

client alert

LABOUR LAW | TURKEY |

JANUARY 2017

LATEST DEVELOPMENTS ON MINIMUM WAGE, SEVERANCE PAY, INCOME TAX AND INTEREST RATES FOR 2017

MINIMUM WAGE DEVELOPMENTS

On 1 January 2017, the gross minimum wage in Turkey has been increased to TRY 1,777.5 per month from TRY 1,647 in 2016.

The net minimum wage rose to TRY 1,404.06 from TRY 1,300.99 in 2016, while the gross daily minimum wage has been increased to TRY 59.25.

Below is a breakdown of calculations for the minimum wage:

MINIMUM WAGE CALCULATION (From 01.01.2017 to 31.12.2017)	
Gross Wage	TRY 1,777.5
Employee's Contribution to Social Security	TRY 248,85
Employee's Contribution to Unemployment Insurance	TRY 17,78
Income Tax Base	TRY 1,510.88
Income Tax Deduction	TRY 226,63
Stamp Duty	TRY 13,49
Total of Deductions	TRY 506,75
Minimum Living Allowance ("MLA") (For single and childless persons)	TRY 133,31
Net Wage (including MLA)	TRY 1,404.06

CALCULATION OF COSTS FOR THE EMPLOYER	
Gross Wage	TRY 1,777.5
Employer's Contribution to Social Security (15.5%)	TRY 275,51
Employer's Contribution to Unemployment Insurance	TRY 35,55
Total Cost for the Employer	TRY 2,088.56

SEVERANCE PAY DEVELOPMENTS

As of 1 January 2017, the maximum gross wage amount to be used as basis for the calculation of severance pay has increased to TRY 4,426.16 per month, from TRY 4,297.21. This amount shall be valid only for the first period of 2017 and it is expected to increase to approximately 5% in the second half of the year.

INCOME TAX CALCULATIONS

In line with Income Tax Circular No. 296, income scales and income tax rates were amended by the Ministry of Finance on 1 January 2017, as follows:

INCOME TAX RATES			
Income Scales (Employment Income)	Tax Rates	Income Scales (Non-Employment Income)	Tax Rates
Up to TRY 13,000	15%	Up to TRY 13,000	15%
TRY 13,000 - TRY 30,000	20%	TRY 13,000 - TRY 30,000	20%
TRY 30,000 - TRY 110,000	27%	TRY 30,000 - TRY 70,000	27%
TRY 110,000 and over	35%	TRY 70,000 and over	35%

INTEREST RATE DEVELOPMENTS

On 1 January 2017, the base per annum rate of default interest applicable where late payment occurred in the provision of goods and services, as per Article 1530/paragraph 7 of the Turkish Commercial Law, was increased to 10.75% from 10.50% by the Central Bank of the Republic of Turkey (the "CBRT"). This default interest rate shall be applied where no provision is prescribed within the commercial contracts regarding the rate of default interest, or where such provision becomes invalid.

As of 31 December 2016, the discount interest rate applicable by the CBRT to commercial papers that have at least three (3) months until the date of maturity has been decreased to 8.75 from 9.00, while the advance interest rate for such transactions has been decreased to 9.75 from 10.50.

In compliance with Turkish bar regulations, information relating to Turkish law matters which are included in this client alert is given by Özdirekcan Dündar Şenocak Avukatlık Ortaklığı, a Turkish law firm acting as correspondent firm of Gide Loyrette Nouel in Turkey.

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