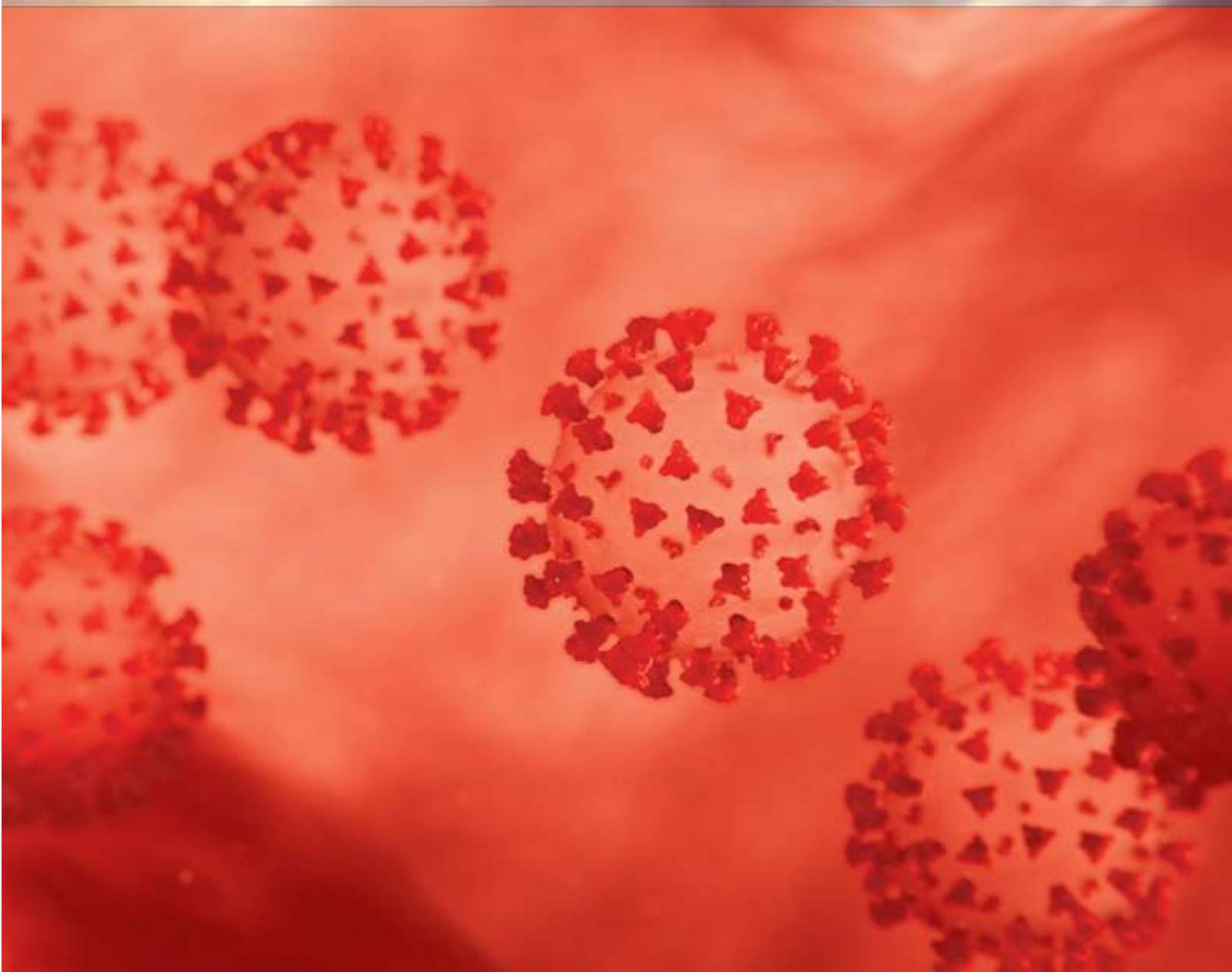


CIRCULAR

Tax and Economic Effects of **Corona Virus** in Turkey

DATE: 03.04.2020



General Economic

The pandemic has forced consumers in Turkey to limit their spending to urgent needs such as food and cleaning products. The sudden halt in business has sent stock markets into a meltdown, with companies in the dark on how long the turmoil will last and how they will cope with loan repayments, taxes and payrolls.

Turkey, too, was quick to enact similar measures, which are largely recipes used in the 2008-2009 global crisis. In an earlier-than-scheduled meeting March 17, the central bank lowered its benchmark rate by 100 basis points to 9.75%, the latest in a series of cuts aimed at leaving one recession behind and fending off the threat of another. The bank announced also measures intended to shield indebted companies and exporters from the pressure of banks and keep the real sector afloat.

The following day, President Recep Tayyip Erdogan unveiled a package of fiscal policy measures, which he valued at 100 billion liras (roughly \$15 billion). Dubbed as the Economic Stability Shield, the package involves measures to relieve primarily companies, including a six-month deferral of various taxes and social security premiums, a three-month deferral of loan repayments to public banks and other assistance for those indebted to private lenders.

Erdogan's package for workers was is so-called partial work payments from the Unemployment Insurance Fund to employees of companies forced to a halt. The poor were promised partial increases in existing social benefits, while citizens aged over 65 had to content themselves with free masks and germ-killing traditional cologne.

1. Tax Deferrals

Explanations

Please find below the regulations defined in the General Communiqué on Tax Procedures Code (no. 518) as published in the Official Gazette issued on 24.03.2020 under (bis) no. 31078,

1.2. Taxpayers subject to Force Major events

It is acknowledged that taxpayer groups below will be considered subject to force major events between 01/04/2020 and 30/06/2020 (included).

a. Taxpayers who are income taxpayers in terms of commercial, agricultural and professional earnings;

Taxpayers who have been directly affected from the corona virus pandemic and whose main scope of business includes retail industry, including shopping centres, healthcare services, furniture manufacture, iron & steel works and metal works industry, mining and stone quarrying, building construction services, industrial kitchen manufacture, car manufacture and trade, spare part and accessorial kits for automotive industry, rent-a-car sector, logistics and transportation including storage services, services in the field of art, such as cinema and drama, publication of such as books, newspapers, periodicals and similar printed items, including printing houses, accommodation operations including tour operators and travel agencies, food and beverage services including restaurants, cafes and coffee houses, textile and clothing industries and trading as well as event and organizational services, including public relations;

b. Taxpayers whose scope of business is in those industries in which businesses should temporarily cease business under the measures adopted by the Ministry of Internal Affairs;

When such main scope of business as referred to above is to be determined, the main scope of business code applicable as of the publication date of the Communique shall be taken into account. However, in the event that the taxpayer proves and evidences that it is engaged in any of such industries listed above although such industry is not among the ones defined above by their main scope of business code as per tax office registries, such main scope of business in which the taxpayer is engaged shall be taken into account instead of the main scope of business to determine whether the taxpayer is subject to force major event.

1.3. Postponement of Tax Duties

For a taxpayer who is acknowledged to be subject to the force major event status:

- The time period to file withholding returns (including withholding and premium service returns) that should be filed in April, May and June as well as value added tax returns is now extended until the end of the office hours on 27/07/2020;
- The time period to pay taxes that have accrued under withholding tax returns (including withholding and premium service returns) that should be filed in April, May and June as well as value added tax returns are now extended until the end of the office hours on 27/10/2020 Tuesday, 27/11/2020 Friday and 28/12/2020 Monday, respectively;
- The time period to file “Form Ba-Bs” statements that should be filed until the end of April, May and June is now extended until the end of office hours on 27/07/2020 Monday.;
- The time period to create e-books that should be created and signed by the end of April, May and June and to upload the “Electronic Book Certificates” that should be uploaded to the Revenue Administration’s Data Process System within that term is now extended until the end of office hours on 27/07/2020 Monday.;

1.4. Declaration for Elder Citizens

Declaration of a force major event for taxpayers who are subject to curfew applicable to those elderly who are 65 years old or older or who are afflicted with chronic diseases;

Taxpayers and professionals who are subject to a curfew because they are 65 years old or older or are afflicted with a chronic disease and those whose returns/ statements are filed by those professionals pursuant to the “Intermediary and Liability Agreement” which is valid and

effective as of the date on which the said Communique is published shall be subject to the status of force major event between 22/03/2020 and the date on which the curfew will expire in accordance with the measures adopted by the Ministry of Internal Affairs.

Accordingly, the last day for the time period to file returns/ statements which cannot be filed by the above-mentioned taxpayers during the force major term as well as the time period to pay those taxes accrued on the basis of those returns/ statements are now extended until the end of the office hours on the 15th day following the date on which the curfew will expire.

The extension of the said time period in this respect shall be made on the basis of the written application that the taxpayer will file over Interactive Tax Office, evidencing that the taxpayer is afflicted with a chronic disease, and a medical report to be obtained from a healthcare institution should be submitted to the taxpayer's tax office within 30 days following the expiry of the curfew.

On the other hand, time extension to file a return/ statement and payment terms because the taxpayer is 65 years old or older shall be made ex officio on the basis of determinations by the tax offices and there is no need to make an application.

1.5. Miscellaneous

In case the curfew expires prior to 30/06/2020, a taxpayer who makes use of the force major event because he is older than 65 years old or is afflicted with a chronic disease will be eligible to force major event provisions in Article 3, commencing on the expiry date of the curfew, on the condition that the taxpayer is covered by that Article.

In the event that,. pursuant to the social security legislation, it is mandatory to report gross earnings and service details for the force major event for an insured by means of a Withholding and Premium Service Return, a force major event will be applicable for the postponement of the return filing and payment terms for such part of these returns related to tax deductions.

The Communique came in force on its publication date.

1.6. The details of the postponed declaration and payments are as below.

Period	Topic	Normal Declaration Date	Normal Payment Date	New Declaration Date	New Payment Date
March	Tax Statement (Concise and Premium Service Declaration Included)	27.04.2020	27.04.2020	27.07.2020	27.10.2020
	Ba-Bs	27.04.2020	27.04.2020	27.07.2020	27.10.2020
	VAT Declaration	30.04.2020	No Payment	27.07.2020	No Payment
	Forming e-books	30.04.2020	No Payment	27.07.2020	No Payment
	Uploading of e-book warrants	30.04.2020	No Payment	27.07.2020	No Payment
April	Tax Statement (Concise and Premium Service Declaration Included)	27.05.2020	27.05.2020	27.07.2020	27.11.2020
	Ba-Bs	27.05.2020	27.05.2020	27.07.2020	27.11.2020
	VAT Declaration	1.06.2020	No Payment	27.07.2020	No Payment
	Forming e-books	1.06.2020	No Payment	27.07.2020	No Payment
	Uploading of e-book warrants	1.06.2020	No Payment	27.07.2020	No Payment
May	Tax Statement (Concise and Premium Service Declaration Included)	26.06.2020	26.06.2020	27.07.2020	28.12.2020
	Ba-Bs	26.06.2020	26.06.2020	27.07.2020	28.12.2020
	VAT Declaration	30.06.2020	No Payment	27.07.2020	No Payment
	Forming e-books	30.06.2020	No Payment	27.07.2020	No Payment
	Uploading of e-book warrants	30.06.2020	No Payment	27.07.2020	No Payment

2. SSI (social security) obligations postponed companies :

Furthermore, according to the to the above-mentioned announcement, the payment dates of social security declarations for taxpayers that are acknowledged as forced majeure sectors by the Ministry of Treasury and Finance are postponed as below.

The last day of payment for the 2020/March insurance premiums **payment duration** to 2/11/2020.

The last day of payment for the 2020/April insurance premiums **payment duration** to 30/11/2020.

The last day of payment for the 2020/May insurance premiums **payment duration** to 31/12/2020.

However, all kinds of information, documents and declarations that need to be submitted to the SSI (social security institute) and the applications to be made have not been postponed and have been postponed only on the date of payment.

3. Short-Time Working Allowance

This is an application which provides the insured with an income aid for the period when they cannot be employed at their workplace, provided that it does not exceed three months, in cases where the activities of the workplace are ceased for at least four weeks due to temporary reduction of the weekly working hours by at least one-third due to general economic, sectoral, regional crisis or due to vis major without requiring the continuity condition.

Vis major are the periodic situations caused by external reasons or force majeure such as earthquake, fire, flood, landslide, *pandemic*, mobilization which are not caused by the acts and administration of the employer, cannot be foreseen, and therefore cannot be prevented in any way and which result in temporary reduction in working hours, or complete or partial cessation of activities.

Within the Scope of the Short-Time Working;

- Short-time working allowances are paid to workers,

- General Health Insurance premiums are paid.

In order to implement Short-Time Working at the Workplace;

The employer must apply to İŞKUR that the working hours at the workplace has significantly reduced or ceased completely due to general economic, sectoral, regional crisis or due to vis major, and the workplace must be determined to have been effected so as a result of the conformity assessment to be carried out by the Labor Inspectors.

In order for the Worker to Benefit from Short-Time Working Allowance;

- The employer`s short-time working request must be conforming as a result of the examination conducted by the labor inspectors,
- Working hours and premium payment conditions of the worker must be fulfilled at the start date of the short-term working, ((Having paid 450 days premium in the last 3 years, with the condition of having the last 60 days of service contract)
- The information of the worker must be included in the list of those who will be short-worked as a result of the examination conducted by the labor inspectors.

Request for Short-Time Working and Evaluation of the Request

Employer may apply for short-time working by submitting [Short-Term Working Request Form](#) and [The list containing the information of the workers to be short-worked](#) due to general economic, sectoral, regional crisis or vis major.

Short-time working applications are made by the employers on behalf of the employees. **Employees cannot apply for short-time working.**

Request for Short-Time Working and Evaluation of the Request due to New Type Coronavirus (Covid-19),

The short-time working application has been initiated under the scope of "vis major caused by periodic situations arising from external factors" by taking into account the possible effects of the new type Coronavirus (Covid-19) which emerged in Wuhan city of the People's Republic of China and is affecting many countries.

The employer who requests the short-time working due to being adversely affected by the Coronavirus may apply for the short-time application by sending [Short-Term Working Request Form](#) and [The list containing the information of the workers to be short-worked](#) along with the evidences thereof via an e-mail to the *e-mail address* of the affiliated İŞKUR unit.

It is important to attach the documents which constitute the basis for the adverse impact of the coronavirus for a quick conclusion of the application over the documents without going to the workplace. If necessary, additional documents may be requested by contacting to the employer. The employers will be notified as soon as possible upon the receipt of their application, and the applications will be submitted to the Guidance and Inspection Department for the purpose of conformity assessment.

General Information for the Conformity Assessment

In accordance with the decisions taken by the Ministry's Guidance and Inspection Department, the following issues will be taken into consideration in the conformity assessment examinations to be carried out by the Labor Inspectors of the Ministry and the Board of our Agency in accordance with the Decision on Short-Time Working Application to be implemented due to Covid-19;

All examinations will be carried out through the relevant application papers and the annexes thereto in the Guidance and Inspection Department or in Group Presidency without issuing an examination report and without going to the premises.

- If it is determined that there is a deficiency in the application documents during the examination process, the employer will immediately be communicated and be requested to provide such missing papers online and the examination will immediately be completed on the basis of papers.
- In conformity assessment examinations conducted by the Presidency, Ministries or the relevant public institutions and organizations in the workplaces of which activities are ceased, documents whether the workplaces are included within this scope shall be sufficient enough.
- In conformity assessment examinations conducted in respect to workplaces of which activities are ceased or reduced within the administrative decisions of the employer, the documents providing this situation shall be sufficient enough.
- Labor Inspectors of our Ministry shall issue a letter with report aspects in respect to the conformity assessment. Such letter and annexes thereto shall be electronically submitted to Provincial Directorates of our Agency through the Registered E-mail Address, and wet signature copies thereof shall later be submitted to be kept in the files of the workplaces.
- The conformity assessment operation conducted by the Presidency, Ministries or the relevant public institutions and organizations in workplaces of which activities are ceased is limited by the duration of the administrative disposition in addition to the minimum and maximum durations regulated by the Law and it must be taken into consideration that the short-time working application is terminated *per se* with the expiry of the administrative disposition.

Notification of the Result of the Short-Time Working Request to the Employer

The result of the conformity assessment conducted by the Labor Inspectors that the working hours at the workplace has significantly reduced or ceased completely due to general economic, sectoral, regional crisis or due to vis major is notified to the employer by İŞKUR.

The employer then announces the situation at a place where the workers may see at the workplace and, if any, notify the workers union party to the collective labor agreement thereof. The employer notifies the workers subject to short-time working in writing in cases where the employer is unable to notify them through announcement. The employer, whose short-term working request is found to be conforming, submits [Short-Term Working Notification List](#) after updating.

The application results are notified to the employers, who request short-time working due to being adversely affected by the Coronavirus, via e-mail to the e-mail address from which the application was made. The employer, whose short-term working request is found to be conforming, submits [Short-Term Working Notification List](#) after updating to the e-mail address of İŞKUR unit to which the application was made.

Duration, Amount and Payment of the Short-Time Working Allowance

Daily short-time working allowance is the 60% of the insured`s daily average gross earnings calculated by taking into account the earnings on the basis of last twelve months premium. The amount of short-time working allowance calculated in this way cannot exceed 150% of the gross amount of the monthly minimum wage.

The short-time working allowance is paid to the worker himself/herself **on the fifth of each month** for the period when the worker was unable to completed the weekly working hours. The payments are made **through PTT Bank**. The Minister of Labor and Social Security is authorized to backdate the payments.

The time interval during which the short-time working will be carried out during the daily, weekly or monthly working period is determined by the employer considering the traditions of the workplace and the nature of the work.

SSI Monthly Premium and Service Document and the reason for the missing day is notified as "18-Short-Time Working Allowance" on behalf of the short-time working workers for the short-time worked periods.

The duration of the short-time working allowance is as long as the short-time working period, provided that it does not exceed three months.

In case the short-time working is carried out at the workplace due to vis major, the payments commence after the one-week period stipulated in Article 24 paragraph (III) and Article 40 of the Labor Law No. 4857. The wages and premium liabilities related to this one week period shall belong to the employer.

The amount of wages and short-time working allowances for the weekly vacation, national holidays and general holidays of the short-working worker is paid by the employer and the Agency in proportion to the short-time working period.

Collection of Overpayments or Improper Payments within the Scope of Short-Time Working Allowance

The overpayments made due to incorrect information and document provided by the employer are collected from the employer along with the legal interest, and are collected from the worker along with the legal interest if such fault is caused by the worker.

Premiums Paid For the Short-Time Allowance Period

General health insurance premium are paid for the period during which the worker receives the short-term working allowance. Short and long term insurance premiums are not transferred in the said period.

Early Termination of Short-Time Working

In the event that the employer decides to start normal activity during the short-time working application, the employer must notify the Agency unit, if any, workers union party to the collective labor agreement and the workers of such situation in writing six business days ago.

The short-time working is terminated on the date specified in the notification. Improper payments occurred regarding the late notifications are collected from the employer along with their legal interest.

Suspension of Short-Time Working Allowance

If any of the workers paid short-time allowance is employed, starts to receive pension, is recruited to military for any reason or quits the work for a working duty arising from any law or the temporary incapacity allowance starts, the short-time working allowance is discontinued as of the date of the medical report subject to the temporary incapacity allowance.

Employer's Obligation to Keep Records

The employer, implementing the short-time working, is obliged to keep the records of the working hours of the workers and submit them upon request.



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