PREFACE

The information in this booklet is current at 6 January 2009 and intended to provide a general and concise guidance on Turkish taxation system only. Because of rapidly changing and complex legal regulations, readers are strongly advised to obtain updated and detailed information before engaging in any transaction or making any decision. Ernst & Young Turkey assumes no responsibility in respect of the contents of this guide. If the readers, in any way, choose to rely on the contents of this guide, they do so entirely at their own risk.

All information contained in this publication is copyrighted in the name of Ernst & Young Turkey and as such no part of this publication may be reproduced, repackaged, redistributed, resold in whole or in any part, or used in any form or by any means graphic, electronic or mechanical, including photocopying, recording, taping, or by information storage or retrieval, or by any other means, without the express consent of the publisher.
III. Other taxes

III.i. Taxes on expenditure

A. Value added tax (VAT)
   1. General
   2. VAT rates
   3. Exemptions
   4. VAT assessment base
   5. Non-deductible VAT
   6. Reverse charge VAT

B. Banking and insurance transaction tax (BITT)

C. Special consumption tax (SCT)

D. Stamp tax

E. Special communication tax

F. Tax on customs

III.ii. Taxes on wealth

A. Inheritance and gift tax

B. Motor vehicle tax

C. Real Estate tax

III.iii. Other taxes, charges and duties

A. Municipal taxes

B. Duties

Appendices

Appendix 1: Taxability of income items

Appendix 2: Sample individual income tax calculation

Appendix 3: WHT rates applicable under double tax treaties
I. Individual taxation
A. Income tax
1. Tax rates

In principle, individual income and gains are subject to income tax at progressive tax rates which vary between 15% and 35% and calculated on a cumulative basis. The brackets for the year 2009 and relevant income tax rates are provided below.

<table>
<thead>
<tr>
<th>Taxable Income</th>
<th>Not Exceeding TL</th>
<th>Tax On Lower Amount TL</th>
<th>Tax Rate On Excess</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exceeding TL</td>
<td>0</td>
<td>8,700</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>8,700</td>
<td>22,000</td>
<td>1,305</td>
</tr>
<tr>
<td></td>
<td>22,000</td>
<td>50,000</td>
<td>3,965</td>
</tr>
<tr>
<td></td>
<td>50,000</td>
<td>-</td>
<td>11,525</td>
</tr>
</tbody>
</table>

On the other hand, certain individual (both for resident and non-resident) income and gains are subject to withholding tax (WHT). WHT is withheld and filed by the local company which provides income to resident or non-resident individuals. In the presence of Double Tax Treaty (DTT) it might be possible to reduce the tax rates or omit the taxation in Turkey for the income and earnings derived by non-resident individuals. Please see Appendix 3 for the list of countries with which Turkey has concluded DTT.
Major individual income and gains which are subject to WHT and relevant local WHT rates are summarized in the table below.

<table>
<thead>
<tr>
<th>Individuat income subject to WHT</th>
<th>Resident</th>
<th>Non-resident</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment income (wage, bonus, fringe benefits etc.)</td>
<td>15-35 %</td>
<td>15-35 %</td>
</tr>
<tr>
<td>Income from professional services</td>
<td>20 %</td>
<td>20 %</td>
</tr>
<tr>
<td>Progress billings on long-term constructions</td>
<td>3 %</td>
<td>3 %</td>
</tr>
<tr>
<td>Income from sales of rights, other intangible assets</td>
<td>N/A</td>
<td>20 %</td>
</tr>
<tr>
<td>Rental income (both tangibles and intangibles)</td>
<td>20 %</td>
<td>20 %</td>
</tr>
<tr>
<td>Dividend income</td>
<td>(e) 15 %</td>
<td>(e) 15 %</td>
</tr>
<tr>
<td>Time deposit interest and repo gains</td>
<td>15 %</td>
<td>15 %</td>
</tr>
<tr>
<td>Interest income from Turkish Government bonds and Treasury Bills</td>
<td>(a) 10 %</td>
<td>0 %</td>
</tr>
<tr>
<td>Capital gains from sale of Turkish Government bonds and Treasury Bills</td>
<td>(b) 10 %</td>
<td>(b) 0 %</td>
</tr>
<tr>
<td>Capital gains from sale of shares traded at Istanbul Stock Exchange (ISE) and held less than 1 year.</td>
<td>(c) 0 %</td>
<td>(c) 0 %</td>
</tr>
<tr>
<td>Capital gains from sale of shares of investment trusts traded at Istanbul Stock Exchange (ISE)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income from investment funds</td>
<td>(d) 10 %</td>
<td>0 %</td>
</tr>
</tbody>
</table>

(a) 0% for those issued before 01.01.2006
(b) The capital gains derived from the sale of Government bonds and Treasury bills that are issued before 01.01.2006 are not subject to WHT. They are subject to declaration.
(c) Capital gains derived from sale of shares which have been acquired before 01.01.2006 or those which are traded at ISE and held more than 1 year are not subject to tax.
(d) WHT is not applicable for investment funds formed by shares constituting at least 51% of the portfolio and which is registered at Istanbul Stock Exchange and held more than 1 year.
(e) Conversion of profits into capital is not regarded as dividend distribution and is not subject to dividend WHT.

2. Who is liable

Individuals who are resident in Turkey are subject to tax on their worldwide income and they are regarded as full tax liable in Turkey. Nonresidents are taxed only on earnings and revenues derived in Turkey and they are regarded as limited tax liable in Turkey.

Residents include individuals with legal permanent residence in Turkey and those who reside in Turkey for more than six months during one calendar year (Provisional absence shall not interrupt the continuity of residing in Turkey).
The civil law defines residency as an 'intention to settle down'. Although the law does not specify any objective criteria for the residency, the factors such as purchasing an apartment in Turkey and closing business operations abroad or having vital interests (social and economic) in Turkey may be considered in determination of Turkish residency status.

Overriding the six-month rule in item above has a special exception that applies to expatriates such as businessmen, scientists, experts, employees of governments or journalists who come to Turkey to perform temporary and pre-defined work as well as those who have arrived for the purpose of education, medical treatment, rest and travel. Such persons will still be considered as non-resident even if they stay in Turkey longer than six months in a calendar year.

Generally, if an individual is a non-resident of Turkey under these rules, he will also be a non-resident for purposes of the application of Turkey's tax treaty network. This may affect the taxation of non-Turkish income in the source country.

3. Income subject to tax

Turkey has unitary tax system under which income derived from different sources is aggregated and tax due is computed on the total aggregate income. Under the unitary system, WHTs are considered advance payments of the tax and are credited against the tax due in the annual return. Tax is imposed on a calendar year basis in Turkey. Further, income derived in Turkey by residents and non-residents are categorized into seven types. These seven categories are:

1. Commercial income
2. Agricultural income
3. Salary and Wage income (remuneration)
4. Self-employment earnings
5. Revenues from immovable properties (including royalties)
6. Income from Capital investments (i.e. interest and dividends)
7. Other earnings and gains (i.e. capital gains)

Just as significant as the type of income is where the income is generated, i.e., inside or outside Turkey.

Foreigners who have full tax liability status in Turkey are taxed on their income derived both in Turkey and outside Turkey.

The sources of income in Turkey for limited liable taxpayers (non-residents) are determined as follows:

Commercial Income. Income derived from every kind of commercial and industrial operation through a place of business in Turkey, or through a permanent representative in Turkey, is considered as income derived in Turkey.

Agricultural Income. Income arising from agricultural operations carried out in Turkey is considered as derived in Turkey.
Salary and Wage Income. Salary and wages are defined as money and goods given as compensation to employees in association with a specific place of business as well as benefits that are provided to them and can be represented in terms of money. There is no distinction between salary and wages in Turkey, so “wages” is used for both in the following. Whether wages are paid as cash, indemnity, allowances, overtime, advances, subscriptions, premiums, bonuses, expense accruals or as a percentage of profit which is not related to a partnership, the essence does not change. Certain payments made by the employer on behalf of the employee, such as payment for rent and utilities are grossed up and taxed as salary and wage income.

Fulfillment of the following conditions indicates that the wage income is acquired in Turkey for individuals with limited liability:

a) If the employment service is performed in Turkey or,

b) If the services are “evaluated” in Turkey.

An employment service will be considered as having been evaluated in Turkey if the salary amount is booked as cost or expense by the Turkish entity.

In determining taxable income, expenses allowable under the income tax law are deducted from gross revenue.

Individuals in Turkey who work for nonresident entities whose legal and business headquarters are not located in Turkey and who are paid in foreign currency are not taxed on their salaries if all of the following conditions are met (this exemption is usually applicable for liaison office employees):

- The nonresident entity pays the salaries out of earnings derived abroad;
- The salary payments are not charged as expenses against profits taxable in Turkey; and
- The amount of compensation is brought into Turkey as foreign currency.

Professional (Self-Employment) Income. Self-Employment earnings include services rendered by a person who works on behalf of himself in his name using his own professional knowledge without being dependent to an employer. If benefit is derived from self-employment activities performed in Turkey or the self-employment activities are evaluated in Turkey, this indicates that self-employment earnings are acquired in Turkey for individuals with limited liability.

Services which are rendered by resident and/or nonresident individuals are subject to withholding tax of 20% and the recipient of the services files a WHT return to the tax office on behalf of the professionals. If the service provider is nonresident, provisions of DTTs are taken into consideration. Provisions of DTTs might prevent taxation of such income in Turkey.

Revenues from Immovable Properties. Revenues acquired from rental of immovable properties and rights by their owners, by their holders, by those holding easement and usufruct rights or by their tenants are taxable in Turkey (if the immovable property is located in Turkey or if such properties and rights are used or evaluated in Turkey).
Rental income derived by resident and nonresident individuals from immovable assets and royalties for patents and rights are subject to WHT at a rate of 20%. This WHT may be eliminated or reduced under applicable DTTs if the income is derived by non-resident individuals.

**Capital Investment Income.** The following types of income are included in investment income;

a) Dividends from all types of share certificates

b) Earnings arising from participation shares

c) Profits distributed to the chairman and members of the board of directors of companies

d) Interest income derived from public and private bonds and treasury bills

e) All interest income (Time deposits, Repo and others)

**Dividends** derived by resident and nonresident individuals are subject to 15% WHT. The profit added to capital is not subject to dividend WHT. WHT is the final taxation for the non-resident individuals. Half of the gross dividend amount, which is obtained by the resident individuals from Turkish resident companies, is subject to income tax declaration, if this dividend amount together with the other income generated by immovable properties and investment on securities is higher than TL 22,000. In this case, it is declared together with all these gains via annual income tax return and the dividend WHT amount is offset from the income tax accrued.

**Time deposit interests and REPO gains** derived by resident and nonresident individuals are subject to 15% WHT. They are not declared via annual income tax return. The WHT is the final taxation.

**Interest income from government bonds and treasury bills (issued after 01.01.2006) derived by resident individuals are subject to 10% WHT while it is 0% for those which are derived by non-resident individuals. They are not declared via annual income tax return. WHT is the final taxation.**

**Interest income from government bonds and treasury bills (issued before 01.01.2006)** is subject to WHT but the WHT rate is 0%. For nonresident individuals, they are not declared via annual income tax return and WHT is the final taxation. For resident individuals, they are declared if the amount together with other dividend, interest income and income from immovable properties exceeds TL 22,000 for 2009. For securities denominated in TL, inflation adjustment is applicable in the determination of taxable income.

**Capital Gains and Other Earnings.** Some of capital gains and other earnings are as follows;

a) Earnings arising from the sale of securities, rights, copyrights, patents

b) Earnings arising from the disposal of land, immovable, ships within the first five years of the acquisition.

c) Earnings arising from the transfer of rights of partnership shares

d) Earnings arising from disposal as a whole or a part of an operation whose activities are halted

e) Incidental earnings
Capital gains derived by resident individuals from sale of shares traded at Istanbul Stock Exchange (ISE) and held less than 1 year are subject to 0% WHT. WHT is the final taxation. Capital gains derived from sale of shares (i) acquired before 01.01.2006 or (ii) traded at ISE and held more than 1 year, are not subject to WHT.

Capital gains derived by resident and non-resident individuals from sale of shares not traded at (ISE) (if the disposal of the shares occurs without the intermediation of a bank or an intermediary institution) are taxed over general progressive income rates and filed via annual income tax return. However, if the shares are of the Turkish resident companies and held for more than 2 years, the gain is not subject to income tax.

If the shares are acquired before 01.01.2006, capital gains derived by resident and non-resident individuals from the sale of shares which are issued by resident Turkish Companies are not subject to income tax on the condition that it is acquired gratuitously; or traded at ISE and held for more than 3 months; or not traded at ISE but held for more than 1 year. Capital gains derived by resident and non-resident individuals from the sale of shares are declared, if the amount together with other capital gains exceeds TL 17,900 for 2009.

Capital gains from the sale of government bonds and treasury bills (issued after 01.01.2006) are subject to 10% WHT for resident individuals and 0% WHT for nonresident individuals. WHT is the final taxation.

Capital gains from the sale of government bonds and treasury bills (issued before 01.01.2006) are not subject to withholding tax. They are declared both by resident and non-resident individuals if the amount together with other capital gains exceeds TL 17,900 for 2009. TL 17,900 of total capital gains is exempt from income tax. Inflation adjustment is applicable in the determination of taxable income.

4. Taxation of employer-provided stock options.

No specific rules in Turkey govern the tax treatment of employer-provided stock options. Under the general tax provisions, options are taxable as employment income at the time of exercise (please note that the taxation time may be different depending on the each stock option plan). In addition, under certain circumstances, stock options are subject to stamp tax at a rate of 0.6% and may be subject to social security contributions (see Section D, Social Security).
5. Deductions.

Individuals who render independent professional services or those who are carrying out commercial activities may deduct from taxable income ordinary business related expenses, including salaries, rental payments, fees and the cost of utilities. Depreciation on fixed assets is also allowed. Penalties shall not be deductible.

The employee parts of social security contributions and unemployment insurance premiums shall be deductible from gross employment income in determination of the income tax base.

The premiums paid by the employee for himself, his/her spouse or children related to the personal insurance policies covering life, death, accident, illness, disablement, unemployment, maternity, birth and education, as well as the contributions paid to the Individual Retirement System can be considered as deduction in determination of income tax base. However, the following conditions should be fulfilled in order to apply deduction:

- The insurance policy and the retirement contract should be concluded with an insurance company which is situated in Turkey and whose headquarters is in Turkey,
- The amount of the monthly premium, membership fee or contributions that are paid to Individual Retirement System, should not exceed 10% of the salary earned on that month (The premiums paid for the personal insurance policies other than Individual Retirement System should not exceed 5% of the wage earned on the month when the premium was paid). The annual totals of the monthly premiums, membership fees and contributions paid, should also not exceed the annual total amount of the legal minimum wage.

Lightening, heating, water, elevator, administration, insurance, interest, tax, depreciation and maintenance expenses paid by the individual who gains rental income can be deducted from taxable rental income.

The taxation of various types of income is described above. For a table outlining the taxability of income items, see Appendix 1. For a sample individual income tax calculation, see Appendix 2.

6. Tax credits on salary/wage.

“The Minimum Living Allowance” can be deducted from the tax on employment income. The minimum living allowance applicable for each month of employment may not exceed 50% of the monthly gross amount of legal minimum wage that is effective at the beginning of the calendar year (TL 666.00 for 2009) in which the wage is earned (the upper level percentage is 10% for a spouse who is unemployed and does not earn income; 7.5% for the first two children and 5% for other children.

The tax credit is calculated by multiplying the total minimum allowance amount by 15%. However, the credit can not exceed the total tax calculated on the employment income and no refund is granted in the event of an excess amount.

Minimum Living Allowance is not applicable for non-resident individuals who derive employment income in Turkey.
Please find below sample minimum living allowance calculations for different assumptions.

<table>
<thead>
<tr>
<th>Assumption</th>
<th>Calculation of monthly amount to be deducted</th>
<th>Amount (TL)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Employee</td>
<td>666.00 x 50% x1 5%</td>
<td>49.95</td>
</tr>
<tr>
<td>Married with a non-working wife</td>
<td>666.00 x (50%+10%) x 15%</td>
<td>59.94</td>
</tr>
<tr>
<td>Married with a non-working wife + 2 children</td>
<td>666.00x (50%+10%+7,5%+7,5%) x 15%</td>
<td>74.93</td>
</tr>
<tr>
<td>Married with a non-working wife + 3 children</td>
<td>666.00 x (50%+10%+7,5%+7,5%+5%) x 15%</td>
<td>79.92</td>
</tr>
<tr>
<td>Married with a working wife + 1 children</td>
<td>666.00 x (50%+7,5%) x 15%</td>
<td>57.44</td>
</tr>
<tr>
<td>Married with a working wife + 4 children</td>
<td>666.00 x (50%+7,5%+7,5%+5% +5%) x 15%</td>
<td>74.93</td>
</tr>
</tbody>
</table>

7. Relief for Losses

Self-employed individuals engaged in a business or individuals who carry out commercial activities may carry forward tax losses for five years. No loss carry backs are allowed.

B. Filing and payment procedures

Employers must withhold income tax from salaries and wages paid to employees. All kind of WHT shall be declared monthly on 23\textsuperscript{rd} day and paid on 26\textsuperscript{th} day of the following month of payment (in cash or accrual).

A taxpayer who derives commercial or self-employment income must file and pay advance income tax quarterly. The advance tax amount equals 15% of net income. The advance payments shall be made until the 17th day of the following second month of the quarterly tax period. Advance tax amounts paid are deducted from the final income tax amount to be declared via annual income tax return.

Annual income tax returns shall be submitted to tax authorities between 1-25 March of the following year and payment shall be made in 2 equal installments on March and July.

Tax resident individuals have the tax credit opportunity. The taxes paid abroad for the income derived outside Turkey and subject to taxation in Turkey can be deducted from the tax payable in Turkey. There is no foreign tax credit application for limited taxpayers (non-residents) since tax deduction is only applicable for full tax liables.

The tax amount to be applied as foreign tax credit for the full tax liable persons is limited with tax amount to be paid in Turkey for the same income amount. In other words, if the tax rate applied in other country is greater than the tax rate applicable in Turkey then difference cannot be considered as foreign tax credit. The portion of the income tax corresponding to the earnings acquired in foreign countries shall be calculated on the basis of their ratio to income.
In order for the tax deduction specified above to be made it is essential that:

1. The taxes paid in the foreign country shall be a personal tax levied on the basis of income.

2. The payment of the tax in a foreign country shall be substantiated with documents obtained from competent authorities and attested to by the local Turkish Embassy or Consulate, or if these are lacking, by similar representatives of Turkey in that country.

Nonresidents are generally not required to file income tax returns if they have only earnings subject to WHT. Withholding is final taxation. Nonresident individuals or Turkish citizens who reside in Turkey with the intention of staying or expatriates who derive incomes not subject to WHT must file annual income tax returns for other sources of earnings, including commercial income.

When non-resident individuals leave Turkey, they must file an “occasional” tax return 15 days before their departure.

Non-resident individuals, who are not obliged to file annual income tax return, have to file a special tax return for their certain gains listed in Income Tax Code. The special tax returns are declared within 15 days following the gains acquired. For the gains related with self-employment earnings of the limited taxpayers, the special tax return is declared within 15 days following the activities ended.

C. Tax relief on foreign income

A credit is available for foreign taxes paid up to the amount of Turkish tax applicable on the underlying foreign-source income.

D. Social security

Turkish Social Security System was previously based on three institutions each regulated by its own law. These institutions were the Social Security Institution (for private sector employees), the Pension Fund (for public sector employees) and the Bag-Kur (for self employed people). Effective from 01.10.2008, a new Code named as Social Security and General Health Insurance Law No.5510 has been entered into force and it has unified the previous 3 social security legislations.

All employees of Turkish private entities are subject to a national social insurance system that covers work-related accidents and illness, general social security and disability and death. It also provides retirement benefits. Employers and employees pay monthly contributions at varying percentages calculated on gross salary up to a ceiling amount stated in the Social Security Law. The upper limit of 2009 for monthly salary subject to social security contributions is TL 4,329.00 and the lower limit is TL 666.00 (note that the figures are valid between 01.01.2009-30.06.2009. Employees pay contributions at a rate of 14%; their employers pay at a rate changing between 19.5% and 25% according to the class risk of the business. 5% of the employer share can be reimbursed by the Treasury if certain conditions are fulfilled by the employer. The rate of unemployment insurance premium is 1% for employees and 2% for the employers.
Employees who are subject to social security contributions in their home country may not be subject to social security contributions in Turkey if they prove their social security status by submitting legal documents obtained from the relevant foreign social security institution.

To provide relief from double social security premiums and to assure benefit coverage, Turkey has entered into totalization (bilateral) agreements, which usually apply for a maximum of two years, with the following countries:

<table>
<thead>
<tr>
<th>Albania</th>
<th>Denmark</th>
<th>Northern Cyprus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>France</td>
<td>Norway</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>Georgia</td>
<td>Quebec</td>
</tr>
<tr>
<td>Belgium</td>
<td>Germany</td>
<td>Romania</td>
</tr>
<tr>
<td>Bosnia-Herzegovina</td>
<td>Libya</td>
<td>Sweden</td>
</tr>
<tr>
<td>Canada</td>
<td>Luxembourg</td>
<td>Switzerland</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>Netherlands</td>
<td>United Kingdom</td>
</tr>
</tbody>
</table>

Turkey, on the other hand is one of the parties of European Social Security Agreement. Article 15-1/a of the Agreement contains the following provision: Workers employed by a corporation which has a normal employer in one of the contracting states, who are sent to another contracting state for a specific piece of work for the corporation, are subject to the legislation of the state where they were originally employed, provided that the estimated period of employment in that state does not exceed 12 months and that such workers are not sent to replace workers whose periods of employment have ended.

In cases where the work takes longer than 12 months for unforeseen reasons, the employment law of the country of origin will continue to apply until the end of the work, subject to the agreement of the authorities in the country where the work is being carried out.
II. Corporate taxation
A. Corporate income tax

Companies whose legal or business headquarters (as stated in their articles of association) are located in Turkey or whose business activities are intensified and managed in Turkey are subject to corporate tax on their worldwide income. In Turkish tax legislation, they are defined as full liability taxpayers; also known as resident companies.

Taxable income of limited liability taxpayers (nonresident companies or taxpayers other than full liability taxpayers) is comprised of the following:

- Professional fees obtained in Turkey;
- Profits from commercial, agricultural and industrial enterprises in Turkey (if they have an establishment or a permanent representative in Turkey);
- Income arising from leasing of movable and immovable property and intangible rights in Turkey;
- Income obtained in Turkey from various types of securities; and
- Other income and revenues obtained in Turkey.

1. Tax rates.

In principle, corporate income is subject to corporate tax at 20% and all income types listed in the “Individual Taxation” section are considered as corporate income if it is derived by a company.

On the other hand, certain corporate income and gains (both for resident and non-resident) are subject to withholding tax (WHT). WHT is imposed and filed by the local company which provides income to other resident or non-resident companies. In the presence of Double Tax Treaty (DTT) it might be possible to reduce the applicable tax rates or eliminate the taxation in Turkey for the income and earnings derived by non-resident companies. Please see Appendix 3 for the list of countries with which Turkey has concluded DTT.

The main corporate income and gains subject to WHT and relevant local WHT rates are summarized in the table below:
<table>
<thead>
<tr>
<th>Individual income subject to WHT</th>
<th>Resident</th>
<th>Non-resident</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income from professional services</td>
<td>20 %</td>
<td></td>
</tr>
<tr>
<td>Progress billings on long-term constructions</td>
<td>3 %</td>
<td>3 %</td>
</tr>
<tr>
<td>Income from sales of rights, other intangible assets</td>
<td>20 %</td>
<td></td>
</tr>
<tr>
<td>Rental income (both tangibles and intangibles)</td>
<td>20 %</td>
<td></td>
</tr>
<tr>
<td>Royalties, Know-how, etc.</td>
<td>20 %</td>
<td></td>
</tr>
<tr>
<td>Dividend income</td>
<td>(d) 15 %</td>
<td></td>
</tr>
<tr>
<td>Branch remittance</td>
<td>15 %</td>
<td></td>
</tr>
<tr>
<td>Time deposit interest and REPO gains</td>
<td>15 %</td>
<td>15 %</td>
</tr>
<tr>
<td>Interest income from state and treasury bonds</td>
<td>(a) 10 %</td>
<td>0 %</td>
</tr>
<tr>
<td>Capital gains from sale of state and treasury bonds</td>
<td>(a) 10 %</td>
<td>0 %</td>
</tr>
<tr>
<td>Capital gains from sale of shares traded at Istanbul Stock Exchange (ISE) and held less than 1 year.</td>
<td>(b1) 0 %</td>
<td>(b2) 0 %</td>
</tr>
<tr>
<td>Income from funds</td>
<td>(c) 10 %</td>
<td>0 %</td>
</tr>
<tr>
<td>Income from financial leasing</td>
<td>(g) 1 %</td>
<td></td>
</tr>
<tr>
<td>All kinds of income provided to companies which are resident in low tax jurisdictions</td>
<td>(e) 30 %</td>
<td></td>
</tr>
<tr>
<td>Interest income over receivables</td>
<td>(f) 10 %</td>
<td></td>
</tr>
<tr>
<td>Income from petroleum exploration activities</td>
<td>5 %</td>
<td></td>
</tr>
</tbody>
</table>

(a) The WHT is applied as 0% for those that were issued before 01.01.2006. The income is subject to corporate tax by 20% together with the other corporate income. The WHT is offset from payable corporate tax or refundable in case there is not any taxable profit.

(b1) Capital gains derived by sale of shares (i) acquired before 01.01.2006 or (ii) traded at ISE and held more than 1 year or (iii) sold without stock broker are not subject to WHT. It is normally included within taxable profit and subject to 20% corporate tax. However, 75% of which may qualify for tax exemption as explained in section “4. Capital Gain”.

(b2) Capital gains derived by sale of shares acquired before 01.01.2006 are subject to 20% corporate tax. The residual amount after corporate tax is subject to 15% WHT. Thus the total tax burden is 32% in Turkey. Corporate tax and WHT filing is fulfilled by non-resident corporation by itself or by its representatives.

Capital gains derived by sale of shares acquired after 01.01.2006 and traded at ISE and held more than 1 year are not subject to WHT. Capital gains derived by sale of shares acquired after 01.01.2006 and traded at ISE and held less than 1 year are subject to 0% WHT. No corporate tax filing is required for these gains. Capital gains derived by sale of those which are not traded at ISE are subject to 20% corporate tax. The residual amount after corporate tax is subject to 15% WHT. Corporate tax and WHT filing is fulfilled by non-resident corporation by itself or by its representatives.

(c) The WHT is applied as 0% for the investment funds formed by the shares at least 51% of which is registered at Istanbul Stock Exchange and held more than 1 year.

(d) Conversion of profits into capital is not regarded as dividend distribution and is not subject to dividend WHT.

(e) Please see detailed explanation at Section C.5. Anti-avoidance Measures.

(f) The WHT is applied as 0% for interests charged by banks. The principal of loans that are in foreign currency and that are remitted to Turkish residents (excluding banks and other financial institutions) by foreign financial institutions and that have an average maturity of less than one year are subject to a 3% contribution to the Resource Utilization Support Fund (RUSF).

(g) For the application of 1% WHT, the operation should be within the scope of Financial Leasing Act # 3226.
2. Participation exemption

(a) Dividend income derived from Turkish (resident) participations. Turkish tax legislation provides participation exemption for dividends derived by companies from Turkish (resident) participations. Dividends qualifying for the participation exemption are fully exempt from corporate tax.

(b) Dividend income derived from foreign (non-resident) participations. Turkish tax legislation also provides participation exemption for dividends derived by Turkish companies from foreign participations. Dividends qualifying for the participation exemption are fully exempt from corporate tax.

To qualify for the participation exemption for dividends derived from foreign participations, all of the following conditions must be satisfied:

- Turkish company must have owned at least 10% of the shares of the foreign company for an uninterrupted period of at least one year as of the date of receiving the dividend;
- The foreign company must be in the nature of a limited or joint stock company; and
- The foreign company must be subject to corporate tax at an effective rate of at least 15% (for corporations whose principal activities is the procurement of finance and insurance, the rate must be at least the rate of corporation tax in Turkey, which is 20%).
- Participation income must be transferred to Turkey by the due date of filing of the annual corporate tax return (25th of April for the taxpayers with normal fiscal period).

The effective corporate tax is determined in accordance with the following formula:

\[
\text{Effective corporate tax rate} = \frac{\text{corporate tax}}{(\text{distributable corporate income} + \text{corporate tax})}
\]

The participation exemption also applies to income derived from permanent establishments (PEs) and permanent representative resident abroad if the following conditions are met:

- The PE or permanent representative is subject to corporate tax at an effective rate of at least 15% in the country where the PE or permanent representative is located (for PEs whose principal activities are the procurement of finance (including financial leasing) or investment in marketable securities and insurance, the rate must be at least the rate of corporation tax in Turkey, which is 20%); and
- Income derived from foreign PEs must be transferred to Turkey by the due date of filing of the annual corporate tax return (25 April).

Special participation exemption rules apply to companies established in foreign countries and whose principal purpose is undertaking, construction, repair, assembly and technical services. If, under the laws of a foreign country, the establishment of a corporation is necessary to undertake these activities, dividends repatriated by the foreign subsidiary to the Turkish parent company qualify for the participation exemption, regardless of
whether the conditions described above for the participation exemption are satisfied.

A participation exemption also applies to capital gains under certain conditions. For details, see Section “B. Determination of Trading Income”.

3. Turkish international holding companies

Turkish Tax Legislation provides a special regime for Turkish international holding companies with respect to their foreign participations.

Turkish international holding companies may benefit from the participation exemption with respect to dividends derived from foreign participations if they satisfy the conditions applicable to other entities (see Participation Exemption above).

They may also benefit from the participation exemption with respect to capital gains, derived from their foreign participations. In order to qualify for this exemption, the foreign participations of the holding company with a minimum 10% capital participation to foreign limited or joint stock companies, must constitute at least 75% of the non-cash assets of the international holding company at least uninterrupted 1 year period as the date of which the capital gains derived and the capital gains must be derived from the participation shares that held for at least two years.

Additionally, dividends distributed by Turkish international holding companies to nonresident companies out of profits derived from their foreign participations, are subject to one-half of the general 15% WHT rate on dividends. Therefore, the dividend WHT rate can be applied as 7.5%.

4. Capital gains

Capital gains derived by all companies, including branches of foreign companies, are included in ordinary income and are subject to corporate tax. Capital gains are generally computed by subtracting the cost of the asset, including the related expenses paid by the seller, from the selling price.

Capital gains derived from sales of depreciable fixed assets are not taxable to the extent the gains are reinvested in new fixed assets. However, the amount of gains used to acquire new assets is subtracted from the depreciable cost of the new asset. Capital gains that will be used for reinvestment are transferred to a special reserve account. If the special reserve is not used to finance the purchase of similar new assets in the following three years, the balance in the reserve is included in taxable income.

Capital gains derived from sales of resident companies' shares by nonresident companies are subject to corporate tax if these gains are derived in Turkey (in order to regard a capital gain arising from sale of shares by a non-resident corporation as derived in Turkey; the buyer should be located in Turkey or the sale should have been realized in Turkey by some other measures). In computing these gains, changes in exchange rates are not taken into account.

75% of capital gains derived by resident and non-resident companies from disposals of shares owned for at least two years qualify for corporate tax
exemption on the condition that the capital gain is reserved in equity as a special fund and is not distributed for five years.

5. Administration

Companies file tax returns based on their financial accounting year.

Tax returns must be submitted to relevant tax office by the 25th day of the 4th month after the end of the accounting period. The return must be accompanied by the balance sheet, income statement and other required documents.

Corporation tax due must be paid by the end of the fourth month following the end of the accounting period.

Companies must make quarterly payments of advance corporation tax during the tax year. The advance corporate tax rate is 20%. The advance taxes may be offset against the tax shown on the annual corporate tax return.

If advance corporation tax exceeds the final tax payable, the excess can be deducted from the company's other tax liabilities or it can be refunded.

6. Dividends

Dividends received from foreign companies are included in taxable income. However, certain dividends received from foreign companies may qualify for exemption from corporation tax under the participation exemption or the international holding regime (see Dividends and Turkish International Holding Regime above).

15% WHT is imposed on dividends paid by resident corporations to the following recipients: resident individuals; resident recipients who are not subject to corporation tax and income tax, or are exempt from such taxes; nonresident individuals; nonresident corporations (excluding those receiving dividends through a PE or permanent representative in Turkey); and nonresident recipients who are exempt from corporation tax and income tax.

A branch remittance tax is imposed at a rate of 15% on profits remitted by nonresident corporations that have a PE or permanent representative in Turkey to their headquarters.

7. Foreign tax relief

The corporate tax and similar taxes that are paid at abroad from the earnings that have been acquired thereat, and which are transferred to the final general accounts in Turkey can be deducted from the corporation tax that is assessed for such earnings in Turkey.

In the cases where CFC rules are applied, the taxes that are similar to income and corporation taxes, which the affiliate at abroad has paid, can be set off against the corporation tax that shall be calculated on the basis of the earnings of the foreign company, which would be taxed in Turkey.

Resident companies that have a direct or indirect participation in shares or voting rights of at least 25% in foreign subsidiaries can claim a tax credit
for the corporate or income tax paid by foreign subsidiaries in their jurisdictions on profits out of which dividend distributions were paid to the resident companies. The credit is limited to the tax in Turkey that is attributable to the dividend distributions. As a result, the credit applies only to dividends that do not qualify for the participation exemption.

The foreign tax amounts paid for the earnings acquired in foreign countries and to be offset against the taxes calculated in Turkey cannot, under any circumstances, exceed the tax amount that would be calculated by applying the local corporate tax rate (20%) for these earnings.

Foreign tax that cannot be offset against the corporate tax in Turkey because of insufficient corporate income may be carried forward for a period of three years. The tax credit can also be offset against provisional tax payments.
B. Determination of trading income

1. General

The corporate tax base is determined by deducting expenses from the revenue of an enterprise. However, the following items are not subject to corporation tax:

- Revenue derived by corporations, including nonresident companies, from participations in the capital of other corporations that are subject to full corporate taxation, excluding shares of profits from participation certificates of investment funds and stocks in investment partnerships;
- Proceeds derived by corporations from the sale of their preferred shares, and profits derived by joint stock companies from the sale of their shares at the time of the establishment of the company and from the sale of their shares at a price exceeding the par value of the shares when they are increasing their capital; and
- 75% of profits derived from disposals of shares, preferred shares, preemptive rights, bonus shares or real estate owned for at least two years if the profit is placed in a reserve account and not distributed for five years.

Corporation tax exemptions are available under the participation exemption and the international holding regime (see Section A). In addition, the following corporate tax exemptions apply to Turkish and foreign investment funds and companies:

- Profits derived by mutual funds (excluding foreign-exchange funds) and trusts from transactions involving their operating portfolio. Profits derived from such instruments by nonresidents are no longer subject to WHT.
- Profits derived by risk capital investment funds or companies from transactions involving their operating portfolio.
- Profits derived by real estate investment funds or companies from transactions involving their operating portfolio.
- Profits derived by designated private pension investment funds.

All business-related expenses are deductible, with the following exceptions:

- Interest on shareholder's equity or on advances from shareholders.
- Reserves set aside from profits (except technical reserves of insurance companies and doubtful debts from debtors against whom legal proceedings have been instituted).
- Corporation tax and all monetary and tax penalties and interest imposed on taxes.
- Discounts or other losses arising from selling the corporation's own securities for less than par value.
- For nonresident companies, commissions, interest and other charges paid to headquarters or other offices outside Turkey on purchases or sales made on their behalf, as well as allocated charges to contribute to losses or expenses of headquarters or branches outside Turkey. However, charges
are deductible if they are made in accordance with allocations keys that are in compliance with arm's length principle and if they are related to the generation and maintenance of business income in Turkey.

- Interest, foreign-exchange differences or comparable expenses that are calculated or paid on disguised capital (see Debt-to-Equity Rules in Section C).
- Disguised profit distribution through improper transfer pricing.


Tax-deductible provisions include provisions for bad debts and for insurance technical reserves.

3. Tax depreciation

The assets used in a company for more than one year and also subject to wear and tear, are subject to depreciation.

Effective from 1 January 2004, the useful life principle was introduced with respect to the depreciation of fixed assets. The Ministry of Finance has issued a Communiqué, which sets forth the useful lives for different types of fixed assets. The following are examples of the useful lives for various fixed assets.

<table>
<thead>
<tr>
<th>Asset</th>
<th>Useful Life (Years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>50</td>
</tr>
<tr>
<td>Office furniture, office equipment and automobiles</td>
<td>5</td>
</tr>
<tr>
<td>Computers</td>
<td>4</td>
</tr>
<tr>
<td>Computer software and cellular phones</td>
<td>3</td>
</tr>
</tbody>
</table>

The taxpayers may select the straight-line method or the declining-balance method to calculate depreciation. A company may shift from the declining-balance method to the straight-line method (but the reverse is not permitted) at any time during the useful life of a fixed asset. A company may use different depreciation methods for each asset by considering the integrity of the fixed asset.

Fixed assets can be depreciated starting from their capitalization year. Date of capitalization of fixed asset is not important and even if a fixed asset is capitalized in December, it shall be depreciated on annual basis. The only exception to this general rule is for the passenger cars, whose depreciation shall be started from the month in which they are purchased.

For example, if a passenger car that was purchased for TL 1,000 is depreciated using a straight-line depreciation rate of 20%, the regular depreciation for a full year is TL 200. Under the applicable rules, if such an automobile is acquired in November, tax-deductible depreciation for the year of acquisition is calculated as follows:

\[
\frac{2 \text{ months}}{12 \text{ months}} \times \text{TL 200} = \text{TL 33.33}
\]

The balance of the regular depreciation for the year of acquisition is deductible in the last year of depreciation of the asset, together with the regular depreciation for the last year.
4. Investment allowance

Effective from 1 January 2006, the investment allowance application was abolished. 2008 was the last year for the rightful taxpayers to use the investment allowances. Companies that elect to benefit from the investment allowance are taxed at a rate of 30% instead of the normal corporate income tax rate of 20%.

5. Research and development (R&D) expenditures

100% of R&D expenditures might be deducted from tax base provided that certain conditions are fulfilled. This is an incentive mechanism in addition to ordinary expense recognition of R&D expenditures. The expenses which are included under the scope of the expenditure items are stated below.

- Raw Materials and Supplies Expenses
- Personnel Expenses
- General Expenses
- Benefits and Services Provided from Outsource
- Tax, Duty and Fees
- Depreciation and Depletion
- Financial Expenses

Companies which have not been able to deduct R&D expenditures due to insufficient taxable income may deduct the unused amount in the following years.

Please see other R&D related incentives in Section C.7.

6. Relief for losses

In general, losses may be carried forward for five years. Losses cannot be carried back. An order of priority applies for the use of losses and exemptions to offset against taxable income for the year. Past years' losses can be offset after deducting the exemptions that are applied even if there is loss. Then the other exemptions (which are applicable in case of profit existence) will be applied (i.e. investment allowance, tax deductible donations).

Resident companies may deduct the losses incurred in business activities performed abroad if the foreign losses are approved by auditors authorized under the laws of the relevant jurisdiction. Foreign losses may not be deducted if income arising from the foreign activity would have been exempt from corporation tax in Turkey.
C. Miscellaneous Matters

1. Foreign-exchange controls

Turkey has a liberal foreign-exchange regime, which allows local foreign-exchange accounts.

Law No. 4875 guarantees the remittance of profits. The company's bank may transfer profits, provided the company subsequently submits to the bank its approved tax statement and its tax accrual and payment slips. This law also guarantees the remittance of the proceeds from the liquidation of an investment.

Fees and royalties from management agreements, technical services agreements and license contracts may be remitted abroad, and applicable WHT must be deducted.

Foreign investment partnerships and funds may invest in Turkish securities and freely remit dividends, interest, profits and capital.

Recently, Turkish resident companies are allowed to procure loan to its related parties which reside abroad.

2. Transfer pricing

New transfer-pricing rules have been put into effect since 1 January 2007. Under the new rules, the traditional transfer-pricing methods recommended in the Organization for Economic Cooperation and Development (OECD) model transfer-pricing guidelines are utilized. The traditional methods mentioned in the guidelines are as follows:

- Comparable uncontrolled price method;
- Cost-plus method;
- Resale price method.

However, taxpayers may select other transfer-pricing methods if they can establish that the traditional methods are not suitable for their transactions. It is also possible to enter into advance-pricing agreements with the tax authorities.

The new transfer-pricing rules apply to both domestic and foreign related party transactions. Commercial transactions conducted by persons resident in low-tax jurisdictions (tax havens) are considered as related-party transactions.

With the new transfer pricing regulations, the burden of proof has been imposed on the tax-payer.

The Ministry of Finance has issued two Communiqués and a Circular clarifying the transfer pricing rules, the concept of related party, the pricing methods and the documentation requirements. Through the new regulation, taxpayers are obliged to prepare transfer pricing form and/or transfer pricing report and to keep some documentation.
3. Debt-to-equity rules (thin capitalization)

Under the new thin-capitalization rules, a “related party” is a person holding, directly or indirectly, at least 10% of the shares or voting rights of the other party.

Borrowings from related parties that exceed a debt-to-equity ratio of 3:1 are considered to be disguised capital. For borrowings from related parties that are banks or financial institutions, half of the borrowings are taken into consideration in the calculation of the disguised capital. Total borrowings from all related parties are treated collectively.

The equity at the beginning of the taxpayer's fiscal year applies for thin-capitalization purposes. Interest paid or accounted for and foreign-exchange differences related to disguised capital are regarded as nondeductible expenses in determining the corporate tax base. Interest related to disguised capital is also treated as dividend distributed and is subject to dividend distribution withholding tax.

4. Controlled foreign companies (CFCs)

The CFC rules are applied if resident individuals and corporate taxpayers jointly or severally have a direct or indirect participation of 50% or more in the shares, dividend rights or voting rights in a foreign company that meets all of the following conditions:

- Twenty-five percent or more of the foreign company's gross income is of a passive nature (portfolio investment income). If the business activities of the company are not commensurate with the capital, organization or the work force of the company, income derived from commercial, agricultural or independent personal services may be regarded to be of a passive nature.
- The foreign company is subject to effective corporate taxation at a rate of less than 10%.
- The gross revenue of the foreign company exceeds TL 100,000 (approximately US$ 65,000).

If the foreign company falls within the scope of the Turkish CFC measures, Turkish resident taxpayers declare corporate income of the foreign company attributable to them. In the event of a dividend distribution by the foreign company, the recipient of the dividend is taxed only to the extent that the amount has not been taxed in accordance with the CFC rules.

5. Anti-avoidance Measures

Under a new measure, Turkish resident taxpayers are subject to a 30% WHT on all payments made in cash or on account that relate to transactions with companies resident in countries that the Council of Ministers considers to be in harmful tax competition (The Council of Ministers has not specified these countries yet.). The principal, interest or profit contributions corresponding to the debts to financial institutions established outside Turkey and payments to insurance and reinsurance companies established outside Turkey are not subject to 30% WHT. The Council of Ministers has
the authority to reduce the WHT rate to 0% for transactions that are considered to be performed at arm's length.

The payments taxed in accordance with the rules described in the preceding paragraph are not subject to further corporate tax or income tax.

6. Mergers and acquisitions

Mergers, acquisitions and spin-offs may be tax-free if the transaction involves two resident companies and if the assets are transferred at book value.

7. Other incentives on R&D activities

In order to support R&D activities TUBITAK (Turkish Scientific and Technological Research Institution) may provide monetary aid to companies with respect to their R&D activities in certain conditions.

Effective from 1 April 2008, a new law which is regulating R&D was enacted. By this Law, 5 different aids and incentives such as:

- R&D deduction,
- Employment income (wage) WHT exemption;
- Social security insurance premium aid,
- Stamp duty exemption and
- Techno-enterprise capital aid shall be provided.

The R&D incentives and aids are applicable to

- Technology centers,
- R&D centers,
- R&D innovation projects supported by public enterprises and corporations or by foundations established by law or by international funds or carried out by TUBITAK,
- Pre-competition cooperation projects and in establishments which benefit from the techno-enterprise capital aid.
III. Other taxes
III.i. Taxes on expenditure

A. Value Added Tax (VAT)

1. General

All deliveries of goods and services that take place in Turkey in the context of commercial, industrial, agricultural and professional activities are subject to VAT. Goods and services imported are also subject to VAT.

The person liable for the payment of VAT is the one who delivers and imports the goods or services.

The input VAT that a taxpayer pays for goods and services purchased can be offset against (deducted from) output VAT calculated on deliveries of goods and services. In case the amount of output VAT on sales is greater than the input VAT, the positive difference becomes payable. In case the amount of output VAT is less than the input VAT, the difference can be carried forward and can be offset against oncoming output VATs.

In certain conditions (i.e. if the VAT carried forward is sourced by VAT exempt deliveries), the VAT carried forward might be offset against other tax liabilities or it might be refunded as cash.

VAT is reported and paid monthly. Each month's VAT return must be submitted to the tax office between 1 and 24 of the following month. If the return shows a VAT payable balance, it must be paid till the evening of 26th day of the month that the return is filed.

2. VAT rates

General VAT rate in Turkey is 18%. However, reduced rates are applied for a number of deliveries of goods and services some examples of which are presented below.

<table>
<thead>
<tr>
<th>Goods and Services</th>
<th>VAT Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deliveries of newspapers and magazines</td>
<td>1%</td>
</tr>
<tr>
<td>Processing and deliveries of agricultural commodities</td>
<td>1%</td>
</tr>
<tr>
<td>Basic foods</td>
<td>1% - 8%</td>
</tr>
<tr>
<td>Houses (up to net 150 m2)</td>
<td>1%</td>
</tr>
<tr>
<td>Deliveries of books and similar publications</td>
<td>8%</td>
</tr>
<tr>
<td>Cinema, theater, opera, etc.</td>
<td>8%</td>
</tr>
<tr>
<td>Medical products and devices, etc.</td>
<td>8%</td>
</tr>
<tr>
<td>Cotton and certain textile products</td>
<td>8%</td>
</tr>
<tr>
<td>Shoes, cases, bags, carpets, leather dressings</td>
<td>8%</td>
</tr>
</tbody>
</table>
3. Exemptions

Some deliveries which qualify VAT exemption in certain conditions are listed below:

- Goods and service exports
- Certain imported goods
- Goods purchased by tourists
- Marine, air and rail conveyance deliveries and services rendered for their maintenance and repair.
- Services rendered at marines and airports for marine and air conveyances.
- Goods and services purchased by those engaged in petroleum, gold, silver or platinum exploration.
- Deliveries of machinery and equipment within the scope of the investment incentive certificates which grant VAT exemption.
- Services and deliveries provided by parties in connection with construction, renovation and expansion of the seaports and airports
- International transportation services
- Deliveries made and services provided to diplomatic representatives and consulates of foreign countries in Turkey as well as to their members who possess diplomatic rights on condition of reciprocity.
- Deliveries made and services provided to international organizations and their personnel that have been granted a tax exemption based on international agreements.
- Deliveries of shares and immovable properties which are acquired during at least 2 years
- Banking and insurance transactions
- Certain deliveries realized for cultural, educational and social purposes
- Deliveries made and services provided by military factories and shipyards that are in accordance with the purposes for which they were established,
- Merger and spin-off transactions
- Deliveries of gold, silver, precious metals, foreign exchange, cash, stamps, stocks, bonds and scraps
- Services rendered in the free zones,
- Transmission of crude oil, oil, and oil-based products through pipelines,
- Deliveries of land and places of business by economic enterprises which were set up for the purpose of the establishment of organized industrial zones and minor industrial sites and deliveries of housing units to the members of housing cooperatives.
4. VAT assessment base

The basis for the VAT assessment is the amount incurred for the goods and services received. In this case, "the amount incurred" is defined as amount on goods received as well as any benefits, services, etc. that are capable of being represented in terms of money. The VAT assessment base also includes various types of charges such as credit charges, interest charges, and premiums, shipping, loading, unloading, and similar charges made by the seller for delivery to a point specified by the recipient; packing charges, insurance, commission fees and similar outlays. On the other hand, discounts shown on invoices are not subject to VAT.

In the case of transactions where the price is not determined and where the price is obviously too low compared with comparable prices and/or charges, the comparable prices are taken as the VAT assessment base.

5. Non-deductible VAT

Input VAT on certain tax-exempt goods and services; VAT on goods that have been lost (excluding by earthquake or flood); VAT paid on passenger vehicles (except by those who are engaged in the business of renting/operating passenger vehicles and acquire them for that purpose); and VAT paid for not deductible expenses for income and corporation tax purposes are not allowed to be offset against (deducted from) output VAT.

In order for VAT to be deductible at all, it must be separately itemized on an invoice or a similar document. Another requirement is that such documents must be recorded in the legal books of account.

When determining the basis for the corporation or income tax assessment, the amounts of VAT cannot be normally taken into consideration as expenditure items. In the case of VAT paid on automobile purchases, there is an option of declaring it as an expense or including in cost of acquisition.

6. Reverse charge VAT

In order to secure VAT receivable in certain occasions the companies which purchase goods and services are held responsible for the filing of VAT on behalf of goods and service provider. Reverse charge VAT is filed separately by the company which purchases such goods and services and treated as input VAT in the same month.

The services provided by foreign companies in Turkey (or benefited in Turkey) are subject to reverse charge VAT.
B. Banking and insurance transaction tax (BITT)

BITT is imposed on the gross income of banking and insurance companies with respect to all types of transactions, except for financial leasing transactions. The taxpayers of BITT are banking and insurance companies and the tax is usually reflected to customers for their transactions. General BITT rate is 5%. The tax rates for specific transactions are stated below:

<table>
<thead>
<tr>
<th>Transaction Description</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interbank deposit transactions</td>
<td>1%</td>
</tr>
<tr>
<td>Repo gains</td>
<td>1%</td>
</tr>
<tr>
<td>Sale of government bonds and treasury bills</td>
<td>1%</td>
</tr>
<tr>
<td>Interbank cambio transactions</td>
<td>0%</td>
</tr>
<tr>
<td>Other cambio transactions</td>
<td>0%</td>
</tr>
<tr>
<td>Other collections (i.e. commission, interest, premium)</td>
<td>5%</td>
</tr>
</tbody>
</table>

BITT is declared and paid monthly. A return has to be filed and the tax has to be paid by the 15th day of the month that follows the month of the transactions.

C. Special consumption tax (SCT)

SCT is levied on the delivery or on the initial acquisition or on the importation of certain goods specified in 4 different kinds of lists. The contents of the lists, taxable event and the applicable SCT rates/amounts are shown in the table below:

<table>
<thead>
<tr>
<th>List</th>
<th>Content of the list</th>
<th>Taxable Event</th>
<th>Tax Amount / Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>Natural gas, petroleum products, LPG, petrol derivatives, base oil, solvents and derivatives of solvents and similar kinds of goods etc.</td>
<td>Delivery of the goods by their importers and manufacturers (including refineries) or auction sale of the goods before SCT levied on</td>
<td>A fixed amount per measurement unit depending on the kind of goods</td>
</tr>
<tr>
<td>II</td>
<td>Vehicles</td>
<td>First acquisition</td>
<td>A proportional tax variable between 0.5% and 84%</td>
</tr>
<tr>
<td></td>
<td>Subject to registration</td>
<td>Importation or delivery of the goods by the manufacturers or auction sale of the goods before SCT levied on</td>
<td>* Cars 10% to 84% * Buses 1% * Midi/minibuses 4% or 9% * Planes 0.5% * Sailboats 6.7% or 8%</td>
</tr>
<tr>
<td></td>
<td>Not subject to registration</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| III   | Non-alcoholic beverages, alcoholic drinks, cigarettes, tobacco products etc. | Importation or delivery of the goods by the manufacturers or auction sale of the goods before SCT levied on | A proportional tax or minimum fixed amount per measurement unit depending on the kind of goods.  
  - Between 25.0% to 275.6% for beverages  
  - 30% or 58% for tobacco products  |
|       | Luxury goods (personal care products, cosmetics, precious stones, durable goods, electrical house equipments, electronic goods etc.) | Importation or delivery of the goods by the manufacturers or auction sale of the goods before SCT levied on | 6.7% or 20% |
Some deliveries, importations and initial acquisitions qualify SCT exemption in certain conditions specified in the SCT legislation (i.e. export deliveries; import, first acquisition and deliveries of goods specified under List I, II and III to international organizations and their personnel that have been granted tax exemption based on international agreements and to diplomatic representatives and consulates of foreign countries in Turkey as well as to their members who possess diplomatic rights on condition of reciprocity; delivery of goods specified under List I and IV to certain public institutions; first acquisition of vehicles by disables; first acquisition of planes by Turkish Aeronautical Association etc.)

D. Stamp tax

Documents specified by Stamp Tax Code are subject to stamp tax. The term “documents” refers to the documents which are issued by writing on and signing or putting a mark that may substitute for signature and which can be presented to improve or indicate an issue and the documents which are prepared in magnetic environment and as electronic data.

Stamp tax is applied to a wide range of legal documents such as contracts, agreements, letters of undertaking, deeds of settlement, letters of cancellation, letters of guarantee, financial statements, returns and remunerations (payroll).

The taxpayers of the stamp tax are those who sign the documents. The companies who sign the contract are joint liable for the payment of the stamp tax. The taxes for the documents issued abroad or in the foreign embassies and consulates in Turkey are paid by those who present these documents to the official bodies in Turkey, who transfer or endorse them or who benefit from their provisions.

Contracts signed outside Turkey may not be subject to stamp tax. However, such a contract will still be within the scope of stamp tax practice if one of the following conditions is fulfilled.

- Presenting to Turkish authorities (official departments),
- Providing with a formality or endorsement,
- Using (benefiting) in any way in Turkey.

The base of the stamp tax is the amount stated on the document. In case the amount is not clearly stated but if it is possible to calculate the value of the contract from the variables stated in the contract, calculated amount will be taken into consideration.

Stamp tax can either be lump sum or proportional. In other words, there is either a fixed amount of tax to be paid or the amount is computed as a percentage of the value of the transaction evidenced by the document. The tax rates or amounts differ depending upon the nature of the document or the transaction. Amounts set in foreign currencies are converted to Turkish Lira over f/x selling rates determined by Turkish Central Bank.

The general stamp tax rate applicable to the agreements is 0.75 %. On the other hand, the tax rate is 0.15 % for rental agreements and letters of cancellation; 0.75 % for letters of guarantee and deeds of settlement and 0.6% for remunerations (payroll).
If another document is referred on the document whose nature is to be determined, the tax is levied according to the nature with regard to the provisions of the referred document. In this case, the amount to be taken as a basis as determined money, will of course include the money and amounts indicated on the attachments or on the documents referred.

Each original copy of the documents is subject to separate stamp tax. Meanwhile, in the calculation of stamp tax over each document there is a ceiling to be considered which is TL 1,136,904.10 for the year 2009.

Stamp tax can be paid in four ways; by sticking revenue stamp, by putting printed stamp, in respond of receipt and by withholding from the gains.

Stamp tax returns shall be submitted till 23th day of the following month and paid till 26th day of the following month of the month in which the document is signed / issued.

E. Special communication tax

Telecommunication services are generally subject to special communication tax. The taxpayers of this tax are operators who render telecommunication services. This tax is usually borne by customers. Special communication tax rates are as follows.

<table>
<thead>
<tr>
<th>Service</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile telecommunication services</td>
<td>25%</td>
</tr>
<tr>
<td>Services related with the transmission of radio and television broadcasts</td>
<td>15%</td>
</tr>
<tr>
<td>Other telecommunication services</td>
<td>15%</td>
</tr>
</tbody>
</table>

Special communication tax is reported and paid monthly. Each month's return is submitted to the tax office and the tax is paid by the 15th of the following month.

This tax is considered as non-deductible expense for income and corporate tax purposes.

F. Tax on customs

Goods imported from abroad are the subject of the tax. Taxable events are free circulation of goods, registration of customs declaration, and temporary importation in case of partial exemption. Taxpayer is principally person who declares to the customs office. Customs duties are assessed on written declaration by the taxpayer and paid within 10 days dating from communication.
III.ii. Taxes on wealth

A. Inheritance and gift tax

For 2009, beneficiaries and gift recipients are subject to inheritance and gift tax at rates ranging from 1% to 30%. The tax is paid over three years in two equal installments, in May and November. For year 2009 TL 107,604 for inheritance gains and TL 2,481 for gift gains are exempt from tax.

<table>
<thead>
<tr>
<th>Base (TL)</th>
<th>Inheritance Tax Rates</th>
<th>Gift Tax Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 160,000</td>
<td>1 %</td>
<td>10 %</td>
</tr>
<tr>
<td>160,000 - 510,000</td>
<td>3 %</td>
<td>15 %</td>
</tr>
<tr>
<td>510,000 - 1,270,000</td>
<td>5 %</td>
<td>20 %</td>
</tr>
<tr>
<td>1,270,000 - 2,770,000</td>
<td>7 %</td>
<td>25 %</td>
</tr>
<tr>
<td>2,770,000 - excess</td>
<td>10 %</td>
<td>30 %</td>
</tr>
</tbody>
</table>

Turkish citizens are subject to inheritance and gift tax on worldwide assets received. Resident foreigners are subject to inheritance and gift tax on worldwide assets received from Turkish citizens and on assets located in Turkey received from resident foreigners or nonresidents. Nonresident foreigners are subject to inheritance and gift tax on assets located in Turkey only.

B. Motor vehicle tax

The persons (both individuals and corporate) for whose names motor vehicles are registered are entitled to pay motor vehicle tax for each year in two equal installments on January and July. The amount of tax is determined separately for each group of vehicle by taking into consideration the age and engine capacity of the vehicle.

C. Real estate tax

The buildings and lands in Turkey are subject to real estate tax. The tax taxpayer is the owner of the building/land, the owner of any usufruct over the building/land, or if neither of these exist, any person that uses the building/land as its owner. There is a partial exemption of 25 % of the tax value of buildings or apartments used as residences. This partial exemption applies for five years from the year following the year when construction was completed.

The tax base for the building/land tax is the tax value of the building/land. The tax value is the value recorded at the Land Registry. The rate of building tax is generally 0.2% although the rate falls to 0.1% for buildings used as residences. The rate of land tax is 0.1% and parceled land tax is 0.3%. These rates are increased by 100 % within the frontiers of metropolitan municipality and contiguous regions as defined by law.

A declaration is submitted to the municipality where the building or land is located if there is a modification which might lead to a change in tax value. Taxes are paid annually in two equal installments, the first at any time during the period from March through May and the second in November.
III.iii. Other taxes, charges and duties

A. Municipal taxes

Other than the real estate tax, the municipalities can assess different taxes and fees such as:

- Advertisement tax,
- Entertainment tax,
- Communication tax,
- Electricity and gas consumption tax,
- Fire insurance tax,
- Environmental cleaning tax,
- Occupation fee,
- Fee for working license on holidays,
- Spring water fee,
- Brokerage fee,
- Supervision fee for animal butchering,
- Supervision fee for measurement tools,
- Building construction fee,
- Business registration fees, etc.

B. Duties

Duties that might be imposed are listed as follows:

- Judicial duties,
- Notary duties,
- Title duties,
- Consulate duties,
- Passport, residence permit, visas and certification duties,
- Ship and port duties,
- Charter, license and diploma duties,
- Traffic duties
## Appendix 1: Taxability of income items

<table>
<thead>
<tr>
<th>Compensation</th>
<th>Taxable*</th>
<th>Not Taxable</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base salary</td>
<td>X</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Employee contributions to home country benefit plan</td>
<td>X</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Bonus</td>
<td>X</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Retained hypothetical tax</td>
<td>(X)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cost-of-living allowance</td>
<td>X</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Housing allowance</td>
<td>X</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Education reimbursement</td>
<td>X</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Hardship allowance</td>
<td>X</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other allowance</td>
<td>X</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Premium allowance</td>
<td>X</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Home-leave allowance</td>
<td>X</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other compensation income</td>
<td>X</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Moving expense reimbursement</td>
<td>X</td>
<td>-</td>
<td>(a)</td>
</tr>
<tr>
<td>Tax reimbursement (current and/or prior, including interest, if any)</td>
<td>X</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Meals exceeding TL 10.00</td>
<td>X</td>
<td>-</td>
<td>(b)</td>
</tr>
<tr>
<td>Value of lodging provided</td>
<td>X</td>
<td>-</td>
<td>(c)</td>
</tr>
<tr>
<td>Business travels</td>
<td>-</td>
<td>X</td>
<td>-</td>
</tr>
<tr>
<td>Mass transportation from or to work place</td>
<td>-</td>
<td>X</td>
<td>-</td>
</tr>
<tr>
<td>Other Items</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal ordinary income (interest and dividends)</td>
<td>-</td>
<td>X</td>
<td>(d)</td>
</tr>
<tr>
<td>Capital gain from sale of personal residence in home country</td>
<td>-</td>
<td>X</td>
<td>(e)</td>
</tr>
<tr>
<td>Capital gain from sale of personal residence in host country</td>
<td>-</td>
<td>X</td>
<td>(f)</td>
</tr>
<tr>
<td>Capital gain from sale of stock in host country</td>
<td>-</td>
<td>X</td>
<td>(g)</td>
</tr>
</tbody>
</table>

* The bracketed amount reduces taxable income.

(a) Moving expense reimbursements provided to expatriate employees are not taxable if they are proved by authentic documents, such as tickets.

(b) Meals provided to the employees in the business premises and vouchers for daily meal not exceeding TL 10.00 are not subject to tax.

(c) In general, the value of lodging is not taxable to laborers working in mines and factories. Otherwise, it is taxable.

(d) Withholding tax is imposed on dividends and interest. This withholding tax is a final tax for nonresident individuals.

(e) Capital gains derived by nonresidents from the sale of personal residences outside Turkey are not taxable.

(f) Capital gains derived by nonresidents from the sale of personal real estate in Turkey is subject to tax if the real estate is sold within 5 years after acquisition.

(g) Capital gains derived from the sale of Turkish shares are not taxed if they are held for a specified time period.
Appendix 2: Sample individual income tax calculation

The following is a sample 2009 tax calculation for a Turkish resident employee whose only income is remuneration received from an employer.

(TL)

Calculation of Taxable Income
Monthly gross remuneration 10,000.00
Social security premium for the employee (TL 4,329.00 at 14%) (606.06)
Unemployment premium (TL 4,329.00 at 1%) (43.29)
Taxable income 9,350.65

Calculation of Tax
Withholding income tax:
TL 8,700.00 at 15% 1,305.00
TL 650.65 at 20% 130.13 1,435.13
Minimum Living Allowance* (79.92)
Total Income Tax 1,355.21
Stamp duty:
(0.6% of TL 10,000)** 60.00
Total tax 1,415.21

* Minimum living allowance credit is calculated by assuming that the employee has a non-working wife and 3 children. Minimum living allowance credit is not applicable for non-resident individuals.

** Remuneration paid by local employers is also subject to a 0.6% stamp tax.
Appendix 3: WHT rates applicable under double tax treaties

The following are the withholding tax rates for dividends, interest and royalties provided under double tax treaties concluded by Turkey.

Note: In order to benefit from the advantageous rates of the double tax treaties, additional conditions may be required (i.e. the recipient is required to be the beneficial owner of the acquired gain). In any case, the readers are strongly advised to obtain detailed information before engaging in any transaction.

<table>
<thead>
<tr>
<th></th>
<th>Dividends</th>
<th>Interest</th>
<th>Royalties</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>5/15 (a)</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Algeria</td>
<td>12</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Austria</td>
<td>25/35 (b)</td>
<td>15</td>
<td>10</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>12</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Bahrain</td>
<td>10/15 (c)</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Belarus</td>
<td>10/15 (c)</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Belgium</td>
<td>5/10 (d)</td>
<td>15</td>
<td>10</td>
</tr>
<tr>
<td>Bosnia-H.</td>
<td>5/15 (a)</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>10/15 (c)</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>China</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Croatia</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Denmark</td>
<td>15/20 (e)</td>
<td>15</td>
<td>10</td>
</tr>
<tr>
<td>Egypt</td>
<td>5/15 (a)</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Estonia</td>
<td>10</td>
<td>10</td>
<td>5/10 (f)</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Finland</td>
<td>15/20 (e)</td>
<td>15</td>
<td>10</td>
</tr>
<tr>
<td>France</td>
<td>15/20 (g)</td>
<td>15</td>
<td>10</td>
</tr>
<tr>
<td>Germany</td>
<td>15/20 (g)</td>
<td>15</td>
<td>10</td>
</tr>
<tr>
<td>Greece</td>
<td>15</td>
<td>12</td>
<td>10</td>
</tr>
<tr>
<td>Hungary</td>
<td>10/15 (c)</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>India</td>
<td>15</td>
<td>10/15 (h)</td>
<td>15</td>
</tr>
<tr>
<td>Country</td>
<td>Dividends</td>
<td>Interest</td>
<td>Royalties</td>
</tr>
<tr>
<td>----------------------</td>
<td>-----------</td>
<td>----------</td>
<td>-----------</td>
</tr>
<tr>
<td>Indonesia</td>
<td>10/15 (c)</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Iran</td>
<td>15/20 (e)</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Israel</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Italy</td>
<td>15</td>
<td>15</td>
<td>10</td>
</tr>
<tr>
<td>Japan</td>
<td>10/15 (c)</td>
<td>10/15 (i)</td>
<td>10</td>
</tr>
<tr>
<td>Jordan</td>
<td>10/15 (c)</td>
<td>10</td>
<td>12</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Korea</td>
<td>15/20 (e)</td>
<td>10/15 (j)</td>
<td>10</td>
</tr>
<tr>
<td>Kuwait</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Latvia</td>
<td>10</td>
<td>10</td>
<td>5/10 (f)</td>
</tr>
<tr>
<td>Lebanon</td>
<td>10/15 (o)</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Lithuania</td>
<td>10</td>
<td>10</td>
<td>5/10 (f)</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>10/20 (l)</td>
<td>10/15 (m)</td>
<td>10</td>
</tr>
<tr>
<td>Macedonia</td>
<td>5/10 (n)</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Malaysia</td>
<td>10/15 (c)</td>
<td>15</td>
<td>10</td>
</tr>
<tr>
<td>Moldova</td>
<td>10/15 (c)</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Mongolia</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Morocco</td>
<td>7/10 (k)</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Netherlands</td>
<td>5/10 (p)</td>
<td>10/15 (m)</td>
<td>10</td>
</tr>
<tr>
<td>Northern Cyprus</td>
<td>15/20 (e)</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Norway</td>
<td>25/30 (q)</td>
<td>15</td>
<td>10</td>
</tr>
<tr>
<td>Pakistan</td>
<td>10/15 (c)</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Poland</td>
<td>10/15 (c)</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Portugal</td>
<td>5/15 (z)</td>
<td>10/15 (m)</td>
<td>10</td>
</tr>
<tr>
<td>Qatar</td>
<td>10/15 (c)</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Romania</td>
<td>15</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Singapore</td>
<td>10/15 (c)</td>
<td>7.5/10 (r)</td>
<td>10</td>
</tr>
<tr>
<td>Serbia&amp;Montenegro</td>
<td>5/15 (a)</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Slovakia</td>
<td>5/10 (n)</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Slovenia</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Country</td>
<td>Dividends</td>
<td>Interest</td>
<td>Royalties</td>
</tr>
<tr>
<td>-----------------------</td>
<td>-----------</td>
<td>----------</td>
<td>-----------</td>
</tr>
<tr>
<td>South Africa</td>
<td>10/15 (c)</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Spain</td>
<td>5/15 (s)</td>
<td>10/15 (t)</td>
<td>10</td>
</tr>
<tr>
<td>Sudan</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Sweden</td>
<td>15/20 (e)</td>
<td>15</td>
<td>10</td>
</tr>
<tr>
<td>Syria</td>
<td>10</td>
<td>10</td>
<td>10/15 (u)</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Thailand</td>
<td>10/15 (c)</td>
<td>10/15 (v)</td>
<td>15</td>
</tr>
<tr>
<td>Tunisia</td>
<td>12/15 (w)</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Ukraine</td>
<td>10/15 (c)</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Un. Arab Emirates</td>
<td>5/10/12 (x)</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>15/20 (e)</td>
<td>15</td>
<td>10</td>
</tr>
<tr>
<td>United States</td>
<td>15/20 (g)</td>
<td>10/15 (y)</td>
<td>5/10 (f)</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Non-treaty countries</td>
<td>15 (aa)</td>
<td>0/10/15 (aa)</td>
<td>20 (aa)</td>
</tr>
</tbody>
</table>
(a) The 5% rate applies if the recipient owns more than 25% of the payer of the dividends. The 15% rate applies to other dividends.

(b) The 25% rate applies if the recipient owns more than 25% of the payer of the dividends. The 35% rate applies to other dividends.

(c) The 10% rate applies if the recipient owns more than 25% of the payer of the dividends. The 15% rate applies to other dividends.

(d) The 5% rate applies to dividends distributed by Belgian companies. The 10% rate applies to dividends distributed by Turkish companies.

(e) The 15% rate applies if the recipient owns more than 25% of the payer of the dividends. The 20% rate applies to other dividends.

(f) The 5% rate applies to royalties paid for the use of industrial, commercial or scientific equipment. The 10% rate applies to other royalties.

(g) The 15% rate applies if the recipient owns more than 10% of the payer of the dividends. The 20% rate applies to other dividends.

(h) The 10% rate applies to interest on loans granted by banks and financial institutions. The 15% rate applies to other interest payments.

(i) The 10% rate applies to interest on loans granted by financial institutions. The 15% rate applies to other interest payments.

(j) The 10% rate applies to interest paid with respect to a loan or other debt claim with a term exceeding two years. The 15% rate applies to other interest payments.

(k) The 7% rate applies if the recipient owns more than 25% of the payer of the dividends. The 10% rate applies to other dividends.

(l) The 10% rate applies if the recipient owns more than 25% of the payer of the dividends. The 20% rate applies to other dividends. (For Turkish dividend recipients, these rates are applied as 5% and 20% respectively.)

(m) The 10% rate applies to interest on loans with a term exceeding two years. The 15% rate applies to other interest payments.

(n) The 5% rate applies if the recipient owns more than 25% of the payer of the dividends. The 10% rate applies to other dividends.

(o) The 10% rate applies if the recipient owns more than 15% of the payer of the dividends. The 15% rate applies to other dividends.

(p) The 5% rate applies to dividends distributed by Dutch companies. The 10% rate applies to dividends distributed by Turkish companies.

(q) The 25% rate applies if the recipient owns more than 25% of the payer of the dividends. The 30% rate applies to other dividends. (For Turkish dividend recipients, these rates are applied as 20% and 25% respectively.)

(r) The 7.5% rate applies to interest on loans paid by financial institutions. The 10% rate applies to other interest payments.

(s) The 5% rate applies to dividends to the extent they are paid out of profits that have been subject to tax as specified in the tax treaty and if the recipient owns more than 25% of the payer of the dividends. The 15% rate applies to other dividends.
(t) The 10% rate applies to interest on loans granted by banks. The 15% rate applies to other interest payments.

(u) The 10% applies to royalties paid for the use of, or the right to use, copyrights of literary, artistic or scientific works, including cinematographic films and recordings for radio and television. The 15% rate applies to royalties paid for patents, trademarks, designs or models, plans, secret formulas or processes, or for information concerning industrial, commercial or scientific experience.

(v) The 10% rate applies to interest on loans granted by banks, financial institutions and insurance companies. The 15% rate applies to other interest payments.

(w) The 12% rate applies if the recipient owns more than 25% of the payer of the dividends. The 15% rate applies to other dividends.

(x) The 5% rate applies if the recipient of the dividends is the government, a public institution wholly owned by the government or a political subdivision or local authority of the other contracting state. The 10% rate applies if the recipient owns more than 25% of the payer of the dividends. The 12% rate applies to other dividends.

(y) The 10% rate applies to interest derived from loans granted by financial institutions, such as banks, savings institutions or insurance companies. The 15% rate applies to other interest payments.

(z) The 5% rate applies if the recipient owns more than 25% of the payer of the dividends for an uninterrupted period of at least 2 years. 15% rate applies to other dividends.

(aa) See Section A.
İstanbul Head Office
Büyükdere Caddesi
Beytem Plaza
Şişli 34381 İstanbul
Tel: 0212 315 30 00
Tel: 0212 315 30 50 (pbx)
Fax: 0212 230 82 91
istanbul.office@tr.ey.com

Ankara Office
Reşit Galip Cad. No:53
D: 3-4 Gaziosmanpaşa
06700 Ankara
Tel: 0312 447 21 11
Fax: 0312 447 27 73
ankara.office@tr.ey.com

İzmir Office
Akdeniz Mah. Halit Ziya
Bulvarı No: 74 K: 2
Yapı Kredi Sigorta İş Merkezi
Alsancak 35210 İzmir
Tel: 0232 483 59 59
Fax: 0232 445 72 16
izmir.office@tr.ey.com

Bursa Office
Kükürtlü Cad. Tan İş Merk.
No: 67 B Blok D: 1-2
16080 Bursa
Tel: 0224 232 00 03
Fax: 0224 232 23 96
bursa.office@tr.ey.com
Ernst & Young

Assurance | Tax | Transactions | Advisory

About Ernst & Young
Ernst & Young is a global leader in assurance, tax, transaction and advisory services. Worldwide, our 135,000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve potential.

About Ernst & Young Tax Services
Your business will only achieve its true potential if you build it on strong foundations and grow it in a sustainable way. At Ernst & Young, we believe that managing your tax obligations responsibly and proactively can make a critical difference. So our 22,000 talented tax professionals in over 130 countries give you technical knowledge, business experience, consistent methodologies and an unwavering commitment to quality service - wherever you are and whatever tax services you need. It’s how Ernst & Young makes a difference.

www.ey.com/tr
www.vergidegundem.com

© 2009 EYGM Limited.
All Rights Reserved.

Ernst & Young refers to the global organization of member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients.