

Omnibus Bill in Depth: Extends Dividend Exemption, Deduction for Foreign Service Fees and Reduced Rate for Exporters

30 November 2023

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The parliament has received an Omnibus Bill extending the corporate income tax (CIT) exemption for dividends, increasing the deduction for foreign service fees and broadening the application of reduced rate for exporters. The most important CIT measures are summarized below.

Dividend Exemption

Article 5 of the Corporate Income Tax Law (CITL) exempts participation profits acquired by institutions from abroad. Article 56 of the Omnibus Bill extends this exemption to institutions participating in foreign joint-stock and limited companies whose legal and business headquarters are not in Türkiye. A requirement is that the Turkish institution owns at least 50% of the paid-in capital of the foreign subsidiary and submits the corporate tax return by the required date. The participation income transferred to Türkiye is 50% exempt.

Article 56 of the Omnibus law also authorizes the President to reduce or increase the exemption rates.

Expanding the Reduced CIT for Exporters

Article 32 of the CITL reduces the standard CIT rate of 25% to 20% for earnings of exporting corporations derived exclusively from exports. Article 60 of the Omnibus Law ensures that the manufacturer or supplier institutions based on the intermediary export contract can also benefit from the reduced rate for earnings obtained from export activities carried out through foreign trade capital companies or sectoral foreign trade companies.

Authorization to Amend the Withholding Tax Rate Applied to Construction Work

Article 15/1-a of the CITL permits the deduction of CIT fees paid to those who carry out construction and repair work over several years. The President has the authority to reduce the deduction rate to zero or increase it up to the maximum CIT rate. Articles 58 and 59 of the Omnibus Law extend the authorization to determine the rate of this tax deduction.

Increasing the Deduction for Service Fees from Abroad

Article 10 of the CITL allows taxpayers to deduct 50% of the fees from certain services such as architecture, engineering, design, software, medical reporting, accounting record keeping, call centre, product testing, certification, education, and healthcare services provided to foreigners under certain conditions. Based on Article 57 of the Omnibus Law, the deduction is applicable to the earnings obtained from these services. For this purpose, the regulation mandates transferring the entire gain to Turkey, applying a deduction rate of 80%.

Article 57 of the Omnibus Law authorizes the President of the Republic to reduce the amount of earnings to be transferred to Türkiye and to increase it again up to the legal level.

Authorization to Determine Withholding Tax Rate Applied to Construction Works

Taxpayers performing construction and repair works over the years are entitled to deduct CIT. Article 50 of the Omnibus Law extends the authorization of the President to reduce the deduction rate to zero or up to maximum CIT rate.

Exemption for Currency-Protected Deposit and Participation Accounts

Article 61 of the Omnibus law extends the CIT exemption applicable to currency-protected deposit and participation accounts through 30 June 2024. The President of the Republic has the authority to extend this period for up to 6 months each time after its expiration. The President can also reduce the exemption rate based on the account type, maturity, and opening date, and may establish different exemption rates.

The full text of the Omnibus bill of 24 November 2023 can be found [here](#) (as a PDF and in Turkish only).

For other measures in the Omnibus Bill, see [Parliament Receives Omnibus Bill: Amending Taxation with Emphasis on Corporate, Individual, and VAT Reforms \(30 November 2023\)](#).

Türkiye - Omnibus Bill in Depth: Extends Dividend Exemption, Deduction for Foreign Service Fees and Reduced Rate for Exporters (30 Nov. 2023), News IBFD.

Exported / Printed on 8 Mar. 2024 by hkermadi@deloitte.lu.