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Increase on the Corporate Income Tax Rate

The Law on Amending the Law on the Procedure for the Collection of Public Receivables and the Law and Certain Laws numbered 7316 (the "Law") was published in the Official Gazette numbered 31462 and dated 22.4.2021. Even though seven different laws have been amended with the Law, the most important regulation that is important for entities seems the amendment made in the Corporate Tax Law (the "CTL").

Pursuant to the Provisional Article 13 added to the CTL with Article 11 of the Law, the corporate income tax rate currently applied as 20%, was arranged to increase to 25% for 2021 corporate earnings and to 23% for 2022 corporate earnings. The mentioned rates will be applied to the earnings of these entities for the accounting periods starting in the relevant year for the entities subject to the special accounting period.

As it is known, corporate income tax is paid in quarterly declarations 4 times within a year. Calculations regarding these periods, which are called as temporary tax, are made on a cumulative basis. In this respect, the corporate income tax rate will be calculated as 20% in the temporary tax declaration for the 1st Provisional Tax Period of 2021 (January-February-March), which must be declared and paid until May 17, 2021. However, in the upcoming temporary tax declarations, in accordance with the new regulation introduced by the Law, the rate of 25% will be applied in the second period declarations to be submitted as of July 1, 2021.

However, although the temporary tax periods are defined quarterly, since the 3, 6, 9 and 12-month financial statements will be taken as basis in the calculation of the income to be declared, and as the earnings of the first temporary tax period are also included in the calculation for the other periods, the entities will be deemed as taxed 25% for the 2021 fiscal year.

In accordance with the relevant article of the Law, the corporate income tax for 2022 will be calculated as 23% for the whole year.