

## **Savings Taxation – Direct Tax**

**1. Is there in your country a withholding tax on interest payments made to individuals residents of EU Member States? If so, what is the internal tax rate without taking into account Tax conventions?**

**Answer:** Yes, there is a withholding tax on interest payments in our country at a rate of 15 % made to individuals residents of EU Member States.

**2. What is the mechanism in the Personal Income Tax in your country to eliminate double taxation on interests?**

**Answer:** The mechanism includes credit method in the Personal Income Tax to eliminate double taxation on interests.

Withholding tax is set-off from the tax calculated over annual return with the condition of having been paid within the year.

**3. What is the definition of "interest" in your country for Personal Income Tax purpose?**

**Answer:** Interest means income from debt-claims of every kind, whether or not secured by mortgage and whether or not carrying a right to participate in the debtor's profits, and income from government securities and income from bonds or debentures, including premiums and prizes attaching to such securities, bonds or debentures.

**4. Are there any legal restrictions at this moment in your country to provide exchange of information with EU Member States on interest payments?**

**Answer:** There are no any legal restrictions at this moment in accordance with OECD Model Tax Convention to provide exchange of information with EU Member States on interest payments, but in the framework of the agreements of the double taxation with the foreign states Turkey exchanges such information as is necessary for carrying out the provisions of OECD Model Tax Convention. Such an exchange of information is also provided on request.

**5. What are the current rules in your country to prevent money laundering and in particular those related to the identification of beneficial owners of interest payments?**

**Answer:** Regarding to Tax Procedure Law No:213 General Communiqué No: 332, the payments above 8.000 NTL ( $\approx$  4848 €) should be transferred through banking system in order to tighten of cash economy, control of payments, monitor commercial and financial transactions,

The fundamentals that shall be applied for the prevention of money laundering is set forth with the Law No:4208 on Prevention of Money Laundering.

In accordance with the Articles 4 of the By-Law regarding the implementation of Law No:4208, *“The liable parties and their branch offices, agents, representatives, commercial deputies and their units alike in Turkey shall identify their customers and those who carry out the transactions on behalf of the customers before they carry out the transactions; and shall keep the related documents in accordance with the established procedures for 5 years starting from the year following the last transaction date for each transaction they are involved in either as one of the parties or an intermediary; including all kinds of purchase and sale, remittance, payment, storage, clearance, barter, lending, borrowing, debt transfer, transfer of claims, renting, renting out, depositing into or withdrawing from current or deposit accounts or profit and loss participation accounts, collecting checks and deeds, transactions pertaining to securities and the transactions alike that exceed 12.000 NTL (≈ 7.272 €) (The amount amended by the Decision of the Coordination Board published on Official Gazette on 8.7.2003 with No: 25162) or equivalent in foreign exchange.*

*The liable parties shall make identification regardless of monetary limit before the transactions related to insurance, financial leasing, deposit box services and, opening deposit, profit and loss participation, current and repo account and the accounts alike are carried out.”*

According to the Article 12 of the By-Law regarding the implementation of Law No:4208 and General Communique No: 2, the liable parties have been obligated to report suspicious transactions after making customer identification to the MASAK, the Turkish FIU, within a maximum of 10 days, starting from the date the transaction is detected. There is no monetary limit for reporting suspicious transactions.