



**GUIDEBOOK ON RENTAL
INCOME FOR NON-RESIDENT
TAXPAYERS
(Citizens of Foreign Countries not
Residing in Turkey and Turkish
Citizens Residing Abroad)**

2016

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TURKISH REVENUE ADMINISTRATION
Taxpayer Services Department Publication
Print No: 217
February 2016



THE DECLARATION OF TAXPAYER RIGHTS

This declaration affirms Turkish Revenue Administration's devotion to work with the principles of respectful and honesty, within the concept of taxpayer-focused and qualified service, and to solve the problems in order to satisfy everyone who receives service with the conscious that tax paying is not only a responsibility but also a right of being citizen and inquiry.

Therefore;

- We will serve with clear, reliable and adequate information on time.
- We will direct you to get in touch with correct people for all sorts of information within the framework of The Law of Information Obtaining Right.
- We will announce you the improvements about tax by our continuously updated web site and printed documents within the shortest possible time.
- If you subscribe to our e-mail system which is free of charge, you will learn tax improvements at the source and in the instant.
- We are respectful to your personal and secret information. We will not explain and use this information except the cases that Tax Procedure Law requires.
- We will provide you all sorts facility in the fulfillment of your tax obligations.
- While implementing operations, realizing regulations, we will base on the principle the application of tax laws by fair, legal, impartial and maintaining competition.
- In the tax examinations we will openly, impartially and consistently implement the tax laws. We will inform you in every stage of tax examination. If you notice your complaints with your true identity and communication information, we will return to you with a result within the shortest possible time.
- We will renew ourselves consistently and be in search of presenting more qualified service to you.

MISSION

Our mission is to increase voluntary compliance by protecting taxpayer rights and to collect taxes and other revenues by providing high-quality service.

VISION

Our vision is to be an exemplary model as an administration that promotes formal economy by embracing economic activities, that provides voluntary compliance by protecting taxpayer rights and collects taxes and other revenues by offering quality service.

CORE VALUES

Justice Solution
Oriented Flexibility
Effectiveness
Reliability
Participation
Transparency
Responsibility
Continuous
Development
Impartiality
Efficiency
Competency

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INTRODUCTION

Individuals who do not settle in Turkey are defined as non-resident taxpayers and they are only subject to taxation on their income obtained in Turkey. In this context, non-resident taxpayer means person who does not reside in Turkey or who spends less than a continuous period of six months in Turkey during a calendar year.

This guide has been prepared in order to present general information about the properties and rights which are subjects of rental income, the calculation of rental income amount which will be declared, the amount of exception, expenses which shall be deducted from declared rental income, tax withholding in rental payments and the calculation of due tax for the property and rights subject to rental income of non-resident taxpayer's renting their property and rights in 2015. The guide also includes explanation with samples regarding the determination of the amount that should be declared and in which conditions the non-resident taxpayers shall declare their rental income.

1. RENTAL INCOME

The income obtained from leasing of the properties and rights which are stated in Income Tax Law is defined as **“immovable property income”** and is subject to income tax in certain conditions.

The liable persons of immovable property's income are the owners, tenants (persons having the rights to use actually), possessors, servitudes and usufruct right owners of the property and their tenants in the event of leasing of a rented property and right.

2. PROPERTY AND RIGHTS WHICH ARE SUBJECTS OF RENTAL INCOME

Property and rights which are subjects of rental income are defined in Article 70 of Income Tax Law. They are mentioned as;

- Land, building, mineral water and underground water sources, mines, stone pits, production places of sand and gravel, brick and tile fields, saltworks and their component parts,
- Large fishing net fields and fishponds,
- Component parts of immovable properties leased separately and all their installations, inventory stock and flooring,
- Rights registered as immovable property,
- Searching, operating and franchise rights and their licenses, patent right, trademark, brand mark, commerce title, any kind of technical drawing, design, model, plan and cinema and television films, audiotapes and videotapes, a secret formula belonging to an experience

acquired in industry, commerce and science or rights as right of usage or privilege of usage on a production method,

- Copyrights,
- Ships and shares of ship and all the motorized shipment and unloading vehicles,
- Motorized transfer and draw-frame vehicles, any kind of motorized vehicle, machine and installation and their appurtenance.

3. OBTAINING OF RENTAL INCOME

Obtaining of rental income is bound to collection principle. In order to tax the rental income in accordance with the collection principle, it should be collected in cash or in kind.

3.1. Collection of Rental Income in Cash

Collection of rental income in cash states that the payment of rent in Turkish Liras or in foreign currency. Received cheques are also taken into account as collection in cash.

- Rental income collected by the taxpayers relating to that year or previous years is taken into account **as the income of the year which it is collected in.**

For example, if 2012, 2013 and 2014 rental income is collected in 2015, this income shall be taken into account as the income of year 2015.

- Rental income relating to prospective years which is collected in advance is not taken into account as the income of the year which it is collected in but **as the income of the years which the income is related to.**

For example, if 2015, 2016 and 2017 rental income is collected in 2015, each year's rental income shall be declared in the related year.

In terms of foreign currency, rental payment and gross revenue is calculated according to the exchange rate announced by The Central Bank of Republic of Turkey on collection date.

3.2. Collection of Rental Income in-kind

If the rental payment is collected in-kind, payments are valued according to Tax Procedure Law.

3.3. Collection and Payment of Leasing by Means of Banks or Postal Administration

- For residence, 500 TL or over for each house,
- For workplace, without a limitation of amount

the payments and collection of the leasing should be done by means of banks, financial institutions or postal administrations.

Since receipt or monthly statement is issued for the payment and collection while using mediums like depositing money, money order, cheque or credit card by means of banks, financial institutions or postal administrations, these documents shall be accepted as certifying documents. Payment and collection carried out via internet banking are also evaluated in the same scope.

The fine which shall be applied to persons who do not comply with the aforesaid obligations is 5% of each transaction's amount and it should be no lower than the amount of special irregularity fine determined for that year in accordance with the repeating Article 355 of Tax Procedure Law.

4. LOW OR NO VALUE FOR RENTAL INCOME

“Equivalent rental value” is taken as bases in case of low or no value for rental income. According to this basis, equivalent rental income principle shall be applied on the conditions of;

- leaving the immovable property to the usage of other persons for free,
- lower value of rental income of rented immovable property than the equivalent rental value.

The equivalent rental value in rented buildings and lands is the rental value determined by authorized specific authorities or courts, if it is available. If there is no renting determination or judgment for the aforementioned building or land, equivalent rental value is 5% of its real estate tax value.

The equivalent rental value in property and rights for other than buildings or lands is 10% of their cost price. If this cost is not known, it is 10% of determined values of them calculated in accordance with valuation of property provisions of Tax Procedure Law.

Example: Mr. (A) gave up a flat valued 200.000 Turkish Liras to one of his friends without charge in 2015.

Accordingly, although Mr. (A) does not obtain rental income, he should be supposed to obtain rental income in accordance with the amount reached after the calculation of equivalent rental value.

Equivalent rental value: $200.000 \times 5\% = 10.000$ Turkish Liras. This amount should be considered as income to be declared.

Equivalent rental value principle is not applied under the following conditions:

- Leaving empty immovable properties to other person's residence in order to protect the immovable,
- Allocating the buildings to the residence of the property owner's children, mother and father or siblings (But, if more than one house allocated to the residences of each of these persons, equivalent rental value is not calculated only for one of these houses. For example, if two houses are allocated to his child by),
- Accommodating of relatives with the property owner in the same house or flat.

- Leasing done by General Budget and Annex Budget Offices, by provincial administrations and municipalities and by other public institutions and organizations.

5. EXCEPTION IN RENTAL INCOME

If persons, who gain rental income from house (exception amount 3.600 TL for the year 2015), obtain income less than the amount of exception that is determined annually, they are not required to be registered at the tax offices and not required to file a tax declaration to tax offices.

If the rental income from house exceeds the amount determined for exception, the amount of exception should be deducted from rental income to be declared in the annual tax declaration.

The exception applies only to rental income from properties that have been rented as house.

For instance, if there is a rental income obtained and declared at the same time both from house and workplace, the exception applies only to the rental income obtained from house, not to the rental income from workplace.

Persons, who have to declare their income from business, agriculture or professional activities, are not eligible to benefit from 3.600 TL of exception. Besides, persons who gain rental income equal to or above 3.600 TL, of whose gross total of their income including wage, capital earnings, rental income and other incomes exceeding the amount 106.000 TL for the year 2015 jointly or severally, cannot benefit from the exception.

In case more than one person has the ownership of a house, the taxation of the rental income obtained from such house will be subject to 3.600 TL (for the year 2015) of exception separately for each proprietor.

Thus, if the inheritance is not shared, every inheritor will benefit from the exception separately.

In case one taxpayer obtains rental income from more than one house, the exception will be applied at once to the total amount of rental income.

6. EXPENSES TO BE DEDUCTED WHEN DETERMINING THE RENTAL INCOME

In the taxation of rental income, the net amount of the income obtained is determined in two different ways as follows:

- Lump sum expenses method (for other than those who lease rights)
- Actual expenses method

The selection of the lump sum or actual expenses method should cover all immovable property, which means that it is not possible to choose the actual expenses method for some part and the lump sum expenses method for the remaining part.

6.1. Deduction of Expenses in the Lump Sum Expenses Method

Taxpayers who have opted for the lump sum method can, after deducting the amount of exception from their rental income, set off the lump sum expenses at %25 of the remaining amount against actual expenses. It is not possible to opt for lump sum expenses method in the case of leasing rights. (For example, a taxpayer, who gains office rental income and income from leasing rights, should choose actual expenses method since they should declare rental income from leasing rights at their tax return.)

Taxpayers who have chosen the lump sum expenses method cannot choose actual expenses method before **two years** have elapsed.

6.2. Deduction of Expenses in the Actual Expenses Method

If the actual expenses method is chosen, following actual expenses can be deducted from the gross amount of rental income:

- Lighting, heating, water and elevator expenses paid by lessor for rented property,
- Management costs which are measured according to the importance of property and related with the administration of the rented property,
- Insurance expenses relating to the rented property and rights,
- Interest of debts relating to the rented property and rights,
- 5% of acquisition value of **one rented house** for 5 years beginning from the date of acquisition (This deduction applies only to rental income of the rented house; nondeductible part is not evaluated as expenditure surplus. This deduction is not valid for houses acquired before 2011.),

Deduction of %5 of the acquisition value applies only to one real property rented as house. For real properties rented as workplace, such expense deduction is not applicable.

- Taxes, duties and fees paid for the rented property and rights and rates paid to municipalities for expenses by lessor,
- Depreciation,
- Repair and maintenance expenses incurred by lessor for the rented property,
- Rents and other actual expenses paid by sub-lessors,
- Rent of the house accommodated by the lessors who rent their own property, (nondeductible part is not evaluated as expenditure surplus),

It is not allowed for taxpayers not residing in Turkey, (including Turkish nationals who reside abroad more than a continuous period of six months with residence or work permit) to deduct the amount of rents they pay in a foreign country from their rental income obtained in Turkey.

- Cost of loss, detriments and compensations paid for rented property and rights based on a contract, law or court decree.

Non-residents who have opted for the actual expenditure method should keep the documents showing the expenses incurred for a period of five years and submit to the tax office when required.

6.2.1. Calculation of deductible expenses in case of exception in actual expenses method

Where a taxpayer chooses the actual expenses method and benefits from the exception applied to rental income from house, the amount of actual expenses corresponding to exception is not deductible from gross revenue.

The deductible amount is calculated as follows:

$$\text{Deductible expenses} = \frac{\text{Total Expenses} \times \text{Taxable Revenue}^*}{\text{Total Revenue}}$$

(*) Taxable Revenue = Total Revenue - Exception for Rental Income from House

Example: Mrs. (B) rented her house in 2015 and obtained 25.000 TL of rental income. Mrs. (B), who has no any other income, incurred 4.000 TL of expenditure for her property and choses the actual expenses method.

The amount that Mrs. (B) can deduct as actual expenses will be the amount that corresponds to the taxable revenue of the total expense for 4.000 TL.

$$\begin{aligned} \text{Taxable Revenue} &= 25.000 - 3.600 = 21.400 \text{ TL} \\ \text{Deductible expense} &= (4.000 \times 21.400) / 25.000 = 3.424 \text{ TL} \end{aligned}$$

7. IN THE EVENT OF LOSS

Any decrease occurring in the capital itself which is subject to income from immovable property is not considered as loss and is not accepted as expense when determining the gross income amount.

Losses arising from the expenditure surplus in the calculation of the net amount of income from immovable property can be deducted from income to be declared in the following years **not for more than five years. There are two exceptions to this rule:**

- In the event of any loss resulting from deducting the amount of the rent of the house or lodging paid by the lessor from the rental income of their house, such loss cannot be subject to deduction from the income from immovable property to be obtained in the following years.
- It is not allowed for taxpayers not residing in Turkey, (including Turkish nationals who reside abroad more than a continuous period of six months with residence or work permit) to deduct the amount of rents they pay in a foreign country from their rental income obtained in Turkey.
- Non-deductible part of the amount corresponding to %5 of the acquisition value which has been subject to deduction of income from the immovable rented as house is not considered as an expenditure surplus.

8. TAX WITHHOLDING IN RENTAL PAYMENTS

Persons, corporations and entities who rented property and rights in accordance with Article 94 of Income Tax Law are obliged to withhold income tax on the gross amount of payments made for rent.

Those people and enterprises that are tenants have to withhold income tax from the **gross amount** of their rental payments at the rate of **20%**.

This withholding tax should also be made from the rent paid in advance for the upcoming months and years. For example; when the rent is paid in advance for 3 months or 1 year for a workplace, the total rent paid should be subject to tax withholding.

If tenants are taxpayers whose commercial earnings determined according to simple method, they shall not withhold in rental payments.

In case that the immovable property leased out is used both as house and workplace; the total rent is subject to withholding as long as it is used as workplace partially or in whole.

9. DECLARATION OF RENTAL INCOME

Non-resident taxpayers do not submit annual declarations for the income from immovable property which are subject to withholding tax in Turkey. Also, in case that they submit annual declaration for other income, they do not include this income which is subject to withholding tax in their declarations.

Taxpayers who have **only rental income from immovable property** in Turkey will submit annual tax declaration, if;

- their rental income from house exceeds tax exception amount (**3.600 TL for the year 2015**),
- their rental income which are not subject to withholding or tax exception in a calendar year exceeds the limit to submit a declaration (**1.500 TL for the year 2015**).

As to the rental income not subject to withholding and exception (As the rental income derived from workplace leased out to a taxpayer in a simple method), the sum of 1.500 TL for submitting declaration is not an exception but a limit to submit declaration. The total income from workplace will be declared in the event of exceeding this amount. Every member of a family has to submit a declaration on their own behalf for the rental income they obtained from the property and rights belonging to them.

On the occasion that minor and restricted persons are taxpayers; the annual declaration to be submitted on behalf of them is signed by their parents, guardians or curators.

In case of having property and rights with shares, every partner should declare the rental income corresponding to his/her own shares.

10. DEDUCTIONS TO BE MADE FROM INCOME INCLUDED IN THE ANNUAL TAX DECLARATION

Deductions with respect to income to be declared by an annual tax declaration are specified in Income Tax Law and in other relevant laws. In order to make the following deductions from the income to be declared in income tax declaration while income tax base is being determined, there must be an income to be declared in an annual tax return and deductions to be made should satisfy the requirements specified in the relevant legislation.

Accordingly, following items may be subject to deduction:

1. Premiums paid to life/ individual insurance companies,
2. Education and health care expenses,
3. Donations and aids,
4. Sponsorship expenses,
5. Donations in kind and in cash in relation to the aid campaigns initiated by the Prime Ministry or the Council of Ministers,
6. Donations and aids made in cash to Turkish Association of Crescent and Turkish Green Crescent Society proved with a receipt,
7. Donations and aids made in cash and in kind to EXPO 2016 Antalya Agency,
8. Donations and aids which are completely deductible in accordance with other laws.

10.1. Life / individual Insurance Premiums

Starting from the date 01/01/2013, the %15 of individual insurance premiums paid, except individual retirement insurance, can be deducted from the annual tax declaration of revenue tax.

The revenue that is declared at the annual tax return before the other deductions and the revenue loss of former years are deducted would be taken as the base revenue to calculate the amount that would be deducted.

After the date 01/01/2013 the premiums for the individual retirement insurance cannot be deducted.

The premiums that should be taken into account for determining the tax base are as follows:

- %50 of life insurance payments of the tax payers', their spouses and children which are paid in accordance with the insurance contracts signed with the insurance firms that are established in Turkey and their central organizations are situated in Turkey.
- %100 of death, accident, health, disability, maternity, child birth and education individual insurance premiums

The total amount that would be deducted cannot exceed the %15 of total revenue and annual amount of minimum wage. (The gross annual minimum wage for 2015 is **14.850 TL**)

10.2. Education and Health Care Expenses

The education and health expenses done as stated below would be deducted from the annual revenue declared in tax return in condition not to exceed the %15 of total revenue:

- The education and health care expenses should be done in Turkey.
- The expenses should be verified by the documents taken from the individual or legal personalities who are personal or corporate income tax payers.
- The expenses should be regarding the tax payers' oneself or their spouse and children underage.

The term "children underage" refers to the children below 18 or 25 if they are still going to school who are living with the tax payer or dependent on tax payer (children takes aliment, adopted and the children who lost their parents and living with their grandparents).

The revenue that is declared at the annual tax return before the other deductions and the revenue loss of former years are deducted would be taken as the base revenue to calculate the amount that would be deducted.

10.3. Donations and aids

10.3.1. Limited Deductions

Personal income tax payers, General and private budgeted public administrations, provincial administrations, municipalities, villages and non-profit associations and the foundations that are exempted from tax by the Council of Ministers, can deduct the donations and aids against receipt from their annual income in condition that it would not exceed the %5 of total income. (it would not exceed %10 of total income if donations are made to the stated organizations, associations and foundations in the development priority zone)

The revenue that is declared at the annual tax return before the other deductions and the revenue loss of former years are deducted would be taken as the base revenue to calculate the amount that would be deducted.

10.3.2. Non-limited Deductions

a) The donated schools, health institutions, the student dormitories and day care centers which have bed capacity not less than 100 (in development priority zones not less than 50), orphanages, rest houses, care and rehabilitation centers to the General and private budgeted public administrations, provincial administrations, municipalities, villages and all expenses for the construction of the place of worship constructed by the permission of authorized public administrative director, the institutions where the religious education is given under inspection of Directorate of Religious Affairs, youth centers and youth and scouting camps belong to the Youth and Sports Ministry or all donations and aids in kind or in cash made for the construction or for the maintenance of their activities of these establishments can be deducted.

In order to be deduct the full amount of the donations and aids (expenses) for the construction and for the maintenance of the activities of schools, health institutions, the student dormitories, other institutions and the institutions where the religious education is given under inspection of Directorate of Religious Affairs; these donations and aids should be done to the General and private budgeted public administrations, provincial administrations, municipalities, villages. Besides, the donations and aids for the construction or for the maintenance of the activities of the place of worship constructed by the permission of authorized public administrative director and/or the institutions where the religious education is given under inspection of Directorate of Religious Affairs and youth centers and youth and scouting camps belong to the Youth and Sports Ministry can be made to the foundations or associations which are established for the stated purposes.

b) The total cost of food, cleaning supplies, clothing and heating donated to the foundations and associations established as food banks for helping poor people in line with the procedures and principles determined by the Ministry of Finance can be deducted.

c) General and private budgeted public administrations, provincial administrations, municipalities, villages, non-profit associations, the foundations that are exempted from tax by the Council of Ministers, the expenses done by institutions which makes scientific research or the expenses for the studies that are supported by Ministry of Culture and Tourism and all donations and aids made for these purposes can be deducted.

10.4. Sponsorship Expenses

According to The Income Tax Law Article (89/8) the sponsorship expenses done according to the 3289 numbered Law on Organization and Functions of General Directorate of Youth and 3813 numbered Law on Establishment and Duties of the Turkish Football Federation can be deducted from the income declared at annual tax return as follows:

- %100 of expenses for amateur sports,
- %50 of expenses for professional sports.

10.5. Donations in kind and in cash in relation to the aid campaigns initiated by the Prime Ministry or the Council of Ministers

The total amount of the donations and aids in kind or in cash against receipt to the aid campaigns initiated by the Prime Ministry or the Council of Ministers can be deducted.

10.6. Donations and aids made in cash to Turkish Association of Crescent and Turkish Green Crescent Society proved with a receipt

The total amount of the donations and aids in cash against receipt to Turkish Association of Crescent and Turkish Green Crescent Society except their commercial enterprises can be deducted.

10.7. Donations and aids made in cash and in kind to EXPO 2016 Antalya Agency

The total amount of the donations and aids in kind and in cash and the sponsorship expenses to the EXPO 2016 Antalya Agency can be deducted.

10.8. Donations and aids which are completely deductible in accordance with other laws.

The total amount of the donations and aids in kind or in cash according to the Improvement of Social Aid and Solidarity Law, Law on the Establishment of Turkish Scientific and Technical Research Institution, Law on Social Services and Child Protection Agency, Atatürk High Institution of Culture, Language and History Law, Turkish Armed Forces Foundation Law, National Afforestation and Erosion Control Mobilization Law, Primary Education Law and related other law can be deducted.

In case the donations and aids are not in cash, the equal value of the donated property or the right; if the equal value is not exist then the value determined by the assessment committee according to the Tax Procedure Law will be taken into account.

11. TIME AND PLACE OF RENTAL INCOME DECLARATION

For the period **01.01.2015- 31.12.2015**; taxpayers should submit declarations concerning their income from immovable properties between the dates **01.03.2016 - 25.03.2016**.

If the due date of submitting declaration coincides with a public holiday, declarations shall be submitted the following workday, until the end of the working hour.

If non-resident taxpayers have tax representatives in Turkey, they will submit their declarations to the authorized Tax Office of their tax representatives' location and if they do not have tax representatives in Turkey, they will submit their declarations to the authorized Tax Office of immovable property location.

If the declaration is sent through normal postal service or private postal distribution companies, it will be deemed to have been submitted on the date it arrives on document registration date at tax office, and if it is sent as registered (First Class Mail etc.), it will be deemed to have been submitted on the date registered on envelope by PTT.

Besides it is possible to send the declaration via “Prefilled Income Tax Return System” which will be explained below.

Taxpayers, who have only rental income from immovable property, may send their annual tax return electronically by their own with user code and password receiving from their tax offices or through authorized tax professions.

12. PRE-FILLED INCOME TAX RETURN SYSTEM

Pre-filled income tax return system is a service, in which Turkish Revenue Administration prepare pre-filled tax returns by using data held from its data ware and third party institutions and submit online to the approval of taxpayers whose income composed of rental income, wage, movable property income, other income and gains or several of them.

Taxpayers who have rental income can access to the system with;

- By answering personal security questions,
- Internet Tax Office Code (if they do not have, they can get freely from any tax offices by applying with their identity card),

Persons who have not rental income tax liability also can use this system. In case there is not any liability record at tax offices, taxpayer is registered and the assessment of tax is done automatically when their rental income tax return is approved electronically. Then payments for this rental income tax return can be made through contracted banks or all tax offices. Also, it can be paid via online banking.

The non-resident taxpayers who do not have Turkish Identification Number, registration in MERNIS or do not have rental income liability record at tax offices, they shall submit their declarations to the authorized Tax Office of their tax representatives’ if they have tax representatives in Turkey; if they do not have tax representatives in Turkey they shall use the system after being registered to the authorized Tax Office where located at the immovable property location.

There is no obligation for using system. Returns can be also given by hand to tax offices or through electronically (via E-return preparation programme).

Detailed information about Pre-filled Income Tax Return System can be obtained from and access to the system can be reached at www.gib.gov.tr .

13. NONFILING OR UNDERSTATED FILING DESPITE OBTAINING RENTAL INCOME

In the case the rental income is not declared between the dates **1 - 25 March 2016** or the rental income is understated, it will not be possible to benefit from the exception amount of 3.600TL for the year 2015. However, those who submit declarations, before any determination is made by the administration, on their own accord for their rental income which they did not declare or include in their declarations on time, will benefit from the related exception.

14. TAX SCHEDULE FOR THE YEAR 2015

According to the Income Tax Law, the income tax for the incomes gained at 2015 will be calculated using the tax rates below.

| | |
|---|-----|
| Up to the amount of 12.000 TL | %15 |
| 1.800 TL for 12.000 TL of 29.000 TL, over | %20 |
| 5.200 TL for 29.000TL of 66.000 TL, over | %27 |
| 15.190 TL for 66.000 TL of amount exceeding 66.000 TL, over | %35 |

15. TAX PAYMENT

Income tax calculated on the declaration is paid in two equal installments in **March** and in **July**. The calculated tax can be paid to;

- tax offices that the taxpayer is associated with,
- other tax offices with condition to declaring their account of tax office associated with,
- authorized banks' branches.

You can learn how to calculate your income tax you are supposed to pay by using “**Calculations**” section from webpage www.gib.gov.tr .
(www.gib.gov.tr ---Homepage---Internet Tax Office---Transactions without Code---General Inquiry and Calculations---Calculation of Rental Income)

16. RENTAL INCOME FROM IMMOVABLE PROPERTY IN TERMS OF DOUBLE TAXATION AGREEMENTS

Rental income from immovable property is mentioned in Article 6, titled “Income from Immovable Property” and Article 12, titled “Royalties” of Double Taxation Agreements that Turkey concluded.

Article 6 of the Agreements mainly deals with income from leasing of immovable properties and related rights, and provides that the State where the immovable property is situated has the right of taxation. Accordingly, taxation of the rental income from the immovable property situated in Turkey of individuals resident in the other State will be in accordance with the procedure and principles of domestic legislation of Turkey and in these Double Taxation Agreements there is not any provision limiting the domestic legislation.

For example Mr.(E) who is living in Germany will be taxed in accordance with the domestic legislation of Turkey in case he rents his property in Bodrum.

Turkey has a limited right of taxation from the rental income of nonresident taxpayers obtained by leasing royalties defined in Article 12 of Double Taxation Agreements.

Rate of withholding to be made on the mentioned income may vary from state to state in the Agreements. If the rate specified in Article 12 of the Agreement and the rate defined in our domestic legislation differs, the calculation should be made according to the lower rate.

For example, Mrs. (A) who is a musician and living in Netherlands had given the copyright of her music album to a music production company in Turkey. The payments of copyright fees that would be done to Mrs.(A) by the music production company are subject to %10 withholding tax according to the Article 12 of Double Taxation Agreement between Turkey and Netherlands.

As the example above, the payments that would be done by the comic paper to Mr. (B) who is a caricaturist and living in Netherlands, are subject to %10 withholding tax according to the Article 12 of Double Taxation Agreement between Turkey and Netherlands, in case he gives the usage right of the cartoons he drew to the comic paper in Turkey.

However, in order to be taxed in line with Article 12 of Double Taxation Agreement, residents (full taxpayers) of other country who derive income or profit from Turkey, should submit certificate of residence received from competent authorities of their own resident country along with the translated copy of it into Turkish language which will be approved by a notary public or Turkish Consulates in that country, to the related tax office or the tax withholders in case withholding tax is required. The tax withholders are required to keep the certificates of residence to submit to the competent authorities on demand. In case of failure of submitting the certificate of residence, domestic laws shall be applied instead of the Articles of the Agreement.

The taxes that would be paid by Turkish citizens, who are living in foreign countries related with the incomes they earned in Turkey, would be deducted or exempted at the countries they are living in accordance with the Double Taxation Agreement with that country.

17. EXAMPLES RELATED TO RENTAL INCOME DECLARATION

Example 1: Mrs. (D), living in Germany, leased out her flat in Ankara and obtained 14.000 EUR as rental income in 2015.

She preferred the lump-sum expenses method and she has no other income to declare in Turkey. On the date of collection, buying rate for Euro announced by The Central Bank of Republic of Turkey is assumed as 3,10 TL. Income tax for rental income of taxpayer is calculated as follows:

| | |
|--|-------------------|
| Total Gross Revenue (14.000 EUR x 3,10TL) | 43.400TL |
| Amount of exception | 3.600TL |
| Balance (43.400 - 3.600) | 39.800TL |
| 25% Lump-sum Expenses (39.800 x %25) | 9.950TL |
| Taxable Income (39.800 – 9.950) | 29.850TL |
| Amount of income tax calculated | 5.429,50TL |
| Stamp duty | 47,80TL |

Example 2: Mr. (E), living in Poland, leased out his flat in Antalya and obtained 12.000 Dollars as rental income in 2015. He preferred the actual expenses method and he has no other income to declare in Turkey. His total actual expense for this house is 2.000 Dollars.

On the date of collection and expenditure, buying rate for Dollar announced by The Central Bank of Republic of Turkey is assumed as 2,80 TL.

$$\text{Total Revenue} = 12.000 \$ \times 2,80\text{TL}$$

$$= 33.600 \text{ TL}$$

$$\text{Total Expenses} = 2.000 \$ \times 2,80\text{TL}$$

$$= 5.600 \text{ TL}$$

Taxpayers who have chosen the actual expenses method will not deduct the expense corresponding to the amount subject to exception from their income, but only the expense corresponding to the amount subject to taxation. Thus, first the total expenses corresponding to the total taxable revenue should be determined. Deductible expenses corresponding to the taxable revenue is calculated as follows:

$$\text{Deductible expenses} = \frac{\text{Total expenses} \times \text{Taxable Revenue}^*}{\text{Total Revenue}}$$

$$*\text{Taxable Revenue} = \text{Total Revenue} - \text{Amount of exception for rental income from house}$$

$$= 33.600 - 3.600$$

$$= 30.000 \text{ TL}$$

$$\text{Amount of exception corresponding to taxable revenue (Amount of deductible actual expenses)} = \frac{5.600 \times 30.000}{33.600} = 5.000\text{TL}$$

Income tax for rental income of taxpayer is calculated as follows:

| | |
|--|-----------------|
| Total Gross Revenue (12.000 EUR x 2,80TL) | 33.600TL |
| Amount of exception | 3.600TL |
| Balance (33.600 - 3.600) | 30.000TL |
| Amount of deductible actual expenses | 5.000TL |
| Taxable Income (30.000 – 5.000) | 25.000TL |
| Amount of income tax calculated | 4.400TL |
| Stamp duty | 47,80TL |

Example 3: Mrs. (F.) who does not reside in Turkey and lives in France leased out her office in Bodrum and obtained 10.000 EUR as rental income 2015. It is withheld 4.500 TL from rental income.

On the date of collection and expenditure, buying rate for Euro announced by The Central Bank of Republic of Turkey is assumed as 3,10 TL.

$$\text{Total Revenue (gross)} = 10.000 \text{ €} \times 3,10 \text{ TL} = 31.000 \text{ TL}$$

Since the total rental income is subject to withholding in Turkey, the annual tax return will not be declared regardless the amount.

Example 4: Mr. (G), living in Brussels, leased out his flat in Ankara and obtained 7.000 EUR as rental income in 2015. Also he leased out his office in Ankara and obtained 9.000 EUR as rental income in 2015. It is withheld 5.580 TL from rental income of workplace.

On the date of collection and expenditure, buying rate for Euro announced by The Central Bank of Republic of Turkey is assumed as 3,10 TL.

$$\text{Total Revenue from workplace (gross)} = 9.000 \text{ €} \times 3,10\text{TL} = 27.900 \text{ TL}$$

He has no other income to declare in Turkey and preferred the lump-sum expenses method.

Since the total rental income is subject to withholding in Turkey, the annual tax return will not be declared regardless the amount.

Income tax for rental income from her flat exceeding the exempted amount is calculated as follows:

| | |
|---|-----------------|
| Total Gross Revenue (7.000 EUR x 3,10TL) | 21.700TL |
| Amount of exception | 3.600TL |
| Balance (21.700 - 3.600) | 18.100TL |
| 25% Lump-sum Expenses (18.100 x %25) | 4.525TL |
| Taxable Income (18.100 – 4.525) | 13.575TL |
| Amount of income tax calculated | 2.115TL |
| Stamp duty | 47,80TL |

Example 5: Mrs. (H), living in Italy, leased out her office in Malatya in 2015 to a taxpayer whose income subject to simple method and obtained 4.200 TL as rental income annually.

As to the rental income earned from taxpayers using simple method and to the workplaces which are not subject to withholding and exception, the limit to submit declaration is 1.500 TL for the year 2015. Since, 4.200 TL rental income is exceeding the stated amount from workplace will be declared.

She preferred the lump-sum expenses method and income tax for rental income is calculated as follows:

| | |
|--|-----------------|
| Rental Income from Workplace | 4.200TL |
| 25% Lump-sum Expenses (4.200 x %25) | 1.050TL |
| Taxable Income (4.200 – 1.050) | 3.150TL |
| Amount of income tax calculated | 472,50TL |
| Stamp duty | 47,80TL |

18. POINTS TO BE TAKEN INTO ACCOUNT WHEN FILLING OUT ANNUAL INCOME TAX DECLARATION

Tax declaration and the additional sheet to be used if the number of immovable properties is more than five will be filled out as follows:

- Tax declaration will be filled out in one copy,
- Both tax declaration and additional sheet will be filled out in blue or black with CAPITAL LETTERS,
- The writing should be eligible and due care should be given not to make deletions or scrapings,
- No marks or signs will be placed between the numbers,
- Numerical expressions will not be written down in roman numerals.
- Alphabetical characters will be aligned left, and numerical characters will be aligned right.
- The “address no” line under “Rental Income Documents” at the Table 4 of Income Tax Return, will be filled in with the 10 digit number referring to the address of rented property which would be taken from the following web site:

<https://adres.nvi.gov.tr/Pages/Bildirim/Dogrulama/YerlesimYeriDogrulama.aspx>

- In case the rental income is shared, the information of every partner should be declared by filling in the titles “Share Ratio”, “Name-Surname/Title” “Identification Number” under title “Other Partners” under the part “Information on Rental Income” of Table 4 of Income Tax Return the rental income corresponding to his/her own shares.
- Taxpayers who declare their returns electronically should fill in their returns using the use the guide on <https://ebeyanname.gib.gov.tr> .

CONTRACTED BANKS RECEIVING TAX PAYMENTS

| |
|-----------------------------------|
| AKBANK T.A.Ş.(*) |
| AKTİF YATIRIM BANKASI A.Ş. (*) |
| ALBARAKA TÜRK KATILIM BANKASI A.Ş |
| ALTERNATİFBANK A.Ş. |
| ANADOLUBANK A.Ş. |
| ARAP TÜRK BANKASI A.Ş. |
| CITIBANK A.Ş. |
| DENİZBANK A.Ş. (*) |
| BURGAN BANK A.Ş. |
| FİBABANKA A.Ş. |
| FİNANSBANK A.Ş. (*) |
| HSBC BANK A.Ş. (*) |
| ING BANK A.Ş. |
| KUVEYT TÜRK KATILIM BANKASI A.Ş. |
| ODEA BANK A.Ş. |
| ŞEKERBANK T.A.Ş. |
| T.C. ZİRAAT BANKASI A.Ş. (*) |
| TEKSTİLBANK A.Ş. |

| |
|---|
| TURKISHBANK A.Ş. |
| TURKLAND BANK A.Ş. |
| TÜRK EKONOMİ BANKASI A.Ş. (*) |
| TÜRKİYE FİNANS KATILIM BANKASI A.Ş. (*) |
| TÜRKİYE GARANTİ BANKASI A.Ş. (*) |
| TÜRKİYE HALK BANKASI A.Ş. (*) |
| TÜRKİYE İŞ BANKASI A.Ş. (*) |
| TÜRKİYE VAKIFLAR BANKASI T.A.O. (*) |
| YAPI VE KREDİ BANKASI A.Ş. (*) |
| ZİRAAT KATILIM BANKASI A.Ş. |

(*)The collection of Rental Income Tax from Immovable Property, Motor Vehicle Tax, Traffic Fines, Toll fees and administrative fines regarding tolls, Highway Transport Law Administrative Fines, Title Deed Fees, Registration Fee for the use of mobile phones Brought with Passengers from abroad, Debt of Education and Contribution Loans for General Directorate of Credit and Dormitories can be done with credit cards of the listed banks via Internet Tax Office.