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CORPORATE INCOME TAX RATE IS REDUCED OF 1% FOR MANUFACTURING AND EXPORT ACTIVITIES

The provisions added to the Article 32 of Corporate Income Tax Law with the Article 15 of the Law No. 7351 (“the Law”), published in the Official Gazette dated 22.01.2022 and numbered 31727, are as follows.

- Corporate income tax is applied with 1% reduction for the income exclusively generated from export activities.
- Corporate income tax is applied with 1% reduction for the income exclusively generated from manufacturing activities for those companies who hold industrial registration certificate.
- The above-mentioned reduction on corporate income tax rate is applicable after other deductions are made on the tax rate in the scope of this article.

Companies those export the products they have manufactured cannot benefit for the reduction for the same profit as 1 + 1=2%. At most 1% reduction can be applied for the same earning. However, manufacturing companies can benefit from the reduced corporate income tax rate for their profits originated from exporting activities of goods which are other than they manufactured.

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Since there is not any contrary statement in the Law, companies those export services can also benefit from the reduced corporate income tax rate.

Since the corporate income tax rate reduction applies exclusively to manufacturing or exporting activities of the companies in the scope, earnings to which the reduction will be applied will be calculated by deducting the related expenses from the revenue gained from the activities in the scope.

The changes to the corporate income tax rate apply retroactively as from 1 January 2022. Therefore, corporate income tax rate will be applied to the income within this scope is as follows (unless further adjustment will be made):

- 25% for the income regarding FY 2021
- (23-1=) 22% for the income regarding FY 2022
- (20-1=) 19% for the income regarding FY 2023

Kind regards.