TURKEY

Tax Reform & Economic Outlook

A briefing for foreign-invested companies in Türkiye

Service income earned from abroad · the new 100% deduction · the qualified service centre regime

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YEMİNLİ MALİ MÜŞAVİRLİK VE DENETİM

All legal references in this deck were verified against the statutory text on 6 September 2026.

Executive summary

Three points that frame today's discussion — and one condition that applies to all three

01

Turkey now allows a 100% deduction on qualifying service exports

Profit from listed services rendered to non-residents and used abroad is now 100% deductible from the corporate tax base. Presidential Decision no. 11257 raised the rate from 80% to 100% for tax periods beginning 1 January 2026. The domestic minimum corporate tax still has to be run alongside it.

02

A second, wider door opened for international groups

A Turkish company serving its own group across at least three countries can be registered as a qualified service centre. It then deducts 95% of its foreign earnings for twenty accounting periods — 100% in approved industrial zones and the Istanbul Finance Centre.

03

These incentives follow activity, not accounting

The benefit grows with the work that is actually performed here. That makes this a decision about where group functions sit — and the two routes are taxed differently once the minimum corporate tax is taken into account.

The condition: if the group is within the scope of the global minimum tax, a Turkish rate below 15% is topped up and the benefit does not reach the group. Slide 21.

Agenda

1. **The Turkish economy today**
   Growth, inflation, rates, currency and the official medium-term plan

2. **What changed in corporate income tax**
   Production 12.5% · Export 5-point reduction · Transit trade 95%

3. **Service income earned from abroad**
   The 100% deduction and the qualified service centre regime

4. **What an expansion could look like**
   Routes, conditions and the numbers behind each

PART 1

The Turkish economy today

Where the numbers actually stand — and how far they sit from the official plan

Turkey at a glance

Latest published figures as at 5 September 2026

REAL GDP GROWTH

+2.3%

Q2 2026, year-on-year
+1.1% q/q, seasonally adj.

CONSUMER INFLATION

31.51%

August 2026, year-on-year
released 3 September 2026

POLICY RATE

37.00%

1-week repo, held July 2026
Next MPC 10 September

USD / TRY

48.23

CBRT buying rate, 4 September 2026
MTP 2027–2029 implies 46.87 for 2026

GOODS EXPORTS

USD 262bn

12 months to August 2026
+3.5% year-on-year

GDP, CURRENT PRICES

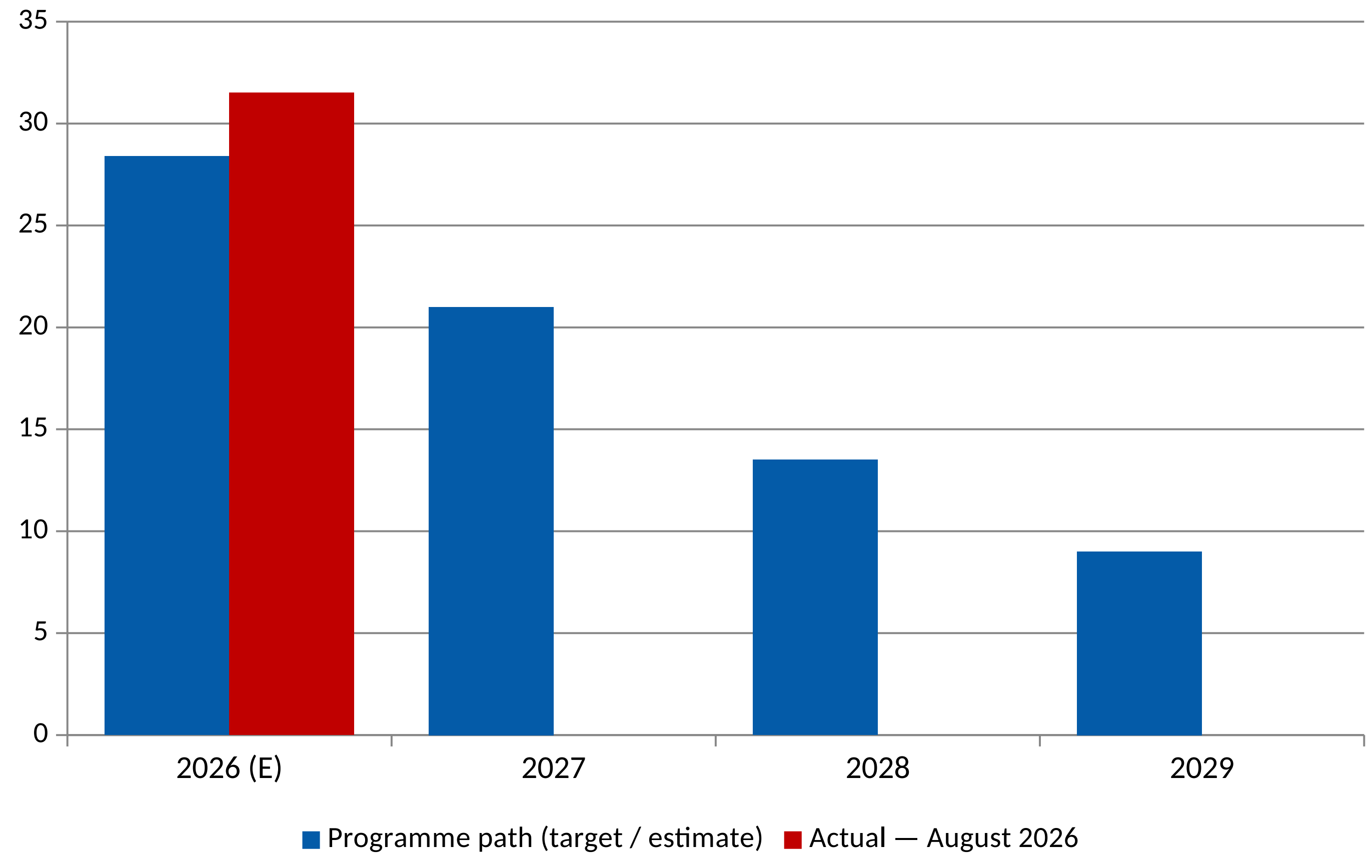
USD 438bn

Q2 2026 quarterly value
TRY 19.87 trillion

Sources: TurkStat (GDP, CPI), CBRT (policy rate, FX), Ministry of Trade / TİM (exports), Presidency of Strategy and Budget (MTP 2027–2029).

Disinflation: the plan versus the reality

Annual consumer price inflation against the Medium Term Programme 2027–2029 path



The target moved to meet reality

Annual inflation was 31.51% in August 2026. The Medium Term Programme published on 6 September estimates 28.4% for year-end 2026; the previous programme had targeted 16.0%.

The gap for the current year is therefore about three points, not sixteen. The demand has moved to the forward path — 21.0% for 2027, and 9.0% by 2029.

Planning implication: the 2026 assumption can now be used as it stands. The 2027–2029 path is a target, not yet evidence; budgets and transfer prices built on the out-years should carry a sensitivity.

Monetary stance and the cost of money

Policy settings as at 2 September 2026

- **Policy rate (1-week repo)** — 37.00%, left unchanged at the July 2026 MPC meeting
- **Overnight lending** — 40.00% · Overnight borrowing — 35.50%
- **No MPC meeting was held in August** — the next decision is on 10 September 2026
- **Ex-post real policy rate** — roughly +5 percentage points against July inflation

What it means in practice

Turkish lira borrowing is expensive in nominal terms and now carries a positive real cost. Capital-heavy activity is therefore costly to fund locally, while activity that runs on people rather than on inventory and machinery is much less exposed to the interest rate.

Why this points to services

— Service activity needs little working capital, so the high interest rate matters far less.

— Its main input is qualified people, and Turkish engineering and software salaries remain competitive in dollar terms.

— A weaker lira raises the local-currency value of every invoice issued in yen, euro or dollar.

— And the tax law now exempts this income almost entirely. Part 3 covers that.

The official medium-term plan

Medium Term Programme 2027–2029 — Presidential Decision no. 11752, Official Gazette 6 September 2026 (repeated issue)

	2027	2028	2029
Real GDP growth	4.2%	4.6%	5.0%
Consumer inflation, year-end	21.0%	13.5%	9.0%
USD/TRY, implied*	56.05	63.69	68.83
Goods exports, USD bn	292	302.5	316

Reality check: August inflation was 31.51%, against the Programme's own 2026 estimate of 28.4%; the CBRT rate of 48.23 on 4 September is already above the 46.87 implied for 2026. Reaching 9.0% by 2029 means more than twenty points of disinflation in three years.

** USD/TRY row derived from the Programme's own GDP figures in TRY and in USD (Annex 1, Table 1.1). It is not a published target — the Programme does not publish an exchange rate path.*

Watch list

10 Sept Central bank interest rate decision

30 Sept Public institutions submit 2027–2029 budget proposals

Q4 FY2026 close — first full year in which the minimum corporate tax bites

2027 Announced review of “ineffective exemptions, exclusions and deductions”

PART 2

What changed in corporate income tax

Three measures — and the effective dates that decide whether they apply to you

Corporate income tax rate map

Statutory rates by category of earnings, FY2026 versus FY2027

Category of earnings	FY2026	FY2027	Legal basis
General corporate income tax rate	25%	25%	CITL Art. 32/1
Export earnings (5-point reduction)	20%	20%	CITL Art. 32/7
Production earnings (industrial registry)	24%	**12.5%**	CITL Art. 32/8
Domestic minimum corporate tax	10% floor	10% floor	CITL Art. 32/C

The single most important line on this slide

The 12.5% production rate is NOT available in FY2026. Law 7582 (Official Gazette 4 June 2026) replaced the old one-point reduction with a flat 12.5% rate, but it applies to earnings of the 2027 tax period and onwards. For the 2026 advance and annual returns, production earnings are still taxed at 24%.

Production earnings: a flat 12.5%

Corporate Income Tax Law, Article 32/8

How it works

- **Flat rate, not a reduction.** The measure sets the tax rate at 12.5% for earnings from production activity, replacing the previous one-percentage-point reduction.
- **Entry condition.** The company must hold a valid industrial registry certificate (sanayi sicil belgesi).
- **Scope.** Only earnings derived from the production activity itself qualify; other income is taxed at the general rate.
- **Legal basis.** Amended by Law 7582 Art. 8, Official Gazette 4 June 2026; application rules in Corporate Tax Communiqué No. 26, Official Gazette 4 July 2026.

Effective date

Applies to earnings derived in the 2027 tax period and subsequent periods — for a special accounting period, the period beginning in 2027.

In 2026 the one-point reduction continues, giving 24%.

No stacking with the export reduction

From 2027, earnings that benefit from the 12.5% production rate cannot also take the 5-point export reduction under Article 32/7. A manufacturer-exporter chooses one regime per stream of earnings — and 12.5% is better than 20%.

Export earnings: a 5-point reduction

Corporate Income Tax Law, Article 32/7 — giving 20% in both FY2026 and FY2027

✓ What qualifies

- Earnings derived exclusively from exporting goods and services
- Exports made through a foreign trade company under an intermediary export agreement (Law 7491, Art. 62)
- Transit trade — treated as export for this purpose (Communiqué No. 1, §32.1.2.5)

✕ What does not

- Services physically performed in Turkey, even if invoiced to a foreign customer
- Ship and port services to foreign-flag vessels; incoming tourism services delivered in Turkey
- Interest, FX gains and other non-operating income

A VAT export is not automatically a corporate tax export

The same transaction can be zero-rated for VAT and still fail the corporate tax test. The tax authority's position is that the 5-point reduction requires the service to be used abroad — a service rendered in Turkey does not qualify, however it is invoiced. Do not use one as evidence for the other.

Allocation mechanics

The reduced rate applies to the share of the tax base corresponding to export earnings, measured against the commercial balance sheet profit. The relieved amount cannot exceed either the export earnings themselves or total net corporate income. Where a company has both qualifying and non-qualifying revenue, the accounts must separate them at account level — a spreadsheet kept outside the ledger is not sufficient.

Transit trade: a 95% deduction

Corporate Income Tax Law, Article 10/1-i — the newest and most misunderstood measure

Deduction = (qualifying revenue − costs and expenses of that activity) × 95%

100% for participants in industrial zones approved by the Presidency and for Istanbul Finance Centre participants. This is a net-earnings measure, not a gross-margin one.

Conditions

- Proceeds must be transferred to Turkey by the date the annual corporate tax return is due
- In intermediation, both the buyer and the seller must be outside Turkey
- Qualifying and non-qualifying revenue, cost and expense must be tracked separately in the ledger
- Goods brought into Turkey are excluded — but re-export from a bonded warehouse qualifies if the goods are neither released into free circulation nor processed

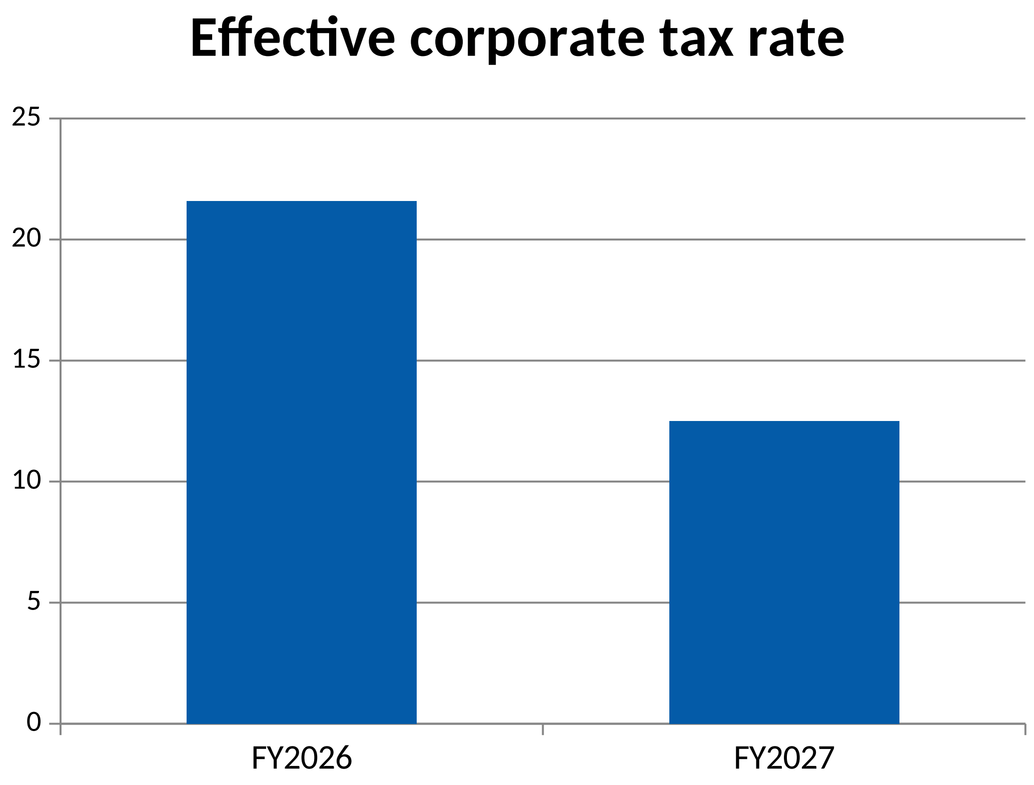
Traps

- If the activity is loss-making, no deduction arises at all
- Any portion that cannot be used is lost — it does not carry forward to later periods
- FX gains on revaluation, interest on cash balances and gains on asset sales are outside the scope
- Effective from the 2026 tax period but only for returns due from 1 July 2026 — so in practice from the Q2-2026 advance return, cumulative from the start of the year

Legal basis: Law 7582 Art. 7, Official Gazette 4 June 2026 no. 33270; application rules in Corporate Tax Communiqué No. 26, Official Gazette 4 July 2026 no. 33300, §10.7. Before 2026 the deduction existed only for Istanbul Finance Centre participants.

What the production rate is worth

Illustrative only — a manufacturer-exporter with taxable income of 100



FY2026 — two separate streams

Export earnings of 60 taxed at 20% = 12.0

Remaining production earnings of 40 at 24% = 9.6

Total tax 21.6 → effective rate 21.6%

FY2027 — one regime, no stacking

All 100 qualifies as production earnings at the flat 12.5% = 12.5

The 5-point export reduction is not applied on top, but 12.5% already beats the 20% export rate.

Total tax 12.5 → effective rate 12.5%

Keep this next to Part 3

This is the best rate available on manufacturing profit. In the next part you will see that qualifying service income earned from abroad is treated far more generously still — and that the two can sit in the same company, in separate accounts.

PART 3

Service income earned from abroad

The part of Turkish tax law that changed most in favour of international groups

Services to non-residents: a 100% deduction

Corporate Income Tax Law, Article 10/1-ğ — the rate was raised from 80% to 100% during 2026

100% of the profit from qualifying services rendered to non-residents and used exclusively abroad

The statute sets 80% and allows the President to move the rate between 0% and 100%. Presidential Decision no. 11257, Official Gazette 30 April 2026, raised it to 100% for tax periods beginning on or after 1 January 2026.

Which services qualify

Architecture · engineering · design · software · medical reporting · bookkeeping · call centre · product testing · certification · data storage · data processing · data analysis

Plus vocational training areas determined by the Ministry, and education and health services provided under the relevant ministry's permission and supervision.

This is a closed list. An activity that is not on it does not qualify, however similar it looks.

Conditions

- The customer must not be resident in Turkey, and must have no workplace, legal seat or business centre here
- The service must be used exclusively abroad — note that it is performed in Turkey; the test is where it is used
- The invoice must be issued in the name of the foreign customer
- The whole profit must be transferred to Turkey by the date the annual corporate tax return is due

One design point to carry to the comparison slide: this deduction does not reduce the domestic minimum corporate tax base (Art. 32/C-2(b) lists paragraphs (g), (h), (i) and (j) — not (ğ)).

The qualified service centre

Corporate Income Tax Law, Article 10/1-j and Foreign Direct Investment Law no. 4875, Additional Article 1 — both new in 2026

95% of foreign earnings deductible for twenty accounting periods — 100% in approved industrial zones and the Istanbul Finance Centre

Counted from the accounting period in which the centre starts operating. Earnings must be transferred to Turkey by the annual return date.

What counts as a qualified service centre

- A capital company established in Turkey
- Serving related companies or a group of companies that are actively operating in at least three different countries
- Earning at least 80% of its annual revenue from those foreign related companies or from the group
- Implementation rules are to be set by the Ministry of Industry and Technology

Which functions are covered

Financial advisory · strategic management advisory · risk management · cash and liquidity management · funding · capital structure planning · budgeting · financial reporting and analysis · international accounting and compliance · audit · digital transformation and technology advisory · investment and data analysis · promotion · brand management · human resources and training

Plus coordination and management of sales, after-sales and technical support, research and development, outsourcing, testing of newly developed products and laboratory services.

Note the second item on the right: budgeting, financial reporting and analysis are inside the regime — the group support functions many international companies already run from Türkiye.

Which route fits which activity

The three deductions side by side — including how each interacts with the minimum corporate tax

	Art. 10/1-ğ Services to non-residents	Art. 10/1-j Qualified service centre	Art. 10/1-i Transit trade
Deduction rate	100%	95% (100% in zones / IFC)	95% (100% in zones / IFC)
Duration	No time limit	20 accounting periods	No time limit
Who the customer is	Any non-resident	Own group, active in 3+ countries	Any, outside Turkey
Reduces the minimum tax base?	No	Yes	Yes
Typical activity	Software, engineering, design, data	Regional headquarters and shared services	Buy abroad, sell abroad

Why the fourth row matters more than the first

On 100 of qualifying service profit, the 100% route removes the corporate tax but leaves the minimum corporate tax on the full 100 — that is 10. The 95% route leaves 5 taxable, giving 1.25, and it also cuts the minimum base to 5. So the headline rate is not the answer on its own. Newly established companies are outside the minimum tax for their first three accounting periods, which changes the comparison again in the early years.

All three columns assume no global minimum top-up. If the group is in scope, the Turkish rate is measured against 15% and the ranking above can reverse. Slide 21.

What the group-invoicing model requires

Transfer pricing and VAT — the two things that decide whether the deduction survives an audit

Every one of these reliefs is computed on a profit figure

If the price charged to the group is not at arm's length, the profit is wrong and so is the deduction. The tax saving and the pricing file are the same piece of work.

Transfer pricing — CITL Art. 13

- Services to related parties must be priced at arm's length, with the method and the comparables documented
- The documentation has to exist by the time the return is filed, not be assembled when the file is opened
- A group service charge is deductible only where the service was actually rendered and gives the recipient a benefit — both have to be evidenced
- A service centre is normally rewarded on a cost-plus basis; that margin is the profit these deductions then apply to

Value added tax

- A service is an exported service where the customer is abroad and the service is used abroad — VAT Law Arts. 11/1-a and 12/2
- It is zero-rated, and the input VAT stays deductible and refundable — cash, separate from the corporate tax benefit
- The VAT test and the corporate tax test are not the same one (slide 12); a transaction can pass one and fail the other
- The refund file needs its own evidence: contract, invoice, and proof that payment came from abroad

Build the file once. The corporate tax deduction and the VAT refund are claimed from the same contracts, invoices and bank evidence.

Two other regimes for the same work

Technology development zones and R&D centres — and why they can beat the headline 100%

Both of these reduce the minimum corporate tax base — the 100% service deduction does not

Article 32/C-2(ç) lists the Law 4691 exemption and the R&D and design deduction among the items that come off the minimum base. That is the row that decided the comparison on slide 18.

Technology development zone (Law 4691)

- Income from software, design and R&D carried on inside the zone is exempt from corporate tax until 31 December 2028 — provisional Art. 2
- Software delivered from the zone is also VAT-exempt (VAT Law, provisional Art. 20), and input VAT stays deductible
- Design and R&D services are not covered by that VAT exemption — only software is
- Wage tax and stamp duty relief for zone personnel, capped since 1 August 2025 at forty times the gross minimum wage

R&D or design centre (Law 5746)

- Qualifying R&D and design expenditure is deducted a second time in computing the tax base, on top of the expense itself — Art. 3
- Unused deduction carries forward and is uplifted by the annual revaluation rate — unlike the transit trade deduction, which is simply lost
- Payroll withholding relief and half of the employer's social security contribution for qualifying personnel
- The two regimes are not stacked: a zone project supported by a public body or TÜBİTAK takes the Law 5746 package as a whole, and the Law 4691 reliefs are then unavailable for it

The choice is not only about the headline rate. A regime that also removes the minimum tax base can cost less than one that relieves 100% of the corporate tax and leaves the floor standing.

Three tests before the benefit is banked

A Turkish deduction is worth only what survives the group's own tax position

01

The global minimum tax — Corporate Income Tax Law, Additional Articles 1 and 6

A group whose ultimate parent's consolidated revenue exceeds EUR 750m in at least two of the four preceding periods is in scope, and the minimum rate is 15%. Where the Turkish effective rate falls below it, the difference is collected as a top-up — in Turkey as a qualified domestic top-up, or in another jurisdiction. A deduction that takes the Turkish rate to zero can therefore deliver nothing to the group. Two reliefs matter here: the substance carve-out removes 5% of gross payroll and 5% of the net book value of tangible assets from the top-up base, which favours a people-heavy service centre; and the top-up for a country may be treated as zero where its average revenue is below EUR 10m and its average profit below EUR 1m, each averaged over the period and the two preceding ones.

02

The parent jurisdiction's controlled foreign company rules

A Turkish subsidiary taxed at or near zero is the standard case for CFC rules in the parent's country, which can attribute the income back and tax it there. The thresholds, the tests and the exemptions are a matter of the parent jurisdiction's law and must be confirmed by the group's advisers there. The point is that the question belongs at the design stage, not after the structure is built.

03

Getting the profit home

These measures relieve tax at the company. Distribution is a separate charge: dividends to a non-resident shareholder bear withholding tax at 15% (Presidential Decision no. 9286, in force 22 December 2024), before any relief under the applicable double tax treaty. Note also that every regime in this deck already requires the earnings to be brought into Turkey by the annual return date — the cash arrives here first and leaves later as a dividend.

None of these three removes the Turkish relief. They decide how much of it reaches the parent — which is why they belong in the same conversation.

PART 4

What an expansion could look like

Routes, conditions and what each one needs from the group

What an expansion could look like

Routes that can be combined — a first pass, to be narrowed with your numbers

Route	What it does	What it needs	Watch-out
Move group service work to the Turkish company	Brings software, engineering, design, testing or data work here under the 100% deduction	The activity must be on the statutory list, used abroad, invoiced to the foreign entity, proceeds repatriated	Does not reduce the minimum corporate tax base
Register as a qualified service centre	95% deduction for twenty accounting periods, and it reduces the minimum tax base	Group active in at least three countries; at least 80% of revenue from foreign related parties	Implementation rules from the Ministry of Industry and Technology are still to be applied
Locate in an approved industrial zone or the Istanbul Finance Centre	Lifts the service centre and transit trade deduction from 95% to 100%	Participant certificate, or a zone approved by the Presidency for its foreign investment density	Site and licensing lead time
Keep and grow the manufacturing and export activity	Reaches the flat 12.5% production rate from FY2027	A valid industrial registry certificate and production earnings identified separately	The 12.5% rate and the 5-point export reduction cannot both apply to the same earnings
Add a transit trade stream	95% deduction on buy-abroad sell-abroad margin, already available from the Q2-2026 return	Separate ledger accounts, proceeds repatriated, buyer and seller both outside Turkey	No deduction if that activity is loss-making, and no carry-forward

These routes are not mutually exclusive. Different activities can sit in the same company provided each one is tracked in separate ledger accounts.

Where to start

How a review of your own position would run

How we can help

1. Map your current activity against the statutory list of qualifying services, line by line
2. Model the routes side by side — the 100% deduction and the qualified service centre — including the minimum corporate tax
3. Test the service centre conditions: the three-country test and the 80% foreign revenue test
4. Set out what the accounts must separate, so that each activity can be evidenced on its own

What such a review would need

- Which group functions could realistically be performed from Türkiye, and on what timeline
- The countries the group serves, and which entities would be the customers
- The expected split between revenue from group companies abroad and other revenue
- Whether an industrial zone or Istanbul Finance Centre location is of interest

The starting point is the activity, not the rate. Once it is clear which functions can be performed in Türkiye, the choice between the routes follows from the numbers.

Sources and basis of preparation

Legal sources

- Corporate Income Tax Law no. 5520, Articles 9, 10, 32, 32/C and Additional Articles 1 and 6 — statutory text verified 6 September 2026
- Presidential Decision no. 11257, Official Gazette 30 April 2026 — raising the Art. 10/1-ğ rate to 100%
- Law no. 7582, Official Gazette 4 June 2026 no. 33270 (Arts. 6, 7, 8, 9 and 14)
- Foreign Direct Investment Law no. 4875, Additional Article 1 — statutory text verified 6 September 2026
- Law no. 7524, Official Gazette 2 August 2024 (Art. 36, introducing Art. 32/C)
- Corporate Tax General Communiqué no. 26, Official Gazette 4 July 2026 no. 33300, §10.7 and §10.8
- Corporate Tax General Communiqué no. 1, §32.1.2.5

Law no. 4691 provisional Art. 2; Law no. 5746 Art. 3; VAT Law Arts. 11/1-a and 12/2 and provisional Art. 20
Presidential Decision no. 9286 — dividend withholding tax, in force 22 December 2024

Economic data

- TurkStat — quarterly national accounts, Q2 2026 (released 31 August 2026)
- TurkStat — consumer price index, August 2026 (released 3 September 2026)
- Central Bank of the Republic of Turkey — Monetary Policy Committee decision, July 2026
- Ministry of Trade and Turkish Exporters Assembly — August 2026 foreign trade figures
- Presidency of Strategy and Budget — Medium Term Programme 2027–2029, Presidential Decision no. 11752, Official Gazette 6 September 2026 no. 33362 (repeated issue)
- Central Bank of the Republic of Turkey — official USD/TRY rate, 4 September 2026

Basis of preparation

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