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Latest Tax Amnesty Law for Assets Abroad

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Turkish government wishes to encourage Turkish citizens and Turkish resident companies having bank accounts outside of Turkey to transfer their assets to Turkey since such assets are a very important source of foreign exchange income for the Turkish economy. For this reason, five tax amnesty laws numbered 5811, 6486, 6736, 7143 and 7186 have been enacted in the last ten years to encourage the transfer of assets held abroad to Turkey.

What does tax amnesty law provide?

Tax Amnesty Law numbered 7186 published in the Official Gazette dated 19 July 2019 numbered 30836 ("Tax Amnesty Law ") provides that in case the Turkish resident real and legal persons bring their assets abroad, which are cash, gold, foreign exchange, securities and other capital market instruments, to Turkey and pay 1% tax over the current monetary value of those assets brought to Turkey, Turkish Tax Authorities shall not make any tax audit and tax assesment in relation to such assets.

The real and legal persons who wish to benefit from the Tax Amnesty Law should declare their assets kept abroad to the banks and investment companies located in Turkey until 31 December 2019. They have to pay 1% tax over the value of their assets declared to the relevant bank or investment company in advance. Turkish banks or investment companies are not obliged to accept the asset declaration forms from applicants if applicants do not pay 1% tax in advance. The banks and investment companies will not request any documents from applicants evidencing the foreign assets declared.

Assets that have been declared within the scope of the Tax Amnesty Law, should be recorded in the official books of Turkish companies if such assets are declared on behalf of a Turkish company. Special equity account will be opened for these assets instead of recording them as profit. In other words, such assets will not be taken into account for the calculation of the fiscal year profit. The amounts recorded in the relevant special equity account can be distributed to the shareholders without being subject to any restriction, and such distribution is not subject to withholding tax on dividends.

How will foreign assets be brought to Turkey?

Assets subject to declaration within the scope of the Tax Amnesty Law shall be transferred to the accounts opened before the Turkish banks and Turkish investment companies within three months following the date of declaration.

Kindly note that real estates located abroad are not within the scope of the Tax Amnesty Law. These could be converted into cash, gold or securities until 31 December 2019 and brought into Turkey in order to benefit from the provisions of the Tax Amnesty Law.

Foreign assets could also be brought to Turkey physically without opening a bank account in Turkey provided that they must be declared to the Turkish Custom Authority when entering into Turkey. On the other hand, the securities, which cannot physically be brought to Turkey or cannot be transferred to Turkey by wire transfer, should be declared to the Turkish investment companies. Declaration of such "non-transferrable securities" is sufficient for the Tax Amnesty Law purposes.

Real and legal persons who transfer assets to Turkey (transferor) can be different persons from persons who declare the assets (transferee) to the Turkish banks. In such a case, persons (transferee) who declare the assets to the Turkish banks through asset declaration form can benefit from the provisions of the Tax Amnesty Law .

According to the Tax Amnesty Law, the foreign assets that have been duly transferred to Turkey could be transferred back to a foreign bank account at any time since the Tax Amnesty Law does not provide any mandatory period to keep the foreign assets in Turkey.

The real and legal persons who have transferred their assets to abroad after the publication date (19 July 2019) of the Tax Amnesty Law can also take advantage of the provisions of the Tax Amnesty Law provided that such assets are declared to the Turkish banks and Turkish investment companies until 31 December 2019.

Does the Tax Amnesty Law really provide tax shield for taxpayers?

The Tax Amnesty Law provides tax audit exemption for assets brought into Turkey if all conditions mentioned above are satisfied. Asset declared to Turkish banks and investment companies will not be subject to any tax investigation or tax assessment.

However, the Tax Amnesty Law does not allow to use the assets brought into Turkey to explain tax losses resulting from tax evasions such as unrecorded commercial revenue or non-deductible private expenses recorded in legal books. In other words, the Tax Amnesty Law does not provide tax shield for tax losses resulting from tax evasions. In such a case, even if assets held abroad can be brought back to Turkey by benefitting the provisions of the Tax Amnesty Law, non-taxed profits generated in the past or non-taxed transactions, which are the source of such assets, are still subject to potential tax investigations in Turkey.

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