MARMARA ÜNİVERSİTESİ YAYINEVİ

MARMARA ÜNİVERSİTESİ YAYIN NO : 550
İKTİSADİ VE İDARİ BİLİMLER FAKÜLTESİ YAYIN NO : 397

SELECTED TOPICS ON TURKISH TAX ACCOUNTING

Assistant Prof. Dr.Necdet ŞENSOY

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Faculty of Economic & Administrative Sciences
Department of Business Administration

İSTANBUL, 1994

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ISBN : 975 - 400 - 107 - 3

MARMARA ÜNİVERSİTESİ
TEKNİK EĞİTİM FAKÜLTESİ
DÖNER SERMAYE İŞLETMESİ
MATBAA BİRİMİNDE BASILMIŞTIR.

MARMARA ÜNİVERSİTESİ YAYINEVİ

To My Parents...

MARMARA ÜNİVERSİTESİ

MARMARA ÜNİVERSİTESİ YAYINEVİ

MARMARA ÜNİVERSİTESİ 1883

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00. FOREWORD

This book is prepared for Turkish accounting students whose medium of instruction is English.

In last decade graduate & post-graduate education in English spread among Turkish Universities.

There are some advantages of instruction in a foreign language besides its disadvantages.

Advantages for students can be summarized as follows :

a) To be able to access to literature written in foreign language

b) To be able to continue post-graduate education in a foreign country

Advantages for Universities are :

a) To be able to employ capable foreign scholars

b) To have the capacity of giving education service to overseas students & thus to have an international scientific climate.

Disadvantages are :

a) Ignorance of professional & scientific terms in native language

b) It can be an obstacle to development of scientific terms in native language

The following measures will be useful to minimize the disadvantages and have the maximum advantages for development of our country:

1) This instruction must be done in limits of its purpose and also not only for the sake of form

2) The financial & scientific infrastructure must be provided

3) The scholars teaching in these programs must teach the Turkish equivalents of scientific terms to Turkish students

4) Those universities giving education in English must accept foreign students & must try to employ foreign scholars as possible.

This book aims to contribute the third of above measures as studying those subjects which have peculiarities because of Turkish legislation and giving the Turkish meanings of some accounting & tax terms.

I hope this book also will be useful for foreign investors & managers of those foreign enterprises in Turkiye.

İstanbul,1994 Assistant Prof.Dr.Necdet Şensoy

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1.VALUE ADDED TAX IMPLEMENTATION IN TURKIYE

10.GENERAL PRINCIPLES AND CONCEPTS

100.The Scope of V.A.T.

The Value Added Tax Act with no:3065,was published in the Official Journal of Turkish Republic on November 2,1984 to be in effect after 1.1.1985.

Following transactions are subject to V.A.T. when they are occured in Turkiye :

a) Deliveries (supplies) of goods and rendering of services as commercial,industrial,agricultural operations and as independent professional activities.

b) Import of all kinds of goods and services

c) Deliveries (supplies) of goods and rendering of services for other operations which are specifically defined in the

V.A.T.Code as follows:

- Mail services,telecommunication services and broadcasting services by radio and TV

- To organize and play all kinds of lotteries(including National Lottery) and races;betting,gaming.

- To organize and show of concerts which professional artists are playing.To organize and show of sport activities, matches,races which professional sportsman are participated

- Sales in customs warehouses and in auction places

- Transportation of crude oil,gas and by-products of petroleum by pipe-lines

- Leasing of immovable assets as land,building,mineral water sources,mines,other goods and rights such as all kinds of motor vehicles, machines, and equipment, ships, literary, artistic and commercial copyrights,commercial or industrial know-how, patents,trade marks,licences and similar intangible properties and rights

(Renting of immovable properties is excluded from V.A.T.if they are not owned by business entities)

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- Commercial,industrial,agricultural and professional deliveries and services of institutions belonging to the Central Government,municipalities,universities,associations, foundations and all kind of establishments controlled by general budget of the government or having supplementary budgets

- Deliveries and services that will be taxed by the way of optional liability in order to remove the inequality of competition.

The following situations or conditions don't change the nature of transactions,therefore don't prevent taxation:

* If those activities are performed upon necessity of laws or official requirements

* The legal status and personality of those who performs these activities

* Whether they have Turkish nationality or not

* Whether their domicile,office or head-office are in Turkiye or not

101.Delivery

Delivery is the transfer of the title (legal possession rights) of goods by its owner or by someone who is acting on behalf of owner,to the buyer or those who are acting on behalf of buyer.

Giving the custody of goods to somewhere or to someone designated by the buyer or by someone who acts on behalf of buyer is considered as delivery.

When the goods are sent to the buyer or to someone acting on behalf of buyer,the beginning of shipment or giving the custody of goods to the transporter is considered as delivery.

Supply of any form of power,heat,refrigeration or ventilation are also the delivery of goods and services.

Barter is equivalent to two seperate deliveries.

The following events are also considered as delivery:

a) Withdrawal of taxable goods from business entity for the purposes other than taxable transactions,to give the taxable goods to employees as wages,premiums,to grant as gifts or donations.

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b) If depreciable fixed assets are manufactured or constructed in the business entity for own usage (self-supply) starting to use or taking into assets are considered as delivery.

102.Service

Service literally means doing a useful work,supplying a need,or a useful business that does not produce goods. Those transactions which are comprehended by Service Concept in V.A.T. Code are : to make,refine,manufacture, repair,clean,keep,prepare,rent,rise value of something or undertaking not to do something.

If some goods are collected against a service rendered or other services are utilized against the service rendered, the giving and receiving transactions are separate transactions and taxed separately.

If a taxable service is rendered to the owner,to the employees or to other parties free of charge,also they are taxable services.

103.The Principle For Occurance of Transactions in Turkiye

Occurance in Turkiye means :

a) The goods are in Turkiye during delivery

b) The services are performed,evaluated and benefited in Turkiye

104. The Taxable Person (Entrepreneur)

Taxable persons are defined in article 8 of V.A.T.Code as persons engaged in taxable transactions,regardless of their legal status or nature,and their position with regard to other taxes.

In other words a 'taxable person ' is any person (individual,company,partnership,etc.)who makes or intends to make taxable supplies.

The term 'entrepreneur' covers all forms of taxable enterprises including individuals,partnerships,companies, trusts and any other body that makes taxable supplies in the course or furtherance of a business.

Non-entrepreneurs are generally not liable for V.A.T. except in the case of importation and leasing of certain goods and rights.

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For V.A.T. purposes it is irrelevant whether :

a) there is a profit motive or not

b) the person is domiciled or established in Turkiye or not

c) the activity is carried out as principle or agent

d) the activity is carried out in accordance with an official obligation

105.Tax Base

V.A.T.is levied on the value of supply. That is the consideration payable,monetary or otherwise for supply of goods & services.For those events which may give rise to a liability where no consideration has passed,such as gifts & self-supplies or if the consideration is unknown or it is not a monetary item ,then the tax base is an equivalent fee or its market value.

Items included to the tax base are :

a) all of the transport costs,loading and unloading costs incurred by the supplier until the delivery place

b) packaging costs,insurance costs,commissions,taxes,duties, funds

c) extra charges for overdue payments; additions to prices; miscellaneous income like interest,premium ; service charges and similar benefits

Items not-included to the tax base:

a)Trade discounts shown on invoices

b)V.A.T. that will be charged

Tax Base in Importation :

The tax base for an imported good is the total of the following;

a) the value which customs duties are levied[if the customs duty isn't levied on value basis or it is exempt from customs duty,its CIF (cost+insurance+freight) value]

b) all kinds of taxes,funds,stamp duties,fees paid during importation.

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c) all other expenses incurred,price differences and foreign exchange rate differences.

106.Basis of Accounting

Except several transactions the accrual basis of accounting is adopted, in Turkish V.A.T.Act same as in income tax act.

Thus, sales are recognized when deliveries are made and services are performed, regardless of the cash is collected or not.

However the time of supply(realization) is the earliest of the following :

- the date the goods are delivered

- the date the supplier raises an invoice (in this case the amount of tax base is limited by the amount shown on the invoice)

Also purchases and input services are recognized as deliveries taken or an invoice received whichever is earlier regardless of whether or not cash has been paid out.

As the exception of accrual basis in accounting for V.A.T. the rents are recognised when they are paid(or collected).

107.The Event Which Causes Tax Liability

The event or transaction which causes V.A.T. liability is delivery of goods, rendering of services (unless any invoice or a similar document is issued before delivery,if so the event is issuance of the invoice or document)

If the goods and services are delivered partially ,delivery of each part is a separate event to create V.A.T.

If the goods are sold through a mediator as an agent delivery of goods to the customer by the agent (delivery of goods to the agent doesn't cause V.A.T.).

If the goods are sent to the customer or to whom acts on behalf of him, the event which causes V.A.T. is delivery of goods to the transporter.

If some movable or immovable depreciable assets are constructed in the business entity the event which causes V.A.T. is entering them

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among assets recording on books, according to the Turkish Tax Procedural Code or beginning to use them.

For spending of water,electricity,gas, heating,cooling and other energies the event is the accrual of the amounts to be paid.(Issuance of the invoice by supplier of these goods).

For renting transactions the event which cause V.A.T.was determined as to leave the rented asset to the use of tenant. But later this is deleted .The event is payment or collection of the rent as cited above.

For importation the beginning of responsibility as taxpayer of Customs Duty according to the Turkish Customs Code or the drawal of goods for those which are exluded from Customs Duty.

For the transportation services between foreign countries and Turkiye or for transit transportation through Turkiye; realized by transporters who are not domiciled in Turkiye the event is passing through Turkish Border.

108.The Accounting Period

In accounting for V.A.T. the accounting period is a calender month.The transactions regarding V.A.T. are monthly recorded and the result is declared by a V.A.T. Return until 25th of next month.

109.Tax Credit Mechanism

V.A.T. is based on a tax credit system which allows every taxable person along the chain of production to recover the V.A.T. which was incurred upstream.It is in principle, the final consumer alone who,in the end,bears the weight of tax.

Those V.A.T.charged on purchases and input services are "tax credits"of the business entity whether they are paid or not.These value added taxes are not a part of costs.They are tax credits (receivables from tax office) separate from costs. They are included in the amounts "payable" to supplier, to be paid on behalf of tax office.

In other hand those V.A.T.charged on sales and output services (V.A.T.received)are"tax liabilities" of the business entity,again regardless of their collection. Also these are not part of the sales revenue.They are tax liabilities (payable to tax office) separate from revenues. Nevertheless they are included in the receivable amount from the customer, to be

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collected on behalf of tax office.

[V.A.T.incurred in purchases are called as "input taxes" and V.A.T. charged on sales are called as "output taxes", in some texts; for example in a book edited by Ernst & Young named V.A.T. in Europe (Sweet& Maxwell,1989)on pg: 265 defined as follows:

V.A.T. incurred by a person on the import and acquision of goods and services is known as input tax. Input tax can be offset against output tax or refunded when it has been incurred in the provision of taxable goods and services. No recovery of input V.A.T. is generally given for V.A.T. incurred in connection with the supply of exempt goods and services or in respect of certain specific items.]

These tax liabilities and tax credits are matched monthly. If the monthly total amount of tax liabilities (V.A.T. received) exceeds monthly total of tax credits,the result is a " V.A.T.payable ".

In other words the amount of "V.A.T. payable" by the taxpayer is the difference between the total amount of tax charged on the sales invoices issued by the taxpayer and the total amount of tax charged to the taxpayer in purchases & inputs of same period.

If the monthly total of "tax credit" is more than the total of "tax liabilities"(V.A.T.received),then the excess amount of tax credit is V.A.T. carried forward (refunded in some conditions regarding " V.A.T. exemptions with credit ").

At the end of each month,if there is any V.A.T. carried forward of previous month it is also matched with total " V.A.T. received " of that month.

11. ACCOUNTS TO BE USED FOR V.A.T. ACCOUNTING

110. V.A.T.Credit Account : This account is used to collect the information about V.A.T. charged on purchases, V.A.T. charged on import,V.A.T.charged on input services.

It is debited when those transactions regarding purchases and input services (domestic or overseas) are occured, in the amount of V.A.T.charged on the invoice.

It is credited at the end of each month in the amount of its balance as of that date,to transfer to the V.A.T. matching account.

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If the input V.A.T.charged on invoice is not allowed as tax credit totally, it is not debited to this account.

This is a controlling account.The following subsidiary accounts can be opened for each of inputs which has differences in their nature:

-V.A.T. Credit on purchases of goods (or raw mareials)

-V.A.T. Credit on input services

-V.A.T. Credit on import

-V.A.T. Credit on rents

-V.A.T. Credit on overheads

111.V.A.T.Received Account : This account is used to collect the information about V.A.T. calculated on sales and charged on sales invoices,for the goods delivered & services rendered. It is credited when sales transactions (taxable in regard of V.A.T.)are occured,in the amount of V.A.T.charged on the invoice.

It is debited at the end of each month in the amount of its balance as of that date,to transfer to the V.A.T.matching account.

This account is also a controlling account.The V.A.T.charged on sales of goods with different rates can be segregated in subsidiary accounts as follows :

-V.A.T.Received on supplies of 15 % rate goods & services

- " " " 1 % " "

- " " " 8 % " "

- " " " 23 % " "

112. V.A.T.Matching Account : At the end of each month, V.A.T.carried forward from previous month and the total V.A.T.credit amount of that month (it is transferred from V.A.T.credit account as its balance) are debited to this account.

It is credited by the monthly amount of V.A.T.received which is transferred from V.A.T.received account as its balance.

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After the necessary transfers are made to this account, in the end of the month,the balance of the account is determined.

If the V.A.T.matching account gives debit balance,it is

"V.A.T.carried forward" and if it gives credit balance,it is "V.A.T.payable."

This account is recorded only in the ends of months,by transfer of the V.A.T.amounts to be matched and its balance is transferred to "V.A.T.carried forward account" or to "V.A.T.payable account" and thus closed (Its debit total is equal to its credit total).

This controlling account has no need for subsidiary accounts.

113.V.A.T.Carried Forward Account : This controlling account is debited when the debit balance of V.A.T.matching account is transferred.

During the monthly period,its balance shows the amount of receivable from tax office as V.A.T.credit,which can not be collected in cash but will be offset by V.A.T.received.

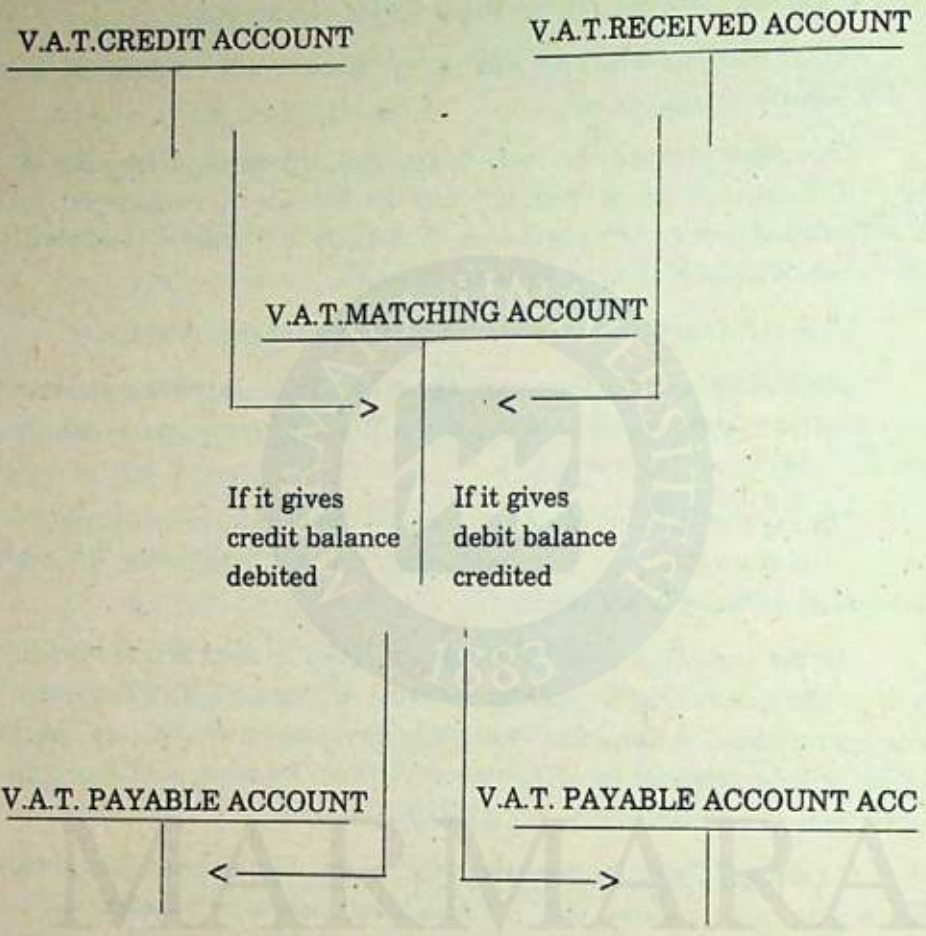
At the end of the month the balance of the account is transferred to the V.A.T. matching account by crediting. If there is a V.A.T. Carried Forward amount in the end of December, it reflects to the Balance Sheet which will be prepared as of December 31,19xx.This amount is shown in Asset Side of Balance Sheet among RECEIVABLES.

114.V.A.T.Payable Account : This controlling account is credited when the credit balance of V.A.T.matching account is transferred.The credit balance of the account is a real tax liability and must be paid latest until the 25 th day of the next month.

When the tax is paid in cash,it is debited. If there is a V.A.T. Payable amount in the end of December,it is shown on Equity Side of Balance Sheet among SHORT TERM LIABILITIES.

Obviously,it is impossible to have a V.A.T.Carried Forward amount and V.A.T.Payable amount in the same Balance Sheet.

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Example :

1) On 5 th of March 1993,we purchase some goods in the amount of 10.000,-TL.Its V.A.T.is charged as 15 % .Payment conditions 3/15, n /60.

2) On 6 th of March we pay an electricity invoice,its amount is 100,- TL + 15 % V.A.T.

3) On 10 th of March we sold some goods.Total sales amount is 5.000,-TL + 15 % V.A.T.charged on it.Sales conditions; 2/10,n/90.

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Journal Entries regarding these transactions are as follows:

1) 5.3.1993

MERCHANDISE INVENTORY	10.000,-	
V.A.T.CREDIT	1.500,-	
ACCOUNTS PAYABLE		11.500,-

Purchase of goods, 3/15,n/60

2) 6.3.1993

ELECTRICITY EXPENSE	100,-	
V.A.T.CREDIT	15,-	
CASH		115,-

Payment

3) 10.3.1993

ACCOUNTS RECEIVEABLE	5.750,-	
SALES REVENUE		5.000,-
V.A.T.RECEIVED		750,-

Recognition of revenue 2/10,n/90

At the end of March 1993,total of V.A.T.CREDIT ACCOUNT and V.A.T.RECEIVED ACCOUNT will be transferred to V.A.T.MATCHING ACCOUNT.

Journal entries regarding these transfers are as follows:

4) 31.03.1993

V.A.T.RECEIVED ACCOUNT	750,-	
V.A.T.MATCHING ACCOUNT		750,-

Transfer of v.a.t.received

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5) ——————— 31.03.1993 ———————

V.A.T.MATCHING ACCOUNT 1.515,-

V.A.T.CREDIT ACCOUNT 1.515,-

Transfer of v.a.t.credit

The scene of T Accounts after these journal entries are as follows:

Dr.Merchandise Inventory Acc.Cr	
1) 10.000,-	

Dr.Sales Revenue Account Cr.	
	2) 5.000,-
	3) 8.000,-

DrCash AccountCr	
	2) 115,-
	3) 172,5

DrAccountsReceivableCr	
3) 5.750,-	
7) 9.200,-	

Dr Acconts PayableCr	
	1) 11.500

Dr.Electricity Expense Acc. Cr.	
2) 100.-	
8) 150,-	

Dr.V.A.T.Received Account Cr			
4)	750,-	3)	750,-
10)	1200,-	7)	1200,-

Dr. V.A.T.Credit AccountCr.	
1) 1.500,-	5) 1.515,-
2) 15,-	9) 22,5
1.515,-	
8) 22,5	

Dr.V.A.T.Matching Account Dr	
1) 1.515,-	1) 750,-
2) 765,-	2) 765,-
2.280,-	1.515,-
8) 435,-	10) 1.200,-
	2.715

Dr.V.A.T.Carried Forward Cr.	
6) 765,-	9) 765,-

Dr. V.A.T.PAYABLE ACCOUNTCr	
	11) 435,-

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In the end of March 1993, V.A.T.Matching Account gives Debit Balance in the amount of 765,-TL (1.515,- - 750,-),therefore there is V.A.T.Carried Forward in this amount :

6) 31.03.1993

V.A.T.CARRIED FORWARD	765,-	
V.A.T.MATCHING ACCOUNT		765,-

Transfer of V.A.T.Carried Forward

Let's assume that in April 1993,there is a sales transaction in the amount of 8.000,- + 15 % V.A.T. on 15.04.1993.Sales conditions; 2/10, n/90 .

7) 15.04.1993

ACCOUNTS RECEIVABLE	9.200,-	
SALES REVENUE		8.000,-
V.A.T.RECEIVED		1.200,-

Recognition of revenue 2/10,n/90

Also electricity expense is paid in cash,in the amount of 150,-TL + 15 % V.A.T. on April 20.

8) 20.04.1993

ELECTRICITY EXPENSE	150,-	
V.A.T.CREDIT	22,5	
CASH		172,5

Electricity used and paid

In the end of april the following transfer entries will be done as usual in the end of each month(V.A.T.Period):

a) V.A.T.Carried Forward Account to V.A.T.Matching Account

b) V.A.T.Credit Account to " " "

c) V.A.T.Received Account to " " "

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9)——— 30.04.1993 ———

V.A.T.MATCHING ACCOUNT	787,5	
V.A.T.CARRIED FORWARD		765,-
V.A.T.CREDIT		22,5

Transfers to V.A.T.Matching Account

10)——— 30.04.1993 ———

V.A.T.RECEIVED	1.200,-	
V.A.T.MATCHING ACCOUNT		1.200,-

Transfer to V.A.T.Matching Account

In the end of April after the related accounts are transferred to V.A.T.Matching Account,this account gives Credit Balance.That means there is a V.A.T.Payable amount.

Therefore the V.A.T.Matching Account is debited and V.A.T. Payable account is credited :

11)——— 30.04.1993 ———

V.A.T.MATCHING ACCOUNT	435,-	
V.A.T.PAYABLE ACCOUNT		435,-

V.A.T.Payable is transferred from V.A.T.Matching

This 435,-TL is a real Value Added Tax to be paid in cash. It will be paid latest on 25 th of May 1993 :

#)——— 25.051993 ———

V.A.T.PAYABLE	435,-	
CASH		435,-

Payment

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12.V.A.T.ADJUSTMENTS FOR RETURNS AND ALLOWANCES

120.Returns on Purchases

When we return some of goods previously purchased the"V.A.T. Credit" account must be adjusted along with the merchandise and cash (or Accounts Payable Account).Instead of making this adjustment on"V.A.T.Credit Account",we use another special account called "V.A.T.Adjustment for R & A on purchases". Because we need this information seperately during the preparation of monthly V.A.T.Return.

Example: 10 % of the goods purchased in the total amount of 100.000,TL plus 15 % V.A.T.are given back since there are some discrepancies on quality.

Journal entry during on purchasing date :

MERCHANDISE INVENTORY	100.000,-	
V.A.T.CREDIT	15.000,-	
ACCOUNTS PAYABLE		115.000,-

Journal entry on returning date :

ACCOUNT PAYABLE	11.500,-	
(*) MERCHANDISE INVENTORY		10.000,-
V.A.T.ADJUSTMENT FOR R & A ON PURCHASES		1.500,-

(*) "Returns and Allowances Account" can be used in place of Merchandise inventory account,if we wish to trace the returned goods separately.

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121.Allowance on purchases

It is journalized in the same way crediting the same account, if an allowance is received instead of returning the goods.

The cost of merchandise is reduced but physical quantity doesn't change.

The journal entry is same for returns and allowances,but the Inventory Card,must be adjusted for returns in both amounts & quantities columns,while no need of change on the quantity column of Inventory Card for allowances.

122. Returns and Allowances on Sales

For returns and allowances on sales we use "V.A.T.ADJUSTMENT FOR RETURN AND ALLOWANCES ON SALES" account to adjust V.A.T.

Example: The customer returned 5 % of goods previously sold in the total amount of 200.000,- TL plus 15 % V.A.T.,in cash.

Perpetual Inventory Method is used and the amount of cost of goods sold is 150.000,-TL.

Journal entry during the sales date :

CASH	230.000,-	
SALES REVENUE		200.000,-
V.A.T.RECEIVED		30.000,-

Recognition of revenue

COST OF GOODS SOLD	150.000,-	
MERCHANDISE INVENTORY		100.000,-

Recognition of C.G.S.

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Journal on return date :

RETURNS AND ALLOWANCES	10.000,-	
V.A.T.ADJUSTMENT FOR R & A ON SALES	1.500,-	
CASH		11.500,-

Returns on sales

MERCHANDISE INVENTORY	7.500,-	
COST OF GOODS SOLD		7.500,-

Returned goods are received in inventory (*)

* There is no need for the last journal entry above, if we use PERIODIC INVENTORY METHOD.Because we don't recognize the cost of goods sold on sales date in this method.Since the C.G.S.is not recognized and the goods sold not deducted from merchandise inventory on sales date , we don't have need to make an adjustment regarding these accounts for returns.

If we accept to make an allowance in the amount of 4.000,- instead of receiving the goods back :

RETURNS AND ALLOWANCES	4.000,-	
V.A.T.ADJUSTMENT FOR R & A ON SALES	600,-	
CASH		4.600,-

An allowance is paid back on cash sales

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13. EXEMPTIONS

Although exemption is a privilege granted to some "taxable persons" by tax law, privileges regarding some supplies are also defined as "exemptions",in value added tax literature.

Indeed "exlusion" is a concept more suitable to emphasize this type of privilege,but we will also use the "exemption" concept to obey the generally accepted usage in V.A.T.texts.

The term 'exempt' denotes supplies which are not liable to V.A.T. However some certain supplies are exempt with credit, and some others are exempt without credit for input tax.

Exempt-with credit for input tax : This applies to supplies e.g.exports,where output tax is not chargeable but the supplier is entitled to recover input tax.

Exempt-without credit for input tax : This applies to supplies which are specifically exluded from the charge to tax by V.A.T.act.Persons making such supplies are not entitled to recover any related input tax.They are, in effect,regarded as the end users.Thus the V.A.T. charged on invoices for purchases,importations and input services (input taxes),regarding supplies which are exempt-without credit are not tax credits,they are treated as costs (expense when they expire)

130.Exemptions with Credit for Input V.A.T.

Transactions which are subject to "exemption with credit for input V.A.T." are as follows :

1.Export deliveries,services related to these deliveries and services performed for customers domiciled outside of Turkiye (V.A.T.Act Art: 11-a)

2.Deliveries of sea,air,railway vehicles & floating plants and floating devices to taxpayers only for the purpose of using in their business. Also repair,improvement and maintenance of these assets are exempt from V.A.T. (V.A.T.Act Art:13-a)

3.Services rendered to sea and air vehicles at harbours and airports (V.A.T.Act Art:13-b)

4.Supplies of goods & services to those who are engaged with exploring petroleum only depending on Petroleum Act No:6326 (V.A.T.Act Art:13-c)

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5.Transit transportation and transport business made between Turkiye and foreign countries (V.A.T.Act Art:14)

6.Diplomatic Exemptions (V.A.T.Act Art:15)

Input V.A.T.charged on invoices regarding the exempt deliveries cited above can be claimed as 'V.A.T.Credit' and can be offsetted by output V.A.T. charged on sales invoices regarding other taxable deliveries.

If there is no output V.A.T. in that period or the amount of output V.A.T. is less than V.A.T.Credit regarding exempt deliveries,then the excess V.A.T.Credit which couldn't be offsetted will be refunded by Ministry of Finance & Customs.

131. Exemptions Without Credit for Input V.A.T.

Transactions which are subject to " exemption without credit for input V.A.T." are as follows :

1.Importation of those goods & services which their delivery is exempt from Value Added Tax .

Importation of some goods cited in certain articles of Turkish Customs Code which are exluded from Customs Duty. These articles of Customs Code are counted in V.A.T.Code.

Import of returned export goods with some conditions.

Goods passing transit through Turkiye,waiting in customs bonded warehouses and goods & services in Free Trade Zones,

2.Supply of goods and services cultural,educational,scientific and military objectives (V.A.T.Act Art:17)

3.Supply of residences with maximum 150 square meters in total area(Exempt until 31.12.95/V.A.T.Provisional Art:8)

4.Construction contract services rendered to " cooperative Societies dealing to build residence to their members" by construction contractors (Exempt until 31.12.95 / V.A.T.Prov.Art8)

5.Construction contract services limited by construction of residences with maximum 150 square meter,rendered to Social Security Institutions (which are founded by an act) and rendered to municipalities (Exempt until 31.12.95/V.A.T. provisional art:9)

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132. Non-Credit V.A.T.

Besides input V.A.T. regarding supplies exempt without credit or regarding supplies which are not subject to V.A.T., the following are also non-credit. In other words these V.A.T. are not receivables (through off-setting or refunding) from tax office as an exception of general tax credit mechanism; they are costs (or expenses when they expire) :

*Input V.A.T. on motor-cars purchased for business purposes except for enterprises engaged in car-rentals and similar activities

*V.A.T. on casualty losses

*V.A.T. on purchases that are not deemed to be deductable expenses during determination of the taxable income according to the Turkish individual and corporate Income Tax Codes.

133. Accounts used to Collect Information About Exemptions

133.0. V.A.T.Credit Regarding Exemptions Account:

This is a controlling account used to collect information regarding input V.A.T. of supplies which are exempt from V.A.T.with credit.Since it is impossible to foresee which one of merchandise will be delivered (sold) as being exemt to V.A.T. first, all input V.A.T. is debited (except v.a.t.for depreciable fixed assets) to V.A.T.Credit Account.When the delivery is realized as exempt of V.A.T.with credit , the V.A.T.regarding exemtion is determined and debited to "V.A.T.Credit Regarding Exemptions Account",credited to "V.A.T.Credit Account".

Determination of the amount of V.A.T.regarding exemptions is more complicated for manufacturing companies than trading companies.For example in export business;the cost of exported goods which are subject to V.A.T. must be segregated from those costs which are not subject to V.A.T.(i.e.labour costs).Because only the amount of input V.A.T. incurred related to the cost of exportation can be offset or refunded.

In the end of month if:

V.A.T.Carried Forward

+V.A.T.Credit total of month

+V.A.T.Credit for Depreciable fixed assets >V.A.T.Received in that month

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The excess amount of V.A.T.Credit will be carried forward and the total amount of "V.A.T.Regarding Exemptions" will be "Refundable V.A.T."

Then "Refundable V.A.T.Account" will be debited and "V.A.T. Regarding Exemptions Account"will be credited.

In the opposite if in the end of the month :

V.A.T.Carried Forward

+V.A.T.Credit total of that month

+V.A.T.Credit for Depreciable Fixed Assets < V.A.T.Received in that month

Then the amount of "V.A.T.Regarding Exemptions"will be offset from the excess amount of V.A.T.Received in that month which would be "V.A.T.Payable" if there was not any V.A.T.exemption with credit.Here our V.A.T.liability is matched with our V.A.T.Receivable.

Ultimately if the amount of V.A.T.Regarding Exemptions is more than the credit balance of V.A.T.Matching Account, then the difference is still "Refundable V.A.T.".But if it is less,that means we collect our Refundable V.A.T.by V.A.T. Received Amount of that month.

If the amount of Refundable V.A.T. is smaller than credit balance of V.A.T.Matching Account, then the difference is still "V.A.T.Payable".

. Subsidiary accounts can be used to trace the details of "V.A.T.Credit regarding exemption with credit" as:

-V.A.T.Credit regarding exportation

-V.A.T.Credit regarding delivery and repair of sea, air & rail vehicles & devices

-V.A.T.Credit regarding services rendered to sea and air vehicles

-V.A.T.Credit regarding supplies to whom engaged with exploring petroleum

-V.A.T.Credit regarding transit transportation & business

-V.A.T.Credit regarding diplomatic exemptions

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133.1. Refundable V.A.T.Account

This is also a controlling account.The amount of Input V.A.T.related to supplies " exempt from V.A.T.with credit" which couldn't offset by the "V.A.T.Received" amount of the month which the exportation is realized, debited to this account.

This account is credited when the " Refundable V.A.T."is

a) offset by the other tax liabilities of the exporter tax-payer or tax liabilities of suppliers to the exporter.

b) when the refundable V.A.T.is collected in cash.

133.2. Non-credit V.A.T.Account

This controlling account is used to accumulate the financial information about input V.A.T.regarding supplies exempt from V.A.T. without credit,and other input V.A.T.which has no right to claim any tax-credit because of related provisions of V.A.T.act (i.e.V.A.T.in purchase of motorcars).

Input V.A.T.regarding supplies exempt from V.A.T. without credit will be determined after the supply is realized and the "Non-credit V.A.T Account" will be debited while "V.A.T. Credit Account " is credited.However those input V.A.T. regarding the purchases which is known in the beginning that it will not possible to claim credit because of legislation, can be debited directly to the "Non-Credit V.A.T.Account".

As explained above the Non-credit V.A.T. is indeed,a cost or an expense. Therefore ultimately the "Non-creditV.A.T. Account" is credited and related cost or expense account is debited. Thus the "Non-credit V.A.T.Account" is closed.

The following subsidiary accounts can be opened to trace the Non-credit V.A.T in details according to their legislative categories :

*Non-credit V.A.T.Account regarding import of goods which their delivery is exempt from V.A.T.

*Non-credit V.A.T.Account regarding supplies of goods and services for cultural, educatioal, scientific and military objectives

*Non-credit V.A.T.Account regarding supplly of residences

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*Non-credit V.A.T.Account regarding Construction contract services rendered to cooperative societies

*Non-credit V.A.T.Account regarding construction contract services rendered to social security institutes & municipalities

*Non-credit V.A.T.Account regarding motor-cars

*Non-credit V.A.T.Account regarding casualty losses

*Non-credit V.A.T.Account regarding non-deductable (according to Turkish Income Tax Code) expenses

14. PARTIAL TAX CREDIT (V.A.T. Act Art.No: 33)

If the business entity (tax-payer) deals with supplies of goods & services "exempt with credit" and "exempt without credit" together,then only the portion of the Input V.A.T. charged on purchase invoices attributable to the supplies regarding " exempt with credit " can be claimed as V.A.T. Credit.

The basic principle is that Input tax must be directly attributable as far as possible to taxable supplies and "exempt with credit" supplies on one hand &" exempt without credit " supplies on the other.

15.V.A.T.CREDIT FOR ACQUISITION OF DEPRECIABLE FIXED ASSETS

V.A.T. charged on purchases of fixed assets which are subject to depreciation can not be claimed as credit completely in the period (month) which they are acquired.Only 1/3 of the V.A.T. charged on purchase invoice can be claimed as "V.A.T. Credit".The remaining 2/3 is to be offset in same periods (months) of next two years. In other words the 2/3 of V.A.T. will be deferred to next years. For the portion deferred to next years, we use"Deferred V.A.T. for depreciable fixed assets account".

150.Accounts to be Used for V.A.T.Regarding Depreciable Fixed Assets

150.0. V.A.T.Credit for Depreciable Fixed Assets Account

This account is debited by 1/3 of V.A.T.charged on purchases of fixed assets in the date of purchase.Also 1/3 of V.A.T. charged on purchases of fixed assets which was acquired in the same months of previous two years debited to this account and the debit balance of this account is

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transferred to "V.A.T.Matching Account" in the end of every month.

150.1.Deferred V.A.T.for Depreciable Fixed Assets Account

This account is debited by 2/3 of the V.A.T. charged on purchases of fixed assets in the acquiring period (month). And credited in next two years at the months which the asset was acquired. The debiting account against this credit is "V.A.T. Credit for Depreciable Fixed Assets".

Example: A machine is purchased for 100.000.000,-TL which is subject to 15 % V.A.T. in May 1993.The total amount is paid in cash.The entries regarding this tranaction will be as follows:

ENTRIES IN MAY 1993 :

Dr Machine Account Cr	
1) 100.000.000,-	

Dr Cash Account Cr.	
	1) 115.000.000,-

Dr.Deferred V.A.T.forD.F.A. Cr.	
1) 10.000.000,-	

└——> Will be carried forward to 1994 through Balance-Sheet

Dr.V.A.T.Credit forD.F.A. Cr.	
1) 5.000.000,-	——————————>

Dr. V.A.T.Matching Account Cr.

At the end of May it
will be transferred to the V.A.T.Matching Account.

Also total of the "V.A.T.Credit Account" and (if exists)the "V.A.T.Carried Forward" amount will be transferred to V.A.T.Matching Account to be matched with the"V.A.T.Received"in the period charging V.A.T. on sales invoices.

In the Balance Sheet which will be prepared as of 31.12.1993 the Deferred V.A.T.for Depreciable Fixed assets will be shown among assets since it is a receivable from tax office (which is not collectable in cash but will be offset by V.A.T.Received on sales)

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ENTRIES IN MAY 1994 :

Dr.Deferred V.A.T.forD.F.A. Cr.		Dr.V.A.T.Credit for D.F.A.Cr.	
# 15.000.000,-	5.000.000,-	5.000.000,-	

——————————>

The total of V.A.T.Credit for Depreciable Fixed Assets account will be transferred to "V.A.T.Matching Account" same as done in May 1993.

The Balance of "Deferred V.A.T.for Depreciable Fixed Assets Account" will be carried forward to 1995 through Balance Sheet as of 31.12.1994.

ENTRIES IN MAY 1995 :

Dr.Deferred V.A.T.for D.F.A.Cr.		Dr.V.A.T.Credit for D.F.A.Cr.	
# 5.000.000,-	5.000.000,-	5.000.000,-	

——————————>

The total of V.A.T.Credit for Depreciable Fixed Assets Account will be transferred to "V.A.T.Matching Account" same as May 1993 and May 1994.

In May 1995 the last portion of the Deferred V.A.T.will be transferred to the May 1995's V.A.T.Credit Account and will be closed.

151. Sales of Depreciable Fixed Assets

If a depreciable fixed asset is sold before three years from the date of acquisition,the amount of " Deferred V.A.T." regarding that fixed asset which is not already credited will be claimed as V.A.T. Credit. In other words the deferred V.A.T. is claimed earlier than its normal period which would be claimed in second and third years if it wasn't sold.

When the fixed asset is sold after three years from the acquisition date, there is nothing to do regarding "Deferred V.A.T." since it is closed in the end of third year.

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In sales of depreciable fixed asset the seller will charge V.A.T.on the sales invoice in the rate which that asset is taxed.

Example:

A machine purchased in December 1990, is sold in May 1992. The acquiring cost is 100.000.000,-TL, V.A.T. rate is 15 % and sales price is 90.000.000,- TL.

In May 1992 the "Deferred V.A.T." regarding this machine is 5.000.000,-TL.This amount would be claimed in December 1992. But since it is sold in May 1992 the amount of "Deferred V.A.T." will be claimed as V.A.T.Credit in May instead of December. "V.A.T.Credit for Depreciable Fixed Assets" account will be debited by 5.000.000,-TL. and "Deferred V.A.T."regarding this asset will be credited in the same amount.Thus "Deferred V.A.T." regarding this machine will be closed.

The " V.A.T.Received Account " will be credited by 13.500.000,-TL. At the end of May;

Total of "V.A.T.Credit for Depreciable Fixed Assets Account" together with "V.A.T. Carried forward" amount and "V.A.T. Credit "amount of May-1992 will be matched on "V.A.T.Matching Account" by the total of "V.A.T.Received Account".

Indeed the"Accumulated depreciation" and "Revaluation Fund" are also must be considered in sales of a Fixed Asset.

If the machine given above is depreciated by 25 % using straight line method of calculating & indirect method of recording and revalued in 1991 by 54.1 % ;the" Accumulated Depreciation Account" and "Revaluation Fund Account" also will be debited. [Revaluation Fund is treated as accumalated depreciation during sales of fixed asset if it is not already added to the capital].

Let's see the position of T accounts before sales :

Dr. Machine Account Cr.	
# 154.000.000,-	

Dr.Accumulated Depreciation Cr	
	# 77.050.000,-

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Dr.Deferred V.A.T.for D.F.A.Cr		Dr. Revaluation Fund Cr.	
# 5.000.000,-			# 40.575.000,-

The machine is seen by its revalued amount on the "Machine Account" and also the "Accumulated Depreciation Account" shown by the amount revalued in the end of 1991 plus depreciation of 1991 on revalued amount [the business entity selling the machine is considered as a corporation].

Net Book Value of the machine is 77.050.000,- TL and the cost of it which will be matched with its sales revenue is :

Net Book Value - Revaluation Fund

77.050.000, - - 40.575.000, - = 36.475.000,- TL

Result of sales is :

Sales Revenue - Cost of machine sold

90.000.000,- - 36.475.000,- = 53.525.000,- TL (income)

Journal Entry of the sales is as follows :

1)——— May 1992 ———			
CASH		103.500.000,-	
ACCUMULATED DEPRECIATION		77.050.000,-	
REVALUATION FUND		40.575.000,-	
V.A.T.CREDIT FOR D.F.A.		5.000.000,-	
	MACHINE		154.100.000,-
	DEFERRED V.A.T.FOR D.F.A.		5.000.000,-
	V.A.T.RECEIVED		13.500.000,-
	OTHER INCOME		53.525.000,-

Sales of machine in cash

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2) ———————— end of may ————————

V.A.T.MATCHING ACCOUNT 5.000.000,-

V.A.T.CREDIT FOR D.F.A. 5.000.000,-

Transfer of V.A.T.Credit for D.F.A.

3) ———————— end of may ————————

V.A.T.RECEIVED ACCOUNT 13.500.000,-

V.A.T.MATCHING ACCOUNT 13.500.000,-

Transfer of V.A.T.Received

———————— ————————

Dr.Deferred V.A.T.forD.F.A.Cr

# 5.000.000,-	2) 5.000.000,-

Dr.V.A.T.Received Account Cr.

3) 13.500.000,-	1) 13.500.000,-

Dr.V.A.T.Credit for D.F.A. Cr.

1) 5.000.000,-	2) 5.000.000,-

Dr. V.A.T.Matching Account Cr.

2) 5.000.000,-	3) 13.500.000,-

V.A.T.Carried from last period ————————>

V.A.T.Credit amount of May 1992 ————————>

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152. Self-manufactured Depreciable Fixed Assets

As cited in paragraph 101. of this text regarding delivery, starting to use of fixed assets manufactured in the business entity for own usage is considered as delivery.

This means it is obliged to accrue a " V.A.T.Received " as if the self-manufactured depreciable fixed asset is sold to himself/herself and collected V.A.T.

The base for accruing this V.A.T.Received will be the production cost of self-manufactured asset.

During the production period those V.A.T.charged on purchases of direct materials used for this asset would be debited to " V.A.T. Credit Account " of related month.

In this transaction selling & purchasing parties are same. Also it is considered that the self-constructed asset purchased by himself/herself. Therefore an amount equal to "V.A.T.Received " must be also debited to "Deferred V.A.T. for Depreciable Fixed Assets Account". Naturally this amount will be charged to "V.A.T. Credit Account " in next 3 years.

Let's assume that the production cost is 100.000.000,-TL and V.A.T. rate is 15 % .

DEFERRED V. A. T. FOR DEPRECIABLE		
FIXED ASSETS	10.000.000,-	
DEPRECIABLE FIXED ASSETS		
V.A.T.CREDIT FOR DEPRECIABLE FIXED		
ASSETS	5.000.000,-	
V.A.T.RECEIVED		15.000.000,-
V.A.T.on self-constructed asset which has		
1.000,- TL production cost.		

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If we omit all other purchase and sales transactions on the month which the self-constructed is commenced to use, 5.000.000,- TL & 15.000.000,-TL will be matched on" V.A.T. Matching Account"and 10.000.000,-TL " V.A.T. Payable " will arise.

In summary, tax office collects V.A.T. on self-manufactured fixed assets as sold and gives it back in 3 years, by V.A.T. Credit mechanism.

16. V.A.T. FOR GOODS WHICH ARE IMPORTED DEPENDING ON A CERTIFICATE OF ENCOURAGEMENT

160.Encouragement of Investments

160.0. Import of Investment Goods

One of the incentives regarding investments is about V.A.T. for imported investment goods.

When the investment goods are imported depending on a Certificate of Encouragement granted by State Planning Organization,the V.A.T. which must be paid during importation is deferred until the time which it will be possible to match it as V.A.T. credit by " V.A.T. Received on Sales ".

However the owner of Certificate ,during the importation of investment goods,must give a "Letter of Guarantee " of a Bank in the amount of V.A.T. which is deferred,to the Customs.

Since this V.A.T. regarding importation is not paid,it is impossible to be considered as " V.A.T. Credit ".

When the investment is completed and commenced to production,the company begins to collect V.A.T.on sales. After the amount of V.A.T. paid to the Tax Office as the amount of "V.A.T.Received" in excess of "V.A.T.Credit" is equal or more than the amount of Deferred V.A.T.,the Contingent Liability on Deferred V.A.T. is cancelled by the Tax Office and the "Letter of Guarantee"is given back.

As an example for recording the V.A.T. regarding encouragement of investments through import; let's assume that a company having a Certificate of Encouragement imported some investment goods which the amount of V.A.T. to be paid for them during import is 40.000.000,-TL. The company arranged a Letter of Guarantee in this amount and thus this V.A.T. is deferred by the Tax Office.

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The journal entry will be as follows :

.DEBITED MEMORANDUM ACCOUNT	40.000.000,-	
..Debtors Against Guarantee Letters		
..Halkalı Customs		
.CREDITED MEMORANDUM ACCOUNT		40.000.000,-
..Creditors of Guarantee Letters		
..X Bank		

Guarantee Letter of X Bank, No:..is provided to give to the customs for imported investment goods

DEFERRED V.A.T.ON IMPORTED INVESTMENT GOODS	40.000.000,-	
CONTINGENT LIABILITY FOR DEFERRED V.A.T. ON IMPORTED INVESTMENT GOODS		40.000.000,-

The V.A.T. of imported investment goods,invoice No:..... , attached by Certicate of Encouragement No:.... is deferred .

When the amount of V.A.T. paid to the tax office as the V.A.T. received on sales in excess of V.A.T. Credit is equal to 40.000.000,-TL , the Deferred V.A.T. on imported investment goods will be cancelled by the Tax Office . Then the Letter of Guarantee will be received back.

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The above journal entries will be reversed and related accounts will be closed :

.CREDITED MEMORANDUM ACCOUNT		40.000.000,-
..Creditors of Guarantee Letters		
...X Bank		
.DEBITED MEMORANDUM ACCOUNT		40.000.000,-
..Debtors Against Guarantee Letters		
... Halkalı Customs		

The Guarantee Letter is received back

CONTINGENT LIABILITY FOR DEFERRED		
V.A.T.ON IMPORTED INVESTMENT GOODS		40.000.000,-
DEFERRED V.A.T.ON IMPORTED		
INVESTMENT GOODS		40.000.000,-

Deferred V.A.T. on imported investment goods & contingent liability is cancelled

160.1. Purchase of Investment Goods from Domestic Market or Self-construction in the Company

V.A.T. charged on purchases of fixed assets (investment goods) which are subject to depreciation can be claimed as V.A.T.credit in one time completely in the period (month) which they are acquired only if these assets are purchased or constructed depending on a Certificate of Encouragement.This is an exception to the general principle about V.A.T. for depreciable fixed assets which can be claimed in three years as "V.A.T.Credit".

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161.Encouragement of Export

Exporters commit to bring a certain amount of foreign exchange into Turkiye depending on an export project. Thus they are granted a Certificate of Encouragement by State Planning Organization for Exportation.

These exporters who have Certificate of Encouragement for Exportation benefit an advantage of not carrying the burden of financing the V.A.T. of their inputs as raw materials of export goods ,if they provide from foreign markets. In other words they don't pay V.A.T. for imported inputs unless they sell these materials in Turkish market instead of using in the exported goods.

As in investment goods, the exporter must submit a Letter of Guarantee in the amount of the V.A.T. to be paid to the Customs.

When it is proved by the exporter that these imported materials are used as input of exported goods, the deferred V.A.T. is cancelled and the Letter of Guarantee is given back.

Also for " Temporary Importation " of materials into Turkiye the V.A.T to be paid is deferred depending on Letter of Guarantee and cancelled when the finished goods are exported back, same as the preceding procedures. Temporary Importation can also be realized by a Certificate of Encouragement and means to make the labour part of a manufacturing process in Turkiye.All input materials are imported and the finished goods made using those inputs are exported.

17. V.A.T.RATES VALID AFTER 01.11.1993 ARE AS FOLLOWS :

A)For all of the taxable transactions
except those included in the lists..... 15 %

B)For the supplies included in List 1..... 1 %

C) " " " " List 2..... 8 %

D) " " " " List 3..... 23 %

Some examples from list 1 : .

1.Dried grapes,dried figs,dried apricots, hazel-nuts, pistchio nuts, peanuts, pine-kernels, seeds of sun flower.

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2.Some seeds and plants

3.Cotton (seed in it) and cotton fibres

4.Dried bean,dried red mullet,dried broad-bean,chick pea, lentil and intestine of sheeps

5.Only delivery and leasing of goods subject to leasing, to the leasing companies and delivery or leasing of those goods by lessor to their clients (lessee) according to the Turkish Leasing Legislation.

However the automobiles and other motor vehicles used on land which are subject to leasing are treated by different rates.Automobiles (motor-cars)subject to leasing are included in 3.list (rate 23 %),motor vehicles used on land are included in 2.list (rate 8 %).

*The rates cited above are for intermediary deliveries from production stage to the retailer.But retail sales of those goods to the cosumer is subject to different rates as 15 % for goods in 1st, 2nd, 3rd lines and 8 % for the 4 th line.

Some examples from list 2 :

1.Basic Foodstuff

2.Other Goods and Services

-Delivery of natural gas

-Delivery of cash register machines

-Delivery of devices keeping graph of speed of vehicles

-Newspapers,books and periodicals except those sold in an envelope

-Entrace fares to movies,theatre,opera , etc.

Some examples from 3.List :

(A) Delivery of goods

Delivery of goods as ; Caviar / Hair Lacguer /Fur(natural or artificial)/ Pearl (natural or cultural) / Refregirators / Motor Cars / Radio with alarm-clocks / Motorcycles (B) Delivery of services,advertising,cable TV, etc.

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18. READING LIST :

180.Books

1.Alacaklıoğlu, A.Suha; **Encouragement of Investment**, The Istanbul Chamber of Commerce,Publication No: 1990-15, Istanbul,1990

2.Ataman,Ümit-Sumer,Haluk; **Dış Ticaret İşlemleri ve Muhasebesi**, İsmail Akgün Vakfı ,Yayın No: 4,İstanbul,1993

3. Ernst & Young,**V.A.T. in Europe** ,Sweat & Maxwell, U.K.1989

4.Ersoy,Ayten; **Katma Değer Vergisi ve Muhasebe Uygulamasına İlişkin Öneriler**, Gazi Üniversitesi Yayını, Yayın No: 141, Ankara, 1989

5.Maç,Mehmet; **Katma Değer Vergisi Uygulaması**, Denet Yayıncılık, İstanbul,1993

6.Maliye Hesap Uzmanları Derneği, **Katma Değer Vergisi Klavuzu**, Maliye Hesap Uzmanları Derneği Yayını İstanbul,1992

7.Marmara Üniversitesi; **Katma Değer Vergisi ve Muhasebe Uygulamaları Semineri**, Marmara Üniversitesi Yayını,Yayın No: 432, İstanbul, 1985

8.Price Waterhouse; **Guide to V.A.T. in Europe** ,Graham & Trotman ,U.K.,1989

9.Republic of Turkey-Ministry of Finance & Customs,General Directorate of Revenues, **International Symposium on Value Added Tax**, İstanbul 25-26 October,1988, Published in Ankara,1989

10.Republic of Turkey,Ministry of Finance & Customs,General Directorate of Revenues, International Symposium on Value Added Tax, İstanbul 8-12 January 1990

11.Tezel,Adnan; **A Survey of the Turkish Tax System**, The Istanbul Chamber of Commerce,Publication No: 1986-11 İstanbul,1986

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181. Articles

1.Canoğlu,Mehmet Ali; **Yeni hesap planına göre katma değer vergisi muhasebesi**, Vergi Dünyası sayı 143, Temmuz 1993 s.3-14

2.Durmuş, Ahmet Hayri; **İşletmelerde katma değer vergisi uygulamasında hesap planına eklenmesi gereken hesaplar**, Marmara Üniversitesi,İktisadi ve İdari Bilimler Fakültesi Dergisi cilt: 2 , sayı: 2 ,yıl 1985 s.73-85

182. Legislation

1.3065 sayılı Katma Değer Vergisi Kanunu ve Tebliğleri

19. VOCABULARY

Accrual Basis .....: Tahakkuk Esası,gelirleri tahsil edilip edilmediklerine ,giderlerin ödenip ödenmediklerine bakılmaksızın kaydedilmesi

Accounting Period .....: Muhasebe dönemi, hesap dönemi

Certificate of

Encouragement .....: Teşvik Belgesi

Contingent Liability .....: Şartlı borç, Şarta bağlı borç

Deductions .....: Vergi matrahına ulaşmak için gelirler toplamından yapılan indirimler. Vergi belirlendikten sonra yapılan indirimlere "Tax Credit" (Vergi alacağı) denilmekte olduğundan,indirilecek K.D.V. de V.A.T.Credit olarak geçmektedir.

Deferred V.A.T.for

Depreciable Fixed Assets :.... Amortismana tabi iktisadi kıymetlerin ertelenmiş K.D.V. si

Deferred V.A.T.for

Imported Investment Goods: İthal edilmiş (teşvik belgesine bağlı olarak.) yatırım malları ile ilgili ertelenmiş K.D.V.

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Delivery .....: Teslim

Entrepreneur .....: Müteşebbis

Exemptions .....:Muafiyet,vergiden kişilere göre bağışıklık, (kitapta istisna yerine kullanılmıştır)

Exemption with Credit .....: (İlgili ödenen K.D.V. yi) İndirim hakkı tanıyan istisnalar

Exemption without Credit...:(İlgili ödenen K.D.V.yi)indirim hakkı tanımayan istisnalar

Exclusion .....:İstisna,vergiden konularına göre bağışıklık

Non-credit V.A.T. .....: İndirilemiyen K.D.V.

Partial Tax Credit .....: Kısmi vergi (K.D.V.) indirimi

Realization .....: Gerçekleşme,mali olayları kayıtlarda tanıyabilmek için belirli ve objektif bir değişimin olması,satış veya hizmet sunulması karşılığında nakit veya alacak doğması gibi

Refundable V.A.T. .....: Geri Alınacak K.D.V.

Returns & Allowances .....: İade & İndirimler

Tax Base :Vergi Matrahı ,Vergi oranının uygulanacağı tutar

Taxable Person .....: Vergi mükellefi, vergi yükümlüsü

Value Added Tax..... :Katma Değer Vergisi

V.A.T.Carried Foreward Account.....: Devrolunan K.D.V.Hesabı, aylık dönemde satışta alınan K.D.V.yi aşarak gelecek ayda indirilmek üzere devredilen indirilecek K.D.V.nin izlendiği hesap

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V.A.T.Credit Account..... İndirilecek K.D.V.hesabı,satışta alınan K.D.V.den indirim hakkı bulunan alışlar ve giderlerle ilgili yüklenilen K.D.V.nin izlendiği hesap

V.A.T. Credit for Depreciable Fixed Assets Account.....: Amortismana tabi iktisadi kıymetlerin edinilmesinde yüklenilen K.D.V.nin ertelendiği 3 yıllık süre içinde indirilen payların izlendiği hesap

V.A.T.Credit regarding Exemptions Account.....: K.D.V.den istisna edilmiş olan teslimlerin (ihracat gibi) girdilerinde yüklenilmiş olan K.D.V.nin izlendiği hesap

V.A.T.Matching Account.....: K.D.V. Mahsup hesabı,aylık dönem sonlarında,satışta alınan K.D.V. ile indirim hakkı olan K.D.V. tutarlarının karşılaştırıldıkları hesap

V.A.T.Payable Account.....:Ödenecek K.D.V.hesabı,aylık dönemde satışta alınan K.D.V.nin devrolunan K.D.V. artı o ayın indirilecek K.D.V. toplamını aşması halinde vergi dairesine ödenecek K.D.V.borcunu gösterir

V.A.T.Received Account.....:Satışta alınan K.D.V. hesabı, K.D.V. yasasındaki tanımı " Hesaplanan K.D.V."

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2."REVALUATION 0F FIXED ASSETS" IMPLEMENTATION IN TURKIYE

20.INTRODUCTION

Revaluation aims to adjust the value of assets which are distorted in the result of changes in General Price Level.

Turkish Tax Procedural Code regulates the revaluation of fixed assets (property,plant and equipment) in its repeated article number 298.

Those enterprises who are liable for Personel and Corporation Income Tax,keeping their records according to double entry accounting system,may revalue the historical (acquisition) cost of their depreciable fixed assets(property,plant and equipment) which are included in their Balance-Sheet and the accumulated depreciation provided for these fixed assets, as of the ends of each accounting period.

Ordinary partnerships, general partnerships and limited partnerships are included but Privileged Companies and foreign enterprises domiciled outside of Turkiye which have limited tax liability are exempted from the contents of this regulation.

Revaluation of fixed assets is compulsory for State Economic Enterprises, while the private enterprises are not obliged.

It is optional for all of the private business entities. However the corporation income taxpayers (Joint Stock Co., Limited Co., Cooperative Societies and Limited partnership associations) are encouraged to revalue their fixed assets by some advantages regarding the deductable amount of depreciation expense which is not granted to income taxpayers.

The following assets are excluded from revaluation :

a)Fixed assets having value less than 500.000,-TL.

b)Foreign exchange rate differences incurred after the imported fixed assets are included among assets and added to its cost.(The foreign exchange rate differences incurred before the asset is included among assets can be revalued)

c)Moving pictures

d)Patents

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e)Goodwills

f)Leasehold improvements(cost of constructed facilities on rented places)

g)Organizational costs

h)Research and development costs

21.MECHANISM OF THE REVALUATION

*The revaluation is made in the end of each accounting period (Calender year).

*The rate which will be used for revaluation in the end of the accounting period is declared by the Ministry of Finance & Customs in December of each year at the Official Gazette. This rate is equal to the change(increase) in the General Price Index of Wholesale Commodities prepared by State Statistics Institute for the period beginning from October of last year to October of the year which the revaluation will be made (October is included).

*The revaluation rate is applied on the amount of fixed assets and also to the amount of accumulated depreciation provided for these fixed assets.

*The fixed assets can not be revalued in the year which they are purchased.

*The surplus which will arise in the result of revaluation should be shown in the equity side of balance sheet under the title of a special fund account called "Revaluation Fund "

*The revaluation fund is calculated as follows :

Net Book Value of Fixed Asset after Revaluation

(-)Net Book Value of Fixed Asset before Revaluation

In other words :

Revaluation Fund =[(Cost of F.A.after R.-Acc.Depr. after R.)

-(Cost of F.A.before Re.-Acc.Depr.before R.)]

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Example:The information about fixed assets owned by SampleCo. as of 31.12.1992 is as follows : (1.000,-TL)

Type	Acquisition		Depreciation			Accumulated
	Date	Cost	Calculation Method		Rate	Depreciation
Building	1991	10.000	Straight Line		2%	200
Wooded Land	1991	5.000	"	"	2%	100
Machine (*)	1991	900.000	"	"	20%	180.000
Truck	1992	200.000	"	"	25%	-
Leasehold Improvement	1991	50.000	"	"	20%	10.000

*The machine was imported in credit.Its purchasing price is DEM 300.000,- CIF Istanbul.The dates of the transactions and the exchange rates on those days are :

		Rates
Order date(which the L/C is opened)	: Jan.20,1991	1980,-TL/DEM
Import"(it's included among assets)	: Apr. 4,1991	2200,-TL/DEM
Payment date	: Oct.20,1991	2880,-TL/DEM

The amount of importing cost is 36.000.000,- TL

Occurance of the cost of the machine : (1.000,-)

In ordering date;300 DEM X 1980,-TL = 594.000 TL

On importing " ;300 DEM X 2200,-TL = 660.000 TL+36.000

= 696.000 TL

On payment ;300 DEM X 2880,-TL = 864.000 TL+36.000

= 900.000 TL

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The amount of cost incurred because of the increase in the foreign exchange rate is called"Foreign Exchange Rate Differences"

Here in this example the amount of foreign exchange rate difference until the machine included among assets is :

300.000 DEM X (2200,- - 1980,-) = 300.000,- X 220,-

= 66.000.000,-TL

The amount of foreign exchange rate difference after the machine is included among assets is :

300.000 DEM X (2880,- - 2200,-) = 300.000,- X 680,-

= 204.000.000,-TL

If we look at the structure of the cost of machine; (1.000,-)

The amount if it was paid in cash	:	594.000,- TL
Importing expense	:	36.000,- TL
Foreign exchange rate difference (1)	:	66.000,- TL
" " " " (2)	:	204.000,- TL
TOTAL COST	:	900.000,- TL

The revaluation rate for 1992, declared by the Ministry of Finance & Customs is 61.5 % .

The foreign exchange rate difference incurred after machine included among assets is 204.000.000,-TL.This amount can not be revalued because of the legislation as cited above.

Also "Leasehold improvement"in the amount of 50.000.000,-TL can not be revalued according to the related provision of Code.

Thirdly, truck will not be revalued since it is purchased already in 1992.

The land owned is a field which has trees on it.Empty lands are not subject to depreciation and also not subject to revaluation according to Turkish Tax Procedural Code.

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Thus the fixed asets which will be revalued are building, land and the machine (exluding the foreign exchange rate difference on it).

The cost amounts of these assets and their accumulated depreciation amounts will be multiplied by 1.615 to find the revalued totals :

FIXED ASSETS

Before Revaluation (1.000,-)				After Revaluation
Building	10.000 TL	X 1.615	=	16.150 TL
Wooded Land	5.000 TL	X 1.615	=	8.075 TL
Machine	696.000 TL	X 1.615	=	1.124.040 TL
	711.000 TL			1.148.265 TL
Machine	204.000 TL	-	=	204.000 TL
Truck	200.000 TL	-	=	200.000 TL
Leasehold Imp.	50.000 TL	-	=	50.000 TL
	1.165.000 TL			1.602.265 TL

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ACCUMULATED DEPRECIATION

Before Revaluation (1.000,-) After Revaluation

Building	200	TL	X	1.615	=	323	TL
Wooded Land	100	TL	X	1.615	=	161,5	TL
Machine	139.200	TL	X	1.615	=	224.808	TL
	139.500	TL				225.292,5	TL
Machine	40.800	TL	-			40.800	TL
Truck	-					-	
Leasehold Imp.	10.000	TL	-			10.000	TL
	190.300	TL				276.092,5	TL

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NET BOOK VALUE (1.000,-TL)

Before Revaluation

	Cost(book) Value	Accumulated Depreciation	Net Book Value
Building	10.000	200	9.800
Wooded Land	5.000	100	4.900
Machine	900.000	180.000	720.000
Truck	200.000	-	200.000
Leasehold Improvement	50.000	10.000	40.000
	1.165.000	190.300	974.700

After Revaluation

	Cost(book) Value	Accumulated Depreciation	Net Book Value
Building	16.150	323	15.827
Wooded Land	8.075	161,5	7.913,5
Machine	1.328.040	265.608	1.062.432
Truck	200.000	-	200.000
Leasehold Improvement	50.000	10.000	40.000
	1.602.265	276.092,5	1.326.172,5

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Revaluation Fund = Net Book Value After Revaluation

- Net Book Value Before Revaluation

= 1.326.172.500,- TL

- 974.700.000,- TL

= 351.472.500,- TL

22.BOOKKEEPING FOR REVALUATION

220.Revaluation Fund Account

The name of the account used to collect the information regarding the surplus which arises in the result of revaluation is called "REVAL UATION FUND ACCOUNT".

This account is credited in the end of the period,when the fixed assets are revalued,in the amount of net increase.

This is a controlling account.Subsidiary accounts should be opened for each of the fixed assets.

Revaluation Fund Account is debited;

a)When the revaluation fund is added to the capital (only corporations can do as will be cited below)

b)When the fixed asset is sold.

This account is shown in the Equity side of Balance Sheet, among Stockholder's Equity.

221.Journal Entry for Revaluation :

a) The fixed assets are debited in the amount of increase,

b) Accumulated depreciation account is credited in the amount of increase in accumulated depreciation

c) Revaluation Fund account is credited in the amount of the surplus.

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The T accounts of the "Sample co." are as follows before revaluation :

* The financial information regarding all of the Fixed assets are collected in "Fixed assets" controlling account.There are special subsidiary accounts for each type of fixed assets.

Also Accumulated Depreciation account is a controlling account,while there is a subsidiary for each of fixed aset.

Dr. FIXED ASSETS ACCOUNT Cr. ACCUMULATED DEPRECIATION

	Dr. ACCOUNT Cr.
1. 165.000.000,-	190.300.000,-

Journal Entry For Revaluation : (1.000,-TL)

31.12.1992

FIXED ASSETS		437.265
Building.....	6.150	
Wooded Land.....	3.075	
Machine.....	428.040	
ACCUMULATED DEPRECIATION		85.792,5
Building.....	123	
Wooded Land.....	61,5	
Machine.....	85.608	

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REVALUATION FUND 351.472,5

Building 6.027

Land 3.013,5

Machine.... 342.432

Revaluation of fixed assets by 61,5 %

The Controlling Accounts are as follows after revaluation:

Dr. FIXED ASSETS ACCOUNT Cr.		ACCUMULATED DEPRECIATION Dr. ACCOUNT Cr.	
1.165.000.000			190.300.000
437.265.000			85.792.500
1.602.265.000			276.092.500

Dr. REVALUATION FUND ACCOUNT Cr.	
	351.472.500

23.TREATMENT ON REVALUATION FUND

Treatment on revaluation fund which will be seen in the Equity side of Balance Sheet among Stockholder's (or Owner's) Equity differs according to the foundation status of the business entity.

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230.If The Business Entity is ;

*** a single proprietorship**

*** a general partnership**

*** an ordinary partnership**

*** a limited partnership**

The Revaluation Fund item continues to be shown in this title until the "liquidation" , unless the fixed asset regarding this fund is sold.

Because these entities (or their partners)are Income Tax Payers and Income Tax Payers can not add the revaluation fund to their capital or transfer to any other account.

If these Income Tax Payers add the revaluation fund to the capital, transfer to any other account or draw from the entity they should pay income tax on this amount,in the period which this transaction occur.

231.If The Business Entity is ;

*** a joint stock company**

*** a limited co.(limited liability co.)**

*** a cooperative society**

*** a limited partnership association**

The Revaluation Fund item can be added to the Capital. If it is added to the capital, this amount is considered as assets added to the entity by stockholders. Because these entities are Corporations and they are subject to Corporation Income Tax.Corporation Income Tax Payers can add Revaluation Funds to their capital.This is not a taxable transaction.But if they transfer this amount to any other account or draw from the company (pay as divideńts) these transactions are subject to Corporation Income Tax in the period which they occur.

Stock Certificates can be distributed to the stockholders in the amount of revaluation fund per share,free of charge.

The revaluation fund amount seen among Stockholders equity items,is considered as" paid in capital" regarding the limits for issuing Bonds according to the 422.article of Turkish Commercial Code.

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If the Sample Co.in our example is a corporation and it is decided to add the revaluation fund to the capital then the journal entry will be made as follows :

REVALUATION FUND	351.472.500,-	
CAPITAL		351.472.500,-

Addition of revaluation fund to the capital

24.THE REVALUATION OF FIXED ASSETS OWNED BY PARTICIPATIONS

When the Parent company receives the free stock certificates from its participations (Investments) which has made revaluation,the amount of "Investments in X Co." or "Participations" item in asset side of the Balance Sheet increases.In the same time there must be an increase in the same amount in equity side of Balance Sheet.This is shown in a special provision account.Also this provision account in the Balance Sheet of Parent Company considered as a part of the capital and can be added to the capital if preferred.

25. CHARGING DEPRECIATION EXPENSE

Also calculation of depreciation differs as to the legal status of business entity, if the fixed assets are revalued.

The corporations have the advantage of calculating depreciation on "Revalued Amount", while income tax payers continue to calculate on the amounts before revaluation (historical acquisition cost).

However the immovables (building and land which is not empty as wooded lands) are exluded.Such immovables should be continued to depreciate on values before revaluation; even though they are owned by corporations.

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250. If The Sample Co.is an income tax payer [single proprietorship or a partnership (can be ordinary or general or limited)]

Calculation of depreciation expense for 1992 is as follows:

(Straight Line Method will be used as given in the example)

Journal Entry to record the depreciation expense :

Type(1.000,-TL)	Histrorical Acquisition Cost	Depreciation Rate	Depreciation Expense
Building	10.000	2 %	200
Wooded Land	5.000	2 %	100
Machine	900.000	20%	180.000
Truck	200.000	25 %	50.000
Leashold Improvement	50.000	20 %	10.000
	1.165.000		240.300

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Journal Entry to record the depreciation expense :

31.12.1992

DEPRECIATION EXPENSE		240.300.000,-	
	ACCUMULATED DEPRECIATION		240.300.000,-
	Building	200.000,-	
	Wooded Land	100.000,-	
	Machine	180.000.000,-	
	Truck	50.000.000,-	
	Leasehold Impro	10.000.000,-	

Charging depreciation expense on fixed assets by straight line method

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251. If the Sample Co.is a corporation (a joint stock company,a limited company , a limited partnership association or a cooperative society)

(1.000,-) Type	Revauled Acquisition Cost	Depreciation Rate	Depreciation Expense
Machine	1.328,040,- Historical Acquisition Cost	20 %	265.608,-
Truck	200.000,-	25 %	50.000,-
Leasehold improvement	50.000,-	20 %	10.000,-
Building	10.000,-	2 %	200,-
Wooded Land	5.000,-	2 %	100,-
	1.593.040,-		325.908,-

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As can be seen on the table above; only the machine is depreciated on the revalued amount.

Truck was not revalued since it is purchased in 1992, Leasehold improvement was not revalued because of legislation and Building & Wooded Land must be depreciated on the amounts before revaluation according to the related article of code.

The journal entry to record the depreciation expense :

31.12.1992

DEPRECIATION EXPENSE		325.908.000,-
	ACCUMULATED DEPRECIATON	325.908.000,-
	Building 200.000,-	
	Wooded Land 100.000,-	
	Machine 265.608.000,-	
	Truck 50.000.000,-	
	Leasehold Impro. 10.000.000,-	

Charging depreciation expense on fixed assets by straight line method

Depreciation Expense of Corporation	:	325.908.000,-
" " " Income-Tax Payer	:	- 240.300.000,-
		85.608.000,-

Corporation can charge 85.608.000,-TL more than Income Tax Payer, and therefore reduces its tax in this amount.

252. Taxable Income Versus Book Income

The Turkish Tax Procedural Code regulates the matter of revaluing fixed assets in Turkiye. Since it is a tax code it leads to Taxable Income and obligatory for tax purposes.

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Indeed business entities can adopt different rules and bases for revaluation in the limits of Generally Accepted Accounting Principles,Turkish Commercial Code and regulations of Capital Market Board (if it is subject to) for computing their Book Income.

The Pronouncement No:1 of Capital Market Board on "Financial Statements & Reports which will be prepared by the Corporations subject to the Turkish Capital Market Code " prescribes revaluation in its article No: 37 as follows :

For revaluing the assets which are subject to revaluation, those provisions of legislation on this matter must be adopted.

However buildings and farming lands (wooded lands) are also depreciated on revalued amounts (not on amounts before revaluation as required by T.Tax Procedural Code) .

The difference between the amounts of depreciation expense of these assets (building & wooded lands) computed on the amounts after and before revaluation is considered as " Non-deductable Expense " in aspect of Income Tax Code.

The application of this subject on the Sample Company will be as follows :

(1.000,-)	Value after Revaluation	D.Rate	Depreciation Expense		Difference
			After R.	Before R.	
Building	16.150,-	2 %	323,-	200,-	123,-
Wooded Land	8.075,-	2 %	161,5	100,-	61,5
Total			484,5	300,-	184,5

When the corporation charge depreciation for building and wooded land on the revalued amounts the depreciation expense regarding these two item will be recorded as follow on the books :

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DEPRECIATION EXPENSE	300.000,-	
NON-DEDUCTABLE EXPENSES	184,500,-	
Additional depreciation on revalued amounts of buildings & wooded land		
ACCUMULATED DEPRECIATION		484.500,-
Depreciation expense charged on building & wooded land		

** This was a good example for a Non-deductable expense, therefore we didn't cancel it from the text although the regulation of Capital Market Board is amended later as prescribing to adopt the revaluation process of Tax Procedural Code legislation without any exeption.

Another Pronouncement of the Capital Market Board on "Principles and Rules regarding Interim Financial Statements" includes a prescription regarding revaluation on its 6 th paragraph as follows :

For interim revaluations the rate is computed according to the last rate promulgated by The Ministry of Finance & Customs. For this calculation the annual revaluation rate is divided into 12 and then multiplied by the number of full months of the interim time interval.

26.SALES OF REVALUED FIXED ASSETS

260.General Outlook

If the revalued fixed asset is sold, the Revaluation Fund related to this asset should be treated as accumulated depreciation,according to the Turkish Tax Procedural Code.

However this is impossible when the revaluation fund is added to capital.

This means when calculating cost(or net book value) of a revalued fixed asset during sales,the revaluation fund amount related to this asset will be deducted from the book value (revalued acquisition cost) to-

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gether with its accumulated depreciation,if the ravaluation fund hasn't been added to the capital yet.

In our example if Sample Co.sells the machine,in February 1993 its cost(Net Book Value) will be calculated as follows :

261.If The Sample Co.is a single proprietorship (or partnership)

Book Value (Revalued Acquisition cost) = 1.328.040.000,-TL

Accumulated depreciation

A.D.revalued in 1992 : 265.608.000,-

Depreciation of 1992 :+ 180.000.000,-

= (-) 445.608.000,- TL

Revaluation Fund = (-) 342.432.000,- TL

540.000.000,- TL

262.If The Sample Co.is a corporation

Book value (Revalued Acquisition cost) = 1.328.040.000,-TL

Accumulated depreciation

A.D.revalued in 1992 : 265.608.000,-

Depreciation of 1992 :+ 265.608.000,-

=(-)531.216.000,- TL

Revaluation Fund (-)342.432.000,- TL

454.392.000,- TL

In 1993,Net Book Value of machine is less, if it is corporation because depreciation expense charged in 1992 was more than single proprietorship (or partnership).

Let's assume that the Machine is sold for 750.000.000,-TL in cash.

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	Corporation	Income Tax Payer
Sales Revenue	750.000.000,-	750.000.000,-
Cost of machine sold	(-)454.392.000,-	(-) 540.000.000,-
Income	295.608.000,-	210.000.000,-

Journal entry if this sales transaction will be as follows :

(1.000,-TL)	Income Tax Payer	Corporation
Feb.1993		
CASH	750.000	750.000
ACCUMULATED DEPRECIATION Machine	445.608	531.216
REVALUATION FUND Machine	342.432	342.432
FIXED ASSETS Machine	1.328.040	1.328.040
OTHER INCOME Sales of machine	210.000	295.608

27.THE REVALUATION RATES DECLARED BY MINISTRY OF FINANCE & CUSTOMS IN PREVIOUS YEARS

1984.....: 37.5 %

1985.....: 39.5 %

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1986.....: 21.5 %

1987.....: 29.1 %

1988.....: 63.2 %

1989.....: 70.4 %

1990.....: 55.5 %

1991.....: 54.1 %

1992.....: 61.5 %

1993.....: 58.4 %

28.THE REQUIREMENTS OF "INTERNATIONAL ACCOUNTING STANDARDS COMMITTEE " REGARDING REVALUATION OF FIXED ASSETS

280.General Outlook

International Accounting Standard (IAS) No: 16, deals with the accounting for Property, Plant and Equipment.

The first 34 of total 51 paragraphs comprises the definitions & explanations ; main standard 16 comprises 35-51 paragraphs of the statement.

Paragraphs 44-49 and 50/b are about " Assets Carried at Revalued Amounts ".

When property,plant and equipment is revalued in financial statements the following guidelines apply (1):

(a) An entire class of assets should be revalued or the selection of assets for revaluation should be made on a systematic basis.This basis should be disclosed, (Paragraph 44)

(b) The revaluation of a class of assets should not result in the net carrying value amount of that class being greater than the recoverable amount of the assets of that class, (Paragraph 45).

(1) International Accounting Standards Synopses, Multinational comparison and disclosure Checklist Ernst and Whinney Publication, U.S.A. 1985, p. 35

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Net Carrying Value: At acquisition,the valuation of property, plant and equipment is at cost,which is in conformity with the historical cost assumption. After acquisition,the value of property, plant and equipment (other than land) is at cost less accumulated depreciation -so called book or carrying amount (value). [Johnson-Gentry,Finney & Miller's Principles of Accounting p.284]

Recoverable Amount: Recoverable amount is that part of the Net carrying amount of an asset that the enterprise can recover from the future use of the asset , including its net realizeable value on disposal.(Prg.6)

and c) The accounting treatment of revaluations is summarized below :

i) An increase in net carrying amount arising on revaluation is normally credited directly to shareholder's interests under the heading of Revaluation Surplus.

This amount is generally considered not to be available for distribution to shareholders.

ii) A decrease in net carrying amount arising on revaluation is charged to income except that, to the extent that such a decrease is considered to be related to a previous increase on Revaluation that is included in Revaluation Surplus ,it is sometimes charged against that earlier increase; (Paragraph 47)

iii)In the event that an increase to be recorded is a reversal of a previous decrease arising on Revaluation which has been charged to income, then this increase is credited to income to the extent that it offsets the previously recorded decrease.(Paragraph 47)

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Paragraph 49: On disposal of previously revalued item of property,plant and equipment the difference between Net Disposal Proceeds and the Net Carrying Amount should be charged or credited to income.

Accumulated depreciation existing at the date of Revaluation

Paragraph 46: When property,plant and equipment is revalued upwards,any accumulated depreciation existing at the date of the revaluation should not be credited to income.

281. Comparison of Turkish Implementation with International Accounting Standard (2)

1. In Turkish implementation all of the fixed assets are not subject to revaluation.It is difficult to express that the selections of assets for revaluation made on a systematic basis.

While some intangible assets are exluding from the revaluation process,they are counted as patents,goodwill, organizational costs and research & development costs; instead of exluding the entire class of intangible assets.

Also exclusion of " Exchange Rate Differences " on imported assets is not result of any systematic basis.

IAS 16 requires to disclose the basis of the selection of assets adopted for revaluation.In Turkey there isn't any requirement for such a disclosure. May be because of the subject is prescribed by Tax Procedural Code.

However if corporations revalue some of their fixed assets which are not subject to revaluation according to the prescription of Tax Proce dural Code,it is useful to disclose the basis preferred.

This is possible since Tax Procedural Code is obligatory for determination of Taxable Income.

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(2) Necdet,Şensoy; Uluslararası Muhasebe Standartları'nda Duran Varlıkların Muhasebeleştirilmesi ve Yeniden Değerleme ile Türkiye'deki Uygulamanın Karşılaştırılması, T.C.Marmara Üniversitesi-Muhasebe Araştırma ve Uygulama Merkezi / Finansman Dergisi Yıl 1,sayı 2, pp.86-87

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For Book Income it is optional to obey its provisions.

2. Generally it is impossible in Turkiye that the revaluation of a class of assets result in the net carrying amount of that class being greater than the recoverable amount of assets of that class.Because the rates of revaluation are promulgated by the Ministry of Finance & Customs under the rate of inflation.

3. It is impossible also in Turkiye,to credit any accumulated depreciation existing at the date of Revaluation to the Income ,in conformity with IAS 16.

4. An increase in net carrying amount arising on Revaluation is credited to shareholder's (owner's) interests under the heading of " Revaluation Fund". The title is used as"Fund" instead of " Surplus".But the procedure is in conformity with the IAS 16.

A decrease in net carrying amount arising on revaluation of propety,plant and equipment is impossible in prevailing economic conditions of Turkish economy.

5. On disposal of a previously revalued item of fixed asset, also in Türkiye the difference between the net disposal proceeds and the net carrying amount charged or credited to income (as Other Income or Loss).

6. Disclosure

* According to 50 th paragraph of IAS 16 the following disclosures should be made :

(a)the basis used for determining the gross carrying amounts of property, plant and equipment.When more than one basis has been used , the gross carrying amount for each basis in each category should be given ; and

(b)in cases where property, plant and equipment are stated at revalued amounts ,the method adopted to compute these amounts should be disclosed,including the policy in regard to the frequency of revaluations.The nature of any indices used, the year of any appraisal made, and whether any external valuer was involved should also be disclosed.

* According to the General Pronouncement of Ministry of Finance & Customs on "Turkish Uniform Accounting System" the following diclosures should be made regarding revaluation :

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No: 18 of disclosures under Balance Sheet

18.c) Revaluation Surplus arizing in this period .....TL

.Increase in cost of assets (+)..... TL

.Increase in accumulated depreciation (-) .....TL

No:1 of disclousures under Income Statement

1. Total amount of Depreciation,Amortization

& Depletion Expenses of the Accounting Period..... TL

a)Depreciation Expenses ..... TL

aa) Ordinary Depreciation Expenses

bb) Depreciation Expenses charged on Revalued Assets..... TL

b)Amortization & Depletion Amounts ..... TL

* According to the Pronouncement of Capital Market Board on "Financial Statements and Reports which will be prepared by the corporations subject to Turkish Capital Market Code " No; 19 of disclosures required under Balance Sheets is : "The dates and the amounts of revaluations of fixed assets made in last three years".

7. There is not any provision regarding the charge of depreciation whether on the values before or after revaluation in IAS 16 , also it doesn't discriminate the partnerships & corporations, as in the regulation of the Turkish Tax Procedural Code. The reason is that ours is a Tax Code and aims Taxable Income. Also since ours is a legislative text instead of being a statement of a professional (accountancy) body; it implies some incentives as encouraging the corporations by more depreciation expense and less taxable income.

29.READING LIST & VOCABULARY

290.Reading List

290.0.Books

1.Durmuş,A.Hayri ;**Mali Tablolar Tahlili**, Nihad Sayar-Yayın ve Yardım Vakfı,Yayın No: 410/644 İstanbul,1986

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2.Durmuş,A.Hayri ;Uluslararası Muhasebe Standardları (1-31) Türkiye Muhasebe Uzmanları Derneği yayını,İstanbul,1993

3.Ernst & Whinney ; **International Accounting Standards-Synopses,Multinational Comparison Disclosure Checklist,** U.S.A.,1986

4.International Accounting Standards Committee ;**International Accounting Standards 1-24**, Published by The Chartered Association of Certified Accountants, London, 1985

5.Karayalçın,Yaşar ; **Yeniden Değerleme**, Banka ve Ticaret Hukuku Araştırma Enstitüsü,Yayın No: 146,Ankara,1983

6.**Kızılot,Şükrü-Eyüpgiller,Saygın;Ticaret Şirketleri Muhasebesi-Vergilendirilmesi, Hukuku ve Mevzuatı**, Savaş Yayınları,Ankara, 1989

7.Uman,Nuri; **Enflasyon Muhasebesi**,Boğaziçi Üniversitesi Yayınları,İstanbul,1979

290.1.Articles

1.Bingöl,M.-Şirin,M; **Yeniden Değerlemede Amaç Dışı Bazı Uygulamalar**,Vergi Dünyası, Sayı: 62,63,64-1986

2.Karcıoğlu,Reşat; **Değer Artış Fonunun Sermayeye Eklenmesi**, T.Muhasebe Uzmanları Derneği-Muhasebe DErgisi,Sayı34-1993

3.Şensoy,Necdet; **Uluslararası Muhasebe Standartları'nda Duran Varlıkların Muhasebeleştirilmesi ve Yeniden Değerleme ile Türkiye'deki uygulamanın Karşılaştırılması**, T.C.Marmara Üniversitesi-Muhasebe Araştırma ve Uygulama Merkezi- Muhasebe Finansman Dergisi,Yıl 1,sayı 2 ,Ekim 1992 pp.79-88

4.Lalik,Ömer; **Yeniden Değerleme** ,Mali/Ekonomik/Sosyal Yaklaşım Dergisi, yıl 1 sayı 1, Ocak 1993, pp.7-19

5.T.C.İstanbul Üniversitesi-İşletme Fakültesi-Muhasebe Enstitüsü Dergisi **Yeniden Değerleme** Özel Sayısı,sayı 32

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290.2. Legislation

1.Tax Procedural Code (213 Sayılı Vergi Usul Kanunu) Repeated Article No: 298 (Mükerrer 298.Madde)

2.Pronouncements on Tax Procedural Code (Vergi Usul Kanunu Tebliğleri) No :

151 / 160 / 166 / 174 / 178 / 187 / 201 / 207 / 214 /219

291.Vocabulary

Accumulated Depreciation ..... : Birikmiş Amortismanlar

Amortization ..... : İtfa Payı,Maddesel Olmayan Duran Varlıklarla ilgili Amortisman(Tükenme Payı)

Book Income ..... : Ticari Kazanç

Capital Market Board..... : Sermaye Piyasası Kurulu

Capital Market Code ..... : Sermaye Piyasası Yasası

Controlling Account..... : Ana Hesap

Cooperative Society ..... : Kooperatif

Corporation ..... : Sermaye Şirketi,ortakların sorumluluğu konulan sermaye ile sınırlı olan ortaklık

Depletion ..... : Doğal kaynakların Tükenme Payı (Amortismanı)

Depreciation ..... : Maddi Duran Varlıkların Amortismanı(Tükenme Payı)

Depreciable Fixed Assets ..... : Amorismana tabi Duran Varlıklar (İktisadi kıymetler)

Depreciation Expense..... : Amortisman Gideri(Masrafı)

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Disclosure ..... : Mali Tablolarla ilgili, tabloların dipnotları şeklinde yapılan açıklama

Disposal ..... : Elden çıkarmak,satış veya başka yolla duran varlığın elden çıkarılması

Double-Entry Accounting System.. : Çift yanlı işleme esasına dayalı muhasebe sistemi, Bilanço esasına göre muhasebe

Exemption ..... : Muafiyet,Kişilere yönelik ayrıcalık

Exclusion ..... : İstisna,Konulara yönelik ayrıcalık

Farming Land = Plantation ..... : Tarım arazisi,işletme arazisi,tarım işletmesi, amorismana tabi arazi

Foreign Exchange Rate Differrences :Kur Farkları (ithal edilen duran varlıklarla ilgili)

Fixed Assets ..... :Duran Varlıklar

Generally Accepted Accounting Principles..... :Genel Kabul Görmüş Muhasebe İlkeleri

General Partnership..... :Kollektif Şirket,Ortakları sınırsız sorumlu olan ve Türk Ticaret Kanunu'na

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göre kurulmuş ortaklık

Goodwill.....:Şerefiye, peştemallık

Historical Acquisition Cost.....:Satınalma tarihindeki edinme maliyeti

Immovables.....:Taşınmazlar,Gayrimenkuller

Intangible Assets.....:Maddi olmayan duran varlıklar

Interim.....:Ara dönem , Dönem Arası

Interim Financial Statements.....:Muhasebe dönemi sona ermeeden hazırlanan (aylık, 3 aylık,6 aylık ,9 aylık mali tablolar)

International Accounting Standards Committee.....:Uluslararası Muhasebe Standardları Kurulu,1973 yılında çeşitli ülkelerin muhasebe meslek kuruluşlarının oluşturduğu kurul

International Accounting Standards.....:U.M.S.K.tarafından belirlenen ve yayınlanan,uygulama zorunluluğu olmamakla beraber,muhasebe uygulamalarının dünya çapında uyumlaştırılmasını amaç layan Uluslararası

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Joint Stock Company.....:Anonim Şirket, sermayesi paylara bölünmüş (pay senetleri ile temsil edilen) sermaye şirketi

Leasehold improvements(Betterments) . :Özel Maliyet,kiralanan duran varlıklar üzerine yapılan mülkiyeti kiracıya ait varlıklar

Limited Company
(Limited Liability Co.).....:Limited Şirket,Sermayesi pay senetleri ile temsil edilmeyen sermaye şirketi

Limited Partnership.....:Adi Komandit Şirket,Hem sınırlı sorumlu hem de sınırsız sorumlu ortaklara sahip ortaklık

Limited Partnership Association ..... :Paylı komandit Şirket, Sermayesi paylara bölünmüş ve sınırlı sorumlu ortakları anonim şirket ortağı gibi olan şirket

Net Book Value
= Net Carrying Amount(Value).....:Net Defter Değeri,Amortismana tabi var-

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lıkların satınalma tarihindeki edinme maliyeti veya yeniden değerlenmiş tutarı ile o güne kadar birikmiş veya yeniden değerlenmiş amortisman arasındaki fark

Non-deductable Expense ..... :İndirilemiyen=kanunen kabul edilmeyen giderler; Vergisel Kazanç(Taxable income)hesaplanırken gider olarak kâr/zarar hesabına yazılmayıp,vergisel bilancoda varlık olarak görünürler . Ticari kazanç(BookIncome) hesaplanırken kâr/zarar'a gider olarak yazılırlar

Ordinary Partnership ..... :Adi Ortaklık,Türk Ticaret Kanunu'nun gereklerine uyulmaksızın kurulan ve Borçlar Kanunu hükümlerine tabi olan ortaklık

Organizational Costs ..... :Örgütlenme Giderleri

Parent Company ..... :Ana Şirket,Yönetimlerinde sözsahibi olmak için başka şirketlerin pay senet-

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lerinin (genelde %50 den fazlasını) elinde bulunduran şirket

Participations = Investments.....:İştirakler,Başka şirketlerin hisse senetlerine onların yönetimini kontrol amacıyla yapılan yatırım, Ana şirketin Bilançosunun Varlıklar bölümünde bu adla bulunurlar

Partnership.....:Ortaklık, ortakları tüm mal varlıklarıyla sorumlu olan şirket

Prescription.....:Emir,uyulması gereken düzenleme

Priviledged Company.....:İmtiyazlı Şirket

Promulgate.....:İlan etmek,yayınlamak

Pronouncement.....:Tebliğ

Property-Plant-Equipmen.....:Duran Varlıklar için kullanılan bu terim Bina, arazi,tesis ve araçları içermektedir

Provision.....:Karşılık

Recoverable Amount.....:Duran Varlıklar gelecekte elden çıkarıldıklarında elde edilecek olan tutarlar da dahil olmak üzere de

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ğerleme gününden sonraki kullanım değeri ,net defter değeri bunu içerir

Research & Development Costs ..... : Araştırma ve Geliştirme Maliyetleri

Revaluation ..... :Yeniden Değerleme

Revaluation Fund=Revaluation Surplus ..... :Yeniden Değerleme Fonu Yeniden değerleme Artışı

Single Proprietorship..... :Ferdi Teşebbüs,tek kişi firması

Straight Line Method of depreciation. :Normal Yolla=Eşit paylar = Düz amortisman Yöntemi

Subsidiary Account..... :Yardımcı (Tali) Hesap

Subsidiary Company..... :Yavru Şirket (kurum),pay senetlerinin %50 sinden fazlası bir ana kurumun elinde olan ve onun tafından yönetimi kontrol edilen şirket

Taxable Income..... :Vergisel (Mali) kâr

Turkish Tax Procedural Code ..... :Türk Vergi Usul Kanunu

Wooded Land..... :Ağaçlık Arazi,zeytinlik, dutluk,gibi amortismana tabi arazi,fidanlık

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3. TAX WITHHOLDING

30. GENERAL OUTLOOK

300. The Tax Withholding Mechanism

In the normal way of paying tax; the tax base is declared by tax payer and paid by himself / herself.This means the income is earned or transaction is realized in one fiscal period,but the tax is paid in next period.Therefore specially in inflationary economies which the purchasing power of money is getting reduced suddenly through time,the tax office (The State) attempts to collect the tax when the income is earned or when the transaction is realized (for transaction taxes).

This is accomplished by charging a responsibility to those who are paying the earned amounts. They are responsible for making a " stoppage at source " ,in other words they will compute the tax of those parties who supply service or labor to them and thus earn income.This computed tax amount will be deducted from the gross amount earned and will not be paid to the supplier. This process is called " tax withholding " . The withheld tax amount must be declared by the party who made the withholding and must be paid to tax office by him/her.

Withheld tax amount is a prepaid tax to be matched with the aggregate tax payable in the end of fiscal period when declaration is made by Annual Return. But some- times it can be the ultimate tax paid, if it is a kind of income which is excluded to be gathering with others in the Annual Income Tax Return.

There are some differences between " Tax Withholding" and " Pay As You Earn (P.A.Y.E.)" method which also aims to shorten the collection period of the tax. The most important one regarding our subject is that the taxpayer & tax responsible are different parties in "withholding" while both are same person in "pay as you earn" method.Taxpayer computes & pays his/her tax himself when earns,in second method (1).

301. Taxpayer / Tax Responsible

Taxpayer is the real or legal person who earns the income which is subject to tax ,he / she earns, declares filing a tax return and pays.

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(1) A.Bumin Doğrusöz; **Türk Vergi Sisteminde Kaynakta Vergileme**,İstanbul Serbest Muhasebeci-Mali Müşavirler Odası Yayını,Yayın No:3, İstanbul,1992

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Tax responsible is not the earning party,he/she is supplied service or labor by the earning party who is the taxpayer.Tax responsible has the responsibility of withholding the tax at source in account of the tax office and pay it to tax office instead of the supplier who is the real taxpayer Tax responsible is an intermediary between the taxpayer & the tax office,he/she is the drawee of tax office.

31." WITHHOLDING " IN TURKISH TAX SYSTEM

310. Withholding in Income Tax

The Article No: 94 regulates the withholding in The Income Tax Code No: 193.

Those who are responsible to make withholding during their payments and kind of those payments are counted one by one in the article.

Those obliged to make withholding while they make the certain payments are as follows :

a) Public Administrations & Institutions

b) Public Utilities

c) Other Institutions

d) Companies founded in compliance with Turkish Commercial Code [General Partnerships,Limited Partnership,Limited Partnership Association,Joint Stock Company,Limited Company]

e) Cooperative Societies

f) Joint Ventures

g) Associations & Foundations and the business entities belong to these

h) Businessmen (earning commercial gain)and self-employed professionals whose taxes payable are determined depending on their actual incomes (not lump-sum taxed)

ı) Farmers whose agricultural gains are taxed on real-income basis

j) Those who operate Mutual Funds(= Unit Trusts)

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All the above are corporate income taxpayers or income taxpayers only those taxed on real-income tax basis. Those who are exempt from tax and income taxpayers who are taxed on lump-sum basis are not responsible for withholding.

Examples to the kinds of payments made by parties cited above are as follows :

* These payments include the advance payments.

* The method of accounting is accrual basis.In other words those earnings are considered as earned when they are accrued and withholding must be made on accrual date even not paid.

* The payments cited below must be made in relation to business operations of Tax Responsibles.If they are made for personal living there is no need to withholding.

The kinds	The Rates
a) The payment of gross earnings to employees	(*)
b) The payments to self-employed professionals	
b-1)Those exempt from Income tax but subject to withholding (Income Tax Code Art.18)	10 %
b-2)Others	20 %
c) The progress-payments to costruction contractors for long term construction contracts	5 %
d) Payments to limited liable taxpayers for copyrights & patents	25 %
e) The rents for some rented immovables as building	20 %
f) The rents paid for immovables owned by foundations & associations	15 %

g) Gains of mutual funds & investment trusts (currency mutual funds are exempted) resulting from managing the portfolio which is composed of minimum 25 % equity securities (whether retained or distribut-

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ed) 0%

h) Gains of venture capital mutual funds&investment trusts 0%

i) Gains of real estate mutual funds & investment trusts 0%

j) Gains of mutual funds & investment trusts whether retained or distributed,resulting from managing the portfolio which is composed of maximum 25 % equity securities

(currency mutual funds are exempted) 10 %

k) Whether retained or distributed income of corporations (exluding mutual funds & investment trusts) after corporation income tax (dividents from participations & dividents from participation certificates of mutual funds& dividents from investment trusts are exempted) ;

- for public (whose stock certificates are outstanding)

joint stock companies 10 %

- for other joint stock companies 20 %

l) Interest paid for bank deposits (including interest

payable to Full Liable Corporate Income Taxpayers) :

* Interest paid on foreign exchange deposit accounts, as well as profit income paid by Special Finance Houses on foreign currency participation accounts ..... 10 %

* Interest for all other deposits in banks..... 5 %

m) Payments for agricultural crops purchased from farmers

m-1)* Animals,animal products & products of hunting and fishing (registered in commodity exchange) 1 %

* Not registered in a commodity exchange 2 %

m-2)* Other agricultural crops (registered in a

commodity exchange) ..... 2 %

* Not registered in a commodity exchange..... 4 %

n) Divident paid to those who extend interest-free loans,as well as divident paid against profit- and- loss participation certificates and against profit and loss participation accounts by Special Fi-

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nance Houses (including dividents payable to Full Liable Corporate Income Taxpayers).....10 %

(*) The withholding rates for wages paid to employees computed according to the Progressive Schedule of Income Tax. (Shedule is given in next chapter) Therefore the rate depends on the amount of gross earnings.

There is a general withholding rate in 94 th Article of Income Tax Code as 25 % ; but the Board of Ministers are authorized to minimize to zero or to increase by 100 % for each item. Depending that authority the last re-determined rates given above which are promulgated by the Board of Ministers on a decree dated 30.12.1993 , number 93/ 5148.

311. Withholding in Corporate Income Tax

Corporate Income tax withholding is regulated in 24th article of Corporate Income Tax No: 5422.

Withholding process regarding Corporate Income Tax is prescribed only for " Limited Liable Taxpayers".

Limited Liable Taxpayers of Corporate Income Tax are those foreign business entities domiciled in a foreign country.

Income of Corporate Income taxpayers with limited liability other than commercial & agricultural gains and miscellaneous gains & income are subject to withholding.These are wages,earnings of self-employed professionals,income from immovable assets,and income from movable assets.

Indeed the corporate income is considered as a whole regardless of its category; but only for limited liable corporate income taxpayers the corporate income is classified as in Income Tax Code and some categories of income are obliged to be subject to withholding.

All those who make these payments to limited liable corporate income taxpayers regardless of their status whether they are real or legal person,are obliged to make Corporate Income Tax Withholding.The tax responsibles are not counted one by one in Corporation Income Tax Code as in Income Tax Code.It doesn't affect the tax resposibility of paying corporation if it is exempt from Corporation Income Tax.To be responsible for tax withholding doesn't cause to be taxed on Tax Responsible's own

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income.

Some examples for the kind of payments made to Limited Liable Corporate Income Taxpayer	Rate
*Wages	25 %
*Income of self-employed professionals;	
(a) Gains on activities regarding exploring petroleum.	5 %
(b) Others	20 %
*Income from immovables;	
Income on operations in scope of Leasing Code	1 %
Others	20 %
*Interest on State Bonds or Treasury Bonds	5 %
*Interest on Corporate Bonds	10 %
*Interest on foreign exchange deposits & profit-share paid by Special Finance Houses on foreign currency participation accounts	10 %
*Dividents on interest-free loans & dividents on profit and loss participation certificates & profit-shares paid on profit and loss participation accounts by Special Finance Houses	10 %
*Revenue on intangibles like Copyright,franchises, patents,etc	25 %

312. Withholding in Stamp Duty

One of the ways to pay Stamp duty is by means of withholding on earnings.Those real or legal persons who are responsible to withhold income tax on their payments & pay these withheld taxes to the tax office attached to a "withholding return" are also obliged to withhold the stamp duties of parties (if they are subject to) they make payment.Only transactions subject to Stamp Duty in proportional basis can be paid at source by withholding.Those transactions are as follows :

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a) Payments made by Official Departments

b) Payments made for labor sevice in any name as salary,wage, daily earning,bonus,compensation,etc.

c) Progress payments or Advance Payments made to construction contractors of long term costruction contracts

The rates of Stamp Duty Withholding are as follows :

* On Wages 0.4 %

* On progress payments & advance payments 0.5 %

313.Declaration of Tax Withholdings by Tax Responsibles

313.0. Income Tax Withholding

The tax responsibles must declare the tax withholdings made in monthly basis.That is the taxes withheld in a month will be declared latest until the evening of 20 th day of next month.However there is an exception for employers who employ less than 10 or equal 10 ;they can make declaration in quarterly on February,May,August and November. Those who make withholding on payments to farmers for agricultural crops can not benefit from this option.

This declaration is made on a "Withholding Income Tax Return". The withholding tax return is defined in the 99 th article of Income Tax Code.The following information must be written on the return according to that article :

a) Name,Surname,Title and Address of tax resposible(who makes the withholding)

b) Related period (month or months)

c) Totals of payroll [* The number of employees

* Total amount of gross earnings

* Total amount of withheld taxes]

d) Other payments subject to withholding

[* Name,Surname,Work address,Name of Tax Office and Tax No. (if exist) of the payee (the earning party)

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* Kind of payment (earnings)
* Amount of payment (earnings)
* Amount of withholding
* Date of filling up the return
* Authorized signature of tax responsible]

313.1.Stamp Duty Withholding

The withheld Stamp Duties are declared in same "Income Tax Withholding Return " as explained above,monthly or quarterly according to the worker number of employer.

313.2.Corporate Income Tax Withholding

"Corporate Income Tax Withholding Return" is not same return filled for income tax withholdings.Although the former is defined & the information must be included in the Return prescribed by the Code, there isn't any prescription about the data to be included and format of latter in the code.This matter is left to Ministry Of Finance & Customs for determining the format & inclusion of the return.

Declaration about Corporate Income Tax Withholdings must be made monthly , latest until the evening of 20 th day of next month by the return which is prepared by the Ministry of Finance & Customs.

314.Offset of the tax paid through withholding in the end of the period

314.0. Income Tax Withholding

The income is classified in seven categories in second article of Income Tax Code as follows :

a) Commercial Gains

b) Agricultural Gains

c) Wages

d) Earnings of Self-employed Professionals

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e) Income from immovable assets

f) Income from movable assets

g) Miscellaneous gains & incomes

The general principle is to gather all of the categories of income on a single tax return called"Annual Income Tax Return ". Further for full liable taxpayers the incomes of the members of his/her family are also gathered all together in same annual tax return,if there are some incomes of spouses and minor children.

In the 121 st article of Income Tax Code it is written as follows :

"The withheld taxes in a year will be offset by the tax on those same kind of income which are declared by Annual Tax Return"

If the total of income tax withholding amount is less than the tax amount computed on aggregate annual income the difference will be paid.But if the total of withholding amount is more than the annual tax then the excess payment will be notified to the taxpayer by tax office.If the taxpayer applies in one year after the date of notification to the tax office,the amount will be refunded to taxpayer.

In some conditions there is no need to gather the various kinds of income earned during the year on an Annual Income Tax Return,if these are taxed at source by withholding.And in some conditions it is optional to include those income which is taxed by withholding into the Annual Income Tax Return.If the income taxed through withholding is not included to the Annual Income Tax Return for these reasons the tax paid at source is the ultimate tax of that income.

If a kind of income is not included to the aggregate income on the Annual Income Tax Return,it is impossible to credit the withheld tax regarding this income from the tax computed on aggregate income.

314.1.Corporate Income Tax Withholding

Corporate Income Tax Withholdings and Income Tax Withholdings regarding Corporate Incomes are offset by the corporate tax amount computed on aggregate annual corporate income. (44.th article of Corporate Income Tax)

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Same as in income tax those paid by withholding are matched with the amount of tax computed on aggregate corporate income.If withheld amount is more, the excess amount will be notified to taxpayer by tax office and will be refunded when the taxpayer applies in one year beginning from notification date.

Those limited liable corporate income taxpayers whose earnings are taxed at source by withholding have option to declare these income on a Corporate Tax Return or not.Even if it has some earnings as commercial, agricultural or miscellaneous gains & incomes which are not subject to withholding and therefore must be declared,it is not necessary to include the earnings taxed at source to that tax return.If they don't declare those earnings the withheld tax will be the ultimate tax.If they declare among other other gains the matching procedure is same as above.

314.2.Stamp Duty

The Stamp Duty withholding is an ultimate tax. It is not possible to offset the withheld stamp duty with any other tax.

32. ACCOUNTING FOR TAX WITHHOLDINGS

320. In Books of Tax Responsible

The financial information regarding withholdings must be collected & classified in books of Tax Responsible. Therefore the needed accounts must be included in the "Chart of Accounts ".

In respect of the Taxpayer, Tax Withholding is a kind of liability payable to the Tax Office which would be payable to the supplier or employee if not has been withheld.

The controlling account to be used is :

WITHHELD TAXES PAYABLE ACCOUNT

Subsidiary accounts can be opened according to the type of withholding under this controlling account.

For example :

* Income Tax Withholdings on Wages

* Stamp Duty Withholdings on Wages

* Income Tax Withholdings on payments to Self-employed

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professionals

* Income Tax Withholdings on Advance payments to construction contractors of long term construction contracts
* Income Tax Withholdings on Progress-payments to costruction contractors of long term construction contracts
* Income Tax Withholdings on rents
* Income Tax Withholding on interest of bonds
* Corporate Income Tax Withholdings

THE WITHHELD TAXES PAYABLE ACCOUNT will be credited when the withholding is made and will be debited when payment is made to Tax Office against Cash Account.

For example the following journal entry is recorded when a progress payment is made to a long term construction contractor by owner of the construction. Income Tax withholding on long term construction contracts must be made also for corporations engaged in this kind of business.

CONSTRUCTION IN PROGRESS	100	
WITHHELD TAXES PAYABLE		5
Income Tax Withholdings on progress payments to contractors		
CASH IN BANK		95
Progress Payment on continuing long term construction contract		

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20 th of next month

WITHHELD TAXES PAYABLE	5	
CASH		5

Paying the withheld tax to tax office

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321.In Books of Taxpayer

If the earning party is an individual without any accounting responsibility as employees or earners of gain on immovables but have no commercial activity, then no need of accounting for taxpayer in withholding process.However generally business entities are also being opposite party of withholding as earning party.Then accounting for withheld tax in earners side is needed.

In this opposite side the earning party collects income less than the amount earned because of tax withheld. This amount is first an ACCOUNTS RECEIVABLE from Tax Office of the earning party.In the end of the period if this income isn't subject to gather with other incomes,the Accounts Receivable will convert to a prepaid tax. But if that income is gathered with others on an annual tax return then this Tax Receivable will be offset by Tax Payable computed on the aggregate income.

WITHHELD TAXES RECEIVABLE ACCOUNT : This account is debited when the earnings subject to withholding is collected.

Subsidiary accounts must be opened under this controlling account according to the type of withholding as in Withhold Taxes Payable.

For the same example above the construction contractor's records will be as follows :

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CASH	95	
WITHHELD TAXES RECEIVABLE	5	
Withheld taxes receivable on long term costruction contracts		
PROGRESS PAYMENTS COLLECTED		100

Collection of a progress payment on a continuing long term construction contract

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To credit this account in the end of the period depends some conditions :

a) The business entity is a single proprietorship or a partnership :

The owner of Single Proprietorship and partners of Partnership are the taxpayers not the business entity for income tax.Therefore this withheld taxes receivable amount belongs to the owner or partners.In the end of the period the Withheld Taxes Receivable Account is closed as follows :

——————— / ———————

OWNER'S EQUITY XX

Owner's Current (Drawing)Account

or

Partner's Current Account

-Partner X

-Partner Y

WITHHELD TAXES RECEIVABLE XX

Transfer of withheld taxes to current accounts

——————— / ———————

b) The Business Entity is a Corporation

The withheld taxes regarding corporate income are directly related to the Corporation Income Tax which will be paid by the corporation.It lessens the corporate income tax payable.

The journal entry in the end of the period which closes Withheld Taxes Receivable Account will be as follows :

a) Corporate Income Tax of the period is more than withheld amount :

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Income Before Tax Amount (Credit Balance of Revenue & Expense Summary Account) : 100

Corporate income tax : 49

Withheld Corporate Income Tax : 19

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INCOME OF THE PERIOD BEFORE TAX	100	
WITHHELD TAXES RECEIVABLE		19
Withheld Corporation Income Tax		
TAXES PAYABLE		30
Corporate Income Tax of The Period		
INCOME OF THE PERIOD AFTER TAX		51

Offsetting the Withheld Corporation Income Tax & accrual of Corporate Income Tax Payable

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b) Corporate income tax of the period is less than withheld corporate Income Tax :

Amount of Income Before Tax..... : 130

Amount of Gains excluded from C.I.Tax .....: 30

Corporate Income Tax .....: 49

Withheld Corporate Income Tax.....: 60

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INCOME OF THE PERIOD BEFORE TAX 130

REFUNDABLE WITHHELD C.I.TAX 11

WITHHELD TAXES RECEIVABLE 60

INCOME OF THE PERIOD AFTER TAX 81

Offsetting the withheld Corporation Income Tax & accrual of Refundable Withheld C.I.Tax

33. READING LIST

330. Books

1. Aliefendioğlu,Yılmaz ; **Türk Vergi Sisteminde Verginin Kaynakta Kesilmesi (Stopaj)**, Ankara , 1975
2. Canoğlu, M.Ali; **Vergi Muhasebesi**, Süryay-Sürekli Yayınlar A.Ş.Yayını, İstanbul, 1993
3. Derdiyok, Türkmen, **The Turkish Tax Administration and taxation System**, R. T. Ministry of Finance and Customs - Department of Research & Planning No : 1993 / 329 Ankara, 1993.
4. Doğrusöz, A.Bumin, **Türk Vergi Sisteminde Kaynakta Vergileme "Stopaj"**,İstanbul Serbest Muhasebeci Mali Müşavirler Odası Yayını, Yayın no:3 İstanbul,1992
5. Paklar,Selahattin, **Kurumlar Vergisi Kanunu Yorum ve Uygulaması**, İstanbul Matbaası, İstanbul, 1987

331. Legislation

1. 193 Sayılı Gelir Vergisi Yasası, Tebliğleri, İlgili Bakanlar Kurulu Kararları
2. 5422 Sayılı Kurumlar Vergisi Kanunu , Tebliğleri, İlgili Bakanlar Kurulu Kararları
3. 213 Sayılı Vergi Usul Kanunu ve Tebliğleri
4. Damga Vergisi Kanunu

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34. VOCABULARY

Actual = Real Income Basis of taxation..: Gerçek Usülde Vergileme

Annual Income Tax Returu..... : Yıllık Beyanname = Bildirge

Association ..... : Dernek

Construction in Progress..... : Devam eden inşaatlar (maliyeti)

Corporate Income Tax Withholding.....: Kurumlar Vergisi Kesintisi=Stopajı= Tevkifatı

Corporate Income Tax Withholding Return..... : Kurumlar Vergisi Kesintisi Bildirgesi

Currency Mutual Fund..... : Döviz yatırım fonu

Drawee..... : Muhatap

Foreign Exchange Deposits..... :Döviz Tevdiat Hesabı

Full Liable Taxpayer ..... : Tam Mükellef

Income on immovable assets..... :Gayrimenkul=Taşınmaz sermaye İradı=Geliri

Income on movable assets (securities)...:Menkul=Taşınır Sermaye iradı=geliri

Income Tax Withholding .....:Gelir Vergisi Kesintisi=Stopajı=Tevkifatı

Income Tax Withholding Return .....:Muhtasar Beyanname, Gelir Vergisi Kesintisi

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Bildirgesi

Investment Trust .....:Menkul kıymet yatırım ortaklığı

Joint Venture .....:İş Ortaklığı

Limited Liable Taxpayer .....:Dar Mükellef,Türkiye de yerleşik olmayan gerçek kişi,yasal ve iş merkez lerinden her ikisi de yurtdışında bulunan ku rum

Long Term Construction Contracts .....: Uzun süreli yani yıllara yaygın = sonraki döneme taşan inşaat taahhüt=yüklenim sözleşmesi

Lump-sum Basis of taxing.....: Götürü usulde vergileme

Minor children .....: Reşit olmayan(18yaş altın da) çocuklar

Mutual Fund=Unit Trust.....: Menkul Kıymet Yatırım Fonu

Offset .....: Mahsup etmek,bir tutarı diğerinden düşmek

Prepaid Tax.....: Peşin ödenen vergi

Profit & Loss Participation Certificate: Kar-Zarar Ortaklığı Belgesi

Profit & Loss Participation Accounts . : Kâr/Zarara Katılma Hesabı(Özel Finans Ku-

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rumlarında)

Progress Payments .....: Hakediş

Public Utilities .....: Kamu İktisadi Teşebbüsü

Real Estate Mutual Funds ..... : Gayrimenkul yatırım fonları

Real Estate Investment Trusts ..... : Gayrimenkul yatırım ortaklıkları

Seedling ..... : Fide

Spouse ..... : Eş

Stopage at source ..... : Kaynakta kesinti

Stamp Duty Withholding ..... : Damga Vergisi Kesintisi

State Bonds .....: Devlet tahvili

Taxpayer .....: Vergi Yükümlüsü

Tax Responsible .....: Vergi Sorumlusu

Treasury Bonds .....: Hazine Bonosu

Ultimate Tax .....: Nihai,son vergi

Venture capital investment trusts ..... : Risk sermayesi yatırım ortaklıkları

Venture capital mutual funds ..... : Risk sermayesi yatırım fonları

Withheld Taxes Payable Account .....: Ödenecek Vergi Kesintileri hesabı

Withheld Taxes Receivable Account .....:Vergi Kesintisi Alacakları hesabı

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4.PAYROLL IMPLEMENTATION IN TURKIYE

40.GENERAL PRINCIPLES AND CONCEPTS

400.Payroll

"The total amount of wages paid to all the workers in a particular company" is called payroll [Longman Dictionary of Contemporary English].In accounting literature it is a document showing the list of workers employed by a company , the amount of wages each person earned,the amount of deductions from gross earnings and amount of net wages each person is to be paid,in a given period (month).

Payroll is a legally obliged document in Türkiye, by Turkish Tax Procedural Code Art.No: 238,for employers.

Minimum the following information must be shown in the payroll :

1. Name , surname of the employees and their signature proving that they have collected the wages.
2. The number and date of his/her tax card (if exists)
3. Unit rate (monthly,weekly,daily,hourly or piece work)
4. Number of hours (month,week,day,piece) worked
5. The amount of taxes levied on the wage.

401.Wage/Salary

Although the terms often are used interchangeably, wages differ from salaries.The term wages generally refers to gross earnings of an employee who is paid by the hour for only the actual hours worked.The term salaries ,on the other hand,usually refers to gross earnings of an employee who is paid a flat amount per week or month regardless of the number of hours worked in a period (1). The wage is defined in the 61 st Article of Income Tax Code as ; cash,considerations in kind and other benefits which can be expressed in terms of money, given(paid) to the employees who work depending on an employer and connected with a working place.

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(1) Roger H.Hermanson-James Don Edwards-R.F.Salmonson; **Accounting Principles**,Business Publications Inc., U.S.A.,1983 , p.424

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402.Gross Earnings

The total amount earned by an employee during a pay period is referred to as gross earnings.The amount that is actually paid will be less than the gross earnings because of various deductions made from the earnings by the employer(2).

Payroll preparation begins with the computation of gross earnings of each of a firm's employees.Gross earnings is total pay or total compensation of an employee ,including regular pay and overtime premium.In most instances,computation of gross earnings is a simple calculation, such as multiplying number of hours worked by the hourly wage rate for the employee- 40 hours times $ 10 per hour gives gross earnings of $ 400 for the week. Or,an annual salary of $ 36,000 is divided by 12 months to determine monthly gross earnings of $ 3,000 (3).

403.Payroll Deductions

All of the deductions are required by law and employer has no choice but to withhold them.Only the deduction which is at the option of the employee is payment of union dues to the "labor (trade) unions".

The following deductions are made on payroll :

1.Social Insurance Premiums

2.Income Tax Withholdings

3.Stamp Duty

4.Encourage to savings fund

5.Union dues (Optional)

41.SOCIAL SECURITY SYSTEM IN TURKIYE

410.The System in General view

Social Insurance institutions concerned with the implementation of Social Security policy and programs in our country are the following :

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(2) Glenn L.Johnson-James A.Gentry; **Finney and Miller's Principles of Accounting-Introductory** , Prentice Hall,Inc., U.S.A.,1980 ,p.245

(3) Hermanson-Edwards-Salmonson; p.424

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a) The Retirement Fund (T.C.Emekli Sandığı) for public sector officials and civil servants

b) The Institution of Social Insurance (Sosyal Sigortalar Kurumu) for those employed under service contracts

c) Bağ-Kur for those who are self employed and working on his or her own behalf

d) Beginning on 01.01.1984,the agricultural workers' Social Insurance Law is in effect for those employed independently in the agricultural sector (4).

411.Computation of Social Insurance Premiums on Wages

The employees working in private sector are in the shelter of The Code of Social Insurance No:506 and the employer is legally obliged to apply to The Institution of Social Insurance for recording his/her workers for their social insurance.Thus all employees are automatically insured upon employment.The rights and obligations of those insured and their employers begin on the date which employment begins.

In this respect,the rights and obligations of being insured are unavoidable and irrevocable.(Article 6 of the Social Insurance Code)

An employer is required to inform the Institution within one month of any insurable persons he/she employs on forms, formats of which are prepared by the Institution.(Article 9 of the Social Insurance Code)

In event of work-related accidents or diseases,illness, maternity,disability,old age and death the insured employees are entitled to Social Security payments and benefits. To accomplish such a service the Social Insurance Institution has been established as depending on a system of forming the needed fund. According to the provisions of the Law,the Institution collects premiums for the purpose of meeting those social insurance benefits and all other expenditures.

This premium is paid as a percentage of worker's earnings (up to a maximum amount) by the employee and employer together.

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(4) A.Murat Demircioğlu; **Labor Laws in Turkey**,The Istanbul Chamber of Commerce,Publication No:1988-20,Istanbul,1988 p.37

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The employer withholds the premium of employee from his or her earnings and adds to this amount employer's share.

The total amount of Social Insurance Premiums regarding each month must be declared by a "Social Insurance Institution Montly Declaration Form " to the Institution and paid until the evening of last day of next month.

411.0. The Rates of Social Insurance Premium

The premium rates to be applied to the gross earnings of workers are shown in the following table for employee and employer :

SOCIAL INSURANCE PREMIUM RATE

KIND OF INSURANCE & PREMIUM	Employee's share %	Employer's share %	% Total
Work - related accidents & occupational diseases	-	1* 1.5	1.5
Maternity	-	1.0	1.0
Medicare (Illness)	5	6.0	11.0
Disability / Old -age/ Death	2* 9	11.0	20.0
TOTAL	14 %	19.5 %	33.5 %

1* According to the article no: 74 of the Code of Social Insurance, work-related accidents & occupational diseases premium is determined according to the hazard degree of the work done in aspect of work-related accidents& occupational diseases.

The working branches are divided into classes as to their heaviness of hazard and these branches are classified to the degrees of hazard according to the special working conditions & measures provided to prevent accidents.

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The list of hazard degrees is prepared and declared by Ministry of Labor & Social Security.

Employers of the works which has minimum hazard degree pay 1.5 % premium while the employers of maximum hazard degree paying 7 % .

2* In case of mine workers who are employed underground,this rate is 22 % for employee and 13 % for the employer.

411.1.The Base Earnings Subject to Social Insurance Premium

The base amount which the premium rate will be applied includes gross earnings of the month as regular wage or salary, overtime premium,vacation pay,and other compensations as premiums,bonuses and other similar earnings.

However some payments as travelling expenses;extra payments for children & family ;for birth , death and marriage and payments made in kind (goods or natural products rather than money) are exluded from the base of social insurance premium.

The minimum and maximum amounts of the base for social insurance premium are determined.That means the base can not be less than the predetermined minimum base although the real total gross earnings of the employee is less than it.In the same way the base can not be more than the predetermined maximum base amount even if the real amount of gross earnings is more than that amount.In these cases the minimum (for the formar) and (maximum for the latter position) amounts will be used for calculating the social insurance premium.

For 1994 the following limits are determined and promulgated :

Dates in effect	01.01.1994 / 31.03.1994	after 01.04.1994
Minumum base	1.113.300,- TL	1.249.620,- TL
Maximum base	6.517.020,- TL	7.315.020,- TL

Since the minimum wage in effect is now gross 2.497.500,-TL in practice the minimum base is 2.497.500,- TL.

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42. INCOME TAX ON WAGES

420.The Structure of Turkish Income Tax Code in Respect of Wages

Wage is one of the seven categories of income determined by the Code composing the taxable income.The other six types of income are : Commercial Gain, Agricultural Gain, Earnings of self-employed professionals ,income from immovable assets, income from movable assets and miscellaneous gains & incomes.

According to the 85 th article of Income Tax Code; the taxpayers must gather all the types of income cited above earned in a year on a Tax Return and submit this Annual Income Tax Return to the Tax Office, unless exists any opposite provision in the Code.The gains & wages which are determined in lump-sum basis are also included in this prescription.

But there is no need of an annual Income Tax Return for incomes excluded from Income Tax.

If the incomes of a taxpayer is composed of several or all of the following types of income which are taxed at source by withholding mechanism,he or she doesn't gather these incomes & doesn't give an annual tax return (Art.No.86 of Turkish Income Tax Code) :

a) Wages less than annual total of 225 million TL (if the wages are earned by working for several employers, the tax return must be given)

b) Incomes from movable & immovable assets,extra-ordinary earnings of self-employed professionals ,dividents including " tax credits " which total amount is not more than 225 million TL

c) Commercial gains,earnings of self-employed professionals & wages which are determined in lump-sum basis.

As studied in previous chapter some categories of income are taxed while they are earned, by means of "withholding " mechanism.The wage is the most important one among these which are subject to stoppage at source and the responsibility of making the withholding is given to the employer.

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The employer must withhold the taxes of workers at the end of each month when he/she is accruing the payroll and declare the amount to the Tax Office on a " withholding return " together with other withheld taxes of the month. The submittion of the Withholding Return and payment of the total amount of withholdings must be made until 20 th day of the next month.

Here we are studying the payroll accounting in employer's side, therefore we interest in the withholding of the tax of employee and pay it attached by a " Withholding Tax Return". To give an " Annual Tax Return " is employee's problem. If he or she has some other incomes to be gathered and declared on an " Annual Tax Return " , at the end of fiscal year he or she will fulfill this obligation.The result is possibly to pay some more tax since the amount will increase by gathering of incomes and thus the tax rate will also increase because of progressive taxation.

421.Computation of the Income Tax Withholding on Wages

421.0. The Income Tax Rates

The Turkish Income Tax is a progressive tax. This means that those with the lowest taxable income are subject to the lowest rates , while those with higher taxable incomes are subject to progressively higher tax rates.

There is a single tax structure for all of the income categories belonging to real person individuals which are subject to Income Tax. This means the tax rates for the same amount of wages earned and commercial gain do not differ.Same schedule is used for all seven sources of income. However if these types of income (wage & commercial gain) are earned by the same individual,the earned amounts will be added and a higher rate will be applied since they will be gathered on the annual Income Tax Return of that individual.

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Schedule of Income Tax Rates for 1994 and following years:

(1.000,- TL)

0		75.000			25 %				
75.000	to	150.000	18.750	plus	30	%	of excess	over	75.000
150.000	to	300.000	41.250	plus	35	%	of excess	over	150.000
300.000	to	600.000	93.750	plus	40	%	of excess	over	300.000
600.000	to	1.200.000	213.750	plus	45	%	of excess	over	600.000
1.200.000	to	2.400.000	483.750	plus	50	%	of excess	over	1.200.000
2.400.000	and over		1.083.750	plus	55	%	of excess	over	2.400.000

421.1. The Tax Base for Withholding Income Tax

The following elements are deducted from gross earnings in order to determine the taxable wage amount:

1) According to the 31st Article of Income Tax Code ;

Standard exemption (monthly 600.000,-TL for the time being)

2) Deductions according to the 63 rd Article of Income Tax

Tax Code ;

a) Social Insurance Premium employee's share

b) Union dues,if paid (the payment must be proved depending on a document)

c) Insurance premiums paid by the employee for himself, his/her spouse and his/her children as personel insurance (i.e.life insurance)

3) According to the Statute No: 3417 about "Encouragement of Employee's for Saving & Utilization of these Savings"; Contribution to Encourage for Savings Fund employee's share.

Mainly a standard amount of exemption and the employee's shares of Social Security Premium & Encourage to Savings Fund are excluded from income tax. The others are deducted if exists.

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43. STAMP DUTY ON WAGES

430.General Outlook

Stamp duty is a transaction tax which is levied on some commercial & civil transactions (5).

Indeed the documents signed to prove or clarify any matter, such as contracts,decisions,commitments,notes,etc., are subject to stamp duty. But also wages and progress payments made to the construction contractors are included to the subject of this tax.

There are four ways of paying stamp duty as follows :

a) Payment by sticking stamps to the documents

b) Payment by printing a seal on documents

c) Payment against receipts

d) Payment by means of withholding on earnings

The fourth way is used to pay stamp duty on wages.Those real or legal persons who are responsible to withhold income tax on their payments to workers or other parties and pay these withheld taxes to the tax office attached to a "withholding return" will also withhold the stamp duties of parties to whom they make payment.

The taxpayer of stamp duty is the employee and the party

who is resposible for making the withholding is employer as

a "tax responsible".

The withheld stamp duties of each month will be declared all together with other withheld taxes and will be paid until the evening of 20 th day of next month.

The taxbase of stamp duty is same amount as income tax.

431.Computation of the Stamp duty Withholding on Wages

431.0.The stamp Duty Rates

The stamp duties are levied on both proportional and fixed scale basis.

(5) A.Akdoğan,Ş.Kızılot,S.Eyüpgiller; Türk Vergi Sistemi , A.İ.T.İ.A.-Maliye Fakültesi Yayın No:4 Ankara,1982,p.505

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Stamp Duty on wages is levied in proportional basis and the tax rate is 0.4 %.

431.1.The Tax Base for Stamp Duty

The tax base for stamp duty is same as Income Tax.

44. EXTRA BUDGETARY (OFF BUDGET) FUND PAYMENTS ON WAGES

440. General Outlook

There are some " Off Budget Funds " in Turkish Fiscal System in addition to those within the State Budget (Consolidated Budget as General Budget + Annexed Budget), established by statute which aim to provide financial sources for certain special purposes.

Two of these funds are related to the wages since they prescribe to make some payments on wages ,to those funds as financial source.However there is an important exemption for those employers who employ workers up to 10 persons, thus they don't make any withholding or contribution to these funds.

These two funds are :

a) The Fund established by the statute no: 3417 on "Encouragement of Employees for Saving and the Utilization of These Savings ". This statute is in effect since 01.04.1988.

b) The Fund established by the statute no: 3320 which is in effect since 01.01.1987 on " Granting Financial Support to Employees working or retired in Public & Private Sectors for Acquiring their own houses (flats) ".

441.Computation of Contributions to the Off-Budget Funds on Wages

For the first fund cited above we will call "Encouragement for Savings Fund " in short. And " House Acquiring Support Fund " for the second.

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The contributions to those funds are as follows :

Fund	Paid By
Encouragement for Savings	both employer & employee
House Acquiring Support	employer

Since the "Encouragement for Savings Fund " is paid by both employee & employer ; those employers who employ more than 10 persons are responsible for withhholding the employee's share on worker's earnings.The total amount of contributions that is withheld from the wage & employer's share added to it will be deposited to a branch of T.C.Ziraat Bankası until the end of next month by the employer.

The contribution to "House Acquiring Fund" will be paid to Social Insurance Institution,also by employers who employ more than 9 workers.

10 persons can be employed in a single working place of an employer or in totally in several working places; the employer is the criteria not the working place.

441.0.The Rates of Contributions to the Off-Budget Funds

The contribution to "Encouragement for Savings Fund" is computed in proportional basis , and the contribution to the "House Acquiring Fund " is on fixed scale basis.

	Employee's Share	Employer's Share
ENCOURAGEMENT FOR SAVINGS FUND	2 %	3 %

	The Period in work	TL
HOUSE ACQUIRING SUPPORT FUND	For beginners up to 6 months	17.500,-
	second 6 months	37.500,-
	third 6 months	45.000,-
	fourth 6 months	58.000,-
	fifth 6 months & over	80.000,-

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441.1.The Tax Base for Contributions to Off-Budget Funds

Tax Base is only needed for " Encouragement to Savings Fund " since it is proportional.The base amount is regular pay,overtime premium and vacation pay.Only the earnings counted in the first paragraph of 77 th Article of Social Insurance Code No: 506 are subject to this fund.The earnings counted in second and third paragraphs are excluded.

"House Acquiring Support" is paid for each worker according to the length of his/her working life.

45.LABOR COST OF THE EMPLOYER

450.General Outlook

The labor Cost of the employer is more than the gross amount earned by the employees because of some additional payments made by employer on behalf of the employee.

These which are studied above can be summarized as follows:

The gross amount of earnings X

+ Additional Payments :

a)The Social Insurance Premium Employer's share..... X

b)The Encouragement for savings Fund Employer's share..... X

c)House Acquiring Support Fund X

Total Labor Cost xx

These additional payments are called " Payroll tax expenses ".

The total amount of gross earnings on the payroll plus payroll tax expenses computed outside of the payroll comprises the "Total Labor Cost " of the employer.

451.Mercandising Firm versus Manufacturing Firm

If the employer is merchandising firm,this total is called " Wages Expense " instead of labor cost, because they are periodic expenses which are considered to be expired as the accounting period ends (or as incurred).

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It is useful to classify them according to the jobs of the employees,as follows:

- SALES SALARIES (WAGES) EXPENSE
- DELIVERY SALARIES (WAGES) EXPENSE
- OFFICE SALARIES (WAGES) EXPENSE

If the employer is a manufacturing firm, these are really labor costs which are applied to cost of finished goods and expired only if these finished goods are sold.Since "expenses are expired costs" they convert into expense inside of cost of goods sold on sales. However labor cost regarding selling & administration jobs are period costs not included Factory Overhead.

452.Direct Labor - Indirect Labor Segregation

Labor is the physical or mental effort expended in the production of a product.Labor costs may be divided into direct & indirect labor as follows (6) :

Direct Labor : All labor directly involved in the production of a finished product; that can be easily traced to the product;and that represents a major labor cost of producing that product.The work of machine operators in a manufacturing company would be considered direct labor.

Indirect Labor : All labor involved in the production of a product that is not considered direct labor.The work of a plant supervisor is an example of indirect labor.

Factory Overhead : This is all costs -other than direct material & direct labor - of producing a product. Cost of any product equals the cost of direct materials, direct labor and factory overhead.

453. Contents of Indirect Labor

Indirect Labor Cost is one of the main elements of Factory Overhead.

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(6) J.A.Cashin-R.S.Polimeni; Cost Accounting,McGraw-Hill International Book Company, Tokyo , 1983, p.21

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Indirect Labor can be classified in two groups (7):

a) The indirect labor regarding the earnings of employees who directly involve in the production process as machine operators as :(their regular pays are direct labor)

*The vacation pays-both for annual vacation and for holidays

*Contract bonuses,

*Severance pay,

*Extra payments for birth & death,

*Overtime premiums,

*Fringe benefits and pensions including social insurance premiums employer's share,contribution to encourage for savings fund employer's share & house acquiring support.

If some regular pays are made to employees who involes directly to the production, although he or she couldn't produce anything because of some reasons as cut of electricity , extra-ordinary adjustments & maintenance of machines,also these are indirect labor costs.

b) The wages of employees who doesn't involve the production process directly as supervisors,watchmen, storeroom workers.The total amount of labor cost as regular pays and total of fringe benefits & pensions of these workers are indirect labor.

46.MINIMUM WAGE

Minimum wages are determined in Turkiye, through a tripartite committee in every two years.The 33rd Article of Labor Code prescribes this matter as " Minimum wages must be determined at least every two years by Ministry of Labor&Social Security through a minimum wages board with the object of regulating the economic & social status of all employees,seamen and journalists working under labor contracts.

The minimum wages promulgated to be in effect beginning from 01.08.1993 are as follows :

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(7) Muzaffer Civelek; **Maliyet Muhasebesinin Temelleri**, Erciyes Üniversitesi Yayını,Kayseri,1990, p.44

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For workers older than 16 is Gross : 2.497.500,-TL

For workers younger than 16 is Gross : 2.038.500,-TL

Let's calculate the Net Minimum Wage of older than 16 as an example : (Assume that the total number of employees employed by the employer of this worker is more than 10)

Gross Earnings 2.497.500,-TL

(-) Payroll Deductions:

a) S.I.P.: 2.497.500,- X 14 % = 349.650,-

b) Encouragement for saving fund:

2.497.500,- X 2 % = 49.950,-

c) Income Tax Withholding :

[Gross Earnings - Deductions]X 25%

600.000,-

349.650,-

49.950,-

2.497.500,- 999.600,- X25% = 374.475,-

d) Stamp Duty:

2.497.500,-X0.4% = 9.990,- 784.065,-TL

Net of minimum wage payable to employee..... 1.713.435,-TL

Computation of the cost of minimum wage to the employer:

Gross Earning 2.497.500,-TL

(+) Additional Payments :

a) S.I.P.Employer's share

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2.497.500,-TL X 19.5 % = 487.013,-

b) To encouragement for Savings Fund

2.497.500,-TL X 3 % = 74.925,-

c) House Acquiring Fund = 80.000,- 641.938,-TL

Total cost of minimum wage to employer.....3.139.438,-TL

47.FORMAT OF THE PAYROLL

The payroll contents 6 main parts :

a)The introduction

b)The information about employee

c)The data about gross earnings

d)The data about payroll deductions

e)The data about net payment

f)The signature of the employee

a)The Introduction

PAYROLL

* The Title or Name/Surname of the Employer
* Address of the employer
* Name of the tax office of the Employer
* Tax Number of Employer
* Social Security number of the work place
* The period (month) which the payroll belongs

b) The Information about Employee

* Sequence No.
* Name & Surname
* Social Security no.

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* Tax Card { issuing tax office / issue date / number of the card

c) The data about gross earnings

* Kind of earning (wage or salary / overtime premium /etc.)
* Unit of wage (hourly/daily/monthly/piecely)
* Time worked or pieces completed
* Total of gross earnings

d) The data about payroll deductions

This part can be designed in three main sections :

d1) Payroll duductions other than income tax withholding

* Social Insurance Premium employee's share
* Encouragement for Savings Fund Withholding
* Stamp Duty Withholding
* Union dues (optional)
* Advance payments done previously
* Other deductions

d2) Payroll deductions for income tax withholding

* Standart Exemption
* Tax base for Income tax withholding
* Tax rate " " "
* Income tax withholding

d3) Total of payroll deductions

e) The amount of Net Wage Payable

f) The signature of employee

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48. BOOKKEEPING FOR PAYROLL

480.General Outlook

In compliance with the "Accrual Basis of Accounting" the data on the payroll will be accrued in the end of month which it belongs regardless of the payments are made or not.

When the payroll is prepared it means that the manpower is utilized for the month's operations ,therefore the labor cost regarding this factor must be charged as a cost (expense if expired).

As a result of this accrual some payable amounts are realized which have different due dates.

During this accrual process, no need to say that the additional payments which are not shown on the payroll, will also be accrued within the labor cost.

We can list the amounts payable as follows :

Type of payment	The Institution to which payment will be done	Due date on next month
Social insurance Premium - Employee's share - Employer's share	Social Insurance Instute	Last day
House Acquiring Support Encouragement for savings - Employee's share - Employer's share	T. C. Ziraat Bankası	"
Income Tax Withholding	Tax Office	20th
Stamp Duty Withholding	" "	. day

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The net wages are payable in cash after the payroll is prepared and accrued.It can be paid in the last day of month which it belongs or first day of next month.

481. Accounts to be used for Accruing Payroll

481.0. Labor Cost or Wages Expense Account

We generally call Labor cost or Wages Expense, but indeed the controlling accounts which will be debited when the payroll is accrued must be named according to the following positions in the company's Chart of Accounts.

Manufacturing companies classify the Labor Cost according to the participations of the employees to the production process as :

- DIRECT LABOR (Controlling Account)
- FACTORY OVERHEAD (Controlling Account)

Indirect Labor (Subsidiary Account) [When perpetual cost accumulating system is used there is no need to open a controlling account in the name of "Indirect Labor" but when " Periodic Cost Accumulating System is used a controlling account for Indirect Labor can be used.]

- MARKETING EXPENSE (Controlling Account)

  Wages (Subsidiary Account)
- ADMINISTRATIVE EXPENSE (Controlling Account)

  Wages (Subsidiary Account)

Merchandising Firms also classify their wages expense using controlling accounts as follows :

- SALES SALARIES (WAGES) EXPENSE
- DELIVERY SALARIES (WAGES) EXPENSE
- OFFICE SALARIES (WAGES) EXPENSE

Also it will be usefull to open subsidiary accounts under related controlling Labor Cost Account or Wages Expense Account according to the type of earnings as :

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* Regular Pay

* Overtime Premiums

* Vacation Pay

* Social Insurance Premium Employer's share

* Contribution to encourage for savings employer's share

* House Acquiring Support

In manufacturing firms if " Periodic Cost Accumulation System " (8) is adopted the DIRECT LABOR AND INDIRECT LABOR (Factory Overhed) ACCOUNTS will be closed by crediting in the end of the period when they are transferred to the "Manufacturing Account" which will be debited against these accounts.

_____ / _____

DIRECT LABOR

INDIRECT LABOR

Factory Overhead

TAXES PAYABLE

S.I.P.PAYABLE

WAGES PAYABLE

Accrual of the payroll

_____ / _____

In the end of the period :

_____ / _____

MANUFACTURING ACCOUNT

DIRECT LABOR

INDIRECT LABOR

Factory Overhead

Transfer of costs to manufacturing account

_____ / _____

(8) J. A. Cashin - R. S. Polimeni, pp. 178 - 194

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If " Perpetual Cost Accumulation System " is used DIRECT LABOR ACCUNT will be transferred to the "Work in Process Account" immediately on accrual date, as it will be credited & closed against debit to work in process account.

DIRECT LABOR

FACTORY OVERHEAD

Indirect Labor

TAXES PAYABLE

S.I.P.PAYABLE

WAGES PAYABLE

Accrual of payroll

WORK-IN-PROCESS

DIRECT LABOR

Direct Labor is charged to work-in-process

However treatment on FACTORY OVERHEAD-Indirect Labor ACCOUNT depends if predetermined factory overhead is used or not.

If predetermined rates are not used, FACTORY OVERHEAD - Indirect Labor will be charged directly to work-in-process, when incurred.

WORK-IN-PROCESS

FACTORY OVERHEAD

Indirect Labor

Charging the Indirect Labor to work-in-process

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But if predetermined factory overhead rates are used, INDIRECT LABOR-FACTORY OVERHEAD ACCOUNT is charged to "Factory Overhead Control Account ".

In other words " Factory Overhead Control Account " will be debited and FACTORY OVERHEAD-Indirect Labor ACCOUNT will be closed by crediting immediately on accrual date.

_____ / _____

FACTORY OVERHEAD CONTROL ACCOUNT

FACTORY OVERHEAD

Indirect Labor

Indirect Labor is charged to F.O.Control Account

_____ / _____

"Work in Process Account " will be debited in predetermined rates. The credit in this entry may be either to " Factory Overhead Control Account" or to "Applied Factory Overhead Account " (which must then be closed at the end of the period to factory overhead control).The difference between actual & applied indirect labor-factory overhead may be either charged (or credited) directly to cost of goods sold or allocated to ending work-in process inventory,ending finished goods inventory and cost of goods sold ,in proportion to the balances in these accounts (9).

_____ / _____

WORK-IN-PROCESS

FACTORY OVERHEAD CONTROL

Or

APPLIED FACTORY OVERHEAD

Charge factory overhead to work-in-process by predetermined factory overhead rate (This includes not only the indirect labor but also indirect material & others as heating etc.)

_____ / _____

9) J.A.Cashin - R.S.Polimeni , p.129,131 & p.190

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In both systems the MARKETING EXPENSE and ADMINISRATIVE EXPENSE accounts of manufacturing firm will be transferred to the "Revenue & Expense Summary Account " by crediting and will be closed, in the end of the period,since they are period costs(or periodic expenses).As to the Merchandising Firm the expense accounts regarding wages & salaries will be transferred to the " Revenue & Expense Summary Account " and will be closed in the end of the period.

481.1. Taxes Payable Account

The Income Tax Withholdings and Stamp Duty Withholdings amounts witheld on the payroll will be credited to this controlling account.

Subsidiary Accounts must be opened for each

kind of tax as follows :

* Income Tax Withholdings Payable

* Stamp Duty Payable

This account will be closed by debiting when the payments are made for those withholdings.

481.2. Social Insurance Premiums Payable Account

This controlling account is credited in the amount of " Social Insurance Premium " deducted on the payroll plus the "Social Insurance Premium Employer's Share".

It is closed when the premiums are paid by debit to this account and credit to cash.

481.3. Contributions to Off-Budget Funds Payable Account

The contributions to the off-budget funds regarding employee's are credited on the accrual date of payroll and debited & thus closed on payment.

The following subsidiary accounts must be opened :

* Encourage for Savings Fund

* House Acquiring Support

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481.4. Wages Payable

The net amount of wages payable to employees is credited when the payroll is accrued and debited & closed when the wages are paid.

482. Journal Entries

Let's assume a sample company which employs two employees. One of them works for the minimum wage and the other on a monthly salary gross 10.000.000,-TL.

Computation of Net Salary of the employee working for 10.000.000,-TL :

Gross Earnings 10.000.000,-

(-) Payroll Deductions :

a) S.I.P. 7.315.020,- X 14 % = 1.024.103,-

(The maximum Base for Social Insurance taken into account)

b) There is not "Encouragement for Savings Fund Withholding" since the number of workers less than 10

c) Tax Base of Income Tax Withholding :

[Gross Earnings - Deductions]

600.000,-

1.024.103,-

[10.000.000,- - 1.624.103,-]

= 8.375.897,- TL

To determine the tax rate the cumulative wages earned by this employee until the month which the payroll is prepared must be known.Assume that the payroll period is September& he or she earns the same amount since the beginning of the year.

The cumulative earnings for January-September period is :

8.375.897,- TL X 9 months = 75.383.073,-TL

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The tax rate of this amount according to the progressive Schedule of Income Tax will be determined as follows :

Since 75.383.073,-TL is between 75.000.000,-TL and 150.000.000,-TL ; 30 % will be applied the amount excess of 75.000.000,-TL. :

7.992.824,- TL	X 25 %	=	1.998.206,-TL
383.073,- TL	X 30 %	=	114.922,-TL

Taxable : 8.375.897,- Income Tax Withholding: 2.113.128,-TL

d) Stamp Duty :

10.000.000,-TL X 0.4 % = 40.000,-TL

Total Amount of Deductions.....: 3.177.231,-

Net amount of salary payable to the employee ....: 6.822.769,-

Computation of the cost of salary to the employer :

Gross Earnings 10.000.000,-TL

(+) Additional Payments :

(a) S.I.P. Employer's Share

7.315.020,-TL(Max.) X 19.5 % = 1.426.429,-

(b) To encouragement for Savings Fund

Nothing because works 2 employee -

(c) House Acquiring Fund

Nothing since less than 10 workers -

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Total cost of salary to the employee..... + 1.426.429,-TL

11.426.429,-TL

Gross Earnings	P. Deductions		Income Tax Withholding			Total Deduct.	Net Amount
	S. I.P	Stamp Duty	Stnd. Exempt	In. Tax Base	IncomeT. Withhol.		
10000000	1024103	40000	600000	8375897	2113128	3177231	6822769
2497500	349650	9990	600000	1547850	386963	746603	1750897
12497500	1373753	49990		9923747	2500091	3923834	8573666

482.0. Journal Entry to accrue the Payroll

30.9.19xx

WAGES EXPENSE	12.497.500,-	
Regular Pay		
TAXES PAYABLE		2.550.081,-
Income Tax W.P.	2.500.091,-	
StampDutyPayable	49.990,-	
SOCIAL INSURANCE P.PAYABLE		1.373.753,-
WAGES PAYABLE		8.573.666,-

Accrual of the payroll belonging September 19xx

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482.1.Journal Entry for Additional Payments

30.9.19xx

WAGES EXPENSE 1.913.442,-

SocialInsuranceP.Employer's share

SOCIAL INSURANCE P.PAYABLE 1.913.442,-

Additional payments on the payroll of September 19xx

(487.013,-TL + 1.426.429,-TL)

/

482.2. Journal Entries on Payment due dates

01.10.19xx

WAGES PAYABLE 8.573.666,-

CASH or CASH IN BANK 8.573.666,

Payment of wages regarding payroll of September 19xx

/

20.10.19xx

TAXES PAYABLE 2.550.081,-

Income Tax Withholdings Payable 2.500.091,-

Stamp Duty Payable 49.990,-

CASH or CASH IN BANK 2.550.081,-

Payment of taxes regarding payroll of September 19xx

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30.10.19xx

SOCIAL INSURANCE PREMIUMS PAYABLE 2.696.838,-

CASH or CASH IN BANK 2.696.838,-

Payment of total social insurance premiums

regarding payroll of September 19xx

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49.READING LIST & VOCABULARY

490.Reading List

490.0. Books

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491.Vocabulary

Annual Return ..... : Yıllık Beyanname=Bildirge
Gelir vergisi yükümlülerinin yıllık olarak çeşitli gelir türlerini birleştirdikleri bildirge

Applied Factory Overhead Account .. : Yansıtma hesabı,
Genel imal maliyetini Tahmini Yükleme oranları ile Yarımamüller hesabına yüklerken alacaklandırılan hesap,Genel imal maliyeti Kontrol hesabıyla karşılaştırılarak kapanır

Bonus..... : İkramiye,normal ücrete ek olarak sözleşme gereği veya üretkenliğe teşvik ödülü olarak ödenir

Chart of Accounts ..... : Hesap planı

Compensation ..... : Tazminat,ücret

Consideration in kind..... : Ayni(mal olarak ödenen) ücret

Cost..... : Maliyet,Maloluş,Bir varlığı

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(mal veya hizmet) elde edebilmek için katlanılan fedakarlıkların parasal ifadesi

Cost of goods sold ..... : Satılan malın maliyeti

Direct labor cost ..... : Dolaysız işcilik maliyeti
Doğruca(ayrık)emek maloluşu
Direkt işçilik maliyeti

Disability ..... : Malüllük,iş göremezlik

Encouragement for savings ..... : Tasarrufu teşvik

Earnings on self-employed professionals ..... : Serbest meslek kazancı

Expense (= Expired Costs) ..... : Masraf= Gider ,Tükenen maliyetler,bir amaç için tükenen varlıkların maliyeti

Factory overhead (costs) ..... : Üretim genel giderleri,
Genel imal giderleri,
Genel imalat maliyeti,
Dolaysız madde ve dolaysız emek dışındaki tüm üretim giderleri,üretim ortak maloluşu

Factory overhead control account .... : Üretim genel giderlerinin yarımamuller hesabına önceden belirlenmiş (standard) oranlarla yük

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lenmesi durumun da,gerçekleşen genel üretim giderlerinin toplandığı hesap; standard genel giderler yarı mamuller hesabına bu hesap alacaklandırılarak yansıtılırsa sapma bu hesapta oluşur

Finished Goods..... : Mamul,üretik,üretimi bitmiş ürün

Fixed scale basis ..... : Makdu,belirlenmiş tutar esası,oransal olmayan vergileme

Fringe Benefits,Fringe Costş ..... : Normal ücrete olarak ödenen sosyal yardımlar, ve onlar adına ödenen SSig. primi+tasarrufa teşvik iş veren payı ve konut edindirme yardımı

Hazard degree..... .: Tehlike derecesi

House Acquiring Support..... .: Konut edindirme yardımı

Indirect labor cost..... : Dolaylı işcilik maliyeti, Ortak emek maloluşu, Endirekt işcilik maliyeti

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Income Tax Withholding. ..... : Gelir vergisi kesintisi
= tevkifatı
= stopajı

Labor cost : İşcilik (emek) maliyeti

Lump-sum Basis ..... : Götürü esas

Manufacturing account ..... : İmalat hesabı

Manufacturing company ..... : Üretim yapan şirket (kurum)

Maternity ..... : Analık

Merchandising company..... : Ticaret,Alım-satım yapan şirket (kurum)

Minimum wage ..... : Asgari ücret

Occupational diseases..... : Meslek hastalıkları

Overtime premium ..... : Fazla mesai ücreti

Old-age ..... : Yaşlılık

Payroll ..... : Ücret bordrosu

Payroll deductions. ..... : Ücret bordrosunda yapılan kesintiler

Payroll expenses ..... : İşverene ücretle,emek maliyetiyle ilgili bordro dışı ek yükümlülükler

Pension Costs..... : İşçilerin emeklilik primlerine işveren katkısının maliyeti,sosyal sigorta primi işveren payı içinde 11 % yaşlılık prim katkısı buna

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sayılabilir

Periodic Cost Accumulation System .....: Aralıklı envantere dayalı maliyet biriktirme sistemi Dönem içinde üretimin ve satılan malın maliyeti nin belirlenmeyip,dönemsonu sayımına göre hammadde yarımamul ve mamul stokları ile Satılan Malın Maliyetinin belirlendiği düzen

Perpetual Cost Accumulation System ....:Sürekli envantere dayalı maliyet biriktirme sistemi Dönem içinde işletme içindeki üretimle ilgili değer hareketlerini; yarım mamul, mamul ve S.M.M.'nin sürekli izlendiği yöntem

Predetermined Rates .....:Tahmini Yükleme Oranları, İşletmenin belirli üretim hacimleri için,tahmini üretim ortak maloluşunu, üretilecek mamul miktarı, dolaysız gereç maliyeti,

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dolaysız emek maliyeti, dolaysız işcilik saati, veya makina saati gibi ölçülere göre yüklemeyi amaçlayan önceden belirlenmiş yükleme oranları.

$$\text{T.Y.O.} = \frac{\text{Tahmini Yıllık Genel imal maliyeti}}{\text{Tahmini Yıllık Faaliyet Hacmi}}$$

Progress-payments. ..... : Hakediş = İstihkak = Stüasyon İşin devamı sırasında tamamlanan işle orantılı olarak müteahhide yapılan ödeme

Progressive taxation ..... : Müterakki=artan oranlı vergileme

Proportional basis ..... : Nisbi=Oransal esas (vergilemede)

Regular Pay ..... : Normal ücret, çıplak ücret

Revenue & Expense Summary Account ..... :Kâr-Zarar hesabı

Salary ..... : Aylık,Maaş

Severance Pay ..... : İhbar tazminatı, Kıdem

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tazminatı

Social Insurance Institution.....: Sosyal Sigortalar Kurumu

Social insurance premium .....: Sosyal Sigorta primi

Stamp duty.....: Damga vergisi

Standard exemption .....: Özel indirim

Tax payer.....: Mükellef=Vergi yükümlüsü

Tax responsible.....: Vergi sorumlusu

Travelling Expense.....: Yolluk,harcirah,iş yolculuğu için ödenen ücret(prim)

Union due.....: Sendika aidatı

Vacation pay .....: İzin ücreti (harçlığı)

Withholding Return.....: Muhtasar beyan - name,yapılan gelir vergisi kesintileri ile ilgili vergi sorumlusu tarafından doldurulan aylık bildirge

Wage.....: Ücret

Wages expense.....: Ücret (işcilik) giderleri

Work in process.....: Yarı mamuller, üretimdeki işler

Work-related accidents.....: İş kazaları

Work-related diseases. .....: İş (meslek) hastalıkları

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5.THE PRONOUNCEMENT PROMULGATED BY THE MINISTRY OF FINANCE & CUSTOMS ABOUT IMPLEMENTING A UNIFORM ACCOUNTING SYSTEM

50.GENERAL OUTLOOK

500.Scope of the Legislation

The Ministry of Finance & Customs made some regulations depending on article no:175 & repeated article no:257 of Turkish Tax Procedural Code regarding :

a) Fundamental Accounting Principles (Assumptions & Considerations)

b) Disclosure of accounting policies

c) Principles of financial statements

d) Explanations about the Financial Statements which must be prepared

e) Framework of Uniform Chart of Accounts & Chart of Accounts with brief explanations on accounts

All the business entities either they are owned by real or legal persons or by state,if performing commercial & industrial operations and have an accounting system depending on double-entry ,they are obliged to obey this prescription about " Uniform Accounting System".

However there is an exemption for the following corporations which deal with special operations; only about prescribed Financial Statements and Uniform Chart of Accounts :

a) Banking & Insurance Corporations

b) Special Finance Houses (Banks without interest)

c) Corporations dealing with leasing & factoring operations

d) Mutual Funds,Security Exchange Dealers

It means also these exempted corporations are obliged to comply with Fundamental Principles of Accounting, Disclosure of Accounting Policies and Principles of Financial Statements.

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The business entities (some single proprietorships and ordinary partnerships) which are not obliged to have a double-entry accounting system by Tax Procedural Code must comply with only "Fundamental Principles of Accounting".

Also there is another exemption for some entities about being obliged to prepare supplementary financial statements which is explained below in detail under the title of 53.Financial Statements.

501.Effect date

This prescription is in effect for those entities in its scope beginning with the 1994 accounting period which begins on 01.01.1994. Implementation in 1993 accounting period is optional.

51.PRINCIPLES OF ACCOUNTING

The Following Fundamental Assumptions of Accounting are cited and defined :

a) Specific Seperate Business Entity

b) Going-concern (continuity)

c) Periodicity

d) Money-measuring unit

e) Historical cost

f) Consistency

g) Full & Fair disclosure

h) Social Responsibility

Also the following considerations are cited & defined :

a) Objective & verifiable evidence

b) Prudence

c) Materiality

d) Substance over form

52.DISCLOSURE OF ACCOUNTING POLICIES

Under title of "Disclosure of Accounting Policies " almost 16- 22 nd paragraphs of International Accounting Standard No:1 are adopted.

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53.FINANCIAL STATEMENTS

The Finanancial Statements which must be prepared are classified as :

* Main Financial Statements

* Supplementary Financial Statements

Main Financial Statements are; Balance Sheet & Income Statement with their disclosures.

Supplementary Financial Statements are;

- Statement of Cost of Goods Sold
- " " Funds Flow
- " " Cash Flow
- " " Allocation of The Periodic Income
- " " Changes in Stockholder's=Shareholders Equity

There is an exemption for Single Proprietorships and Ordinary Partnerships,(only those which are obliged to have a double-entry accounting system,some of these may not have a double-entry accounting system) & General Partnerships and Limited Partnerships (all of these must have double-entry accounting system) about being obliged to prepare the Supplementary Financial Statements according to the total amount of assets and volume of the operations.

For those single proprietorships & ordinary partnerships have double-entry accounting system & General Partnerships and Limited partnerships which total of assets are less than 5.000.000.000,-TL ; volume of operations not more than 10.000.000.000,-TL , it is sufficient to prepare only the main Financial Statements.

In other words to be obliged to prepare Supplementary Financial Statements the above limits must be passed.

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54.THE UNIFORM CHART OF ACCOUNTS

540. The Framework of Uniform Chart of Accounts

540.0. General Classification of Accounts

(In Conformity with the Classification of Financial Statements)

1.CURRENT ASSETS

2.LONG LIVED ASSETS

3.SHORT TERM LIABILITIES

4.LONG TERM LIABILITIES

5.OWNER'S (SHAREHOLDER'S=STOCKHOLDER'S) EQUITY

6.INCOME STATEMENT ACCOUNTS

7.FACTORY ACCOUNTS

8. --- Free ----

9.MEMORANDUM ACCOUNTS

0. --- Free ----

540.1. Main Subclassification of Accounts

10.CASH

11.MARKETABLE SECURITIES

12.OPERATIONAL ACCOUNTS RECEIVABLE

13.OTHER RECEIVABLES

14.

15.INVENTORIES

16.

17.CONSTRUCTION IN PROGRESS DEPENDING ON LONG TERM CONSTRUCTION. CONTRACTS

18.PREPAID EXPENSES & ACCRUED REVENUE RECEIVABLES

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19.OTHER CURRENT ASSETS

20.

21.

22.OPERATIONAL RECEIVABLES (NON-CURRENT)

23.OTHER RECEIVABLES (NON-CURRENT)

24.STOCK INVESTMENTS

25.TANGIBLE ASSETS

26.INTANGIBLE ASSETS

27.NATURAL RESOURCES (ASSETS SUBJECT TO DEPLETION)

28.PREPAID EXPENSES & ACCRUED REVENUE RECEIVABLES (NON CURRENT)

29.OTHER LONG LIVED ASSETS

30.SHORT TERM FINANCING LIABILITIES

31.

32.OPERATIONAL LIABILITIES

33.OTHER LIABILITIES

34.ADVANCES COLLECTED

35.PROGRESS PAYMENTS ON LONG TERM CONSTRUCTION CONTRACTS

36.TAXES & OTHER GOVERNMENTAL PAYABLES

37.PROVISIONS FOR KNOWN LIABILITIES WHICH THE AMOUNT CAN'T BE DETERMINED & UNREALIZED ESTIMATED EXPENSES /SHORT-TERM

38.ACCRUED EXPENSE PAYABLES & REVENUE COLLECTED IN ADVANCE

(Monthly Basis)

39.OTHER SHORT TERM LIABILITIES

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40.LONG TERM FINANCING LIABILITIES

41.

42.LONG TERM OPERATIONAL LIABILITIES

43.OTHER LONG-TERM LIABILITIES

44.ADVANCES COLLECTED (LONG-TERM)

45.

46.

47.PROVISIONS FOR KNOWN LIABILITIES WHICH THE AMOUNT CAN'T BE DETERMINED & UNREALIZED ESTIMATED EXPENSES/LONG-TERM

48.ACCRUED EXPENSE PAYABLES & REVENUE COLLECTED IN ADVANCE

49.OTHER LONG TERM LIABILITIES

50.PAID-IN CAPITAL

51.

52.CAPITAL SURPLUS

53.

54.INCOME RESERVES

55.

56.

57.RETAINED EARNINGS

58.LOSS OF PREVIOUS PERIODS

59.NET INCOME (LOSS) OF THE PERIOD

60.SALES REVENUE

61.RETURNS & ALLOWANCES

62.COST OF GOODS SOLD

63.PERIOD EXPENSES

64.ORDINARY NON-OPERATING REVENUE & INCOME

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65.ORDINARY NON-OPERATING EXPENSES & LOSSES

66.FINANCING EXPENSES

67.EXTRA-ORDINARY REVENUES & INCOME

68.EXTRA-ORDINARY EXPENSES & LOSSES

69.NET INCOME (LOSS) OF THE PERIOD

OPTIONAL 7/A OR 7/B

7/A

70.FACTORY LEDGER CONTROL ACCOUNT

71.DIRECT MATERIAL COST

72.DIRECT LABOR COST

73.FACTORY OVERHEAD COST

74.MANUFACTURING ACCOUNT FOR SERVICE COMPANIES

75.RESEARCH & DEVELOPMENT COSTS

76.MARKETING-SELLING & DISTRIBUTION COSTS

77.GENERAL & ADMINISTRATIVE COSTS

78.FINANCING COSTS

7/B

79. ELEMENTS OF COST & EXPENSES

90.-99.MEMORANDUM ACCOUNTS

540.2.Chart of Ledger Accounts

100. Cash on hand (Functional coin & currencies)

101. Checks on hand

102. Cash in Bank

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103. Checks drawn & money orders (-)

104. Foreign currency

110. Marketable equity securities (Stock certificates on hand)

111. Marketable debt securities (Bonds on hand)

112. Government securities (State bond on hand)

118. Other marketable securities

119. Allowance for market decline of marketable securities(-)

120. Receivables from customers

121. Notes Receivable

122. Rediscount of notes receivable (-)
(Allowance to adjust the notes receivables to their net realizeable value)

126. Deposits & Guarantees given

127. Other operational receivables

128. Doubtful receivables

129. Allowance for doubtful receivables (-)

131. Receivables from owners (from stockholders)

132. Receivables from participations

133. Receivables from affiliated companies

134. Other notes receivables

135. Receivables from personnel

136. Other miscellaneous receivables

137. Rediscount (Allowance to reduce N.R.V.) of other Notes receivables (-)

138. Other doubtful receivables

139. Allowance for other doubtful receivables

150. Raw materials & supplies

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151. Work-in-process

152. Finished goods

153. Merchandise inventory

156. Damaged & obsolote goods

157. Other Inventories

158. Allowance for inventories to reduce to market value which is lower than cost because of damage,obselence,or other reasons (-)

159. Advance payments for purchase orders

160. - Free -

170. to 178. Construction in progress depending on long term construction contract

179. Advance payments to sub-contractors

180. Prepaid expenses which will be expired in next months

181. Accrued revenue receivables

190. Value added tax carried forward

191. Value added tax credit account

192. Other value added tax account

193. Prepaid taxes & funds

194. - Free -

195. Advance payments for purchases

196. Advances paid to the personnel

197. Cash short account

198. Other miscellaneous current assets

199. Allowance for other current assets

220. Receivables from customers (Long-term)

221. Notes receivables

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222. Rediscount of notes receivables (-)
(Allowance for reducing to Net Realizeable Value)

226. Deposits & Guarantees given (non-current)

229. Allowance for doubtful receivables (-)

230. - Free -

231. Long term receivables from owners (Stockholders)

232. Long term receivables from participations

233. Long term receivables from affiliated companies

234. - Free -

235. Long term receivables from personnel

236. Other long term miscellaneous receivables

237. Rediscount of other long term notes receivables (-)
(Allowance for reducing to Net Realizable Value)

238. - Free -

239. Allowance for other long term doubtful receivables

240. Long term security investments

241. Allowance for market decline of long term security investments (-)

242. Participations-up to %50 of the voting stocks of investee

243. Subscriptions to participations

244. Allowance for market decline in capital stock shares of participations (-)

245. Investment in affiliated companies - over %50 of the voting stocks of investee company

246. Subscriptions to affiliated companies

247. Allowance for market decline in capital stock shares of affiliated companies

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248. Other stock investments

249. Allowance for market decline in market value of other stock investments

250. Lands & parcels (piece of lands)

251. Underground & overland plants

252. Buildings

253. Plant, machine & equipment

254. Vehicles

255. Fixtures

256. Other tangible fixed assets

257. Accumulated depreciation (-)

258. Construction in progress

259. Advances paid for tangible assets

260. Rights

261. Goodwill

262. Foundation & Organization costs

263. Research & development costs

264. Leasehold improvements

267. Other intangible assets

268. Accumulated Amortization (-)

269. Advances paid for intangible assets

271. Exploration Costs

272. Preparation & development costs

277. Other assets subject to depletion

278. Accumulated depletion

279. Advances paid for assets subject to depletion

280. Prepaid expenses

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281. Accrued revenue receivables

291. Deferred Value added tax for depreciable fixed assets

292. Other value added tax

293. Inventories for future need

294. Disposable inventories & tangible assets

295. Prepaid taxes & funds

297. Other miscellaneous long-lived assets

298. Allowance for inventories to reduce to the market value which is lower than cost because of damage,obselence,or other reasons (-)

299. Accumulated depreciation (-)

300. Bank loans

303. Repay installments & interests payable on long-term credits

304. Retirement installments of serial bonds & Interest payable on bonds

305. Outstanding bonds payable

306. Other outstanding securities

308. Discount on issuance of securities (-)

309. Other short term financing debts

320. Short term payables to suppliers

321. Short-term notes payable

322. Rediscount for notes payable (-)

(Allowance for reducing to net realizable value)

326. Deposits & guarantees payable

329. Other operational liabilities

331. Payables to owners (to shareholders)

332. Payables to participations

333. Payables to affiliated companies

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335. Payables to personnel

336. Other miscellaneous payables

337. Rediscount of other notes payable (Allowance for reducing to net realizable value)

339. - Free -

340. Advances collected for sales orders

349. Other advances collected

350. to 358. Progress payments for long term construction contracts

360. Taxes & contributions to off-budget funds payable

361. Social security withholdings payable

368. Deferred,overdue or tallied(will be paid in instalments) taxes payable

369. Other liabilities payable

370. Provisions for corporation income tax & for other legal responsibilities

371. Prepaid corporate income taxes & contributions to off-budget funds (-)

372. Provisions for severance pay (payable in one year)

373. Provisions for estimated expenses neither realized nor accrued

379. Other provisions for known but undetermined liabilities & unrealized expenses

380. Revenue collected in advance (will be earned within one year)

381. Accrued expense payable in next months

391. Value Added Tax Received

392. Other Value Added Tax

393. Current accounts for Headquarters & Branches

397. Cash over

399. Other miscellaneous liabilities

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400. Bank Loans

405. Bonds outstanding (Bonds Payable)

407. Outstanding securities other than capital stock

408. Discounts on issuance of securities (-)

409. Other long term financing debts

420. Long-term payables to suppliers

421. Long-term notes payable

422. Rediscount for notes payable (-)

426. Deposits & guarantees collected for more than a year

429. Other long-term operational liabilities

431. Long-term payables to owners (Shareholders)

432. Long-term payables to participations

433. Long-term payables to affiliated companies

436. Other miscellaneous long term liabilities

437. Rediscount on other long term notes payable (-)

438. Deferred or tallied long term liabilities to state as taxes or others

439. - Free -

440. Long-term advances collected for sales orders

449. Other long-term advances collected

472. Reserves for severance pay

479. Other provisions for known but undetermined liabilities & unrealized expenses

480. Deferred revenue regarding periods more than one year

481. Accrued expense payable (will be paid in next year)

492. Deferred V.A.T.for imported investment goods attached to a certificate of encouragement & deferred V.A.T. on sales with condition of export that will be cancelled when exportation is

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realized

493. Contributions for facilities collected in advance

499. Other miscellaneous long term liabilities

500. Capital

501. Unpaid Capital (-)

520. Stock issuance premiums - Capital in excess of par value

521. Income from redemption of capital stock

522. Revaluation surplus (fund)

523. Revaluation surplus in result of revaluation made by participations

529. Other capital surplus

540. Legal reserves

541. Statutory reserves (provided according to articles of incorporation)

542. Extra-ordinary reserves (provided according to general meeting of the stockholders)

548. Other income reserves

549. Special funds & appropriations

570. Retained earnings

580. Loss of previous periods

590. Net income of the period

591. Net loss of the period (-)

600. Domestic sales revenue

601. Export sales revenue

602. Government grants related to income

610. Returns on sales (-)

611. Cash discounts (-)

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612. Other reductions on sales as allowances & freight paid by the customer

620. Cost of finished goods sold (-)

621. Cost of merchandise sold (-)

622. Cost of sevice rendered (-)

623. Cost of other goods sold (-)

630. Research & development expenses (-)

631. Marketing,selling & distribution expenses (-)

632. General administration expenses (-)

640. Dividents from stock investments in participations

641. Dividents from stock investments in affiliated companies

642. Interest revenue

643. Commission revenue

644. Cancelled allowances

645. Gain on sales of securities

646. Gain on sales of foreign-exchanges

647. Gain on rediscount of Notes Payable

649. Other ordinary revenue & income

653. Commission expenses (-)

654. Expenses regarding allowances [for bad debts.etc.] (-)

655. Loss on sales of securities (-)

656. Loss on sales of foreign exchanges (-)

657. Rediscount interest expense (-)

659. Other ordinary expenses & losses

660. Expenses incurred for short term financing

661. Expenses incurred for long term financing

671. Revenue & income of previous periods which are not credited

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to income in related period because of error or omission

679. Other extra-ordinary revenue & income

680. Factory overhead related to unused(idle) departments & not worked periods

681. Expense & loss of previous periods which are not debited to income in related period because of error or omission

689. Other extra-ordinary expense & losses

690. Revenue & expense summary account

691. Corporation income taxes & other legal responsibilities on income of the period

692. Net income or loss of the period

7 - A OPTION

700. Factory ledger control account

701. General ledger control account

710. Direct material costs

711. Applied direct material costs

712. Direct material price variance

713. Direct material quantity variance

720. Direct labor costs

721. Applied direct labor costs

722. Direct labor rate variances

723. Direct labor efficiency variances

730. Factory overhead costs

731. Applied factory overhead costs

732. Factory overhead spending variance

733. Factory overhead efficiency variance

734. Factory overhead capacity variance

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740. Cost of services rendered

741. Applied cost of services

742. Cost of sevices rendered variance

750. Research & development costs

751. Applied research & development costs

752. Research & development cost variances

760. Marketing, selling & distribution costs

761. Applied marketing, selling & distribution costs

762. Marketing, selling & distribution cost variances

770. General administration costs

771. Applied general administrative costs

772. General administrative cost variances

780. Financing costs

781. Applied financing costs

782. Financing cost variances

7 - B OPTION

790. Direct material costs

791. Office salaries & fringe benefits

792. Wages & fringe benefits

793. Benefits & services provided from third parties

794. Miscellaneous costs

795. Taxes & other duties

796. Depreciation, amortization & depletion

797. Financing costs

798. Applied elements of costs

799. Cost of production account

MARMARA ÜNİVERSİTESİ YAYINEVİ

MARMARA ÜNİVERSİTESİ 1883

ISBN : 975 - 400 - 107 - 3

MARMARA ÜNİVERSİTESİ
TEKNİK EĞİTİM FAKÜLTESİ
DÖNER SERMAYE İŞLETMESİ
MATBAA BİRİMİNDE BASILMIŞTIR.