

## Turkey Introduces Withholding Tax Discount for Entities Providing Services Outside the Country

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Turkey has introduced a discount on withholding tax for certain employees working at entities which provide services outside Turkey. From 1 January 2017, qualifying entities will be able to offset the discounted tax rate against income taxes for employees who are exclusively employed in the foreign services and who actually provide the services outside Turkey.

The General Communiqué on the General Income Tax was published in Official Gazette number 29458 on 27 August 2015 ("**Communiqué**"), defines detailed provisions for the entities providing legal services to abroad, enabling them to benefit from a withholding tax reduction for certain employees. The Communiqué was adopted within the scope of amendments to the Income Tax Law amended by Law numbered 6728 on the Amendments on the Sveral Laws With the Aim of Improving the Investment Environment.

To qualify for the reduced tax rate, entities must be engaged in one of the following activities:

- Architecture, engineering, design, software, medical reporting, keeping accounting records, call center, product testing, certification, data storage, data processing, or data analysis services which are being used exclusively outside Turkey.
- Services being provided on the occupational training areas determined by the Ministry of Finance.
- Education and health services provided under the permission and the supervision of related Ministry.
- To qualify for the discounted withholding tax rate, the services must also meet all of the following criteria:
  - Be provided outside Turkey
  - Be provided to the real persons residing outside of Turkey or to the enterprises having their registered offices outside Turkey.
  - Have 85% of the revenue earned from such services must come from outside Turkey.
  - Have invoices or other relevant documents issued on behalf of real persons or legal entities residing outside Turkey.

Employees who do not actually work in the activities listed above cannot qualify for the tax reduction, nor can support staff.

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

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