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**THE TREATY ON AVOIDING DOUBLE TAXATION OF
INCOME TAXES AND TAX EVASION AND ITS
ADDITIONAL PROTOCOL BETWEEN REPUBLIC OF
TURKEY AND REPUBLIC OF ARGENTINA HAS BEEN
APPROVED BY THE PRESIDENT OF TURKEY**



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The Treaty on Avoiding Double Taxation of Income Taxes and Tax Evasion (**Treaty**) and its Additional Protocol (**Protocol**) which was signed between Republic of Turkey and Republic of Argentina on 1st December 2018 was approved by the presidential decree numbered 2546 on 15th May 2020 and published on the Official gazette on 16th May 2020.

The Treaty which is composed of 29 articles and additional Protocol with 5 other articles which has been drafted in line with OECD Model Tax Convention was signed between two countries. Accordingly, the first articles includes personal scopes, taxes covered, general definitions, residency and permanent establishment, and other articles includes the provisions on avoiding double taxation of taxes on income which are income from immovable property, shipping, air and land transport, associated enterprises, dividends, interest, royalties, capital gains, self-employment and employment.

In the initial part of the agreement, the intentions of the parties to avoid the double taxation via preventing non-taxation, low taxation on taxes on income, and treaty shopping aiming to obtain the facilities provided in the Agreement through tax evasion or tax avoidance. In this context, reference was made to the Multilateral Convention (MLI).

The Treaty is expected to support the economic and commercial relations between the two countries in a positive

way. The main points that come to the forefront in the Treaty can be listed as follows:

- ✚ As per Article 10 of the Treaty, dividends paid by a company which is a resident of one of the two countries to a resident of the other country shall not exceed **10%** of the gross amount of the dividends if the recipient is a company which holds directly at least 25% of the capital of the company paying the dividends satisfying the condition that the shares have been hold for a minimum period of 365 days; **15%** of the gross amount of the dividends in all other cases.
- ✚ As per Article 11 of the Treaty, interest arising in one of the two countries and paid to a resident of the other country may be taxed in that other country but limited to **12%** of the gross amount of the interest. Additionally, central banks and the governments shall be exempt from tax in the other country with respect to interest arising in that other country.
- ✚ As per Article 12 of the Treaty, royalties arising in one of the two countries and paid to a resident of the other country may be taxed in that other country. However, such royalties may also be taxed in the country in which they arise, but the tax charged shall not exceed **3%** of the gross amount of royalties related to use or right to use the news, **5%** of the gross amount of royalties related to any copyright of literary, musical or other artistic or scientific work, **10%** of the gross amount of royalties in all other circumstances.



- ✚ According to Article 22 of the Treaty, Republic of Turkey and Republic of Argentina agreed that offset method will be used in order to prevent double taxation between two countries.
- ✚ According to the provisions on Article 24, in the event that there is a taxation that does not comply with the Treaty, it will be applied to the "Mutual Agreement Procedure" for the solution of this situation.

Considering Automatic Exchange of Information on Article 25 of the Treaty, we think that the Treaty will also strengthen financial and diplomatic cooperation between the two countries.

The Treaty will enter into force on the last notice which the respective governments have notified each other in writing that the constitutionally required formalities have been fulfilled according to the provision on Article 28. In this context, it is envisaged that official notifications between countries will be completed in 2020 and the provisions of the Agreement will start to be implemented as of January 1, 2021.

Please click [here](#) to reach the said Presential Decree which was published on the Official Gazette on 16th May 2020, and the Treaty on Avoiding Double Taxation of Income Taxes and Tax Evasion and its Protocol in Turkish language.

Kind Regards,

Please contact us for the further details
on our international tax bulletin



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