

Turkey Announces Criteria for Payment Deferment Where Tax Debts Would Cause Serious Financial Difficulty

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If a taxpayer will fall into serious financial difficulty by paying a tax debt, a mechanism exists in Turkey to defer payment for up to five years, under certain conditions (Article 48/A of the Law on the Collection of Public Receivables number 6183, dated 21 July 1953). The Council of Ministers has now announced calculation methods for determining whether an entity is at risk of suffering serious financial vulnerability, as well as revised deferment periods and interest rates. The revised mechanism applies to public debts which have become due since 1 January 2018.

Council of Ministers' Decision number 2018/11284, dated 22 January 2018 ("**Decision**"), was published in Official Gazette number 30342 on 24 February 2018.

To benefit from the deferment procedure, taxpayers must be subject to corporate income tax or personal income tax due to their commercial, agricultural or professional activities.

The Decision introduces separate calculation methods for defining "serious financial difficulty" for:

Taxpayers which maintain commercial books based on balance sheet.

Other taxpayers.

Taxpayers which maintain commercial books based on balance sheet

For these taxpayers, the following financial indicators should be used when determining the entity's financial situation.

Other taxpayers

For all other taxpayers, the following financial indicators should be used when determining the entity's financial situation.

Thresholds and deferment periods

After making the calculations above, taxpayers will now be deemed to be at risk of serious financial difficulty if all of the following conditions are met:

- Cash-Flow Ratio is 10% or less.
- Liquid Ratio is 70% or less.
- Leverage Ratio is 70% or more.

The deferment period and rate applied to the debt will now vary depending on the degree of financial difficulty, as determined by the ratio calculation.

Please see this [link](#) for the full text (only available in Turkish).

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