

# client alert

LABOUR LAW | TURKEY |

JANUARY 2018

## LATEST DEVELOPMENTS ON MINIMUM WAGE, SEVERANCE PAY, INCOME TAX, INTEREST RATES AND ADMINISTRATIVE FINES IN 2018

### MINIMUM WAGE DEVELOPMENTS

From 1 January 2018, the gross minimum wage in Turkey has been increased to TRY 2,029.50 per month, up from TRY 1,777.50 in 2017.

This means that the net minimum wage rose to TRY 1,603.12 from TRY 1,404.06 in 2017.

In addition, the gross daily minimum wage has been increased to TRY 67.65.

Below, please find a breakdown of the calculation of the minimum wage amount;

<b>CALCULATION OF MINIMUM WAGE</b> (For the time period of 01.01.2018 - 31.12.2018)	
Gross Wage	TRY 2,029.50
Employee's Contribution towards Social Security	TRY 248.13
Employee's Contribution towards Unemployment Insurance	TRY 20.30
Income Tax Base	TRY 1,725.08
Income Tax Deduction	TRY 258.76
Stamp Duty	TRY 15.40
Total of Deductions	TRY 578.59
Minimum Living Allowance ("MLA") (For a single and childless person)	TRY 152.21
Net Wage (including MLA)	TRY 1,603.12

<b>CALCULATION OF COSTS FOR THE EMPLOYER</b>	
Gross Wage	TRY 2,029.5
Employer's Contribution towards Social Security (15.5%)	TRY 314.57
Employer's Contribution towards Unemployment Insurance	TRY 40.59
<b>Total Cost for the Employer</b>	<b>TRY 2,384.66</b>

## SEVERANCE PAY DEVELOPMENTS

From 1 January 2018, the maximum gross wage amount to be taken as a basis for the calculation of the severance pay has increased to TRY 5,001.76 per month, from TRY 4.732.48 in the second half of 2017. This amount will be valid only for the first period of 2018, and it is expected to increase by approximately 5% in the second half of the year.

## INCOME TAX CALCULATIONS

For 2018, the income scales and income tax rates have been amended by the Ministry of Finance. According to the Income Tax Circular No 2018/1, the applicable rates are now as follows:

<b>INCOME TAX RATES</b>			
<b>Income Scales (Employment Income)</b>	<b>Tax Rates</b>	<b>Income Scales (Non-Employment Income)</b>	<b>Tax Rates</b>
Up to TRY 14,800	15%	Up to TRY 13,000	15%
TRY 14,800 - TRY 34,000	20%	TRY 14,800 - TRY 34,000	20%
TRY 34,000 - TRY 120,000	27%	TRY 34,000 - TRY 80,000	27%
TRY 120,000 and over	35%	TRY 80,000 and over	35%

## INTEREST RATE DEVELOPMENTS

For 2018, the base per-annum rate of default interest that will be applied due to late payment in the supply of goods and services, as set out in Article 1530 section 7 of the Turkish Commercial Code, has not been changed and remains the same – 10.75% – according to a declaration from the Central Bank of the Republic of Turkey. This default interest rate applies in the event that commercial contracts do not set a different rate of default interest, or if the relevant provisions have become invalid.

## RE-EVALUATION RATE DEVELOPMENTS

The re-evaluation rate for 2017, which will affect the calculation of taxes, duties and relevant matters in 2018, has been set at 14.47% by Circular (b) of the Ministry of Finance. This also means that all the administrative fines stated in the respective Laws (which includes also Labour Law No. 4857 and Consumer Protection Law No. 6502) have been updated by the above rate.

*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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