

Turkey

	2004			
	The tax/benefit position of single persons			
	Wage level (per cent of APW)	67	100	167
	Number of children			
	none	none	none	2
1. Gross wage earnings	9113526492	13670289738	22783816230	9113526492
2. Standard tax allowances				
Basic allowance	0	0	0	0
Married or head of family				
Dependent children				
Deduction for social security contributions and income taxes	1367028974	2050543461	3417572435	1367028974
Work-related expenses				
Other				
Total	1367028974	2050543461	3417572435	1367028974
3. Tax credits or cash transfers included in taxable income	0	0	0	0
4. Central government taxable income (1 - 2 + 3)	7746497518	11619746277	19366243796	7746497518
5. Central government income tax liability (exclusive of tax credits)	1249299504	2023949255	3841560949	1249299504
6. Tax credits				
Basic credit	0	0	0	0
Married or head of family				
Children				
Other				
Total	0	0	0	0
7. Central government income tax finally paid (5-6)	1303980663	2105970994	3978263846	1303980663
8. State and local taxes	0	0	0	0
9. Employees' compulsory social security contributions				
Gross earnings	1367028974	2050543461	3417572435	1367028974
Taxable income				
Total	1367028974	2050543461	3417572435	1367028974
10. Total payments to general government (7 + 8 + 9)	2671009636	4156514455	7395836281	2671009636
11. Cash transfers from general government				
For head of family				
For two children	0	0	0	0
Total	0	0	0	0
12. Take-home pay (1-10+11)	6442516856	9513775283	15387979949	6442516856
13. Employer's compulsory social security contributions	1959408196	2939112294	4898520489	1959408196
14. Average rates				
Income tax	14.3%	15.4%	17.5%	14.3%
Employees' social security contributions	15.0%	15.0%	15.0%	15.0%
Total payments less cash transfers	29.3%	30.4%	32.5%	29.3%
Total tax wedge including employer's social security contributions	41.8%	42.7%	44.4%	41.8%
15. Marginal rates				
Total payments less cash transfers: Principal earner	32.6%	32.6%	36.8%	32.6%
Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner	44.5%	44.5%	48.0%	44.5%
Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

Turkey	2004				
	The tax/benefit position of married couples				
	Wage level (per cent of APW)	100-0	100-33	100-67	100-33
	Number of children	2	2	2	none
1. Gross wage earnings		13670289738	18227052984	22783816230	18227052984
2. Standard tax allowances					
Basic allowance		0	0	0	0
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes		2050543461	2734057948	3417572435	2734057948
Work-related expenses					
Other					
	Total	2050543461	2734057948	3417572435	2734057948
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		11619746277	15492995036	19366243796	15492995036
5. Central government income tax liability (exclusive of tax credits)		2023949255	2604936569	3273248759	2604936569
6. Tax credits					
Basic credit		0	0	0	0
Married or head of family					
Children					
Other					
	Total	0	0	0	0
7. Central government income tax finally paid (5-6)		2105970994	2686958308	3355270498	2686958308
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross earnings		2050543461	2734057948	3417572435	2734057948
Taxable income					
	Total	2050543461	2734057948	3417572435	2734057948
10. Total payments to general government (7 + 8 + 9)		4156514455	5421016255	6772842932	5421016255
11. Cash transfers from general government					
For head of family					
For two children		0	0	0	0
	Total	0	0	0	0
12. Take-home pay (1-10+11)		9513775283	12806036729	16010973298	12806036729
13. Employer's compulsory social security contributions		2939112294	3918816392	4898520489	3918816392
14. Average rates					
Income tax		15.4%	14.7%	14.7%	14.7%
Employees' social security contributions		15.0%	15.0%	15.0%	15.0%
Total payments less cash transfers		30.4%	29.7%	29.7%	29.7%
Total tax wedge including employer's social security contributions		42.7%	42.2%	42.2%	42.2%
15. Marginal rates					
Total payments less cash transfers: Principal earner		32.6%	32.6%	32.6%	32.6%
Total payments less cash transfers: Spouse		27.8%	27.7%	32.0%	27.7%
Total tax wedge: Principal earner		44.5%	44.5%	44.5%	44.5%
Total tax wedge: Spouse		40.5%	40.5%	44.0%	40.5%

The national currency is the Lira (TRL). In 2004, TRL 1 430 289 was equal to USD 1 (estimated average of eleven months daily exchange rates). In that year, the Average Production Worker earned TRL 13 670 289 738 (Country estimate).

1. Personal income tax systems

1.1. Central government income tax

1.11. Tax unit

Spouses are taxed separately on earned income. This applies since 1 January 1999.

1.12. Tax allowances and tax credits

Income tax is levied on the real net value of wage and salary. The real net value of wage and salary is calculated by making the following deductions from the total cash payments made and fringe benefits given by the employer:

- Legal deductions for public institutions such as OYAK (Social Aid Institution for Military Officers).
- Contributions to social security organisations and premiums for social insurance (provided that the organisation or the institution are resident in Turkey).
- Premiums paid by the wage-earner for himself (or herself) and his (or her) spouse and dependent children for personal insurance covering, death, accident, illness, disablement, maternity, birth and education, provided that the insurance is contracted with a company established in or with a main office in Turkey.
- As of July 2001, the total deductions for public institutions, contributions to social security organisations and premiums for social insurance are limited to 10% of declared earnings. The deduction for personal insurance premiums is limited to 5% of declared earnings. In total, the deductions can not exceed the annual minimum wage.

After calculating the real net value of the wage and salary, the deductions mentioned below are made to obtain taxable income.

1.121. Standard reliefs

- *Reliefs for disabled:* Employees with a disability may claim a deduction that varies depending upon the severity. The monthly deduction amounts range from TRL 110 000 000 to 440 000 000.
- *Reliefs for social security contributions:* Employees' social security contributions are deductible from gross income. This contribution is 15 per cent of gross income as stated by the social insurance act. The contribution to the unemployment fund is included in this amount and amounts to 1 per cent of the gross income. It is applied after 01.06.2000.
- *Work-related expenses:* None.

1.122. Main non-standard tax reliefs applicable to an APW

- Special Tax Credit for Wage and Salary Earners: For 2004, the provision that has applied in previous years will continue to apply to all wage and salary earners. The basic requirement is to provide the appropriate invoice/receipt for five types of expenditures and to file a special expenditure deduction return. Base for the tax credit is of expenses. Upper limit for the tax credit is 35 per cent of the tax base.
- A new special tax credit system will apply beginning in 2005 that will be based on the expenditures of the previous year. Wage and salary earners will receive a credit in 2005 based on their expenditures in 2004 that will either be credited from tax due in 2005 or refunded by the employer. The credit is calculated based on specified expenditures based on the following schedule:

Value of specified expenditures	Tax credit rate
0 to TRL 3 billion	8 per cent
TRL 3 billion to TRL 6 billion	6 per cent
Over TRL 6 billion	4 per cent

1.13. Tax schedule

The tax schedule in 2003 was as follows:

Taxable income (one million TRL)	Tax on lower threshold (one million TRL)	Tax on excess amount above lower threshold (%)
Up to 6 000		15
6 000 up to 14 000	900	20
14 000 up to 284 000	2 500	25
28 000 up to 70 000	6 000	30
70 000 up to 140 000	18 600	35
140 000 and over	43 100	40

1.2. State and local income taxes

Income tax is levied only by the central government.

1.3. Stamp tax

The stamp tax base is gross earnings. The tax rate is 0.006 per cent for the year 2004.

2. Compulsory social security contributions to schemes operated within the government sector

2.1. Employees' contributions

2.11. Pensions (disability, old age and death insurance): 9 per cent

2.12. Sickness: 5 per cent

2.13. Unemployment: 1 per cent

2.2. Employers' contributions

2.21. Pensions (disability, old age and death insurance): 11 per cent

2.22. Sickness: 6 per cent

2.23. Unemployment: 2 per cent

2.24. Work injury

Varies from 1.5 per cent to 7.0 per cent according to the industry (includes occupational disease insurance). For the purposes of this Report, the lowest rate is used (1.5 per cent).

2.25. Others (maternity insurance): 1.0 per cent

There is no distinction by marital status or sex and the contributions apply to gross earnings. Compulsory social security contributions of employees and their employers are calculated according to the above mentioned schemes.

For employees whose gross earnings are below the base or above ceiling earnings, which are determined at least twice a year, these contribution rates are applied to the base or ceiling amounts respectively. The ceiling effective July 1, 2004 amounted to TRL 2 886 975 000 per month. The ceiling that is used in this Report amounts to TRL 33 810 750 000. The base amount, which is not relevant to the calculations contained in this Report, amounts to TRL 5 962 680 000, which is equal to the minimum wage as required by the Social Security Law.

3. Universal cash transfers

Employees obtain universal cash transfers according to the collective labour agreements that are signed between the employer and the labour union. These agreements vary according to bargaining power of the parties for all sectors in the economy. This is the reason why there is no standard amount reflecting the general transfers.

4. Main changes in tax/benefit system since 2000

In 2004, the tax schedule was modified and the basic allowance was eliminated.

The Special Credit for Wage and Salary Earners has been amended.

5. Memorandum items

5.1. Identification of an APW

The earnings figure refers to all production workers in the manufacturing sector. The data have been built up from monthly data and refer to the calendar year.

5.2. Contribution to private pension and health schemes

In accordance with Article 128 of Social Insurance Act No. 506, business enterprises as employers are permitted only to make arrangements for pension to their employees on their retirement in addition to national retirement schemes. Such additional pension arrangements, which are optional, are not widely used.

5.3. Saving premium and employer contribution

According to the Act No. 4447, this was abolished on June 1, 2000.

2004 Parameter values

Average earnings/yr	Ave_earn	13 670 289 738	Country estimate
Allowances	Basic_al	0	
Income tax	Tax_sch	0.15	6 000 000 000
		0.20	14 000 000 000
		0.25	28 000 000 000
		0.30	70 000 000 000
		0.35	140 000 000 000
		0.40	
Stamp tax	Stamp_rate	0.006	
Employees SSC	SSC_rate	0.15	
	SSC_ceil	33 810 750 000	
Employers SSC	SSC_empr	0.215	

2004 Tax equations

The equations for the Turkish system are on an individual basis.

The functions which are used in the equations (Taper, MIN, Tax etc) are described in the technical note about tax equations. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables “married” and “children”. A reference to a variable with the affix “_total” indicates the sum of the relevant variable values for the principal and spouse. And the affixes “_princ” and “_spouse” indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with “_spouse” values taken as 0.

Line in country table and intermediate steps	Variable name	Range	Equation
1. Earnings	earn		
2. Allowances:	tax_al	B	Basic_al+SSC
3. Credits in taxable income	taxbl_cr	B	0
4. CG taxable income	tax_inc	B	Positive(earn-tax_al)
Stamp tax	stamp_tax	B	earn*stamp_rate
5. CG tax before credits	CG_tax_excl	B	Tax(tax_inc,tax_sch) + stamp_tax
6. Tax credits	tax_cr	B	0
7. CG tax	CG_tax	B	CG_tax_excl
8. State and local taxes	local_tax	B	0
9. Employees' soc security	SSC	B	Min(earn,SSC_ceil)*SSC_rate
11. Cash transfers	cash_trans	B	0
13. Employer's soc security	SSC_empr	B	Min(earn,SSC_ceil)*SSC_empr

Key to range of equation:

B calculated separately for both principal earner and spouse.

P calculated for principal only (value taken as 0 for spouse calculation).

J calculated once only on a joint basis.

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Part IV

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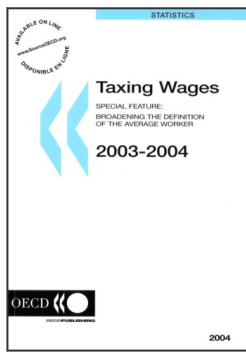
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