



# TAXATION IN TURKEY

SEPTEMBER-2006  
REVISED IN NOVEMBER-2006

THE PRESIDENCY OF REVENUE ADMINISTRATION  
DEPARTMENT OF TAXPAYER SERVICES

PUBLICATION NO : 21

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## 1. COMMISSIONER'S INTRODUCTION

In our country, in the process of transition to European Union, the reality of covering public financial requirements from healthy resources brings up improving and restructuring revenue administration and tax system within the context of operations in reform program.

In this connection, operations are going on for increasing tax revenue, expanding tax base and realizing tax collection in an effective and efficient way.

The basic aim of tax policies is to constitute a tax system which derives adequate amount of income for public expenses, realizes effective and just distribution of tax burden and be consistent with international norms.

In recent years, rising globalization tendencies require to constitute the Revenue Administration in a way that bring transparency, taxpayer focus and quality concepts in the foreground, as is the case with other public bodies.

Therefore, the constitution of Revenue Administration is realized by law that take effect on 16.05.2005 and organized as " Presidency".

Turkish Revenue Administration has started a new period with the establishment of Presidency of Revenue Administration in 2005. Revenue Administration, with its new structure, has gained a corporate identity



**Osman Arioğlu**  
Commissioner

producing new taxpayer-focused solutions and targeting a mission that serves taxpayer with a quality and efficiency approach by giving priority to taxpayer rights.

Since as Revenue Administration, we take taxpayer satisfaction as principle and we strive to develop technological infrastructure that aims to spend time in fulfillment of tax responsibilities and to access information in a fastest way.

Throughout technological improvements, we strive to

improve our web site in terms of innovation and speed with the aim of submitting the correct information about the tax law and its applications to our taxpayers in a fastest way

Application of filing tax return through web which provides great easiness and saving both taxpayer and administration is carrying on with success.

During the last year we have experienced a period of unprecedented change. We are

Staff of the Revenue Administration



creating a modern, effective organization that is responsible for delivering our objectives of closing the tax gaps, improving customer service and producing efficiency savings. As Revenue Administration, our efforts to be an organization giving taxpayers more qualified service and fight against informal economy will go ahead increasingly.

This book is both a vital part of our reporting efforts, as it helps fulfill the Revenue Administration's priority of ensuring trust and integrity in our people and our operations and a basic guideline for Turkish Tax System. We will continue reporting tangible and practical results, to remain transparent and to demonstrate our accountability to our taxpayers.

We have many successes to celebrate in the past year, but in the days ahead, we will continue to strive for perfection in providing quality service to the taxpaying public. I hope that this book deepens taxpayer's understanding of their taxes and gives a new viewpoint about Turkish Tax System to all readers.



## 2. HISTORY OF REVENUE ADMINISTRATION

The first fiscal organization in Ottoman Empire was established in the time of Murat the first (1359-1389). In times of Mehmet II (Conqueror) and Süleyman I (Magnificent) as a result of the rise in revenues and expenditures of the empire this organization had been developed. However, first tax practice in Ottoman lands had been started by Osman Gazi; the founder of the Ottoman Empire; with the decree "Whoever makes profit trading in bazaar gives two silver coins (Money), whoever has no sale does not give anything and whoever violates this rule, the God will violate his religion and his world. "

Until 1838 there was no ministry of finance precisely in Ottoman Empire. Till to that time, the head of the organization dealing with the financial matters was barely a civil servant named as "district treasurer" (Defterdar).

With a decree published in 1838, the Ministry of Finance was officially established in the state organization. This ministry's structure was formed of "Departments"(Daire) under



Historical  
headquarter of the  
Revenue  
Administration

the leaderships of "Chiefs"(Reis). In one sense today's Revenue Administration's duties were carried out by this department. In 1881 The Ministry of Finance was divided into two administrations as "Committee of Center" and "Committee of Province".

In constitutional monarchy era, in 1908, some changes were made in the mission and organization of the Ministry of Finance. That era's Finance Consultant Monsieur Loran has embedded the ministry on eight directorates including general directorate of revenue administration.

The Republic of Turkey was established by Mustafa Kemal



Atatürk and the other patriot Turks in 1923. In the First Turkish National Grand Assembly, the first law accepted was a tax law. In 1923 the Ministry of Finance was established, although "The Code on the Ministry of Finance and Its Duties" was accepted in 1936.

The General Directorate of Revenues was established with the Law in 1946. From 1946 to 1994 many changes were made in the duties of the General Directorate of Revenues.

According to the Decree published in 1994 the duties of the General Directorate of Revenues are as follows:

1. To prepare and implement the state revenue policy,
2. To prepare the laws and by-laws related to the state revenues and prepare the amendments to these regulations,
3. To prepare the state revenue budget and its justification,
4. To ensure that the tax system of the local administrations are in compliance with the tax system of the state and take

necessary measures to correct inconsistencies,

5. To review all proposals of laws and drafts of laws effecting revenue, notify its decisions on these regulations, ensure that they are in compliance with the state revenues policy and taxation techniques,
6. To carry out international tax relations and make bilateral and multilateral tax agreements,
7. To ensure the implementation of laws regarding state revenues,

A view from inside of headquarter of the Revenue Administration



8. To take necessary measures in order to collect governmental claims in time and in accordance with the law,
9. To make tax audits,
10. To improve the services for the implementation of taxation techniques and carry out other tasks related with taxes,
11. To respond to questions in order to clarify implementation of tax laws and resolve disputes,
12. In accordance with the laws, carry out the processes, for the deletion of tax dues and other governmental claims, of which due time is over,
13. To collect, evaluate and issue accounts and statistics concerning tax assessments and collections,
14. To cooperate with the international organizations on tax issues and participate in meetings and report its views,
15. To carry out tax secret (third party) information services,
16. To design and implement data processing services which are necessary to carry out its duties and provide necessary organization for this purpose,

17. To investigate and audit the processes related to its duties and organization, through its controllers.

Nevertheless, with the Law no 5345, adopted in 2005 the General Directorate of Revenue has been abolished and the Presidency of Revenue Administration has been established as a semi-autonomous authority of the Ministry of Finance.

The objective of this law is explained as "It has been prepared the principles related to foundation of the Revenue Administration, the organization, duties, authority and responsibility in order to carry out revenue policy with justice and impartiality and to collect other revenues with the least cost; to ensure willingly adaptation of taxpayers to the tax; by protecting taxpayers' rights and providing high quality services, to take necessary measures in order to ensure that taxpayers implement their obligations easily, to work with the respect to main principles of transparency, accountability, participation, productivity, effectiveness, and customer focused organization."

A view from local Tax Office Directorate building



The duties of the Revenue Administration are as follows:

- a) To implement the state revenue policy, determined by the Ministry,
- b) To facilitate the adaptation of taxpayers to tax and to carry out services,
- c) To take necessary measures in order to protect taxpayer's rights and relations based on mutual confidence between Ministry and taxpayers,
- d) To inform taxpayers about their rights and obligations arising from the tax laws,
- e) To participate in the law and by-law workings related to the state revenues policy,
- f) To ensure the collecting of the governmental claims and to take necessary measures on this matter,
- g) To take necessary measures in order to reduce disputes to the minimum level and to provide application accord,
- h) To collect information about taxation and to implement the data processing activities,
- i) To measure the costs of all exceptions, exemption and discounts in the tax laws or other fiscal laws, and to analyze their economic and social effects,
- j) To carry out tax inspection and audit at the direction of main policies and strategies determined by the Ministry and to take necessary measures in order to prevent tax lost and invasion,
- k) To take measures in order to ensure that the implementation of the local administration revenues policy is in compliance with the state revenues policy,
- l) To review all proposals of laws and drafts of laws effecting revenues and to notify its decisions on these regulations,
- m) To cooperate with other institutions and organizations on implementation of the revenue laws and to carry out data trade with this purpose,
- n) To observe international events in the field of its function and to cooperate with the EU, international organizations and other states,

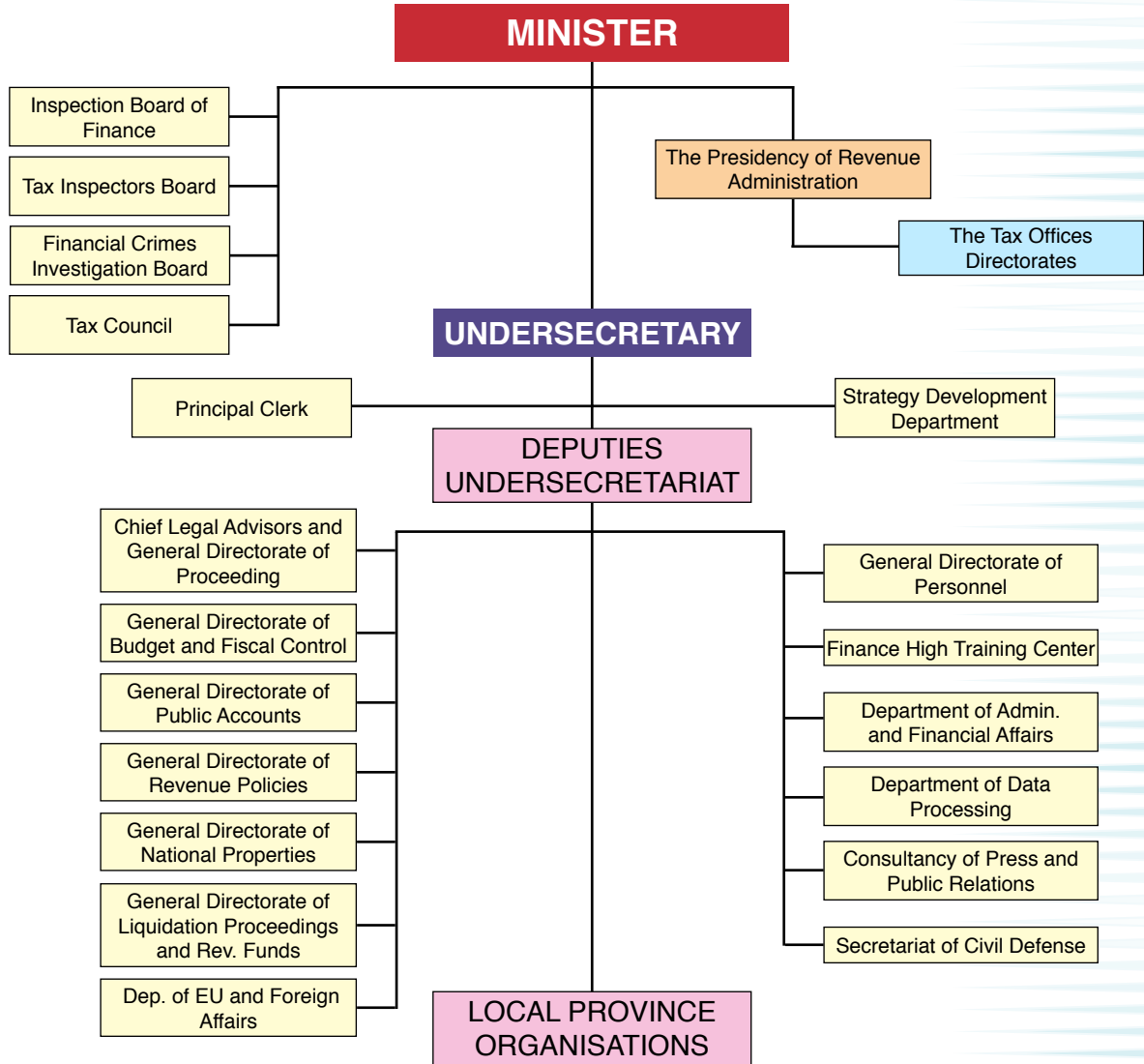
- o) In accordance with the laws, to carry out operations for the deletion of tax dues and other governmental claims of which due time is over,
  - p) To ensure to gain the qualified human resource, to improve perfection, to make career plans and to measure their performance,
  - q) To prepare organizational ethic rules in the frame of rules determined by the Civil Servants Ethic Committee and to announce to the employees and taxpayers,
  - r) To announce activity results to the public in regular times and to explain the annual activity report to the public,
  - s) To carry out other duties assigned by laws.
- As of 31 December 2005, The Presidency of Revenue Administration employed 44.691 staff, including 1.631 at headquarter and 43.060 at provincial departments.

**The Number of Personnel at Headquarter and Provincial Organization**

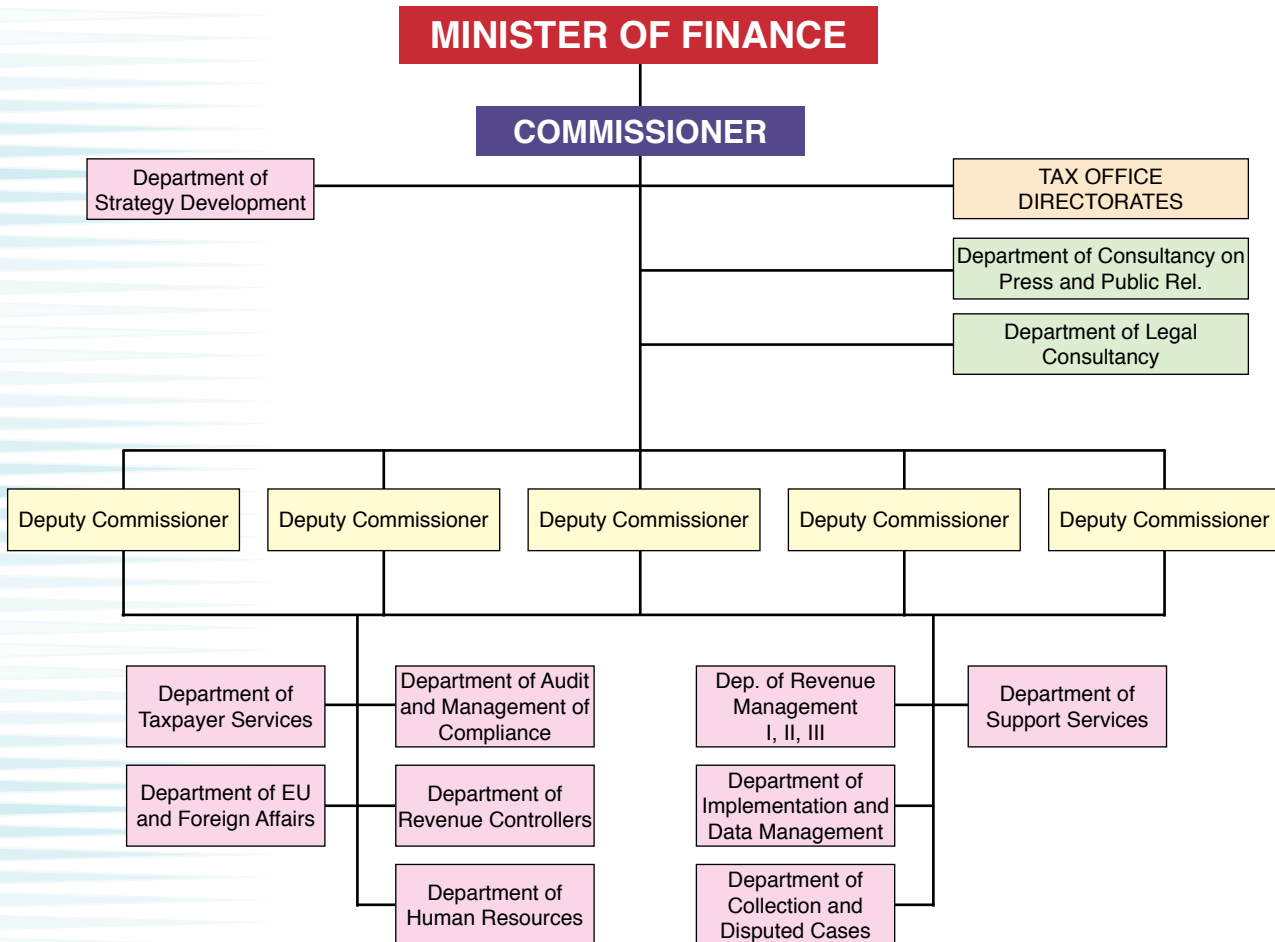
	2000	2001	2002	2003	2004	2005
Headquarter	1.679	1.678	1.676	1.798	1.677	1.631
Provincial	40.558	40.558	40.013	40.091	39.943	43.060
<b>TOTAL</b>	<b>42.237</b>	<b>42.236</b>	<b>41.689</b>	<b>41.889</b>	<b>41.620</b>	<b>44.691</b>

## 3. ORGANIZATIONAL STRUCTURE

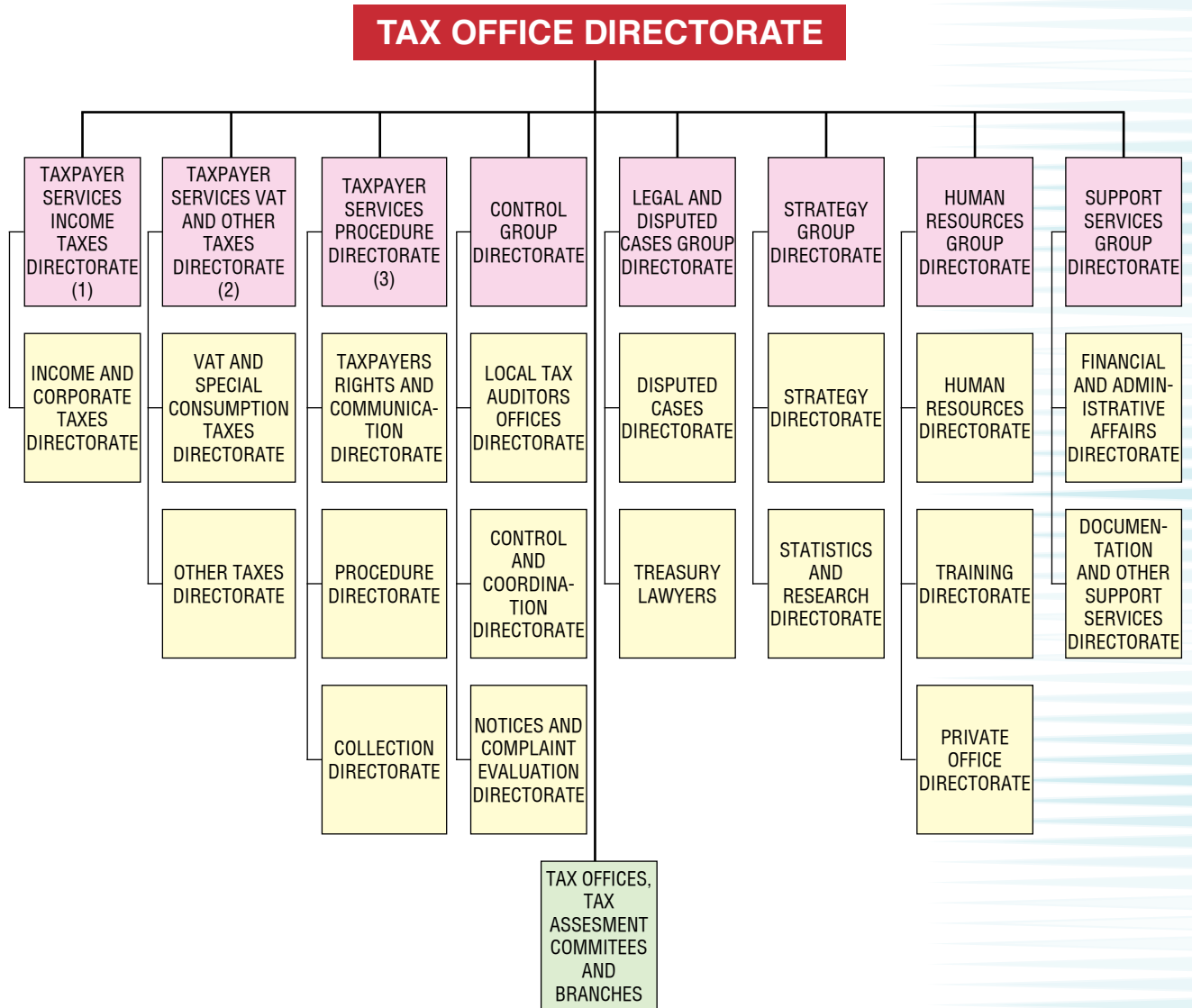
### 3.1. Organization Chart of Ministry of Finance



### 3.2. Organization Chart of the Presidency of Revenue Administration (Headquarter)



### 3.3. Organization Chart of Tax Office Directorate (General View)



According to Cabinet Decision, published in accordance with the Law no 5345, the Tax Office Directorates in 29 provinces has been established as directly dependent on the Presidency of Revenue Administration Headquarter on 16.09.2005.

The Tax Office Directorates in 29 provinces is as given below.

	<b>The Tax Office Directorates</b>
1	Adana Tax Office Directorate
2	Ankara Tax Office Directorate
3	Antalya Tax Office Directorate
4	Aydın Tax Office Directorate
5	Balikesir Tax Office Directorate
6	Bursa Tax Office Directorate
7	Denizli Tax Office Directorate
8	Diyarbakır Tax Office Directorate
9	Edirne Tax Office Directorate
10	Erzurum Tax Office Directorate
11	Eskişehir Tax Office Directorate
12	Gaziantep Tax Office Directorate
13	Hatay Tax Office Directorate
14	Mersin Tax Office Directorate
15	İstanbul Tax Office Directorate
16	İzmir Tax Office Directorate
17	Kayseri Tax Office Directorate
18	Kocaeli Tax Office Directorate
19	Konya Tax Office Directorate
20	Malatya Tax Office Directorate
21	Manisa Tax Office Directorate
22	Kahramanmaraş Tax Office Directorate
23	Muğla Tax Office Directorate
24	Sakarya Tax Office Directorate
25	Samsun Tax Office Directorate
26	Tekirdağ Tax Office Directorate
27	Trabzon Tax Office Directorate
28	Şanlıurfa Tax Office Directorate
29	Zonguldak Tax Office Directorate

Also, according to Cabinet Decision (2006/10788), Large Taxpayers Tax Office Directorate has been established in Istanbul, on July 26, 2006.



## 4. GENERAL INFORMATION ABOUT TURKISH TAX SYSTEM

In Turkey, multi-tax system is applied. The Turkish tax regime can be classified under three main headings;

### I) Income Taxes

- 1) Personal Income Taxes
- 2) Corporate Income Taxes

### II) Taxes on Expenditure

- 1) Value Added Tax
- 2) Special Consumption Tax
- 3) Banking and Insurance Transaction Taxes
- 4) Stamp Duty
- 5) Special Communication Tax
- 6) Tax on Customs

### III) Taxes on Wealth

- 1) Inheritance and Gift Taxes
- 2) Property Tax
- 3) Motor Vehicle Tax

## I) INCOME TAXES

### 1) THE PERSONAL INCOME TAX

#### • The Subject and Elements of Income Tax

Income is described as the net amount of profits and earnings

obtained by natural persons in one calendar year. The elements of income are classified in seven categories. These are;

- Income from commercial activities,
- Income from agriculture,
- Income from professionals,
- Wages and salaries,
- Income from capital investment (interest and dividends),
- Income from immovable assets and rights,
- Other income and earnings.

#### • The Taxpayer of Income Tax

Natural persons who earn one of or all of those kinds of income are subject to Personal Income Tax. Those people who obtain these kinds of income are Personal Income Tax payers.

An individual in Turkey is liable for tax on his income as an employee and on income as a self-employed person. In the case of an individual who answers the test of a "permanent resident", the tax will





be calculated on his or her income earned in Turkey and overseas. A foreign resident who is employed in Turkey pays tax only on his or her income in Turkey.

To be considered Turkish resident, residence of over 6 months in Turkey during any calendar tax year must be established. A foreigner who spends less than a continuous period of six months in Turkey during a calendar year and whose customary home is not in Turkey or who, although staying for more than six months, has come to Turkey for a specific and temporary assignment (e.g. businessman, expert, press or radio, TV correspondent) is regarded as non-resident and is taxed only on his income from employment in Turkey.

- **Declaration of Personal Income Tax**

In Turkish Tax System taxation of income is based on declaration. There are three types of tax return.

- a) Annual Tax Return**

The annual declaration is used for consolidation of the profits and earnings derived from various

sources in the course of one calendar year. An individual whose income is only from a wage is not obligated to file an annual return. The employer deducts tax from the employee and transfers it to the tax authority every month. The annual tax return for each calendar year shall be presented by the 15th day of the March of the following year. The declarations of those who permanently leave the country during a calendar year shall be presented 15 days prior to departure, and in the event of death, within 4 months of the date of decease.

Types	Declaration Time
Lump Sum Taxation	February 15
Others	March 15
Lump Sum taxes declared with the other commercial income	March 15

- b) Withholding Tax Return**

Withholding is defined as a tax return which is used for declaring to tax office total taxes withheld by employers and other people's

withholding taxes together with their amounts of net taxable income.

Those are required to withhold taxes;

- Public administrations and institutions,
- Public commercial concerns and other incorporations,
- Commercial companies and business partnerships,
- Associations, religious and charitable foundations,
- The commercial operations of associations and religious and charitable foundations,
- Those securing investment funds,
- Tradesman and self-employed individuals who are required to report their true income,
- Farmers whose agricultural earnings are determined on the basis of a balance-sheet or an agricultural trading account.

Taxes withheld at source are declared to the tax office by the evening of the 20th day of the following month. These taxes are paid due to the evening of the 26th day of this month.

### c) Special Tax Return

Non-resident taxpayers do not have to give an annual tax return. They have to fill special tax return. The special tax return is used for the reporting of certain profits and earnings by taxpayers subject to limited tax liability.

## 2) THE CORPORATE INCOME TAX

### • The Subject of Corporate Income Tax

Earnings and profits of corporations are the subject of corporate tax.

The elements of income subject to corporate income tax are;

- Income from commercial activities,
- Income from agriculture,
- Income from professionals,
- Wages and salaries,
- Income from capital investment (interest and dividends),
- Income from immovable assets and rights,
- Other income and earnings.

Taxable event is the obtainment of corporate profits/earnings.





### • Taxpayer of Corporate Income Tax

The following entities are the taxpayers of the corporation income tax:

- Capital companies,
- Cooperative companies,
- State Economic Enterprises (public corporations),
- Economic entities owned by foundations and associations,
- Joint Ventures.

Whether a company is subject to full or limited tax liability depends on its status of residence. A company, whose statutory domicile or place of management are established in Turkey (resident company), will have full tax liability; in this case, worldwide income is taxable. If a non-resident company conducts business through a branch or a joint venture, it will have limited tax liability; i.e. fully subject to corporate tax on profits earned in Turkey on an annual basis. If there is no presence in Turkey, withholding tax will generally be charged on income earned; for example, for services provided in Turkey. However, if there is an avoidance of double taxation treaty, reduced rates of withholding tax may apply.

Corporate income tax is applied at 20 % rate on the corporate earnings.

Taxpayers (except income from commercial activities and agriculture in limited tax liability) pay provisional tax at the rate of corporate tax, these payments are deducted from corporate tax of current period.

### • Declaration of Corporate Income Tax

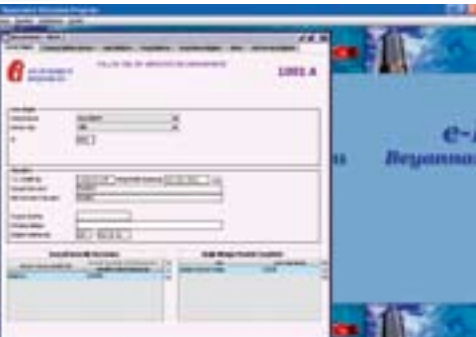
In general, the Corporate Income Tax is assessed on the basis of the declaration (tax return) by the person having the responsibility for his taxes.

The Corporate Income Tax declaration can be grouped into 3 categories:

#### a) The Annual Corporate Income Tax Return

The annual tax return is applicable for the reporting of net corporate profits realized in the course of one accounting period.

The corporate income tax returns are submitted to tax office with which the taxpayer is associated during the fourth month following the month in which the accounting period closes. Corporate income taxpayers have to fill and sign their tax returns and submit them to tax offices between the 1st and 25th days of the fourth month following the close of the related fiscal year. Corporate income tax can be paid until the end of the month in which the tax return is to be filled.



Paper return and e-filing

## b) Special Tax Return

Non-resident foreign corporations which have limited tax liability use special tax return for reporting certain profits and earnings. Special tax return is given in 15 days from the obtainment of earnings and profits.

## c) Withholding Tax Return

Those who are obliged to make tax withholding are required to file a brief tax return to tax office associated with the place of payment or accrual of the payments which they have made during the month, or of the profits and revenues on which they have caused accrual to take place, as well as of the taxes which they have withheld from these, by the evening of the 20th day of the following month and they should pay by the evening of the 26th day of this month.

## II. TAXES ON EXPENDITURE

### 1. VALUE ADDED TAX (VAT)

The Turkish Tax System levies value added tax on the supply and the importation of goods and services. The Turkish name for VAT is KDV and is introduced in 1985.

### • The Subject of VAT

Transactions carried out in Turkey are the subject of the VAT. Taxable transactions include the supply of goods and services, importation of goods and services and other activities. The following transactions carried out in Turkey are subject to VAT:

- Supply of goods and services within the scope of commercial, industrial, agricultural or independent professional activities,
- Importation of all kinds of goods and services,
- Other activities.

### • The Taxpayer of VAT

VAT taxpayers are those engaged in taxable transactions, irrespective of their legal status or nature and their position with regard to other taxes. Withholding agents are those calculate and pay the tax to the related tax office on the name of taxpayer.

### • Tax Rates in VAT

Three different rates are applied to varied goods and services groups in VAT.





Reduced Rate	1%	List No I dried foods, cotton, wheat,
	8%	sheep and cattle, bread, newspaper and magazines, etc. List No II basic food items (milk, macaroni, oil, etc.) and other goods and services
General Rate	18%	Goods outside of the Lists I and II

#### • Declaration of VAT

Taxation in VAT is based on tax returns declared in writing by taxpayers. Even if they do not have taxable transactions within taxation period they have to declare tax return.

Taxpayers who are subject to the monthly periods must file and submit their returns to the related tax office by the evening of the 20<sup>th</sup> day of the following month. For quarterly period, they must file and submit their returns by the evening of the 20<sup>th</sup> day of the following three months.

## 2. SPECIAL CONSUMPTION TAX (EXCISE DUTY)

Goods in the lists attached to the Special Consumption Tax Law are the subject of the tax. For goods in

the lists, Special Consumption Tax is charged only once.

There are mainly 4 different product groups that are subject to special consumption tax at different tax rates:

- List I is related to petroleum products, natural gas, lubricating oil, solvents and derivatives of solvents.
- List II is related to automobiles and other vehicles, motorcycles, planes, helicopters, yachts.
- List III is related to tobacco and tobacco products, alcoholic beverages and cola.
- List IV is related to luxury products.

#### • The Taxpayers of the Special Consumption Tax

Taxpayers are different according to the lists. They are;

For List I; manufacturers and importers of the petroleum products,

For List II; merchants of motor vehicles, exporters for using or sellers through auction,

For List III; manufacturers, exporters or sellers through auction of tobacco, alcoholic beverages and cola,



For List IV manufacturers, exporters or sellers through auction of luxury products.

### **3. BANKING AND INSURANCE TRANSACTION TAX (BITT)**

All transactions of banks and insurance companies and bankers are the subject of the tax. There will be the tax upon the money, which they collect under the name of interest, commission and expenditure because of the services they produced on behalf of them.

Taxpayers are banks, insurance companies and bankers. Financing companies, lenders and factoring companies are also taxpayers.

Taxation period in BITT is each month of the calendar year.

Taxpayers declare their taxable transactions up to the evening of the 15th day of the following month.

### **4. STAMP TAX**

A wide range of documents in the List I attached to the Stamp Tax Law are the subject of the tax. These documents are related to acts, conclusions, official reports, papers related to commercial transactions,

receipts. When these documents are prepared, tax arises.

Taxpayers are persons who have signed these documents. Tax is levied as a percentage of the value of the document. Stamp tax can be paid in four ways by sticking revenue stamp, by putting printed stamp, in respond of receipt and by stoppage.

### **5. SPECIAL COMMUNICATION TAX**

Services of cell phone, cable radio and television broadcasts and telecommunication are generally the subject of the tax. Taxable event is the carrying out these services.

Taxpayers are enterprises that present these services.

Taxation period is each month of the calendar year. Taxes collected in each month are declared and paid by the evening of the 15th day of the following month.

### **6. CUSTOMS DUTY**

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. TAXES ON WEALTH**

#### **1. INHERITANCE AND GIFT TAX**

The transition of goods, which belong to Turkish citizens, and goods, which are within Turkey from one to another without return, and by inheritance or in another way are the subject of the tax.

Taxpayer is the person who acquires goods by inheritance or gratuitously. Turkish citizens who gain possession outside of Turkey without payment are also subject to this tax.

Inheritance and gift tax is assessed on the declaration submitted by respondent.

In the case of inheritance, the declaration will be submitted in four months starting with the date of death as a rule of law. If the



death occurs in Turkey and the taxpayer is outside of Turkey, the declaration period is extended to six months. In the case of occurrence of death and being of taxpayers outside of Turkey, the declaration period will be again four months. However, when the death occurs in a foreign country and the taxpayer is in another foreign country, the declaration period is extended eight months.

In the case of transmissions by gratuitous, the declaration will be submitted in one month following the date of acquirement of the properties.

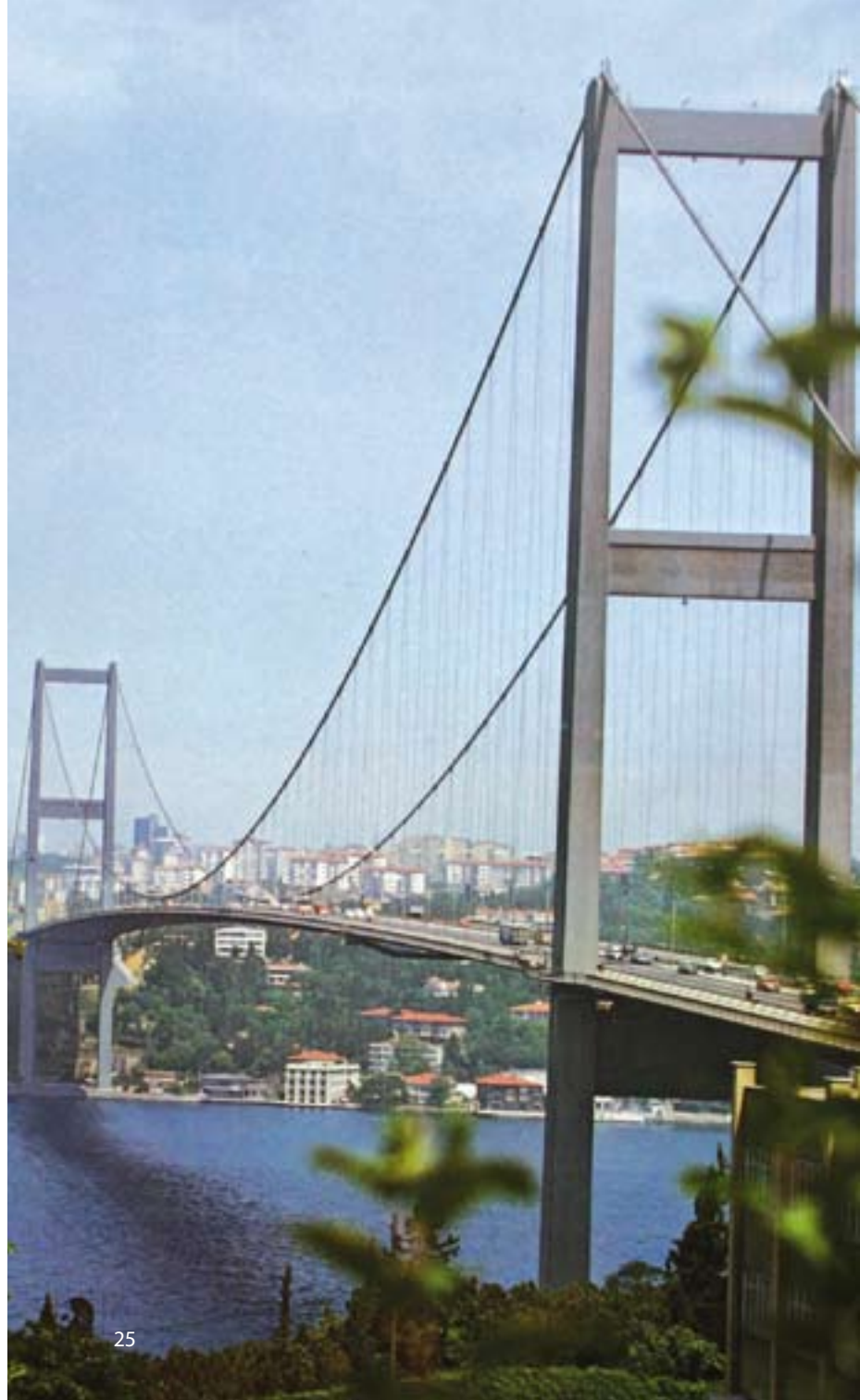
## **2. REAL ESTATE TAX**

### **a) Building Tax**

Buildings in Turkey are the subject of the tax. Taxable events are the ownership of the building, setting up usufruct or acting as owner of the building.

Taxpayer is owner of the building, if exist, owner of the usufruct, or if no one of these exists, person who acts as owner of the building.

Tax assessment is made by the related municipality. The tax is



assessed and accrued upon the annual declaration. The real estate tax is paid in two installments. The first installment in the months of March, April and May and the second one in December will be paid.

#### **b) Land Tax**

Lands in Turkey are the subject of the tax. Taxable events are the ownership of the land, setting up usufruct or acting as owner of the building.

Taxpayer is owner of the land, if exist, owner of the usufruct, or if no one of these exists, person who acts as owner of the land.

Tax assessment is made by the related municipality. The tax is assessed and accrued upon the annual declaration. The land tax is paid in two installments. The first installment in the months of March, April and May and the second one in December will be paid.

#### **3. MOTOR VEHICLE TAX**

The subject of the tax is motor vehicle. Taxable event is registration of the motor vehicles in the traffic, municipality and docks.

Taxpayers are real and legal persons who have motor vehicles that are registered to their own names in the traffic, municipality and docks register and the civilian air-vehicle register maintained by the Ministry of Transportation.

Tax is assessed and accrued annually in the beginning of January. The motor vehicle taxes are paid in two equal installments, in January and July, every year.



## 5. INTERNATIONAL RELATIONS

### 5.1. OECD Ankara Multilateral Tax Center

The OECD International Tax Centers have been in service since 1991 as firstly in Budapest, Vienna, Copenhagen and Ankara and much later in Seoul and now in Mexico.

The OECD Ankara Multilateral Tax Center was established in 1993 based on a joint protocol between the OECD and the Turkish Ministry of Foreign Affairs.

The cost of the tax center has been covered by a total budget composed of voluntary cash contributions of the OECD member countries. (In addition to this contribution) the expenditures of the OECD Ankara Multilateral Tax Center, has been covered by cash contribution of the Turkish International Co-operation Agency (TICA) and cash and in kind contribution of the Turkish Revenue Administration.

The OECD Ankara Multilateral Tax Center has provided a facility for exchange of information to a total

of 3288 high-level tax officials from 37 different countries from 1993 to date.

Countries that have participated at various times to the OECD Ankara Tax Center are Albania, Armenia, Azerbaijan, Belarus, Bosnia, Bulgaria, Cambodia, Croatia, China, Czech Republic, Egypt, Estonia, Georgia, Hungary, Kosovo/ UNMIK, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Macedonia,



Moldova, Mongolia, Montenegro, Morocco, Poland, Romania, Russian Federation, Saudi Arabia, Slovak Republic, Slovenia, South Africa, Tajikistan, Turkmenistan, Ukraine, United Kingdom, Uzbekistan and Vietnam.

The seminars have been covering International Taxation Systems, plus countries presentations which prove to be very beneficial. They are providing technical support in the field of taxation to the emerging and transitional economies. Tax experts share their experiences through training programmes organised by the Training Center.

Experienced experts and high level officials from OECD member countries have been lecturing in these events. Senior officials from the Turkish Revenue Administration have been contributing as experts not only in the Ankara Center, but also in Vienna, Budapest, Seoul, Moscow and Beijing Centers.

The environment of international cooperation created in such taxation workshops and seminars organized in these Centers contributes substantially to the integration of the transition economy countries in their process of liberalization, introduction into the market economy and also the globalization effort.





## 5.2. Double Taxation Treaties

The agreement with Austria, which were signed at 03.11.1970, became the first Double Taxation Treaty for Turkey. The Turkish double taxation agreement network expanded with continuing negotiations with 83 countries and finally now numbers 63.

Turkey has comprehensive double taxation agreements in force with 63 countries. The list of agreements in force on 15 May 2006 is as follows:

	Country	Date of Agreement	Entered into Force
1)	Austria	03.11.1970	24.09.1973
2)	Norway	16.12.1971	30.01.1976
3)	South Korea	24.12.1983	25.03.1986
4)	Jordan	06.06.1985	03.12.1986
5)	Saudi Arabia	11.01.1989	09.08.1990
6)	Tunisia	02.10.1986	28.12.1987
7)	Romania	01.07.1986	15.09.1988
8)	Holland	27.03.1986	30.09.1988
9)	Pakistan	14.11.1985	08.08.1988
10)	England	19.02.1986	26.10.1988
11)	Finland	09.05.1986	30.12.1988
12)	Turkish Republic of Nothern Cyprus	22.12.1987	30.12.1988
13)	France	18.02.1987	01.07.1989
14)	Germany	16.04.1985	31.12.1989
15)	Sweden	21.01.1988	18.11.1990
16)	Belgium	02.06.1987	08.10.1991
17)	Denmark	30.05.1991	20.06.1993
18)	Italy	27.07.1990	01.12.1993
19)	Japan	08.03.1993	28.12.1994
20)	United Arab Emirates	29.01.1993	26.12.1994
21)	Hungary	10.03.1993	09.11.1995
22)	Kazakhstan	15.08.1995	18.11.1996
23)	Macedonia	16.06.1995	28.11.1996
24)	Albania	04.04.1994	26.12.1996
25)	Algeria	02.08.1994	30.12.1996
26)	Mongolia	12.09.1995	30.12.1996
27)	India	31.01.1995	30.12.1996
28)	Malaysia	27.09.1994	31.12.1996
29)	Egypt	25.12.1993	31.12.1996
30)	The Republic of China	23.05.1995	20.01.1997
31)	Poland	03.11.1993	01.04.1997

	Country	Date of Agreement	Entered into Force
32)	Turkmenistan	17.08.1995	24.06.1997
33)	Azerbaijan	09.02.1994	01.09.1997
34)	Bulgaria	07.07.1994	17.09.1997
35)	Uzbekistan	08.05.1996	30.09.1997
36)	U.S.A.	26.03.1996	19.12.1997
37)	Belarus	24.07.1996	29.04.1998
38)	Ukraine	27.11.1996	29.04.1998
39)	Israel	14.03.1996	27.05.1998
40)	Slovakia	02.04.1997	02.12.1999
41)	Kuwait	06.10.1997	13.12.1999
42)	Russia	15.12.1997	31.12.1999
43)	Indonesia	25.02.1997	06.03.2000
44)	Lithuania	24.11.1998	17.05.2000
45)	Croatia	22.09.1997	18.05.2000
46)	Moldova	25.06.1998	28.07.2000
47)	Singapore	09.07.1999	27.08.2001
48)	Kyrgyzstan	01.07.1999	20.12.2001
49)	Tajikistan	06.05.1996	26.12.2001
50)	Sudan	26.08.2001	31.01.2005
51)	Czech Republic	12.11.1999	16.12.2003
52)	Spain	05.07.2002	18.12.2003
53)	Bangladesh	31.10.1999	23.12.2003
54)	Latvia	03.06.1999	23.12.2003
55)	Slovenia	19.04.2001	23.12.2003
56)	Greece	02.12.2003	05.03.2004
57)	Syria	06.01.2004	21.08.2004
58)	Thailand	11.04.2002	13.01.2005
59)	Luxembourg	09.06.2003	18.01.2005
60)	Estonia	25.08.2003	21.02.2005
61)	Iran	17.06.2002	27.02.2005
62)	Morocco	07.04.2004	18.07.2006
63)	Lebanon	12.05.2004	21.08.2006





## 6. HIGHLIGHTS FROM 2005 ACTIVITIES OF THE PRESIDENCY OF REVENUE ADMINISTRATION

In parallel with the transformation to taxpayer-focused understanding in developed countries in order to increase the quality of public services, Presidency of Turkish Revenue Administration has been brought into a taxpayer-focused structure in the restructuring process.

Taxpayer Services, showed activity in a dispersed and unsystematic way and not performed effective and qualified services formerly, has been conducted by Department of Taxpayer Services, one of the main service units of the Presidency of Revenue Administration, in new structure.

Department of Taxpayer Services, which is constituted in structure of the Presidency in direction with the taxpayer-focused approach, has been continuing its activities in direction of "acceptance of the tax as a civic duty" and facilitation of exercise of tax liability.

In accordance with taxpayer-focused concept, Taxpayer Services Department facilitates in order to

get taxpayers to accept tax as a civic duty and ease the process of paying tax by providing a quality customer service.

According to Foundation Decree, the duties of the Department of Taxpayer Services are as follows:

- To carry out necessary works for raising tax-consciousness,
- To inform taxpayers about their legal rights and obligations,
- To take necessary measures ensuring that performing services and communication rapidly and effectively,
- To ensure protection of taxpayer's rights and to prepare necessary infrastructure relating to this purpose,
- To evaluate taxpayer complaints and to take necessary measures on this subject,
- To measure and evaluate taxpayer satisfaction,
- To take measures ensuring fair enforcement of tax legislation.



## 6.1. Training Program on Basic Techniques of Taxpayer Services, For More Qualified Services to Taxpayers

Effectively managing tax and duty compliance is our key measure of success. Our organization must continually adapt and develop in support of this goal. Therefore, in order to support our strategies and respond to changing demands, it is

important to develop the range and depth of skills of our staff necessary to meet the challenge of new ways of working.

As an important step of transformation to taxpayer-focused administration to convince the staff as, Taxpayer Services Technical Assistance Program is organized for a group of staff who will partake in further education of other personnel of Presidency of Revenue Administration throughout Turkey being in direct contact with taxpayers.



## 6.2. Preparing Guidebooks and Brochures

In order to help taxpayers to get information easily, the Presidency of Revenue Administration has published new concise, easy-to-use brochures that contain the information most taxpayer need in order to comply with their tax obligations.

The Brochures on the Presidency of Tax Offices has been published in 2005 and, those published in 2006 are: Guide on Filling Declaration

for Income from capital investment (interest and dividends), Guide on Filling Declaration for real property income, Guide on Taxation of Business Incomes, Guide on Filling Declaration For Lawyers, Guide For Corporate Tax.

These publications covering a broad range of revenue are also available now on the Presidency of Revenue Administration web site, [www.gib.gov.tr](http://www.gib.gov.tr)

### 6.3. Modernization of Web Page

Since as Revenue Administration we take taxpayer satisfaction as principle, we strive to develop technological infrastructure that aims to spend time in fulfillment of tax responsibilities and to access information in a fastest way.

Through technological improvements, we strive to improve our web site in terms of innovation and speed with the aim of submitting the correct information about the tax law and its applications to taxpayers in a fastest way

Application of filing tax return through web which provides great easiness and saving both taxpayer and administration is carrying on with success.

Furthermore, to assist the taxpayers, the Department uploads helpful and informative the frequently asked questions (FAQs) for their reference. So as to reflect the latest changes in tax regulations the answers are updated regularly.

The latest improvements about our organization and tax system can be followed up through our web site which we continue to develop as an indicator of being information society and transparency to public.

### 6.4. E-mail Informing Service

To have taxpayers voluntarily and properly pay their taxes, it is vitally important that the Presidency of Revenue Administration takes advantage of every opportunity to enhance taxpayers' understanding of their tax responsibilities. It is also important that we provide information on tax in a regular and continuous way.



Therefore, in order to provide information directly to taxpayers, the Presidency of Revenue Administration's free e-mail service -web based informing service- has been put into practice as a part of taxpayer focused services.

All actual information about tax applications and recent improvements in our web site is send to our subscribers freely and simultaneously through the web based informing system. As well as tax laws, cabinet degrees, regulations, general communiqués, circulars, news from Revenue Administration also tax statistics, the results of objects and activities are send freely to subscribers. The number of subscribers was 40.000 at December 5, 2005 in which this system has been introduced, and in a short while it increased to 62.353 at January 27,2006 and reached to 65.673 in February 2, 2006. There is almost 80.000 subscriber at the system.

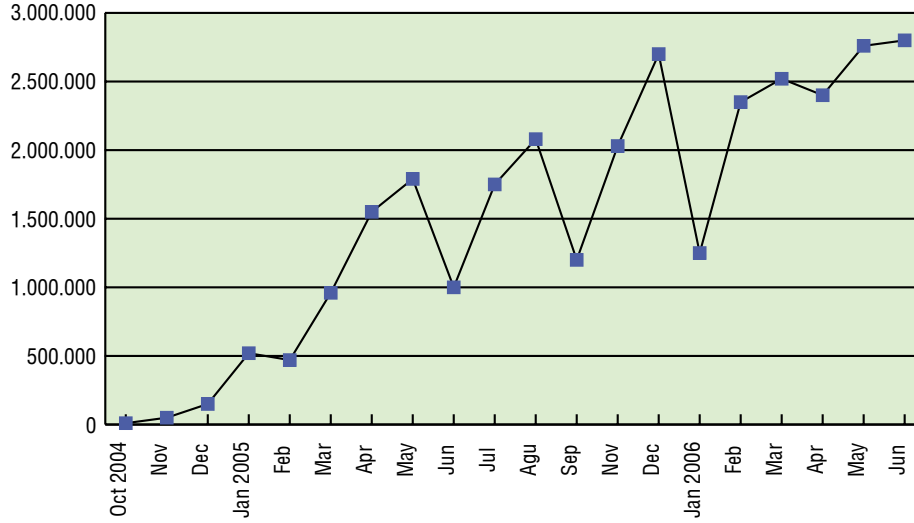
The point reached in a short period like three months has been guided taxpayers relations department to new projects in the frame of Tax Revenue Administrations missions.

## 6.5. E-Filing

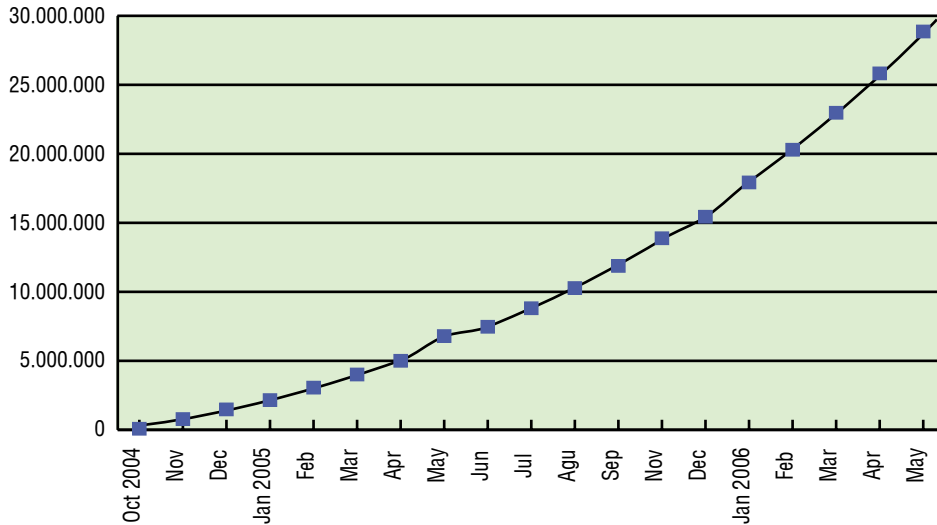
The Presidency of Revenue Administration has been trying to take advantage of technology, including the e-filing for online tax return filing and the filing assistance on the website, to help reduce taxpayers' tax return filing burdens, transform tax offices from operational units to specialization units by minimizing their workload and collect information for Data Warehouse like balance sheet, income tables, all other forms

E-filing is started in October 2004 and widely accepted in a very short time period by the taxpayers and therefore usage ratio is continuously increasing. 25 different types of declaration and appendices can be sent as e-declaration via internet. Username-password pair is being used for authentication and infrastructure is ready for Digital Signature.

### Monthly E-Filing Numbers



### Total E-Filing Numbers



## 6.6. The Declaration Of Taxpayers' Rights

The Presidency of Revenue Administration has adopted to work with principles of transparency, accountability, participation and taxpayer focused-ness, by serving rapid, accurate, complete information and high quality services, and by respecting taxpayer rights.

Because of our service concept, which is aimed at taxpayer satisfaction and ensuring participation of both tax officers and taxpayers, studies have been carrying on about taking necessary measures for facile fulfillment of obligations and about producing taxpayer focused solutions.

Our Department has devoted itself to informing taxpayers on legal rights and obligations by using every channel of communication. It has given importance to training of taxpayers, improving voluntary cohesion to tax laws and making taxpayers conscious of their responsibilities and rights.

Within the context of these studies, towards the reality of an effective cooperation between Revenue Administration and taxpayers, it has been published The Declaration Of Taxpayers' Rights, for clear determination of taxpayer rights and responsibilities of Revenue Administration.

With this Declaration, Presidency of Turkish Revenue Administration affirms to do those:

- Serve with clear, reliable and adequate information on time.
- Direct citizens to get in touch with correct people for all sorts of information within the framework of The Law of Information Obtaining Right.
- Announce citizens the improvements about tax by our continuously updated web site and printed documents within the shortest possible time.
- In case of subscribing to our e-mail system, which is free of charge, citizens will learn tax improvements at the source and in the instant.



- Be respectful to your personal and secret information. We will not explain and use this information except the cases that Tax Procedure Law requires.
- Provide all sorts facility in the fulfillment of your tax obligations.
- While implementing operations, realizing regulations, we will base on the principle the application of tax laws by fair, legal, impartial and maintaining competition.
- In the tax examinations we will openly, impartially and consistently implement the tax laws. We will inform you in every stage of tax examination.
- If you notice your complaints with your true identity and communication information, we will return to you with a result within the shortest possible time.
- Renew ourselves consistently and be in search of presenting more qualified service to you.

## 6.7. Studies in Progress

### a. Call Center Project

The purpose of the call center is to answer taxpayer's questions on tax issues and assist taxpayer in procedural matters. The rights and obligations of taxpayer will be explained and provide information about taxation, e.g. filing tax return, due date of taxes and required and practicable methods. A taxpayer making a call (via a phone, e-mail, web site) to a center can get information about his/her questions or matters.

The main objective is to meet expectations and provide satisfaction of taxpayers.

### b. Taxpayer Services in Tax Offices

The formation of taxpayer services in tax offices will provide close interaction with taxpayers and resolve the problems on site. The purpose of this type of formation is to help taxpayers and make them pleased.



### c. Polls for Taxpayer and Employee Satisfaction

The polls for taxpayer and employee satisfaction will be prepared in order to measure and evaluate the results of activities and in case of displeasure and problem about the

work to try to correct. In addition to polls, it has been planning a research for determination of taxpayer attitudes with the cooperation of the Middle East Technical University.





## 7. PRACTICAL INFORMATION

### 7.1. Auditing Performances

In fiscal year 2005, auditing activities realized by Tax Inspectors, Finance Inspectors, Revenue Controllers and Tax Auditors (local) are explained below in detail.

#### a. The Results of Auditing Activities

As a result of tax audits realized between 01.01.2005-31.12.2005 ;

- 104.578 taxpayers audited,
- 32.548.467.217.-YTL. as taxable base,
- 38.715.354.158.-YTL. discrepancy in assessment is determined.

#### b. The Results of Compromise Commission's Activities

	The Number of Cases Within the Extent of Compromise	The Number of Reconciled Cases	Rate (%)	The Reconciled Amount of Tax (YTL)	The Amount of Penalty After Compromise (YTL)
The Results of Pre-assessment Compromise	15.745	14.465	92	65.702.926,28	10.750.422,62
The Results of Compromise After Assessment	154.627	143.301	93	109.437.792,22	24.333.606,64
<b>TOTAL</b>	<b>170.372</b>	<b>157.766</b>	<b>93</b>	<b>175.140.718,5</b>	<b>35.084.029,26</b>

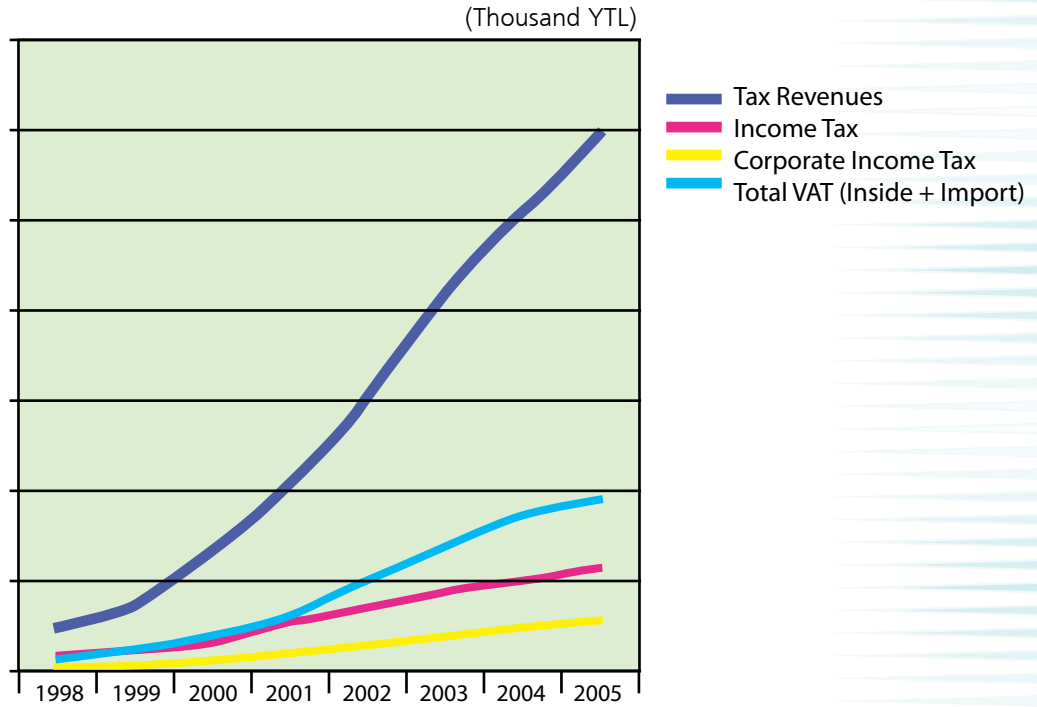
## 7.2. Other Performance Results

### a. The Rate of Income –Corporate and Value Added Taxes in the General Budget Tax Revenues

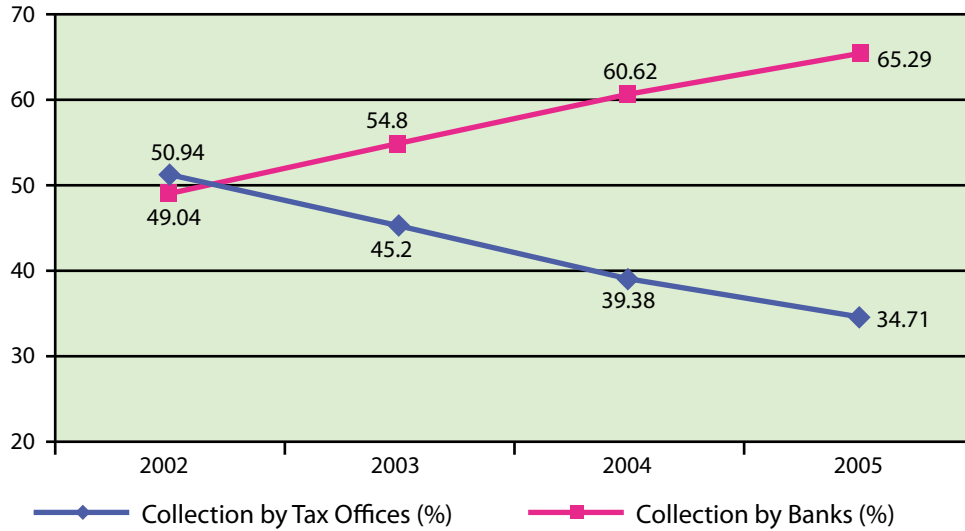
(Thousand YTL )

Years	Tax Revenues	Income Tax	The Rate in Tax Revenues (%)	Corporate Income Tax	The Rate in Tax Revenues (%)	Total VAT (Inside + Import)	The Rate in Tax Revenues (%)	The Total of IT,CIT and VAT	The Rate inTax Revenue (%)
1993	264.273	106.661	40,4	19.132	7,2	81.877	31,0	207.670	78,6
1994	587.760	181.884	30,9	43.976	7,5	176.742	30,1	402.602	68,5
1995	1.084.350	329.795	30,4	103.241	9,5	354.980	32,7	788.016	72,7
1996	2.244.094	676.017	30,1	189.338	8,4	743.026	33,1	1.608.381	71,7
1997	4.745.484	1.500.245	31,6	396.237	8,3	1.561.562	32,9	3.458.044	72,9
1998	9.228.596	3.481.752	37,7	748.383	8,1	2.725.083	29,5	6.955.218	75,4
1999	14.802.280	4.936.551	33,3	1.549.525	10,5	4.164.334	28,1	10.650.410	72,0
2000	26.503.698	6.212.977	23,4	2.356.787	8,9	8.379.554	31,6	16.949.318	64,0
2001	39.735.928	11.579.424	29,1	3.675.665	9,3	12.438.860	31,3	27.693.949	69,7
2002	59.631.868	13.717.660	23,0	5.575.495	9,3	20.400.201	34,2	39.693.356	66,6
2003	84.316.169	17.063.761	20,2	8.645.345	10,3	27.031.099	32,1	52.740.205	62,6
2004	101.061.191	19.688.330	19,5	9.619.359	9,5	34.325.168	34,0	63.632.857	63,0
2005	119.253.669	22.817.425	19,1	11.401.985	9,6	38.280.417	32,1	72.499.827	60,8

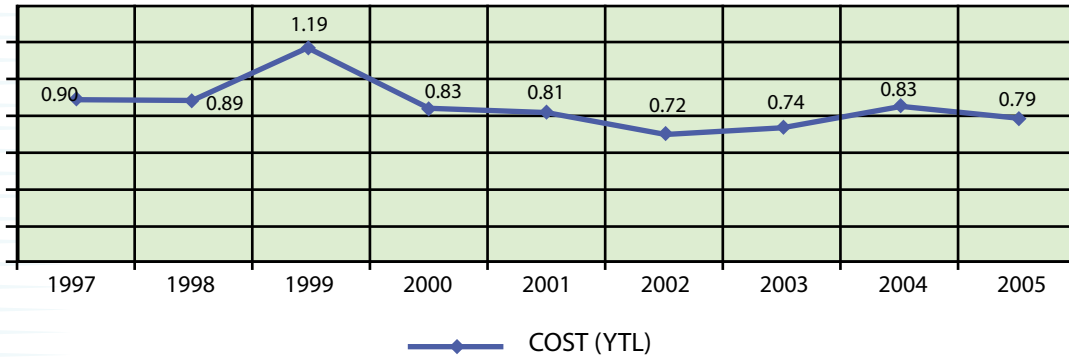
## b. Tax Collection by Type of Tax



### c. Types of Revenue Collection



### d. Net Collection Cost per 100 YTL Collected



## e. Taxpayer Statistics

### The Number of Active Taxpayers in Turkey

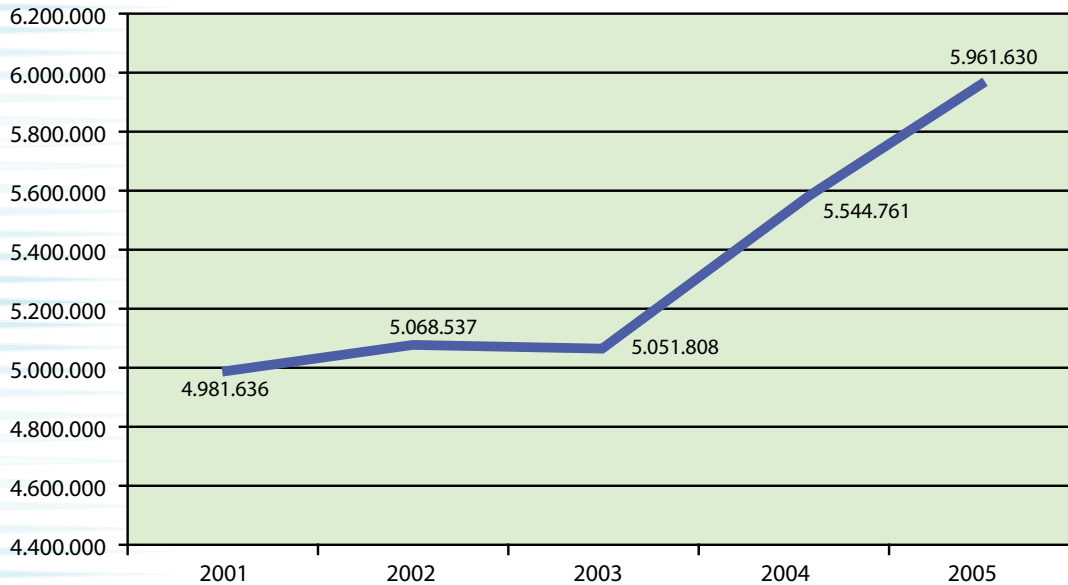
Type of Tax	The Number of Active Taxpayers in 2004	The Number of Active Taxpayers in 2005
Income Tax	1.666.687	1.691.499
Corporate Income Tax	562.662	593.166
Income from Immovable Property	522.186	576.199
Income Withholding Tax	2.008.087	2.127.603
Corporate Withholding Tax	9.014	7.253
Value Added Tax	2.081.163	2.165.516
Lump Sum Tax	805.277	792.706
Other Incomes and Earnings	21.570	22.132
Other Taxes	2.308.097	2.266.775

### The Number of Active Taxpayers according to the Types of Corporations

Type of Corporation	Active
Natural Person	3.099.868
Limited Liability Company	509.074
Ordinary Partnership	47.272
Joint Stock Company	84.316
Others	77.495
Cooperative (Society)	53.419
General Partnership	4.399
Ordinary Limited Partnership	393
Shared Limited Partnership	48
Total	3.876.284

The Number of Tax ID Number Given Between 1995-2005	
3 July 1995	4.839.558
Between 3 July 1995 / 31 December 1998	5.394.110
1999	2.731.635
2000	2.254.525
2001	7.550.323
2002	6.623.627
2003	3.901.459
2004	3.527.106
2005	3.385.019
<b>THE TOTAL NUMBER OF TAX ID NUMBER AT DECEMBER, 31, 2005</b>	<b>40.207.362</b>

The Total Number of Motor Vehicles Registered Between 2001 - 2005



**NOTES**

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THE PRESIDENCY OF REVENUE ADMINISTRATION  
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