

Tax Exemption Introduced for Software Which is Electronically Exported From Turkey

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Turkey has introduced an income tax exemption for employees in free trade zones who prepare software which is exported from Turkey via electronic transfer. The mechanism is introduced to address difficulties which arise when delivering CD-based software programs to customers outside Turkey. Software programs which are sold within Turkey are not eligible for this income tax exemption. The Communiqué (No.3) Amending the General Communiqué (No.1) on Free Trade Areas Law number 3218 was published in Official Gazette number 29695 on 26 April 2016.

Accordingly, an income tax exemption applies for preparing programs which meet the Communiqué's definition of "software" and are exported via electronic transfer. The salaries of employees in free trade zones who are related to such software are exempt from income tax if:

- The software is prepared only for foreign customers.
- The software is used outside Turkey.
- The invoice must be issued to a foreign customer.
- The invoice should show that foreign currency is being brought to Turkey.

Electronic transfer refers to exporting software programs via the internet, through an electronic environment. The concept is introduced to address difficulties which arise for delivering CD-based software programs to customers outside Turkey.

Please see this [link](#) for the full text of the Notification and this link for the full text of the Explanatory Annotation (only available in Turkish).

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