Guidelines

GUIDELINES: TÜRKİYE’S 20-YEAR FOREIGN INCOME TAX EXEMPTION FOR INDIVIDUALS

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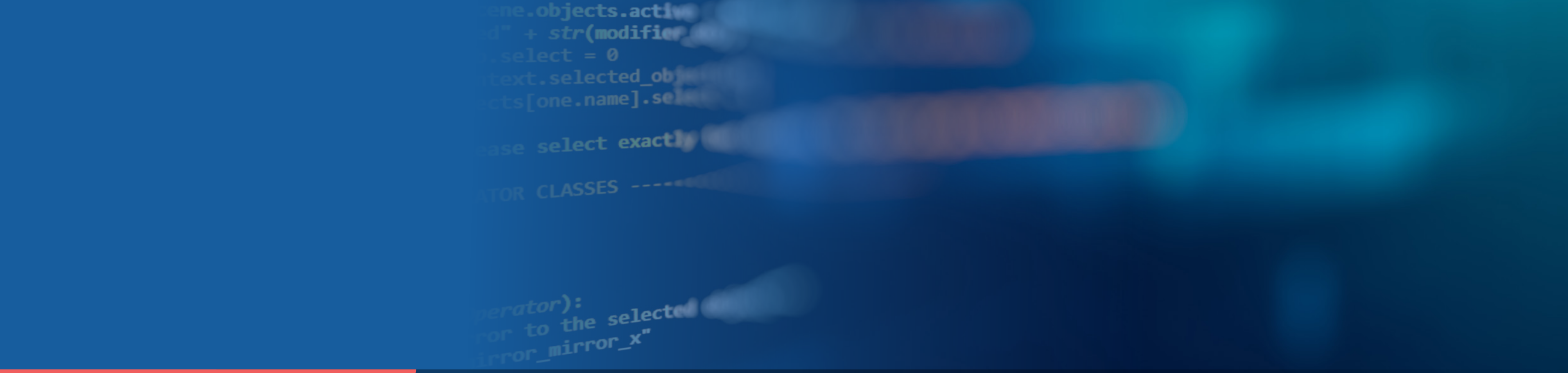

GUIDELINES

TÜRKİYE'S 20-YEAR FOREIGN INCOME TAX EXEMPTION FOR INDIVIDUALS

Türkiye has officially introduced one of the most competitive personal tax incentives globally. Governed by the Repetitive Article 20/D of the Income Tax Law No. 193 (added via Law No. 7582) and detailed under General Income Tax Communiqué Series No. 333 (published on July 4, 2026), eligible individuals can now enjoy a complete 20-year income tax exemption on all earnings and income generated outside of Türkiye.

Our guidelines break down the technical legal text into plain language, provides practical guidance, and analyse official case examples published by the Ministry of Treasury and Finance to help the individuals to determine their eligibility and navigate the application process.

1. The Core Benefit: 20 Years of Tax-Free Foreign Income

Under this regime, qualifying individuals who establish tax residence in Türkiye will have their foreign-sourced earnings exempted from Turkish personal income tax for a continuous period of 20 years.

What Types of Foreign Income are Exempt?

- **Foreign Rental Income:** Rental profits from residential or commercial real estate located abroad.
- **Foreign Investment Dividends & Interest:** Dividends received from non-resident corporations, international capital market yields, and foreign bank savings interest.
- **Foreign Capital Gains:** Profits from selling off assets, equities, or real estate located outside Türkiye.
- **Foreign Business & Professional Income:** Profits generated from business operations or independent professional activities entirely conducted overseas.
- **Other Income:** Any other type of foreign income such as wages, extra-ordinary income and are also within the scope of 20-year exemption.

2. Key Eligibility Criteria

To qualify for the 20-year exemption certificate, an applicant must satisfy three main conditions at the time of application:

- **Timing of Residency:** You must be considered "settled in Türkiye" (tax resident) on or after January 1, 2026.
- **The 3-Year Prior Absence Rule:** You must have had no legal domicile (residence) and no tax liability (registration) in Türkiye during the three calendar years preceding the year you become a Turkish tax resident.
- **Natural Persons Only:** This exemption applies strictly to real persons (individuals). Corporate tax entities cannot benefit.

Crucial Distinction: Pre-existing Passive Income Accounts

If you maintained a limited tax liability in Türkiye prior to moving, specifically for local rental income, local interest/dividends, or local capital gains, this will not block your eligibility for the 20-year exemption on your foreign income, provided you lacked full tax residency and active business registration.

3. Application Process & Mandatory Deadlines

The tax exemption is not applied automatically. To secure the benefit, eligible taxpayers must file a formal application with their authorized local tax office to obtain the official "Exemption Certificate for Income and Revenues Earned Abroad".

Strict Application Deadlines:

» **General Rule:** You must submit your application before the end of the calendar year (December 31) in which you established tax residency in Türkiye.

» **Late-Year Move Exception:** If you become a tax resident in the last two months of the year (November or December), your deadline is extended until the end of the second month of the following calendar year (February 28/29).

4. Real-World Case Examples

The Ministry of Treasury and Finance provided official examples illustrating how the tax office evaluates individual cases:

Scenario / Person	Background & Timeline	Official Outcome / Tax Status
Example 1 (Taxpayer A)	Became resident on July 12, 2026. Applied for the certificate on December 1, 2026. Checks showed no tax liability or domicile in 2023, 2024, or 2025.	APPROVED: Application was made within the residency year, and the 3-year prior absence requirement was met.
Example 2 (Taxpayer B)	Became resident on March 2, 2028. Applied on May 1, 2030. Lacked tax liability/residence in 2025, 2026, and 2027.	REJECTED: Although prior absence was verified, the applicant failed to apply before the end of the residency year (end of 2028).
Example 3 (Taxpayer C)	Became resident on May 12, 2028. Started local retail clothing trade on October 30, 2028. Applied for certificate on November 15, 2028.	APPROVED: Prior 3 years (2025–2027) were clear. Starting local trade after becoming resident does not jeopardize foreign income exemption.
Example 4 (Taxpayer D)	Had domicile in Türkiye in 2022. Moved abroad on November 10, 2024. Returned and re-established domicile in Türkiye in 2027. Applied on November 9, 2027.	REJECTED: Taxpayer was resident during 2024 (one of the 3 years preceding 2027 residency).
Example 5 (Taxpayer E)	Became resident on May 12, 2028. Has been earning local rental income in Türkiye and filing returns since May 7, 2026. Applied in 2028.	APPROVED: Holding prior limited tax liability solely for real estate capital yields does not hinder eligibility.
Example 6 (Taxpayer F)	Became resident on July 23, 2028. Received salary income subject to local withholding from a single Turkish employer in 2026.	REJECTED: Receiving employment income locally during the prior 3-year window creates prior tax history, disqualifying the applicant.
Example 7 (Taxpayer G)	Became resident on September 15, 2028. Held active commercial business registration in Türkiye since January 1, 2026. Applied on December 20, 2028.	REJECTED: Maintaining commercial tax registration in 2026 breaches the 3-year prior absence rule.

5. Treatment of Domestic vs. Foreign Income

The Communiqué establishes a strict wall of separation between local Turkish income and foreign-sourced income:

- **No Local Tax Returns for Exempt Income:** You do not file annual tax returns for your exempt foreign earnings. If you file a return for local Turkish income, foreign income must be completely excluded.
- **Local Turkish Income Remains Taxable:** Any income sourced in Türkiye (local rent, consulting fees for local projects, commercial profits) remains subject to full standard Turkish income tax.
- **No Expense Cross-Deduction:** Costs, expenses, or losses incurred in generating exempt foreign income cannot be deducted against your taxable Turkish income.
- **No Foreign Tax Credit Offsets:** Taxes paid in foreign countries on exempt income cannot be claimed as a tax credit against Turkish taxes owed on local income.

Example: Mixed Domestic & International Income (Taxpayer K)

Taxpayer K resides in Türkiye and earns 600,000 TL local rental income in Istanbul, dividends from a Turkish company, foreign dividends from Spain, and rental income from Monaco.

Tax Treatment: The Spanish dividends and Monaco rental income are 100% exempt under the regime. The Istanbul rent and Turkish dividends remain fully taxable in Türkiye and must be declared in the local tax return without mentioning the foreign earnings.

6. Crucial Guidance & Practical Recommendations

Audit & Retroactive Cancellation Risk (Example 12 / Taxpayer L)

If an individual receives an Exemption Certificate but a subsequent tax audit discovers undisclosed, unrecorded local commercial activity during the 3-year prior window, the tax office will cancel the Exemption Certificate retroactively. Unpaid taxes on foreign income will be assessed with severe tax loss penalties and default interest.

Strategic Action Plan for Potential Applicants:

- **Pre-Move Tax Audit:** Conduct a comprehensive review of your historical presence in Türkiye for the past 3 calendar years. Ensure there are no forgotten bank registrations, address records, or withholding records (e.g., local freelance or employment income).
- **Separate Accounting & Banking:** Maintain clear separation between foreign bank accounts receiving overseas earnings and local accounts handling Turkish transactions.
- **Strict Application Timing:** Submit your application immediately upon establishing residency. Do not wait until the final month of the year. Missing the deadline permanently forfeits your 20-year right.
- **Cross-Border Double Tax Treaties (DTTs):** Ensure your country of origin or foreign income source recognizes your shift in tax residence to prevent dual taxation or unexpected foreign withholding.

7. How We Can Help: Our Professional Services

Navigating cross-border tax incentives requires precision. A single misstep in determining your historical tax liability or missing a strict application deadline can result in the permanent loss of this 20-year tax holiday. Our team of specialized international tax advisors is ready to guide you through every step of the process.

Our tailored services include:

» **Comprehensive Eligibility Assessment:** We conduct a deep-dive review of your tax history in Türkiye, examining any past limited liability, domicile records, and business registrations to confirm your eligibility against the strict 3-year prior absence rule.

» **Application Management & Representation:** We prepare your file, manage communications with the authorized local tax office, and formally submit your application for the "Exemption Certificate for Income and Revenues Earned Abroad" before the mandatory deadlines.

» **International Tax Structuring:** We provide strategic advice on separating your domestic and foreign income, evaluating DTTs, and ensuring compliance with both Turkish and international tax frameworks.

» **Ongoing Compliance & Reporting:** Even with exempt foreign income, local Turkish earnings must still be reported. We handle your annual tax filings to ensure complete separation of incomes, keeping your exemption status safe from audits.

***Take Action Today:* Do not wait until the end of the year to start this process. Contact our experienced team to schedule your preliminary eligibility assessment and secure your 20-year tax-free future in Türkiye.**

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Disclaimer: *This document is an informational summary prepared based on Repetitive Article 20/D of the Income Tax Law No. 193 and General Income Tax Communiqué No. 333. It does not constitute formal legal or tax advisory services. Taxpayers should seek professional counsel for individual evaluation.*

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