

Turkey

1. Turkey was reviewed as part of the 2017/2018 and the 2018/2019 peer reviews. This report is supplementary to those previous reports (OECD, 2019^[1]) (OECD, 2018^[2]).
2. The first filing obligation for a CbC report in Turkey commences in respect of fiscal periods commencing on or after 1 January 2019.

Summary of key findings

3. Turkey has legislation to impose and enforce a CbC filing requirement that meets all of the terms of reference, with the exception that:
 - It is recommended that Turkey take steps to amend its legislation or otherwise bring the definition of Constituent Entity in line with the standard.
 - It is recommended that Turkey clarify that the annual consolidated group revenue threshold calculation rule applies in line with the OECD guidance on currency fluctuations in respect of an MNE Group whose Ultimate Parent Entity is located in a jurisdiction other than Turkey.
4. It is recommended that Turkey take steps to have qualifying competent authority agreements in effect with jurisdictions of the Inclusive Framework that meet the confidentiality, consistency and appropriate use conditions and with which Turkey has an international exchange of information agreement in effect that allows for the automatic exchange of tax information. This recommendation remains unchanged since the 2017/2018 peer review.
5. It is recommended that Turkey take steps to implement processes or written procedures to ensure that the exchange of information is conducted in a manner consistent with the terms of reference (OECD, 2017^[3]) relating to the exchange of information framework ahead of the first exchanges of information. This recommendation remains unchanged since the 2018/2019 peer review.
6. It is recommended that Turkey take steps to ensure that the appropriate use condition is met ahead of the first exchanges of information. This remains unchanged since the 2017/2018 peer review.
7. Turkey's previous peer reviews recommended that Turkey take steps to implement a domestic legal and administrative framework to impose and enforce CbC reporting requirements as soon as possible. Legislation is now in effect and this recommendation is removed.
8. Turkey's previous peer reviews recommended that Turkey amend the conditions for local filing or otherwise take steps to ensure that the CbC reporting local filing obligations will only apply in the circumstances contained in the terms of reference. This amendment is in effect and the recommendation is removed.

Part A: The domestic legal and administrative framework

9. Turkey has legislation in place for implementing the BEPS Action 13 minimum standard.

(a) Parent entity filing obligation

10. Turkey has introduced a filing requirement which applies to all Ultimate Parent Entities of MNE Groups above a certain threshold and which requires inclusion of all constituent entities.

11. Turkey defines a Constituent Entity as any separate business unit or permanent establishment that is included in consolidated statements of the group. This is narrower than the Action 13 definition, which also includes any separate business unit excluded from consolidation solely on grounds of size or materiality, and any permanent establishment for which separate accounts are produced for any purpose. Because the narrower definition in Turkey's legislation may result in business units and permanent establishments not being included in the filed report it is recommended that Turkey take steps to amend its legislation or otherwise bring the definition of Constituent Entity in line with the standard.

(b) Scope and timing of parent entity filing

12. The first filing requirements for MNE Groups in Turkey enforce a CbC filing requirement for fiscal years commencing on or after 1 January 2019 and filing is required 12 months after the reporting year end.

13. With respect to the annual consolidated group revenue threshold where the MNE Group draws up, or would draw up, its Consolidated Financial Statements in a currency other than that specified by Turkey, the reference to Turkey's threshold has the effect as if it were a reference to the equivalent in that currency at the average exchange rate for the accounting period. While this provision would not create an issue for MNE Groups whose Ultimate Parent Entity is a tax resident in Turkey, it may be incompatible with the guidance on currency fluctuations for MNE Groups whose Ultimate Parent Entity is located in another jurisdiction, if local filing requirements were applied in respect of a Constituent Entity (which is a Turkey tax resident) of an MNE Group which does not reach the threshold as determined in the jurisdiction of the Ultimate Parent Entity of such a Group.

14. This is an unintended consequence of having a local filing requirement and it is therefore recommended that Turkey clarify that the annual consolidated group revenue threshold calculation rule applies in line with the OECD guidance on currency fluctuations in respect of an MNE Group whose Ultimate Parent Entity is located in a jurisdiction other than Turkey.

(c) Limitation on local filing obligations

15. Turkey has introduced a local filing requirement which is in line with the terms of reference with regard to the circumstances in which a local filing requirement can be imposed.

16. No inconsistencies were identified

(d) Limitation on local filing in case of surrogate filing

17. Turkey's local filing requirements will not apply if there is surrogate filing in another jurisdiction.

18. No inconsistencies were identified

(e) Effective implementation

19. Turkey has systems to ensure effective implementation of the CbC filing requirement which include a notification requirement and a penalty regime in the case of late, inaccurate or non-filing of CbC reports.

Conclusion

20. Turkey has legislation to impose and enforce a CbC filing requirement that meets all of the terms of reference, with the exception that:

- It is recommended that Turkey take steps to amend its legislation or otherwise bring the definition of Constituent Entity in line with the standard

- It is recommended that Turkey clarify that the annual consolidated group revenue threshold calculation rule applies in line with the OECD guidance on currency fluctuations in respect of an MNE Group whose Ultimate Parent Entity is located in a jurisdiction other than Turkey.

Part B: The exchange of information framework

(a) Exchange of information framework

21. As of 31 March 2020, Turkey has no bilateral relationships in place for the exchange of CbC reports. It is recommended that Turkey take steps to have qualifying competent authority agreements in effect with jurisdictions of the Inclusive Framework that meet the confidentiality, consistency and appropriate use conditions and with which Turkey has an international exchange of information agreement in effect that allows for the automatic exchange of tax information.

(b) Content of information exchanged

22. No changes were identified.

(c) Completeness of exchanges

23. No changes were identified.

(d) Timeliness of exchanges

24. No changes were identified.

(e) Temporary suspension of exchange or termination of QCAA

25. No changes were identified.

(f) Consultation with other Competent Authority before determining systemic failure or significant non-compliance

26. No changes were identified.

(g) Format for information exchange

27. No changes were identified

(h) Method for transmission

28. No changes were identified.

Conclusion

29. It is recommended that Turkey take steps to have QCAs in effect with jurisdictions of the Inclusive Framework which meet the confidentiality, consistency and appropriate use prerequisites and with which Turkey has an international exchange of information agreement in effect that allows for the automatic exchange of tax information. This recommendation remains unchanged since the 2017/2018 peer review.

30. It is recommended that Turkey take steps to implement processes or written procedures to ensure that the exchange of information is conducted in a manner consistent with the terms of reference relating to the exchange of information framework ahead of its first exchanges of information. This recommendation remains unchanged since the 2018/2019 peer review.

Part C: Appropriate use

Appropriate use

31. No changes were identified.

Conclusion

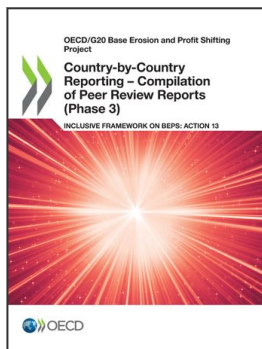
32. It is recommended that Turkey take steps to ensure that the appropriate use condition is met ahead of its first exchanges of information. This recommendation remains unchanged since the 2018/2019 peer review.

Summary of recommendations on the implementation of Country-by-Country Reporting

Aspect of the implementation that should be improved		Recommendation for improvement
Part A	Domestic legal and administrative framework	It is recommended that Turkey take steps to amend its legislation or otherwise bring the definition of Constituent Entity in line with the standard It is recommended that Turkey clarify that the annual consolidated group revenue threshold calculation rule applies in line with the OECD guidance on currency fluctuations in respect of an MNE Group whose Ultimate Parent Entity is located in a jurisdiction other than Turkey.
Part B	Exchange of information framework	It is recommended that Turkey take steps to have qualifying competent authority agreements in effect with jurisdictions of the Inclusive Framework that meet the confidentiality, consistency and appropriate use conditions and with which Turkey has an international exchange of information agreement in effect that allows for the automatic exchange of tax information
Part B	Exchange of information framework	It is recommended that Turkey take steps to implement the necessary processes or written procedures to ensure that the exchange of information is conducted in a manner consistent with the terms of reference relating to the exchange of information framework.
Part C	Appropriate use	It is recommended that Turkey take steps to ensure that the appropriate use condition is met ahead of the first exchanges of information.

References

- OECD (2019), *Country-by-Country Reporting – Compilation of Peer Review Reports (Phase 2): Inclusive Framework on BEPS: Action 13*, OECD/G20 Base Erosion and Profit Shifting Project, OECD Publishing, Paris, <https://dx.doi.org/10.1787/f9bf1157-en>. [1]
- OECD (2018), *Country-by-Country Reporting – Compilation of Peer Review Reports (Phase 1): Inclusive Framework on BEPS: Action 13*, OECD/G20 Base Erosion and Profit Shifting Project, OECD Publishing, Paris, <https://dx.doi.org/10.1787/9789264300057-en>. [2]
- OECD (2017), *Terms of reference for the conduct of peer review of the Action 13 minimum standard on country-by-country reporting*, OECD Publishing, <https://www.oecd.org/tax/beps/beps-action-13-on-country-by-country-reporting-peer-review-documents.pdf>. [3]



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