

TAX NEWS
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Subject: Transfer Pricing (TP) General Communiqué no. 4 providing further guidance on the new transfer pricing documentation obligations (Country-by Country Reporting and its notification) was announced in the Official Gazette on 1 September 2020.

TP General Communiqué no. 4 (the Communiqué), which is revising the TP General Communiqué no. 1 governing Disguised Profit Distribution through transfer pricing, was announced in the Official Gazette **(No 21231) on 1 September 2020.**

TP General Communiqué No. 4 introduces two main categories of revisions about the transfer pricing regulations:

- 1) Update of **Section 7** of TP General Communiqué no. 1 in line with the **Presidential Decree no. 2151** which was announced on **25 February 2020** and introduced the **three-tiered transfer pricing documentation requirements in line with the OECD's Base Erosion and Profit Shifting (BEPS) Action Plan 13 that was prepared within the framework of the BEPS Action Plan.**
- 2) **Addition of the some revisions and additional explanations** (Concept of "Treasury Loss", 10% threshold in the related party definition, recognition of the transactional Profit Methods, removal of the hierarchy in selection of transfer pricing methods, introduction of the possibility of retroactive application of advance pricing agreements, authorization for extension of the duration of advance pricing agreements to 5 years, 50% partial penalty protection application provided that all TP documentation obligations are fully met on time, authorization of the President of Republic of Turkey for revision of the rates and durations) which were already introduced through **Law No. 5766** and **Law no. 6728** (published in the Official Gazette on **6 June 2008** and **9 August 2016**, respectively).

Clarifications and explanations made in TP General Communiqué No. 4 are summarized below:

1. Detailed Explanations Regarding the Application of New Transfer Pricing Documentation Obligations

Section 7 (Documents Requested from Taxpayers) of the Transfer Pricing General Communiqué no.1 is revised through Article 5 of TP General Communiqué 4 based on the Presidential Decree No. 2151 dated 25 February 2020 that has introduced the **three-tier Transfer Pricing Documentation obligation** based on the OECD BEPS Action 13, starting from the year 2019. As a result, the heading of Section 7 of TP General Communiqué No. 1 has been revised as "**Documentation**".

Accordingly, there will be **five transfer pricing documentation obligations** starting from the year 2019:

- a) **Master File (NEW – starting from 2019)**
- b) **Annual Transfer Pricing Documentation Report/Local File** (Format of the local file is already provided in the existing TP General Communiqué no.1 as **Annex 4**)
- c) **Country-by-Country Report** (Format template is attached to TP Communiqué No. 4 as **Annex 6** to be added to the existing TP General Communiqué no.1) **(NEW starting from 2019)**
- d) **Country-by-Country Report Notification Form** (Format template is attached to TP General Communiqué No. 4 as **Annex 5** to be added to the TP General Communiqué no.1) **(NEW starting from 2019)**
- e) **Form Relating to Transfer Pricing, Controlled Foreign Companies, and Thin Capitalization** (Format of the Form is already provided in the existing TP General Communiqué no.1 as **Annex 3** – previously it was in Annex 2. This form is attached to corporate income tax return and corporate income taxpayers have already been submitting this form every year together with their Corporate income tax returns)

Turkish Revenue Authority may also request additional information and documents with respect to related party transactions. In case these documents are in a foreign language, **Turkish versions** of the documents are also required to be submitted to the Turkish Revenue Authority.

1.1. Master File

Master file for 2019 is to be prepared by Turkish corporate income taxpayers that are members of a multinational entity Group with assets and net revenues, both of which are TL 500 million or more in the previous year (i.e. 2018).

Master file is to be prepared by Turkish corporate income taxpayers who fall within the scope of this obligation by the end of the next fiscal year following the fiscal year subject to this obligation so as to be submitted to the Tax Administration and/or authorized tax inspectors upon any official request. The first Master File is required to be prepared with respect to the 2019 fiscal year by 31 December 2020. Taxpayers having special accounting periods shall prepare the first master file for their special accounting period that starts after 1 January 2019.

For example, a corporate income taxpayer with a special accounting period ending on March 31st, shall be required to prepare the first master file for its special accounting period between 1 April 2019 – 31 March 2020 by 31 March 2021. Another corporate income taxpayer with a special accounting period ending on June 30th shall be required to prepare the first master file for its special accounting period between 1 July 2019 – 30 June 2020 by 30 June 2021.

Although a standard template for the Master File is not provided by the TP General Communiqué No. 4, detailed explanations are provided with respect to the contents of the Master File, which are required to include the following five main categories of information about the Multinational Entity (MNE):

- a) The MNE's organizational structure;
- b) A description of the MNE's business or businesses;
- c) The MNE's intangibles;
- d) The MNE's intercompany financial activities; and
- e) The MNE's financial and tax positions.

1.2. Local File / Annual Transfer Pricing Report

Annual transfer pricing reports, which have already been prepared by corporate income taxpayers that fall within the scope of this local documentation obligation since 2007, shall continue to be prepared by corporate income taxpayers that are already obliged to prepare an annual transfer pricing report until the corporate income tax declaration deadline of the relevant year. As in the previous years, local annual transfer pricing report is not required to be attached to the corporate income tax return. However, it will be submitted to the tax office and/or authorized tax inspectors upon an official request.

Taxpayers and Related Party Transactions Within the Scope of Annual Transfer Pricing Report Preparation Obligation

- a) Corporate Income Taxpayers that are registered with the Large Taxpayers' Tax Office shall prepare an annual local transfer pricing documentation report with respect to their both domestic and foreign related party transactions.
- b) All other Turkish corporate income taxpayers (i.e. those not registered with the Large Taxpayers' Tax Office) shall continue to prepare a local transfer pricing documentation report with respect to only their cross-border related party transactions in the relevant fiscal year.
- c) Corporate income taxpayers that are operating in Free Trade Zones (FTZ) in Turkey shall be required to prepare a local transfer pricing documentation report with respect to their transactions with their related parties in Turkey (i.e. domestic related party transactions).
- d) All corporate income taxpayers having branches in other countries (including the branches in Turkish FTZs) and/or related party transactions with their related parties that are operating in Turkish FTZs shall prepare a local transfer pricing documentation report with respect to their related party transactions with their foreign branches (including those in Turkish FTZs) and their related entities operating in Turkish FTZs.

The standard format required for the annual transfer pricing report is already attached as **Annex 4** to the existing TP General Communiqué No. 1.

It should be noted that the following additions have been made, through TP General Communiqué No. 4 to **the list of information and documents required to be included in annual transfer pricing report;**

- The **category of transactions** made with related and unrelated parties during the fiscal year for which the annual transfer pricing documentation report is being prepared as well as the **amount of these transactions on a country by country basis**, (Previously; "The amount of transactions made with related and unrelated parties during the year subject to documentation and the related invoices, receipts, etc. documents" were being requested.)
- If a **multi-year analysis** (e.g. a three-year analysis) has been made to determine the arm's length price/range, the reasons for adopting this approach are required to be explained,
- A **copy of the unilateral, bilateral or multilateral advance pricing agreements** concluded and which are being applied,
- **Financial statements/information** used in the application of the transfer pricing method (this information was already being added to the transfer pricing documentation reports, now it is also included in the list of documents required).

1.3. Country-by-Country Report

Additional explanations have been provided in TP General Communiqué No. 4 with respect to the format, completion and electronic submission/transmission of the Country-by-Country Report (CbCR) (introduced based on the Presidential Decree no. 2151 announced on 25 February 2020) to be prepared by corporate income taxpayers beginning from the fiscal year of 2019, and by those corporate income that have a special accounting period, beginning from their special accounting periods that start after 1 January 2019 (e.g. for fiscal periods ending on 31 March 2020, 30 June 2020 and the similar).

1.3.1. Content and Format of CbCR

The format of the CbCR is provided in “**Annex 6**” which is attached to TP General Communiqué No. 4. Accordingly, CbCR consists of three tables:

- **Table 1** – Breakdown of Revenues, Taxes and Business Activities by Country (considering all the countries in which the MNE operates)
- **Table 2**- List of the names of the MNE group entities in each country in which the MNE operates
- **Table 3** – Additional explanations (e.g. further short explanations that would help clarify the information provided in the Tables 1 and 2)

1.3.2. Definitions

Group: A collection of enterprises related to one another through ownership or control such that it is either required to prepare consolidated financial statements for financial reporting purposes under applicable accounting and financial reporting standards in effect or would be so required if equity interests in any of the enterprises were traded on a public securities exchange in its jurisdiction of tax residence.

Multinational Enterprise (MNE) Group: Refers to any Group that includes two or more enterprises, the tax residences of which are in different jurisdictions or includes an enterprise that is resident for tax purposes in one jurisdiction and is subject to tax with respect to the business carried out through a permanent establishment or a permanent representative in another jurisdiction.

Constituent Entity: Refers to any separate business unit or any permanent establishment or permanent representative of any separate business unit (e.g. Turkish branches of foreign entities) of an MNE Group that is included in the consolidated financial statements for financial reporting purposes.

Reporting Entity: Refers to the Constituent Entity that is required to file the CbCR to the Turkish Revenue Authority in Turkey on behalf of the MNE Group. If the Ultimate Parent Entity of the MNE Group is resident in Turkey, the CbCR is to be filed by the Ultimate Parent Entity resident in Turkey. However, “Surrogate Parent Entity” or one of the enterprises of the MNE Group, which is resident in Turkey (including Turkish branches of foreign entities) may also be the Reporting Entity.

Ultimate Parent Entity (UPE): Refers to a Constituent Entity of an MNE Group that it owns directly or indirectly a sufficient interest in one or more other Constituent Entities of such MNE Group that it is required to prepare Consolidated Financial Statements under accounting principles generally applied

in its jurisdiction of tax residence, or would be so required if its equity interests were traded on a public securities exchange in its jurisdiction of tax residence.

Surrogate Parent Entity: Refers to one Constituent Entity of the MNE Group that has been appointed by such MNE Group, as a sole substitute for the Ultimate Parent Entity, to file the CbCR in that Constituent Entity's jurisdiction of tax residence, on behalf of such MNE Group.

Qualifying Competent Authority Agreement: Means an agreement that is between authorised representatives of those jurisdictions that are parties to an International Agreement and that requires the automatic exchange of CbC Reports between the party jurisdictions (i.e. "Multilateral Competent Authority Agreement on the Exchange of Country By Country Reports" – CbC MCAA).

International Agreement: Refers to;

a) the "Multilateral Convention for Mutual Administrative Assistance in Tax Matters" (approved by Decree no. 2017/10969 dated 30/10/2017 which provides legal authority for the exchange of tax information between jurisdictions),

b) any bilateral or multilateral Tax Convention, or

c) any Tax Information Exchange Agreement to which Turkey is a party, and that by its terms provides legal authority for the exchange of tax information between jurisdictions, including automatic exchange of such information.

Systemic Failure: The term "Systemic Failure" with respect to a jurisdiction means that a jurisdiction has a Qualifying Competent Authority Agreement (i.e. Multilateral Competent Authority Agreement on the Exchange of Country-by-Country Reports – CbC MCAA) in effect with Turkey, but has suspended automatic exchange, or otherwise persistently failed to automatically provide to the Turkish Revenue Authority the CbC Reports in its possession of MNE Groups that have Constituent Entities in Turkey.

Consolidated Financial Statements: Means the "*financial statements of an MNE Group in which the assets, liabilities, income, expenses and cash flows of the Ultimate Parent Entity and the Constituent Entities are presented as those of a single economic entity.*"

Consolidated financial statements prepared based on the following reporting standards shall be taken into consideration to determine whether an entity falls within the scope of CbCR preparation and submission obligation:

- a) Financial Reporting Standards of Turkey ("TFRS");
- b) Financial Reporting Standards for Large and Medium-Scale Enterprises ("BOBİ – FRS");
- c) International Financial Reporting Standards ("IFRS"); or
- d) Another accounting and financial reporting standard in effect in the relevant country.

1.3.3. Threshold for CbCR Preparation and Submission Obligation and Deadlines

Threshold and Deadlines

CbC reporting requirement applies to the Constituent Entity (in Turkey) of an MNE Group whose total consolidated Group Revenues for the year 2018 is EUR 750 million or more. If this threshold is met or exceeded for 2018, the first CbCR shall be prepared by those corporate income taxpayers having calendar year based fiscal period, for the year 2019 and submitted electronically to the Turkish Revenue Authority (TRA) by the end of the following year (i.e. until 31 December 2020).

For those corporate income taxpayers having special accounting period; the first CbCR shall be prepared for the special accounting period that starts after 1 January 2019 and submitted

electronically to the TRA by the end of the following special accounting period. For example, a corporate taxpayer with a special accounting period ending on March 31st shall prepare and submit electronically to the TRA, its first CbCR for its fiscal period ending on 31 March 2020 until by 31 March 2021.

Calculation of the Threshold of EUR 750 Million

In cases where the consolidated financial statements for 2018 are denominated in a currency other than Euro, the annual average of the relevant foreign exchange buying rates announced by the Central Bank of the Republic of Turkey in 2018 shall be used in calculation of the threshold of EUR 750 Million. For example, if a corporate income taxpayer in Turkey belongs to an MNE Group whose consolidated financial statements are denominated in USD and has a special accounting period ending on March 31st, this taxpayer shall use the annual average of the buying rates announced by the Central Bank of the Republic of Turkey during the period of 1 April 2018 - 31 March 2019 (i.e. the fiscal period before the reporting period) to convert USD to EUR so as to find out whether the threshold of EUR 750 million is met or exceeded, in which case CbCR will be prepared and submitted with respect to the fiscal period ending on 31 March 2020.

In case different currencies (other than EUR) are used in the preparation of the consolidated financial statements, this issue shall be indicated in CbCR.

In cases where the Ultimate Parent Entity of a MNE group or the Surrogate Parent Entity is not a tax resident in Turkey and the threshold is determined in their local currency, the local currency equivalent of EUR 750 million shall be taken into account in determination whether the threshold is met or exceeded.

1.3.4. CbCR Liability In Cases Where the Ultimate Parent Entity Is Resident in Turkey and CbCR Filing is made in Other Countries

In cases where the Ultimate Parent Entity of the MNE Group is resident in Turkey; even if the CbCR for such MNE Group may have already been filed in accordance with the local reporting requirements in another jurisdiction / country through "a surrogate parent entity", the Ultimate Parent Entity of the MNE Group which is resident in Turkey shall still be required to prepare and submit the CbCR to the Turkish Revenue Authority.

1.3.5. CbCR Liability In Cases Where both the Ultimate Parent Entity and Surrogate Parent Entity Are Not Resident In Turkey

In a cases where the consolidated revenues of the MNE Group for 2018 meet or exceed the threshold of EUR 750 million and the Ultimate Parent Entity or Surrogate Parent Entity of the MNE Group is not a tax resident in Turkey, then one of the constituent entities of the MNE Group in Turkey shall file/submit the CbCR for 2019 electronically to the Turkish Revenue Authority, if one of the conditions indicated below is satisfied in addition to the threshold condition:

- a) **The Ultimate Parent Entity or the Surrogate Parent Entity is not obligated to file a CbCR** in its jurisdiction of tax residence; or
- b) There is an obligation to file CbCR in the country of residence of the Ultimate Parent Entity or Surrogate Parent Entity and, the jurisdiction in which the Ultimate Parent Entity is resident for tax purposes has a current international agreement (e.g. Double Tax Treaties) to which Turkey is a party, but **does not have a Qualifying Competent Authority Agreement in effect** to which Turkey is a party; or
- c) There is an obligation to file CbCR in the country of residence of Ultimate Parent Entity or Surrogate Parent Entity, there is an international agreement between the Tax

Administration of the country of residence of Ultimate Parent entity or Surrogate Parent Entity and the Turkish Revenue Authority and, there is also a Qualifying Competent Authority Agreement for the exchange of CbCR, however there has been a **Systemic Failure** of the jurisdiction of tax residence of the Ultimate Parent Entity that has been notified by the Turkish Revenue Authority to the Constituent Entity resident for tax purposes in Turkey.

1.3.6. Electronic Submission/Transmission of CbCR

Tables 1-3 of the CbCR to be prepared in accordance with the contents provided in **Annex-6** of the TP Communiqué no. 4 shall be filled in accordance with the explanations to be provided in **the Revenue Administration Information Transfer System ("BTRANS")** application in the web site of the Turkish Revenue Authority (www.gib.gov.tr). CbCR shall be submitted electronically in "xml format" through using the BTRANS application.

The schema format check of the transmitted xml files shall be done during the BTRANS file uploading process, and incorrect files/formats shall be rejected by the system. Files which pass the schema format check process and are approved by the user will be successfully uploaded to the BTRANS.

The reporting entity must complete its application to BTRANS so as to be authorized to transmit data for CbCR before the first data transmission date.

Taxpayers are first required to apply to the Revenue Administration - Application and Data Management Department with a petition signed in ink to request user code and passwords needed in order to be authorized to transmit data through BTRANS. In their petitions, taxpayers applying to obtain user code and passwords are required also to indicate for which purpose they are going to transmit data through BTRANS. The user code shall be provided by the Revenue Administration - Application and Data Management Department based on the purpose of data transmission (i.e. for CbC Reporting) and the necessary data definitions shall be made according to the data format that will be transmitted by the taxpayer.

The data format and standard for CbCR related information will be announced by BTRANS Unit of the Revenue Administration of the Ministry of Treasury and Finance.

Submission of "CbCR notification form" and "CbCR" can be made by one of the following parties:

- a) directly by the taxpayer; or
- b) through a certified accountant and financial advisor ("SMMM") of the taxpayer based on a professional service agreement authorizing the certified accountant and financial advisor to do the submission, or
- c) through a Sworn Certified Consultant ("YMM") who has a corporate income tax return certification service agreement concluded with the taxpayer

1.3.7. Mutual Information Exchange and Confidentiality in the CbCR Submission Process

The CbCR prepared and submitted for the MNE Group which has an Ultimate Parent Entity resident in Turkey shall be mutually exchanged with other country tax administrations within the framework of bilateral and/or multilateral international agreements to which Turkey is a party. The list of

countries/jurisdictions with which Turkey will exchange information on a mutual basis will be announced by the the Turkish Revenue Authority.

The information contained in the CbCRs to be submitted to the Turkish Revenue Authority shall be subject to the provisions of Article 5 of the Turkish Tax Procedures Code governing the “privacy and confidentiality of the taxpayer information” as well as the confidentiality provisions of relevant international agreements. Accordingly, the information to be exchanged through CbCR shall be kept confidential in accordance with the confidentiality provisions of the relevant international agreements.

1.4. CbCR Notification Form

Members of the MNE Group that are within the preparation and submission scope of CbCR are required to report to the TRA on an annual basis, until the end of June of the year following the reporting period, the following information through a “**CbCR Notification Form**” (attached to our **News Bulletin**):

- whether they are an “ultimate parent entity” or a “surrogate parent entity”
- which entity is responsible for reporting on behalf of the group; and
- information regarding the reporting period

The “CbCR notification form” shall be submitted electronically via the Internet Tax Office in accordance with the content provided in **Annex-5** of TP Communiqué No. 4 as well as the instructions to be provided in the Internet Tax Office of the Turkish Revenue Authority.

Those MNEs, the financial statements of which for the year prior to the reporting year have not been consolidated, yet by the CbCR notification deadline shall be able to notify the Turkish Revenue Authority and request the notification deadline to be extended.

Taxpayers within the scope of CbCR notification obligation are required to obtain a user code and password from the tax office they are registered with in order to make a CbCR notification. Notification in paper form (e.g. by an e-mail) will not be accepted. In order for the notification form to be deemed to have been submitted electronically, it is necessary to complete the approval process through the system. The approval process must be completed at the latest by 23:59 on the last day of the notification period (30 October 2020 for the first reporting period of FY 2019).

Extension of the Deadline for Submission of the First CbCR Notification Form (for the first reporting period)

The first CbCR reporting period will be 2019 and the CbCR notification form related to the 2019 fiscal year and special accounting periods starting from 1 January 2019 shall be submitted electronically through Internet Tax Office to the Turkish Revenue Authority by 30 October 2020, until 23:59 (previously this deadline had been indicated a 31 August 2020).

If an MNE Group has an Ultimate Parent Entity which is tax resident in Turkey, CbCR notification form submission is required to be done only by the Ultimate Parent Entity resident in Turkey on behalf of the MNE Group. In case the Ultimate Parent Entity of an MNE Group is not a tax resident in Turkey, then the submission of the notification form can be done by the Turkish tax resident entity of the MNE Group. If there are multiple entities in Turkey that belong to the same MNE Group, only one of these entities may submit the CbCR notification form on behalf the MNE Group.

If it is found out that there are errors or missing information in the notification form, it will be possible for the taxpayer submitting the notification to make the necessary corrections and resubmit the CbCR

notification form until the end of the month following the CbCR notification submission deadline (i.e. until 30 November 2020 for the first CbCR notification). However, if the corrected/revised notification form is submitted after 30 November 2020, the taxpayer will be subject to penalty in accordance with the Turkish Tax Procedures Code.

1.5. Form relating to Transfer Pricing, Controlled Foreign Corporation and Thin Capitalization

As in the previous years, corporate income taxpayers shall continue to complete the form in Annex 3 of the Transfer Pricing General Communiqué No. 1, which is about Transfer Pricing, Controlled Foreign Corporation and Thin Capitalization, to provide information about the related party transactions within the calendar year concerned. The form is required to be completed and submitted to the tax office together with the annual corporate income tax return (as in the previous years).

The only change introduced is that a minimum limit of TL 30.000 has been introduced to be considered when preparing the form that will be declared together with the annual corporate income tax return. Accordingly if the annual net total of sales or purchases of goods or services with a related party is lower than TL 30.000, it will no longer be necessary to indicate the amounts of such related party transactions and the name of the related party in the Form.

2. Other Important Changes Related to Transfer Pricing

2.1. Explanations and Examples Regarding Calculation of the 10% Threshold in Related Party Definition

The following provision had already been added to Article 13 Paragraph 2 of the Turkish Corporate Income Tax Law, governing "Disguised Profit Transfer Through Transfer Pricing", based on Law No. 6728 with effect from 9 August 2016;

"In cases where there is a voting or dividend right of at least 10% directly or indirectly without a shareholder relationship, the parties shall still be deemed as related parties and these rates will be taken into account collectively in terms of related parties"

Accordingly, in order to be considered as a related party, voting and dividend right of at least 10% shall also be considered in addition to ownership of a share in the capital. In order to further explain the change in this definition, further explanations and examples are provided in Transfer Pricing General Communiqué No. 4.

2.2. Penalties In case of Failure to Comply with Documentation Obligations

General penalty rules specified in the Turkish Tax Procedures Code shall be applied in case of failure of presentation of the required reports, forms and the relevant information and documents required within the period.

A partial penalty protection rule had already been introduced with respect to transfer pricing documentation through Law No. 6728 with effect from 9 August 2016. Accordingly, if all the transfer pricing documentation obligations are fully met on time, there will be a 50% deduction in the tax loss penalty amount to be imposed as a result of a tax inspection. Additional explanations regarding the application of Partial Penalty Protection rule have been made in Article 6 of the Communiqué No. 4.

The condition of "**compliance with transfer pricing documentation obligations on a complete and timely basis**" required to benefit from the 50% partial penalty protection in case of a transfer pricing audit shall be deemed to have been satisfied provided that all of the following five documentation obligations are fulfilled on a complete and timely basis as specified in the relevant legislation:

- 1) Master File
- 2) Annual Transfer Pricing Report

- 3) Country-by-Country Report
- 4) Country-by-Country Report Notification Form
- 5) Form regarding Transfer Pricing, Controlled Foreign Corporation and Thin Capitalisation

The condition of **“Compliance with transfer pricing documentation obligations on a timely basis”** shall be deemed to have been satisfied as described below:

- a) In cases where there is a period or deadline determined in the relevant legislation; if the relevant documentation is submitted/presented within this time period by this deadline,
- b) In cases where there is no time period or deadline specified; if the relevant documentation is submitted/presented within the time period or by the deadline which is determined/provided by the Turkish Revenue Authority or by tax inspectors,

then the compliance with documentation obligations on a timely basis shall be deemed to have been satisfied.

2.3. Recharacterization of Payments for Intra-Group Services as Royalty

An additional explanation has been added to Section 11.3. of Transfer Pricing General Communiqué No. 1 governing **“Determination of Arm’s Length Value in Intra-Group Services”** through Article 7 of Transfer Pricing Communiqué No. 4 especially emphasizing that certain intra-group service fee payments might be treated as a royalty payment depending on the particular circumstances and taxed, accordingly. An example is given, with particular emphasis on the fact that “intra-group service fee payment” can be taxed as “royalty” depending on its nature. Accordingly, in a case where an intangible is purchased by a group company that is resident in a different country and the right to use such intangible is then granted to the Group companies in other countries through a cost sharing arrangement applicable for intra-group services; such “intra-group service fee payments” to be made by a group company resident in Turkey to the Related Group Company abroad that has the ownership of such intangible shall be considered as “royalties” and taxed in accordance with the provisions of the relevant Double tax Treaty and local legislation.

There will be a need to determine the nature of payments that are “intra-group service costs” in terms of transfer pricing and taxation (whether there is a value for the use of a purchased intangible right within the service fees charged under cost sharing arrangement). Accordingly, whether the payments under cost sharing arrangements are in return for a service or for the use of an intangible right would continue to be discussed.

[Click here to access to TP General Communiqué No. 4 \(Turkish\)](#)

[Click here to access to Presidential Decree No. 2151 \(Turkish\)](#)

[Click here to access to the format of CbCR Notification Form \(English version\)](#)

[Click here to access to the format of CbCR \(English version\)](#)

[Click here to access to our Tax News Bulletin No. 2020/2 \(English\) about the three-tier transfer pricing documentation obligations introduced through Presidential Decree No. 2151](#)

Yours sincerely,
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