or termination of participation in funds specified in Temporary Article 20 of Law No. 506 within the specified period or in the manner and form determined by the Institution, or failing to submit it through the internet, electronic, or similar means as required by the Institution, a monthly minimum wage amount will be imposed for each insured or fund participant. |
| | According to the sixth paragraph of Article 100 of Law No. 5510 on Social Insurance and General Health Insurance, those who fail to enter information related to individuals they are obligated to care for, and those who enter information related to individuals for whom they are not obligated to care, within the specified period, will be subject to a penalty equal to half of the minimum wage |
| | In case of failure to fulfill the notification or control obligation required by Additional Article 6 of Law No. 5510 on Social Insurance and General Health Insurance, a penalty equal to the minimum wage amount will be imposed for each violation. |
| 102/n | An administrative fine of one-tenth of the minimum wage per insured person will be imposed, not exceeding the monthly minimum wage, for each workplace that incorrectly declares the occupational name and code appropriate to the job the insured people actually do in their workplaces in the withholding and premium service declaration. |

Fines and Penalties - RULES

- Administrative fines are accrued through notification to the concerned party. They must be deposited to the Institution or its relevant accounts within fifteen days from the notification date, or an objection can be raised to the Institution within the same period.
- The pursuit of an objection suspends the process.
- Those whose objections are rejected by the Institution can apply to the competent administrative court within thirty days from the date of notification of the decision.
- If no application is made within this period, the administrative fine becomes final.
- If administrative fines are paid in cash within fifteen days from the notification date, without raising an objection to the Institution or resorting to legal avenues, three-fourths of the amount will be collected. Making a cash payment does not affect the right to appeal against the administrative fine.
- Filing an appeal with the court does not halt the tracking and collection of the administrative fine. Administrative fines not paid within fifteen days from the notification date will be collected with the late payment penalty and late payment interest calculated in accordance with Article 89.

Fines and Penalties - RULES

- ❑ Administrative fines are subject to a statute of limitations of ten years. The statute of limitations period begins from the date the offense is committed.
- ❑ In cases where there are no provisions in this Law or in Law No. 5502 dated 16/5/2006 on the Social Security Institution regarding administrative fines, the provisions of Law No. 5326 dated 30/3/2005 on Misdemeanors shall apply.
- ❑ Except for those prepared based on court decisions, findings made by officers assigned by the Institution for inspection and control, or investigations, audits, and examinations carried out by inspection personnel of other public authorities in accordance with their own legislation, or those prepared based on documents obtained from public authorities, declarations or documents must be submitted by the parties themselves within 30 days spontaneously after the legal deadline has passed. If the specified fines are paid by the parties within 15 days following the date of notification, starting from the date of notification, the fines will be applied at a rate corresponding to one-fourth of the amount.

Fines and Penalties - RULES

- ❑ If, by the Institution, based on the statements, declarations, documents, or books specified in the first paragraph, a deficiency is detected in the reported earnings amount, provided that the insured persons and the number of working days are fully reported, and if this deficiency does not exceed one-third of the gross minimum wage at the date of the offense and does not exceed 1%, a written warning is given to the relevant party to correct the deficiency within fifteen days. If the deficient amount is not reported to the Institution within this period, an administrative fine shall be imposed according to the relevant provisions of the first paragraph. In cases where the deficiency is detected by the employer, this period is fifteen days from the submission of the declaration, statement, document, or books to the Institution.
- ❑ The imposition of an administrative fine does not relieve the obligation to submit documents to the Institution.

Fines and Penalties - Penalties Applied According to Labor Law No. 4857

| Serial Number | Article No | Penalty Provision | Penalty Provision |
|---------------|------------|-------------------|---|
| 1 | 3 | 98 | Reporting the workplace as fraudulent |
| 2 | 5 | 99/1-a | Acting contrary to the principle of equal treatment of workers |
| 3 | 7 | 99/1-b | Employing temporary workers contrary to the principles and obligations stipulated in the article |
| 4 | 7/2 (f) | 99/2 | Acting contrary to clause f of paragraph 2 of Article 7 |
| 5 | 8 | 99/1-c | Not providing a written document stating the content of the employment contract |
| 6 | 14 | 99/1-c | Violating on-call and remote working provisions |
| 7 | 28 | 99/1-d | Not giving a Work Certificate to the worker who left the job, writing untrue information on the document |
| 8 | 29 | 100 | Dismissing workers contrary to the provisions of the article (mass layoff) |
| 9 | 30 | 101 | Not employing disabled and ex-convicts |
| 10 | 32 | 102/a | Intentionally not paying or underpaying the wage or the wage arising from this law, CBA or employment contract |
| 11 | 32 | 102/a | Failure to deposit salary, bonus, incentive, and any such entitlement into the specifically designated bank account despite being mandatory |
| 12 | 37 | 102/b | Not issuing a pay slip |

Fines and Penalties - Penalties Applied According to Labor Law No. 4857

| Serial Number | Article No | Penalty Provision | Penalty Provision |
|---------------|------------|-------------------|--|
| 13 | 38 | 102/b | Imposing illegal wage deduction penalties or not reporting the reason and accounting for the deduction |
| 14 | 39 | 102/a | Not paying or underpaying the minimum wage |
| 15 | 41 | 102/c | Not paying wages for overtime work, not allowing the worker to use the free time worker deserves within six months, not obtaining the worker's approval for work to be done overtime.. |
| 16 | 52 | 102/b | Not giving the document regarding the percentage to the representative |
| 17 | 56 | 103 | Unlawfully dividing annual paid leave, |
| 18 | 57 | 103 | Illegally paying or underpaying the permit fee |
| 19 | 59 | 103 | Not paying annual leave fee to the employee whose contract has been terminated |
| 20 | 60 | 103 | Not allowing the leave to be used or allowing it to be used incompletely, contrary to the main procedures of the annual leave regulation. |

Fines and Penalties - Penalties Applied According to Labor Law No. 4857

| Serial Number | Article No | Penalty Provision | Penalty Provision |
|---------------|------------|-------------------|---|
| 21 | 63 | 104 | Failure to comply with working hours and related regulations |
| 22 | 64 | 104 | Failure to comply with make-up work procedures |
| 23 | 68 | 104 | Not taking breaks |
| 24 | 69 | 104 | Making workers work more than 7.5 hours at night, not changing their shifts day and night |
| 25 | 71 | 104 | Violating the age of employment and the prohibition of employing children |
| 26 | 72 | 104 | Failure to comply with the prohibition of operating on the ground and underwater |
| 27 | 73 | 104 | Employing children and young people at night or acting contrary to the relevant regulations |
| 28 | 74 | 104 | Not employing female workers or providing unpaid leave during the pre- and postnatal periods. |

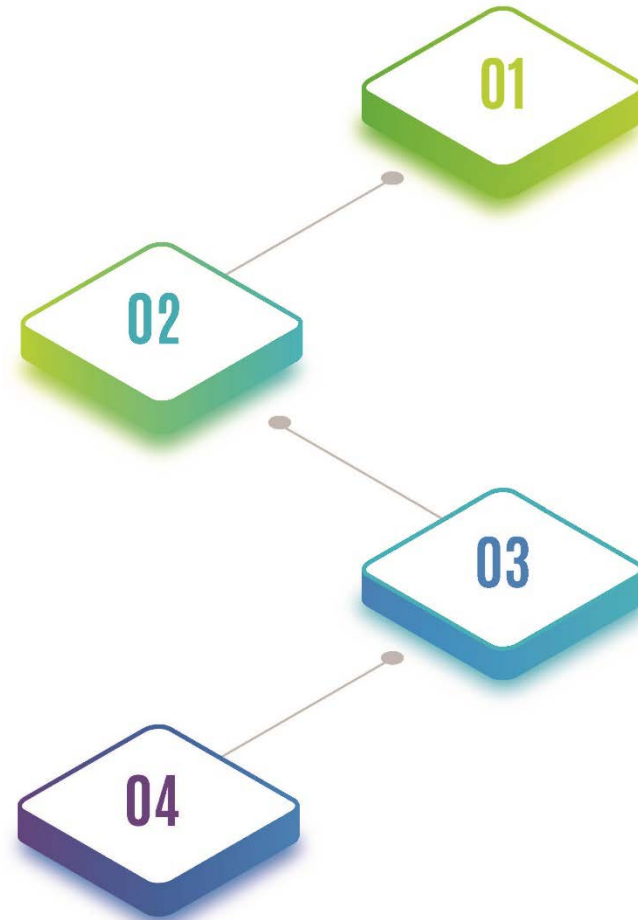
Fines and Penalties - Penalties Applied According to Labor Law No. 4857

| Serial Number | Article No | Penalty Provision | Penalty Provision |
|---------------|------------|-------------------|--|
| 29 | 75 | 104 | Not editing the employee personnel file |
| 30 | 76 | 104 | Violating regulations regarding working hours |
| 31 | 92/2 | 107/1-a | Failing to appear when summoned, refusing to provide statements and information, failing to bring and present the necessary documents and evidence, not facilitating the work of Labor Inspectors in performing their duties as outlined in Article 92/1, and delaying or refusing to promptly comply with their orders and requests |
| 32 | 96/1 | 107/1-b | Employers make suggestions to workers whose statements and information are requested, force them to hide or change the truth, or treat them badly when they testify to the relevant authorities. |
| 33 | | 107/2 | To prevent the inspection and audit duties of Labor Inspectors from being carried out and completed. |

Work Permits

Work Permit Types

- Temporary Work Permit
- Indefinite Work Permit
- Independent Work Permit
- Turquoise Card



Work Permit Types

❑ Temporary Work Permit

According to the International Labor Law No. 6735, which came into force after being published in the Official Gazette No. 29800 dated 13/8/2016, the foreigner whose work permit application is evaluated positively can be assigned to a certain job position belonging to a real or legal person or a public institution or organization, provided that it does not exceed the duration of the employment or service contract. A work permit for a maximum period of one year is granted at the first application, provided that you work in a specific job on-site or in workplaces in the same line of business.

If the work permit extension application is evaluated positively, the foreigner is granted a work permit for a maximum of two years in the first extension application and up to three years in subsequent extension applications, depending on the same employer. However, applications made to work for a different employer are evaluated within the scope of the first paragraph of Article 7.

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Work Permit Types

❑ Turquoise Card

In line with international labor policy; Turquoise Card is given to foreigners whose applications are deemed appropriate according to their education level, professional experience, contribution to science and technology, the impact of their activities or investments in Turkey on the country's economy and employment, and the recommendations of the International Labor Policy Advisory Board and the procedures and principles determined by the Ministry. In accordance with the provisions of the legislation, the spouse and dependent children of the foreigner who is a Turquoise Card holder are given a document that proves that he/she is a relative of the Turquoise Card holder and serves as a residence permit. The foreigner who holds the Urkuaz Card benefits from the rights provided by the indefinite work permit regulated in this Law.

Step By Step Work Permit Application - Application from Abroad

1. An employment contract is signed between the employer and the foreigner.
2. The foreigner applies to the Turkish Embassy or Consulate in the country they reside in and receives a 16-digit reference number which they submit to their employer.
3. The employer or the person the employer authorized for e-declaration registers their workplace on the Automated Work Permit Application System via e-Government (e-devlet) with their e-signature.
4. By clicking on the “International Application” section from the “Apply Now” menu, the employer fills out and uploads the reference number and required information and documents. The employer finalizes the application through approval via e-signature.



Step By Step Work Permit Application - Application from Abroad

5. If our Ministry approves your application;
 - ❑ You will be informed about the work permit and official paper fees which will be paid to the respective bank accounts separately.
 - ❑ Then work permit can be obtained after paying the visa expenses to the Turkish Embassy or Consulate to which the application was originally submitted
6. The work permit issued for the foreigner will be sent to your workplace address through PTT cargo.
7. The employer must submit the statement of starting employment by applying to the Social Security Center they are registered at within 30 days of the foreigner entering the country



Step By Step Work Permit Application - Application from Abroad

NOTES:

- E-signature can be obtained from the institutions authorized by Information Technologies Institution (BTK).
- Please follow up on your application evaluation process through “Follow up on your application” menu.
- Work permits of foreigners entering the Country without paying the necessary fees are not deemed as valid.
- You can track your delivery through the PTT Cargo Tracking System entering the 13-digit barcode number that you will obtain by adding 268004 in front of your work permit application number.
- The amount subject to insurance contribution should not be less than the wage declared on the foreigner’s work permit application.
- The foreigner must register him/herself to the nearest Directorate of Population and Citizenship Affairs within the 20 days of their entrance to the country.

Step By Step Work Permit Application - Application from Abroad

Required Documents For foreigners:

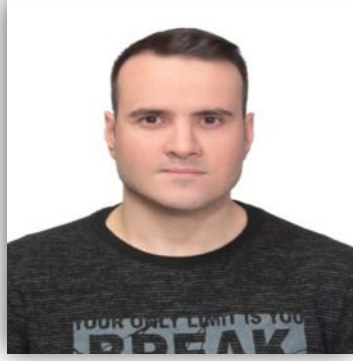
- Employment Contract
- Biometric photograph of the foreigner
- Passport
- Diploma

Required Documents For the employer:

- Tax registration certificate
- Trade Registration Gazette
- Balance Sheet
- Certificate of Activity
- Pre-Permit Document: Pre-permit document should be obtained from the Ministry of Health if the foreigner is a health professional; and from the Ministry of National Education if they are an education professional.
- Application procedures for the extension of work permits have the same process as domestic work permit application procedures.



Thank You



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