TAX BULLETIN
BDO Turkey

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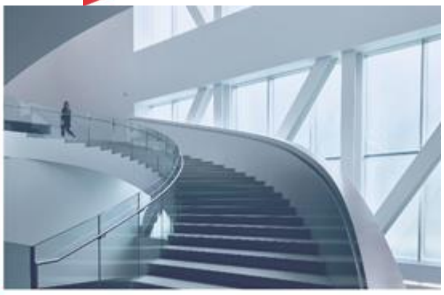

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TURKEY AND THE USA HAVE AGREED ON THE PROCESS OF DIGITAL SERVICES TAX ABOLITION UNDER PILLAR 1

As it is known, on 08.10.2021, Turkey and the USA, along with 134 other members of OECD/G20 Inclusive Framework, reached a political agreement on the Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy. While Pillar 2 of the Two-Pillar approach stipulates a Global Minimum of 15% corporate income tax, Pillar 1 will enable companies with a consolidated turnover of more than EUR 20 billion to be also taxed in local markets, in which some of their revenues are from. With the effectiveness of Pillar 1, unilaterally-applied taxes such as Digital Services Tax (DST) will be abolished.

On 21.10.2021, with the effectiveness of Pillar 1, the USA, Austria, France, Italy, Spain and the United Kingdom agreed on how to abolish unilateral measures (such as DST) that states previously applied.

According to the Announcement dated 22.11.2021 by the Ministry of Finance, Turkish and US authorities have agreed on 21.10.2021 on adopting the transitional approach of the USA, Austria, France, Italy, Spain and the United Kingdom to the existing Unilateral Measures ("Unilateral Measures Compromise") when implementing Pillar 1. The joint statement issued on that date by the six mentioned countries *("Joint Statement of October 21")* contains the Unilateral Measures Compromise.

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- In this context, Turkey will abolish DST with the effectiveness of Pillar 1 as well.
- The period between 01.01.2022 and effective date of Pillar 1 in Turkey will be referred to as “Transition Period”.
- DST paid in Transition Period in Turkey will be compared with the tax to be paid in the first year within the scope of Pillar 1 using the ratio and proportion method. Excess DST collected in Transition Period will be offset from the taxes to be paid under Pillar 1.
- For instance, if it is assumed that Pillar 1 approach came into effect on 01.01.2024 in Turkey, that the taxpayer paid DST of TRY 1,000,000 in 2022 and 2023, and that the tax to be paid by the taxpayer in 2024 within the scope of Pillar 1 is TRY 200,000, DST of [1,000,000 – (200,000 * (730/365))=] TRY 600,000, which was previously paid in excess, will be offset from the taxes to be paid under Pillar 1 in the following periods.

Please click here to access the Announcement made by the Ministy.

Kind regards.