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CORPORATE INCOME TAX RATE IS INCREASED TO 25% FOR FY2021 AND 23% FOR FY2022

According to the Corporate Income Tax Law No. 5520 Article 32, corporate income tax rate in Turkey is 20%. This rate was temporarily increased to 22% for FYs 2018, 2019 and 2020, to be decreased to its traditional rate 20% as of the FY2021 afterwards.

CIT Rate is increased once again for two years according to 'The Law on the Amendment of Law on the Procedure for the Collection of Public Receivables and Certain Laws No. 7316 Article 11' and Provisional Article 13 added to CIT Law No. 5520.

According to the mentioned provisional article, the tax rate applied for corporation income is increased to 25% for the FY2021 and 23% for the FY2022. The Article 32 of CIT Law No. 5520 will come into effect and the rate will decrease automatically to its traditional value as of the FY2023 unless a new regulation is made.

The increased rates for two years will be applied to the earnings for the accounting periods starting in the relevant year for the companies with a special accounting period.

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According to the article “Enforcement” of the Law No. 7316, 11th article which is about the rate increase of corporate tax is enforced on the date of publication **starting from the declarations which should be submitted as of the date 1/7/2021 and applying retrospectively to the corporate earnings of the taxation period starting from 1/1/2021 (earnings of the accounting period starting from 1/1/2021 for the companies with special accounting periods).**

1) Corporate Income Tax:

According to the provisional article 13, corporate income tax;

a) Corporations whose accounting period is a calendar year;

- 25% for the income of FY2021
- 23% for the income of FY2022

b) Corporations with special accounting periods;

- 25% for the accounting periods starting from FY2021
- 23% for the accounting periods starting from FY2022

c) 20% starting from the beginning of FY2023 (The ones with special accounting periods, for the periods starting in FY2023)

2) Advance Tax Rates for FY2021:

As the provisional article 13 is enforced starting from the declarations which should be submitted as of the date of 1/7/2021 and applying to the corporate earnings of the taxation period starting from 1/1/2021, 25% rate determined for FY2021 will start to be applied from the second advance tax period of FY2021 for the corporations whose accounting period is a calendar year.

Accordingly, rates which will be applied for the advance tax periods of FY2021 are as follows:

| | |
|--|-------|
| First advance tax period | : 20% |
| Second, third and fourth advance tax periods | : 25% |

Although rate of 20% will be applied to the first period, after all the rate of 25% will be applied to income of FY2021 as advance tax is calculated on cumulative basis.

Kind Regards.