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**Recent developments in international taxation: Türkiye**

Between January 2024 and May 2025, Türkiye introduced a comprehensive range of tax reforms to strengthen its fiscal framework, enhance transparency and align the country's rules with international tax norms. These measures included the implementation of a domestic minimum corporate tax, the adoption of the Organisation for Economic Co-operation and Development's (OECD) global minimum tax (Pillar Two), revisions to various longstanding tax exemptions and the introduction of incentives targeting exporters, digital entrepreneurs and local investors. Additional changes were made to indirect taxation, stamp duty and tax administration procedures. This report provides an analysis of these developments, drawing on the relevant legislation, presidential decrees and communiqués, and discusses their implications for multinational enterprises, investors and policymakers.

## **Introduction**

The 16-month period spanning January 2024 to May 2025 has been pivotal in the evolution of Turkish tax law. In response to economic volatility, persistent inflation and the need for sustainable public revenues, Turkish lawmakers and tax authorities have enacted sweeping changes. These reforms reflect Türkiye's fiscal policy priorities and demonstrate its commitment to adapting to the global tax landscape shaped by the OECD's Base Erosion and Profit Shifting (BEPS) 2.0 project, otherwise known as the Pillar Two rules.

Two major legislative initiatives defined the reform period: Law No 7491, published on 28 December 2023, and Law No 7524, published on 2 August 2024. These omnibus laws have revised key tax statutes, including the Corporate Tax Law, Income Tax Law, Tax Procedure Law and Value-Added Tax (VAT) Law. Complementary regulations and presidential decrees were issued to further refine the relevant withholding tax obligations and compliance standards, especially with respect to digital commerce and the taxation of multinational enterprises. This report categorises these developments into three thematic areas: corporate and international tax, personal income taxation and tax administration and compliance. Each section examines the legislative background, policy rationale and the anticipated impact on the relevant stakeholders.

## **Corporate and international tax developments**

### *Corporate tax rate differentiation*

Law No 7456, enacted on 15 July 2023, increased the general corporate income tax (CIT) rate from 20 per cent to 25 per cent for most taxpayers and to 30 per cent for financial sector companies. Law No 7524 then built on this framework by introducing a 30 per cent CIT rate for companies deriving income from public–private partnership projects under build–operate–transfer (BOT) and similar models. This change, effective from 2025, targets infrastructure project developers benefiting from government guarantees.

### *Domestic minimum corporate tax*

A cornerstone of Law No 7524 is the introduction of a domestic minimum corporate tax, effective from fiscal year 2025. Under this regime, corporate taxpayers are required to pay at least ten per cent tax on their profit before exemptions and deductions. Certain exemptions under specific laws, such as income from Turkish-source dividends or earnings generated within technology development zones, may still apply. Initially, the implementation guidelines excluded carried-forward losses from the calculation of the minimum tax base. However, the Council of State issued a suspension of execution decision for this specific rule, on the grounds that the Ministry of Finance lacked clear legislative authority to exclude such losses.

Newly established companies are exempt from the minimum tax for their first three fiscal years.

### *Implementation of the OECD's Pillar Two rules*

Türkiye adopted the OECD's global minimum tax (GloBE) regime under Pillar Two for multinational enterprise groups with consolidated revenues of at least €750m. Turkish-resident constituent entities must calculate the effective tax rates for each jurisdiction. If the effective rate falls below 15 per cent, a top-up tax applies.

The reform incorporates the Income Inclusion Rule (IIR), the Undertaxed Payments Rule (UTPR) and the Qualified Domestic Minimum Top-up Tax (QDMTT). Türkiye's rules are aligned with the OECD's model provisions, with the UTPR deferred until 2025. The filing obligations begin in 2026 for the 2024 fiscal year. In parallel, Türkiye became an early signatory to the OECD's Subject-to-Tax Rule (STTR) multilateral instrument, which allows source countries to impose up to nine per cent withholding tax on designated intragroup payments to low-tax jurisdictions.

### *Revisions to the participation exemptions*

To encourage the repatriation of foreign earnings, Law No 7491 introduced a partial exemption mechanism for dividends received from foreign subsidiaries that do not meet the conditions for the full participation exemption under Article 5/1-b of the Corporate Income Tax Law. Under this new regime, 50 per cent of the dividend income may be exempt from corporate taxation, provided that the Turkish parent company holds at least ten per cent of the shares in the foreign subsidiary and that the dividend income is transferred to Türkiye by the deadline for filing the CIT return for the relevant year.

This partial exemption is intended to complement the existing full exemption regime, which remains available under more rigorous conditions. In order to qualify for the full 100 per cent exemption, the following requirements must be satisfied:

- the Turkish company must hold at least ten per cent of the share capital of the foreign subsidiary;
- the participation must be uninterrupted for a minimum of one year;
- the foreign subsidiary must be incorporated as a capital company or equivalent corporate entity;
- the foreign company must be subject to CIT at an effective rate of at least 15 per cent in its country of residence;
- the income distributed as dividends must be derived from business profits that were subject to taxation in the source jurisdiction; and
- the dividend income must be recorded in the legal books of the Turkish recipient company by the end of the fiscal year in which it is earned.

By introducing a reduced exemption threshold for cases where these conditions are not fully met, the new provision seeks to strike a balance between revenue protection and capital inflow facilitation.

### *Free zone taxation*

Under the previous framework, companies operating within Turkish free zones could benefit from a full exemption from CIT on all earnings derived from manufacturing activities, irrespective of whether the products were sold domestically or exported abroad. This broad-based exemption was granted under the Free Zones Law No 3218 and related presidential

decrees, and it had made free zones particularly attractive for manufacturers seeking to minimise their effective tax liabilities.

However, effective from 1 January 2025, this corporate tax exemption has been narrowed significantly. Pursuant to Law No 7491 and subsequent implementing regulations, only income derived from export-oriented manufacturing activities conducted within free zones will continue to benefit from the corporate tax exemption. Income generated from sales to the domestic Turkish market is now subject to the standard CIT rate of 25 per cent (or the applicable rate at the time of filing).

Transitional rules apply for existing contracts and inventory balances, allowing a temporary grace period until the end of 2025 for certain pre-existing domestic sales obligations. Further guidance is expected from the Ministry of Trade and the Turkish Revenue Administration regarding compliance, documentation and audit procedures.

### *Service export incentives*

Law No 7491 introduced a significant enhancement to the CIT treatment of foreign-sourced service revenue by increasing the allowable deduction from 50 per cent to 80 per cent, which became effective from 1 January 2024. This measure was enacted to strengthen Türkiye's export-oriented growth strategy and to stimulate the international competitiveness of Turkish service providers.

Under the revised Article 10/1-ğ within the Corporate Income Tax Law, Turkish resident companies that earn income from services rendered to clients located abroad may now deduct 80 per cent of such income from their corporate tax base, provided that the services are ultimately utilised outside of Türkiye and that the relevant revenues are transferred into Türkiye in foreign currency. The deduction is applied before the determination of the taxable corporate income, thereby substantially reducing the effective tax burden associated with qualified service exports.

This enhanced deduction targets high value-added service sectors, including but not limited to:

- software development and information technology services;
- engineering and architectural services;
- industrial design and product development;
- data analytics; and
- education and health services rendered in Türkiye to non-resident individuals, by licensed institutions under the supervision and regulation of the relevant ministries.

In order to benefit from this deduction, taxpayers must maintain proper documentation evidencing that the services were performed for non-resident entities and that the economic benefit from the provision of such services was accrued abroad. The income must be repatriated to Türkiye through banking channels and converted into Turkish lira or held in foreign currency accounts with Turkish banks.

### *Real estate investment entities*

Law No 7491 introduced a significant change to the corporate tax treatment of real estate investment funds (REIFs) and real estate investment companies (REICs), which became effective from 1 January 2024. Under the prior regime, these entities benefited from a full exemption from CIT on real estate-based income, regardless of whether the profits were distributed to shareholders.

To enhance tax transparency and align the treatment of passive investment vehicles with international best practices, the corporate tax exemption is now conditional upon the actual distribution of income. Specifically, in order for the exemption to apply, at least 50 per cent of the real estate-derived income must be distributed to shareholders in the form of dividends within the statutory time limits prescribed under the applicable capital markets and tax legislation.

If this distribution requirement is not met, the undistributed portion of earnings may become partially or fully subject to corporate taxation. The revised rule aims to prevent the indefinite deferral of taxation through retained earnings and to ensure that tax-exempt treatment is reserved for entities that channel returns to investors in a timely manner.

### *The personal income tax exemption for equity-based compensation in startups*

To encourage entrepreneurship and attract talent to early stage ventures, Law No 7524 introduced a personal income tax exemption for stock options and equity-based compensation granted to employees of startups certified by the Ministry of Industry and Technology under Law No 5746.

The key provisions include the following:

- the exemption applies to gains derived from stock options, shares or similar equity-based instruments granted by eligible startups;
- to benefit from the exemption, the value of the equity granted must not exceed the employee's annual gross wage;
- employees must hold the shares for at least 12 years to retain the full income tax exemption. If the shares are sold earlier than this, a portion of the previously exempt tax becomes payable by the employer, with rates varying depending on the holding period; and
- the startup must be certified as a 'techno-initiative company' by the Ministry, although the criteria for certification are still pending the issuance of detailed regulation.

## **Personal income taxation and inflation adjustments**

### *E-commerce and digital income exemptions*

Law No 7491 introduced important amendments to Article 20/B of the Income Tax Law, broadening the scope of the income tax exemptions available to individuals engaged in digital content creation and small-scale e-commerce. Under the revised provision, income derived by individuals from sharing content, such as text, images, audio or video through personal websites or digital platforms, including educational materials, product promotions, cooking tutorials or data processing services, is exempt from personal income tax, provided that these activities are conducted via the internet or similar electronic environments. The exemption, which was previously limited to income earned through social media platforms, has been extended to cover a wider range of digital activities. In addition, individuals earning up to TRY1.5m annually from e-commerce operations may benefit from a separate income tax exemption, provided that such income is received through services provided by Turkish financial institutions. These changes aim to formalise digital revenue streams, promote tax compliance and support the growth of micro-entrepreneurship within the digital economy.

### *Inflation accounting developments*

Inflation adjustment became mandatory in Türkiye as of 31 December 2023, requiring companies to restate non-monetary items on their balance sheets using officially published adjustment coefficients. The resulting inflation differences were excluded from the income statement and directly recorded under retained earnings, without tax impact for 2023. Beginning in 2024, inflation-adjusted figures form the basis for tax calculations, meaning that deferred differences may influence the tax base going forward. The adjustment applies exclusively to the balance sheet and involves a multi-step process, including the identification of non-monetary items, the determination of correction coefficients and the calculation of restated values. This reform aims to ensure financial statements more accurately reflect asset values within an inflationary environment.

## **Tax administration and enforcement**

### *The restriction on tax reconciliation*

Pursuant to Law No 7524, which became effective as of 2 August 2024, the scope of administrative tax reconciliation in Türkiye has been narrowed significantly. Taxpayers may no longer negotiate the principal amount of the assessed tax liability during reconciliation procedures. Only associated penalties and interest may be subject to settlement. This legislative amendment aims to strengthen the legal certainty of tax assessments and reinforce the credibility of tax audits conducted by the Revenue Administration.

### *The monitoring of informal activities*

As of 1 January 2025, a daily revenue estimation mechanism has been introduced for commercial and professional income earners. Under this system, the Revenue Administration calculates the expected daily turnover benchmarks for small and medium-sized taxpayers based on sectoral and regional indicators. In cases where a taxpayer's declared revenue deviates materially (by more than 20 per cent) from these estimates, the taxpayer may be invited to provide a justification. This measure is designed to enhance the country's audit targeting capabilities and combat the informal economy.

### *Reporting obligations for digital platforms*

A new reporting obligation has been introduced in Türkiye for e-commerce platforms and digital intermediaries through amendments to Law No 6563 on the Regulation of Electronic Commerce, enacted by Law No 7416 and effective as of 1 January 2023. This new framework imposes a legal duty on e-commerce intermediary service providers and service providers that exceed certain transaction volume thresholds to submit detailed, transaction-level data to the Turkish Revenue Administration. This marks a significant shift in the regulatory approach to digital commerce, establishing for the first time a structured mechanism for the real-time oversight of online transactions.

The introduction of this obligation highlights the Turkish government's efforts to close the compliance gap in regard to the rapidly expanding digital economy. By requiring platforms to report seller-level and service provider-level activity, the new rules aim to enhance tax transparency, improve the detection of undeclared income and ensure fair competition between digital and traditional businesses. This reform also represents a move towards harmonisation with international practices on the taxation of digital services.

### *Withholding tax adjustments*

Under Presidential Decree No 9286, published on 22 December 2024, the withholding tax rate on dividend distributions has increased from ten per cent to 15 per cent. This amendment applies to distributions made by resident companies to both resident and non-resident shareholders and became effective from the date of publication. In parallel, Presidential Decree No 9284 introduced a one per cent withholding tax on payments made by e-commerce platforms and intermediary service providers to vendors. This withholding (applicable as of 1 January 2025) serves as either a final tax or a prepayment, depending on the recipient's tax status, and is intended to bolster compliance within the rapidly growing e-commerce sector.

## **Conclusion**

Türkiye's tax reforms, which were enacted between January 2024 and May 2025, mark a significant evolution in both the country's international alignment and domestic tax administration. The implementation of the OECD's Pillar Two rules, together with enhanced audit and reporting mechanisms, demonstrates Türkiye's strategic positioning within the global tax framework and its determination to modernise its fiscal infrastructure.

On the domestic front, the introduction of a minimum corporate tax, the restructuring of certain exemptions and the newly imposed obligations on digital platforms represent a targeted effort to broaden the tax base and adapt to structural changes in the economy. Concurrently, the increased tax incentives for exporters and technology-oriented enterprises indicate a dual commitment by the government to revenue sustainability and long-term economic growth.