

Turkey Announces Details of Explanation Procedures in Context of Suspected Tax Evasion

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Turkey's Ministry of Finance has announced details for the process whereby taxpayers can provide a written explanation, seeking to potentially avoid audit or referral in the context of suspected tax evasion. Accordingly, the Evaluation Commission will be formed within the Revenue Administration. The Presidency of the Tax Inspection Board will conduct preliminary evaluations and determine which taxpayers are eligible to use the process.

The "invitation to explain" process was first introduced in mid-2016 by the Law Amending Certain Laws for Improvement of the Investment Environment numbered 6728, published on 9 August 2016. Further details for the procedures have now been outlined in the Tax Procedure Law General Communiqué Series No. 482 ("**Communiqué**"), entering into force on 1 September 2017.

Taxpayers deemed eligible must submit their responses to the Evaluation Commission within 15 days of receiving an invitation. The proceedings that will take place after the evaluation of the explanations may be summarized as follows:

- If the Evaluation Commission deems the explanation sufficient, the taxpayer will avoid audit and referral.
- If the Evaluation Commission deems the explanation as insufficient or as confirming that tax evasion occurred, the taxpayer will be asked to fulfil certain conditions (such as completing tax returns and paying any amounts due, with additions). If the taxpayer meets these conditions, they will receive a discounted penalty for tax evasion.
- If the taxpayer provides insufficient information and then fails to meet the requested conditions, the taxpayer will be audited or referred to the Valuation Commission.

In principle, the invitation to explain process will not be applicable if the tax evasion may have been resulted from acts that constitute tax fraud. However, if the preliminary evaluations show that the tax fraud is committed by using forged or misleading documents, the taxpayers may be invited for explanation on condition that the value per document does not exceed TRY 50,000 or 5% of the taxpayer's total purchase of goods and services in the relevant year.

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

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