

AMENDMENTS IN INVESTMENT INCENTIVE SYSTEM

Some arrangements were brought by the Law on Amendments in Tax Laws No. 7103 and Some Law and Statutory Decrees and the Law on Amendments in Value Added Tax Law No. 7104 and Some Law and Statutory Decree No. 178, and amendments linked to investment incentive regulation were made. This article refers to the aforesaid amendments.

1. Amortization Practice for New-Bought Machines and Equipment

It was regulated by the provisional article no. 30 added to the Tax Procedural Law and the article no. 16 of the Law No. 7103 that amortization rate and terms to be applied for some new machines and equipment to be acquired until the end of 2019, might be calculated by taking into account the half of useful lifetime detected and declared according to the article 315 of Tax Procedural Law by Ministry of Finance.

Pursuant to this amendment, so as to be used for the investments within the scope of investment incentive certificate as of 1 May 2018, amortization rate and terms to be applied for some new machines and equipment to be acquired until the end of 2019, might be calculated by considering the half of useful lifetime detected and declared as per the article 315 of Tax Procedural Law by Ministry of Finance. In case numbers with remainders are found for useful lifetime during the calculation, amortization rate and terms to be applied to relevant values shall be determined by rounding the calculated number to next whole number. In this way, it is not possible to change to determined rates and terms in the following years.

In order to dissolve the contribution amounts obtained during the investment period to the highest extent, it is also possible not to benefit from the practice and, in brief, the practice is left to the taxpayers' preference.

2. VAT Exemption Practice for Delivery of Some New Machine and Equipment Made to Taxpayers Holding Industrial Registry Certificate

New machine and equipment deliveries to be made to VAT taxpayers holding industrial registry certificate so as to be used exclusively in manufacturing industry as per Industrial Registry Law No. 6948, shall exempt from value added tax until 31 December 2019.

This regulation is a full exemption. For this reason, taxpayers who make delivery within the scope of this exemption, may request tax refund which is imposed concerning these transaction but cannot be removed by a discount.

Machines and equipment to be delivered within the scope of exemption so as to be used in manufacturing industry, are determined by Decree of Council of Ministers No. 2018/11674, and the Ministry of Finance is authorized for principle and procedures regarding the aforesaid exemption transaction.

3. Valuation of Foreign Currency Invested As Capital

By courtesy of this regulation, it is aimed to prevent corporate tax burden arising out of only foreign currency valuation for companies which have not been active yet and have been established by foreign investors.

In order to benefit from this provision, taxpayers must make an application for obtaining an investment incentive certificate until the end of three months following registration date to trade registry and must receive this certificate until the end of accounting period following the accounting period where the work has been commenced. In case an application is not made in due of time, the aforesaid foreign currency shall be valued as of the first following taxation period, and in case investment incentive certificate is not obtained, it shall be valued as of the end of accounting period following the accounting period where the work has been commenced, as per the article 280 of Tax Procedural Law.

By the article 11 of the Law No. 7103, the article 280/A including new amendments was added to the Tax Procedural Law. According to this article, for full taxpayer equity companies to be made investment within the scope of investment incentive certificate, exchange difference, which may occur due to the spent part of foreign currency invested as capital which is spent during the aforesaid period within the scope of investment incentive certificate until the end of accounting period following the accounting period where the work has been commenced, may be taken into the special fund account in passive. In this case, positive exchange differences shall be recorded in the credit part while negative exchange differences shall be recorded in the debit part.

The unspent part of the foreign currency invested as capital which has not been spent in any way until the end of the accounting period following the accounting period where the work has been commenced, shall be valued with its registered value until the end of taxation period of these accounting period as per the article 280 of Tax Procedural Law as of the end of accounting period following the accounting period where the work has been commenced.

It is aimed that the taxpayers who shall make an investment by this practice shall not pay corporate tax over exchange difference which shall occur due to the fact that Turkish Liras has decreased in value. In this way, those new-established companies are prevented from paying tax over nominal income and taking financial burden.