



## Turkey

### Introduction

A person's liability for Turkish tax is determined by residence status for taxation purposes and the source of income derived by the individual. Income tax is levied at progressive rates on an individual's taxable income for the year, which is calculated by subtracting allowable deductions from the total assessable income.

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### Key messages

Extended business travelers are likely to be taxed on employment income attributable to their work in Turkey.

## Income tax

### Liability for income tax

A person's liability for Turkish tax is determined by residence status. A person can be a resident or nonresident for Turkish tax purposes. Individuals who are domiciled in Turkey or who stay in Turkey for more than six months in a calendar year are considered to be resident taxpayers. On the other hand, for an individual to be considered as nonresident, one of the following criteria should be met:

- The individual is not domiciled in Turkey.
- The individual's presence in Turkey is less than six months in a calendar year.
- The individual's presence in Turkey is for a specific and temporary assignment, even if the individual has stayed for more than six months in a calendar year in Turkey.

The general rule is that a person who is a resident of Turkey is taxable on the individual's worldwide income, and a nonresident is taxable on only the individual's Turkish-sourced income.

### Definition of source

Earnings from employment are considered to be Turkish-sourced income if either the employment services are rendered in Turkey or the remuneration is borne by a Turkish employer.

### Tax trigger points

In determining the tax residency status, temporary departure dates are taken into consideration in the calculation of the six-month period; accordingly, these dates do not break the residency status of the employee. There is no threshold/minimum number of days that exempts the employee from the requirements to file and pay tax in Turkey.

### Types of taxable income

For extended business travelers, the types of income that are generally taxed are employment income and Turkish-sourced income other than employment income, if there is any.

### Tax rates

Please see below the tax tariff applicable to employment income from 2011:

Tax bracket	Tax rate
Up to 9,400 Turkish lira (TRY)	15 percent
Between TRY9,401 and TRY23,000	20 percent
Between TRY23,001 and TRY80,000	27 percent
Above TRY80,001	35 percent

Please see below the tax tariff applicable to other personal income for 2011:

Tax bracket	Tax rate
Up to TRY9,400	15 percent
Between TRY9,401 and TRY23,000	20 percent
Between TRY23,001 and TRY53,000	27 percent
Above TRY53,001	35 percent

## Social security

### Liability for social security

According to Turkish social security law, individuals should automatically become insured at the time that an employee is employed. Social security contributions are calculated on the basis of monthly wages and are paid jointly by the employee and the employer at 14 percent and 19.5 percent, respectively. The rates are applied to total gross salaries, wages, and bonuses up to a maximum monthly amount, which is TRY5,177.40 for the first half of 2011 and TRY5,440.50 for the second half of 2011. Please note that the employee social security contribution is tax-exempt for income tax purposes. In addition, unemployment insurance applies at 1 percent and 2 percent for the employee and employer, respectively.

## Compliance obligations

### Employee compliance obligations

If the law requires a tax return to be filed, the responsibility for its filing and the payment of taxes rest with the individual. The income tax return should be filed by March 25 in the following year, and taxes are payable in two equal installments in March and July. If the individual is leaving Turkey, the tax return should be filed and the tax payment made within 15 days prior to the date of departure.

### Employer reporting and withholding requirements

If the employment costs of an employee are borne by a Turkish employer, the employee must be registered on the payroll of the Turkish company, and the individual's employment income is subject to withholding and social security taxation. A monthly withholding tax return is filed on the 23rd of the following month, and the taxes are paid on the 26th of the following month. In accordance with the tax legislation, the withholding tax is regarded as final taxation.

## Other

### Work permit/visa requirements

A work permit must be received before the date on which the individual starts to work in Turkey. Initially, an application will be filed with the Ministry of Labor Affairs. Additionally, in the case of a first-time work permit application, the work permit request should be filed by the employee in person with the Turkish Consulate in the expatriate's home country.

### Double taxation treaties

Turkey has entered into double taxation treaties with more than 70 countries to prevent double taxation and allow cooperation between Turkey and overseas tax authorities in enforcing their respective tax laws.

### Permanent establishment implications

A permanent establishment can generally be defined as a fixed business place or a permanent representative through which the business profits are derived in the source country by nonresidents of that country. If there is a permanent establishment, the business profits of the nonresident entity also can be taxed in the source country. The important factors in determining the existence of a permanent representative are

whether the individual is dependent on the nonresident entity and whether that person is authorized to conclude contracts in the name of, or on behalf of, the nonresident entity.

#### **Indirect taxes**

Indirect taxes applicable in Turkey are stamp tax, motor vehicle tax, banking and insurance transactions tax (BITT), inheritance and gift tax, property taxes, communication tax, and special consumption tax. The stamp tax rate applied on employment income through the payroll mechanism is 0.66 percent.

#### **Transfer pricing**

Turkey has a transfer pricing regime. A transfer pricing implication could arise to the extent that the employee is being paid by an entity and is a related person of the entity at the same time.

#### **Local data privacy requirements**

A draft data privacy law is currently awaiting the approval of the Turkish Parliament. Accordingly, Turkey has not yet implemented data privacy laws.

#### **Exchange control**

Turkey does not restrict the flow of Turkish or foreign currency into or out of the country. Additionally, there is no reporting requirement, regardless of the amount of the transfer.

#### **Nondeductible costs for assignees**

The personal expenses of the assignee, which are not taxed through withholding, are not deductible from the tax base.

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