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Amendments to the Corporate Tax Law by Law No. 7524

The Law on the Amendment of Tax Laws, Certain Laws, and the Decree-Law No. 375, numbered 7524, was published in the Official Gazette dated 02.08.2024 and numbered 32620.

The amendments to the Corporate Tax Law introduced by this Law are summarized below:

1. Exemption of Earnings from Investment Funds and Partnerships from Corporate Tax, Conditional on Distribution of at Least 50% of Earnings from Real Estate as Dividends

Article 5/1-d of the Corporate Tax Law exempts the earnings of investment funds and partnerships established in Turkey from corporate tax.

With the amendment introduced by Law No. 7524, in order to benefit from this exemption, it is required that at least 50% of the earnings from real estate held by these funds and partnerships (excluding pension investment funds) be distributed as dividends by the end of the second month following the submission of the corporate tax return for the relevant accounting period. If these earnings are not distributed to the specified extent, the exemption cannot be fully utilized.

Only the distribution of earnings from real estate is required to apply the exemption, and the distribution of other earnings is not necessary.

Additionally, Article 5/1-a regulates the exemption for participation earnings. According to this, corporate tax exemption does not apply to earnings from other funds and partnerships, except for venture capital. With the new regulation, corporate taxpayers earning dividends from funds and partnerships that lose the right to benefit from the exemption by not meeting the distribution requirement can also benefit from the participation earnings exemption.

Effective Date: Applicable to earnings obtained from 01.01.2025 onwards, effective from 02.08.2024.

2. Implementation of Local Minimum Corporate Tax Starting with the 2025 Fiscal Period

Law No. 7524 introduces Article 32/C to the Corporate Tax Law. This article stipulates that corporate tax cannot be less than 10% of the profit before deductions and exemptions.

Accordingly, 10% of the amount found by adding non-deductible expenses to the commercial balance sheet profit at the end of the fiscal period will be calculated as the minimum corporate tax.

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Bilgener is a leading Turkish professional services provider group that harmonizes the local expertise it has and the experience it has gained since 1995.

Bilgener's primary goal is to assist local and global entrepreneurs to operate their business in Turkey more efficiently and effectively by providing high-quality tax, audit, and consulting services from a single point.

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However, the following exemptions and deductions will be allowed when calculating the minimum corporate tax:

- Participation earnings exemption
- Emission premium
- Reimbursement exemption
- Exemption applied to earnings from sale and leaseback transactions with financial leasing companies and asset leasing companies
- Exempt earnings under the Law No. 4490 on Turkish International Ship Registry and the Decree-Law No. 491
- Exempt earnings under the Law No. 3218 on Free Zones
- Venture capital fund deduction
- Protected workplace deduction
- R&D and design deductions
- Earnings exemption provided in Technology Development Zones

After applying these exemptions and deductions, from the calculated minimum 10% corporate tax:

- A two-point reduction for companies offering at least 20% of their shares to public trading on the Istanbul Stock Exchange for the first time,
- A five-point reduction for companies exclusively earning from exports,
- A one-point reduction for companies engaged in production activities with an industrial registration certificate,
- The tax not paid due to the reduced corporate tax application pursuant to Article 32/A of the Corporate Tax Law within the investment contribution amounts under incentive certificates obtained from the Ministry of Industry and Technology before the effective date of the article, can be deducted.

Thus, advantages provided to publicly traded companies, manufacturers, exporters, and firms with investment incentive certificates are maintained.

The minimum corporate tax also applies to provisional tax periods.

Newly established companies are exempt from the minimum corporate tax for the first three fiscal periods starting from the fiscal period in which they begin operations.

Effective Date: Applicable to earnings obtained in 2025 and subsequent taxation periods, and for companies with special accounting periods, to earnings obtained in the special accounting period starting in 2025 and subsequent taxation periods, effective from 02.08.2024.

3. Increase in Corporate Tax Rate to 30% for Companies Operating in Build-Operate-Transfer and Public-Private Partnership Projects

With the amendment to Article 32 of the Corporate Tax Law by Law No. 7524, the corporate tax rate for companies operating in build-operate-transfer projects under Law No. 3996 on the Implementation of Certain Investment and Services under the Build-Operate-Transfer Model and in public-private partnership projects under Law No. 6428 on the Provision of Facilities and Services through Public-Private Partnership Model and the Amendment of Certain Laws and Decrees, has been increased to 30%.

Effective Date: Applicable to earnings obtained in 2025 and subsequent taxation periods, and for companies with special accounting periods, to earnings obtained in the special accounting period starting in 2025 and subsequent taxation periods, effective from 02.08.2024.

4. Withholding Tax on Payments Made by Corporate Taxpayers Who Are Electronic Commerce Intermediary Service Providers, and Presidential Authority to Determine Sectors and Activities for Withholding Tax

According to Law No. 6563 on the Regulation of Electronic Commerce:

- Intermediary service provider: Real and legal persons providing an electronic commerce environment for others to conduct economic and commercial activities,
- Electronic commerce intermediary service provider: An intermediary service provider that enables contracts to be made or orders to be placed for the goods or services of electronic commerce service providers in an electronic commerce marketplace.

With the amendments to Articles 15 and 30 of the Corporate Tax Law by Law No. 7524, intermediary service providers are obligated to withhold tax on the payments they make. Additionally, the provision allowing withholding tax on payments for goods and services in sectors or activities determined by the President has been added to the article.

Effective Date: 01.01.2025

5. Implementation of Global Minimum Corporate Tax

Law No. 7524 introduces the application of a global minimum corporate tax for multinational enterprises with annual consolidated revenue exceeding EUR 750 million (or the equivalent in Turkish Lira) worldwide, in line with OECD Model Rules.

Accordingly, a top-up tax will be collected from these companies if the tax calculated is below this rate.

If this tax is not collected in the country where the ultimate parent entity is located, it will be collected by third countries where the group operates. Details of the regulation will be provided in future circulars.

Effective Date: Applicable to earnings obtained in 2024 and subsequent taxation periods, and for companies with special accounting periods, to earnings obtained in the special accounting period starting in 2024 and subsequent taxation periods, effective from 02.08.2024.

You can access the relevant Law [here](#).

Best Regards,

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