

**TURKEY****2008****1. Overview of the tax-benefit system**

Workers who are employed by one or more employers on a contract of employment basis are insured under the Social Insurance Act No.506. Insurance contributions used to be collected to meet the benefit payments under the insurance branches of work accidents and occupational diseases, sickness, maternity, invalidity, old-age and survivors as well as the administrative expenses incurred for running these insurance branches till 30/09/2008.

Yet, the conditions and transactions for income/payment for the insured and beneficiaries are set out by taking into account the financial balance of Turkish social security system by the new Social Insurance and General Health Insurance Law No. 5510 entering into force in 01/10/2008.

According to the Act No. 506, the rates of contribution paid by the employers and insured persons are shown on the table below:

Branches Of Insurance	Share of Insured People	Share of Employers	The Total Rate of Contribution
Work accidents and Occupational diseases	-	1.5 - 7	<b>1.5 - 7</b>
Maternity	-	1	<b>1</b>
Sickness	5	6	<b>11</b>
Invalidity, Old-age and Survivors	9	11	<b>20</b>
<b>Total</b>	<b>14</b>	<b>19.5 - 25</b>	<b>33.5 - 39</b>

The rate of contribution for the insurance of work accidents and occupational diseases varies between 1.5% - 7% depending on the category and degree of the risk that the workers exposed in a given workplace. Branches of work have been divided into 12 hazard categories for the purpose of determining contribution rates for work accidents and occupational diseases. Then the rate of contribution for each category has been determined starting from the minimum level of 1.5% with an increase of 0.5% at each hazard level up to the maximum level of 7%.

The minimum limit of the daily earnings to be taken as a basis for the calculation of the contributions to be collected and the allowances to be provided is determined as the daily minimum wage for workers older than 16 years of age which is fixed in accordance with the provisions of Article 39 of the Labor Act No.4857. The upper limit is 6.5 times higher than the daily minimum wage.

Contribution rate of the unemployment insurance is 4 % of the gross monthly earnings. Employer's share is 2 %, insured person's share is 1 % and State's share is 1 % of the gross monthly earnings of the insured. Unemployment benefits are not subject to any taxes or deductions other than stamp tax whose percentage rate is 0.6.

According to the New Act No. 5510, the rates of contribution paid by the employers and insured persons are shown on the table below:

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Branches Of Insurance	Share of Insured People	Share of Employers	The Total Rate of Contribution
Short-term Insurance Branches	-	1 – 6.5	<b>1 – 6.5</b>
Invalidity, Old-age and Survivors	9	11 (11 – 5 = 6 after coming into effect of the Law No.5763 known as Employment Package)	<b>20 (15)</b>
General Health Insurance	5	7,5	<b>12.5</b>
<b>Total</b>	<b>14</b>	<b>14.5 - 25</b>	<b>28.5 - 39</b>

Contribution rate of the unemployment insurance is 4 % of the gross monthly earnings. Employer's share is 2 %, insured person's share is 1 % and State's share is 1 % of the gross monthly earnings of the insured. Unemployment benefits are not subject to any taxes or deductions other than stamp tax whose percentage rate is 0.6.

A 5 percent reduction in employers' contributions on disability, old-age and survivors pensions for the insured employed in private sector was made due to the Law No. 5763 on Amendments to Labour Law and Some Laws coming into effect by being published in Official Gazette dated 26/05/2008.

### *1.1. Average production worker wage (APW)*

The gross average worker wage in the first half of 2008 in Turkey was: 20.28 YTL (over 608.40 YTL gross monthly minimum wage).

The gross average worker wage in the second half of 2008 in Turkey was: 21.29 YTL (over 638.70 YTL gross monthly minimum wage).

The gross annual average production worker wage for 2008 in Turkey was: 19022 YTL (Secretariat estimation).

## **2. Unemployment insurance**

Unemployment Insurance Act was enacted in 1999 and was put into effect as of June 2000. Purpose of the said Act is to regulate rules and principles of the application of the unemployment insurance and to ensure that payments and services envisaged in the Act are provided to the insured persons in the event that such persons become unemployed.

### *2.1 Conditions for receipt*

#### *2.1.1 Employment conditions*

According to the article 50 of the Unemployment Insurance Act No. 4447, in order to be able to utilize unemployment benefit, health insurance, consultancy, placement and vocational training services, it is required that the insured unemployed should pay at least 600 days of contributions in the 3 years before unemployment, including the last 120 days of employment, and should lose the job out of his/her own intent and fault.

### 2.1.2 *Contribution conditions*

Unemployment Insurance operates on a compulsory basis. Those insured under the said Act whose contracts of employment have been terminated are entitled to receive unemployment benefit provided that (i) they apply to the Agency in person to register, declaring that they are ready to work, (ii) they have worked as insured at least for 600 days and paid unemployment insurance premiums within the last three years, and (iii) they have continuously worked and paid premiums for the last 120 days prior to leaving the job.

Unemployment benefits are withheld for the following reasons while receiving unemployment benefit, if the beneficiary:

- a) unreasonably refuses a job offered by the Agency, which is similar to his/her last job in terms of salary and working conditions, and located within the borders of the place of residence.
- b) is found to be in paid employment or receiving pension from any social security institution.
- c) unreasonably refuses or fails to attend courses for the vocational development, acquirement and education proposed by the Agency;
- d) fails to respond to the calls by the Agency or fails to submit required information and documentation in due time without a reasonable excuse.

However, should the situation causing ending of benefits under subparagraphs (c) and (d) disappear, unemployment benefit is restarted, in such a way that duration of such payment may not go beyond the end of the total entitlement period as determined at the beginning.

## 2.2 *Calculation of benefit amount*

The amount of unemployment benefit is increased as a result of an amendment in article 50 of Unemployment Insurance Act No. 4447 by means of the Article 15 of the Law No. 5763. Accordingly, daily unemployment benefit corresponds to 40% of daily average gross earning calculated by taking into account the earnings basis upon premium of the insured person at the last 4 months. The unemployment benefit calculated in these terms cannot exceed 80% of the gross amount of monthly minimum wage determined for employees older than 16. By this provision, 12% increase occurs in unemployment benefit.

The first unemployment benefit is paid till the end of the month following being entitled to it. The unemployment benefit overpayments made to the insured deceased worker are not refunded.

### 2.2.1 *Calculation of gross benefit*

According to the abolished provision of article 50 in the Act No. 4447 by means of the Article 15 of the Law No. 5763 on 26/05/2008:

- Daily unemployment benefit is 50 percent of the previous net earnings of the insured, being calculated by taking into account the earnings of the last four months that constitute basis for premium.
- Unemployment benefits are paid to the unemployed worker in person on monthly basis at the end of each month.
- According to the above-mentioned Act, unemployment insurance benefit cannot exceed the net amount of minimum wage.
- Therefore, on the first six month period, the minimum unemployment insurance benefit was 240.775 YTL and the maximum unemployment insurance benefit was 481.55 YTL.

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However, as mentioned above, after entry into force of the Law No. 5763, the minimum unemployment insurance benefit was 255.48 YTL [638.70 (gross monthly minimum wage) x 0.40] and the maximum unemployment insurance benefit was 510.96 YTL [638.70 (gross monthly minimum wage) x 0.80].

## **2.2.2** *Income and earnings disregards for benefit recipients and those starting a new job*

## **2.3** *Tax treatment of benefit and interaction with other benefits*

Unemployment benefits were not subject to any taxes or deductions other than stamp tax. Nevertheless, unemployment benefits are not also subject to stamp tax, as of 01/11/2008. Except old-age insurance, receiving insurance payments from any social security institution do not interrupt the unemployment insurance payment. Those who receive incapacity insurance payment are precluded from doing so, but when they stop receiving that they are started being paid again.

## **2.4** *Benefit duration and waiting periods*

Provided that the insured unemployed continuously pay premiums for the 120 days preceding the termination of employment contracts and apply directly to IS-KUR (Turkish Employment Organization) units or apply from internet with the leave document within 30 days following the date of termination of employment contract, the benefit is paid for 180 days to an insured worker with at least 600 days of contributions; for 240 days with at least 900 days of contributions; and 300 days with at least 1.080 days of contributions. The first unemployment benefit is paid till the end of the month following the application. The legal application period is 30 days and in the event of applying after due period, the delayed time is deducted from total duration of the right to benefit.

## **2.5** *Treatment of particular groups*

### **2.5.1** *Young persons*

The gradual reduction in employers' entire contribution during 5 years is introduced by the Law No. 5763, provided that the women and the young aged 18-29 are employed additional to the current labour force, with a view to stimulating the employment of these. The whole amount of the share of employers' contribution for the first year, 80% of the second year, 60% of the third year, 40% of the fourth year and 20% of the fifth year is compensated by the Unemployment Insurance Fund.

The prescribed duration for the Unemployment Insurance Fund's compensation of employers' shares regarding insurance contributions calculated over the minimum limit of earning basis upon premium for the ones over 18 and under 29, and the women over 18 without distinction of age is augmented from 1 year to 2 years by the Law No. 5838 on Amendments to Some Laws published in Official Gazette dated 28/02/2009.

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2.5.2 *Older workers*

2.5.3 *Others if applicable*

### **3. Unemployment assistance**

Not Applicable.

#### **3.1 *Conditions for receipt***

3.1.1 *Employment conditions*

3.1.2 *Contribution conditions*

#### **3.2 *Calculation of benefit amount***

3.2.1 *Calculation of gross benefit*

3.2.1.1 *Irregular additional payments* [NEW ITEM]

3.2.1.2 *Obligations of family members* [NEW ITEM]

3.2.2 *Income and earnings disregards for benefit recipients and those starting a new job*

#### **3.3 *Tax treatment of benefit and interaction with other benefits***

#### **3.4 *Benefit duration and waiting periods***

#### **3.5 *Treatment of particular groups***

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3.5.1 *Young persons*

3.5.2 *Older workers*

#### **4. Social assistance**

The destitute and needy citizens were taken under social protection by the Law No. 2022 entering into force in 1976. Certain amendments were made in the Law No. 3816 Pertaining To Finance The Health Expenses Of Citizens Who Are Not Able To Afford To Finance Their Health Service Expenses By Government By Granting Green Card that was passed on 18/06/1992 due to the Law No. 5222 coming into effect by being published in Official Gazette dated 21/07/2004 and the scope of medical treatments is extended for the citizens living in these conditions.

Additionally, the studies on Draft Law for Social Assistance and Non-Contributory Payments are carried on.

4.1 *Conditions for receipt*

4.2 *Calculation of benefit amount*

4.2.1 *Calculation of gross benefit*

4.2.1.1 *Irregular additional payments [NEW ITEM]*

4.2.1.2 *Obligations of family members [NEW ITEM]*

4.2.2 *Income and earnings disregards for benefit recipients and those starting a new job*

4.3 *Tax treatment of benefit and interaction with other benefits*

4.4 *Benefit duration and waiting periods*

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#### **4.5 Treatment of particular group**

Benefits for the development and education of the mentally, physically, psychologically and emotionally disabled children of the insured or of the pensioners as well as for the children who receive benefit or pension from the Institution are provided by the Institution based on the principles and amounts mentioned in Budget Implementation Directions in accordance with the Supplementary Article 37 of the Social Insurance Act No.506.

4.5.1 *Young persons*

4.5.2 *Older workers*

4.5.3 *Others if applicable*

#### **5. Housing benefits for rented accommodation**

5.1 *Conditions for receipt*

5.2 *Calculation of benefit amount*

5.2.1 *Calculation of gross benefit*

5.2.2 *Income and earnings disregards*

5.2.3 *Costs eligible for housing benefits*

5.3 *Tax treatment of benefit and interaction with other benefits*

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#### **5.4**      *Treatment of particular groups*

5.4.1      *Young persons*

5.4.2      *Older workers*

5.4.3      *Others if applicable*

## **6. Family benefits**

The family allowances are paid on condition that the spouse of the insured does not work by being subject to any social security institution and does not get any income or payment from any institution, provided that the employment contract of the insured worker is still valid.

The children allowances are paid up to two children, if they have not completed 18th year, or, if receiving a secondary education his 20th year or, if receiving higher education his 25th year or, to son if disabled to the extent of being unable to work and if he is not drawing a pension to which he was entitled in respect of an employment covered by a retirement pension or social insurance scheme and to a daughter regardless of her age if she is not married or she is divorced or is a widow, provided that she is not employed in an occupation covered by Social Insurance Institution or under the Pension Fund for the Civil Servants or she is not drawing a pension from those institutions.

It is stated in paragraph 3 of article 16 of the Social Insurance and General Health Insurance Law No. 5510 that the women insured by the maternity benefit or the uninsured wife of the insured men, and the woman earning income or payment on behalf of herself, or the uninsured wife of the man earning income or payment among the insured people under the context of paragraph (a) and (b) of article 4 of this law are entitled to the nursing grant at the rate determined by the Board of Directors of the Social Security Institution and approved by the Minister, in the case of viable birth.

### **6.1 Conditions for receipt**

### **6.2 Calculation of benefit amount**

According to the Turkish social security legislation, the amounts exempted from the calculation of monthly insurance contributions in daily foods allowance, family allowance and children allowance for the period between 01/01/2008-30.06.2008 were as following:

Children Allowance:  $608.40 \text{ YTL} \times 2\% = 12.17 \text{ YTL}$  (for each child, and maximum for 2 children)

Family Allowance:  $608.40 \text{ YTL} \times 10\% = 60.84 \text{ YTL}$

Daily Foods Allowance:  $20.28 \text{ YTL} \times 6\% = 1.22 \text{ YTL}$  (Number of Working Days x 1,22 YTL)

The same allowances for the period between 01.07.2008–31.12.2008 were calculated as following:

Children Allowance:  $638.70 \text{ YTL} \times 2\% = 12.77 \text{ YTL}$  (for each child, and maximum for 2 children)

Family Allowance:  $638.70 \text{ YTL} \times 10\% = 63.87 \text{ YTL}$

Daily Foods Allowance:  $21.29 \text{ YTL} \times 6\% = 1.28 \text{ YTL}$  (Number of Working Days x 1.28 YTL)

Finally, the nursing grant for the year 2008 was 50 YTL.

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6.2.1 *Calculation of gross benefit*

6.2.1.1 *Irregular additional payments* **[NEW ITEM]**

6.2.2 *Income and earnings disregards*

6.3 *Tax treatment of benefit and interaction with other benefits*

6.4 *Treatment of particular groups*

6.4.1 *Young persons*

6.4.2 *Older workers*

6.4.3 *Others if applicable*

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## **7. Childcare for pre-school children**

### **7.1 *Out-of-pocket childcare fees paid by parents***

### **7.2 *Child-care benefits***

#### **7.2.1 *Conditions for receipt***

#### **7.2.2 *Calculation of benefit amount***

##### **7.2.2.1 *Calculation of gross benefit***

##### **7.2.2.2 *Income and earnings disregards***

#### **7.2.3 *Tax treatment of benefit and interaction with other benefits***

#### **7.2.4 *Treatment of particular groups***

## **8. Employment-conditional benefits**

### **8.1 *Conditions for receipt***

### **8.2 *Calculation of benefit amount***

#### **8.2.1 *Calculation of gross benefit***

### **8.3 *Tax treatment of benefit and interaction with other benefits***

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#### **8.4**      *Benefit duration*

#### **8.5**      *Treatment of particular group*

8.5.1      *Young persons*

8.5.2      *Older workers*

8.5.3      *Others if applicable*

### **9.**      **Lone-parent benefits**

#### **9.1**      *Conditions for receipt*

#### **9.2**      *Calculation of benefit amount*

9.2.1      *Calculation of gross benefit*

9.2.1.1    *Irregular additional payments* **[NEW ITEM]**

9.2.2      *Income and earnings disregards*

#### **9.3**      *Tax treatment of benefit and interaction with other benefits*

#### **9.4**      *Benefit duration*

#### **9.5**      *Treatment of particular group*

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9.5.1 *Young persons*

9.5.2 *Older workers*

9.5.3 *Others if applicable*

## **10. Tax system**

### **10.1 Income tax**

#### **10.1.1 Tax allowances and credits**

Income tax is levied on the real net value of wage and salary. The real net value of wage and salary is calculated by making the following deductions from the total cash payments made and fringe benefits given by the employer:

- Legal deductions for public institutions such as OYAK (Social Aid Institution for Military Officers)
- Contributions to the public pension funds established by law.
- Contributions to the private pension funds and premiums paid by the wage-earner for himself (or herself) and his (or her) spouse and dependant children for personal insurance schemes covering, death, illness, accident, disablement, maternity, birth and education, provided that the insurance is contracted with a company established in or with a main office in Turkey. The total amount of deductible contributions to the private pension funds can not exceed 10 per cent (for premiums that are paid for personal insurance schemes, it can not exceed 5 per cent) of the wage in the month which premiums or contributions are paid. Also annual amount cannot exceed the annual amount of minimum wage.
- Membership due made to the labour unions.

##### **10.1.1.1 Standard allowances**

After calculating the real net value of the wage and salary, the deductions mentioned below are made to obtain taxable income.

Standard reliefs:

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- Reliefs for disabled: By the law 4842, relief for disabled person is regulated again.

The employee who lost his/her working capacity at minimum 80 per cent is regarded as 1<sup>st</sup> degree disabled, minimum 60 per cent is 2<sup>nd</sup> degree disabled, minimum 40 per cent is 3<sup>rd</sup> degree disabled worker. Based on these degrees, following amounts are deducted from their monthly wages.

- For the 1<sup>st</sup> degree 600 YTL
- For the 2<sup>nd</sup> degree 300 YTL
- For the 3<sup>rd</sup> degree 150 YTL

- Reliefs for social security contributions: Employees' social security contributions are deductible from gross earnings. This contribution is 15 per cent of gross income as stated by the social insurance act. The contribution to the unemployment fund is included in this amount and amounts to 1 per cent of the gross income. It is applied after 01.06.2000.
- Work-related expenses: None.

#### 10.1.1.2 Standard tax credits

##### Minimum Living Relief

Tax Allowance for Wage-Earners which was arranged by Repeated Article 121 is abolished by Article 31 of the Law No: 5615. Instead, Minimum Living Relief which was enacted by Rearranged Article 32 of Personal Income Tax shall be amended and applied to income that will be obtained as of 01/01/2008 by Article 2 of the Law No: 5615. According to the amendment, the annual gross amount of minimum wage which is valid from the beginning of the calendar year in which the wage is earned and which applied to the employees older than 16 who work in industry sector is multiplied with 50 % for the taxpayer himself, 10 % for his spouse who neither work nor have an income, 7,5 % for the first two children separately, 5 % for other children, than these final amounts multiplied with the rate (15 %) applied to the first tax bracket of the Personal Income Tax Schedule stated in Article 103 so that the minimum living relief amount is calculated. This amount (minimum living relief) may be offset against the calculated tax.

The real persons whose wages are taxed in real procedure may benefit from minimum living relief.

Minimum living relief is applied to the annual gross amount of the minimum wage of the employees older than 16 at the beginning of the calendar year in which the income is obtained at the rates below:

- 50 % for the taxpayer himself
- 10 % for the spouse who neither work nor have an income
- 7,5 % for the first two children separately
- 5 % for other children

The amount to be calculated by applying the allowance rates calculated according to the personal and marital status of the wage-earner shall be multiplied with the rate (15 %) which is applied to the first income bracket of PIT Schedule stated in Article 103 of PIT Law, and then minimum living relief shall be calculated by offsetting 1/12 of the allowance amount against calculated tax. The total amount to be subject to allowance cannot exceed annual gross amount of minimum wage.

### 10.1.2 *Income tax schedule (central government income tax)*

The tax schedule in 2008 is as follows:

Taxable income (YTL)	Tax on lower threshold (YTL)	Tax on excess amount above lower threshold (%)
Up to 7 800		15
7 800 up to 19 800	1 170	20
19 800 up to 44 700	3 570	27
44 700 and over	10 293	35

### Stamp tax

The stamp tax base is gross earnings. The tax rate is 0.6 per cent for the year 2008.

### 10.1.3 *State and local income taxes*

According to the Personal Income Tax Law, personal income tax is not collected by state and local governments and also tax collection which is made by central government is the only and final taxation.

## 10.2 *Treatment of family income*

Spouses are taxed separately on earned income. This applies since 1 January 1999.

## 10.3 *Social security contributions and payroll taxes*

There is no distinction by marital status or sex and the contributions apply to gross earnings. Compulsory social security contributions of employees and their employers are calculated according to the schemes presented below.

For employees whose gross earnings are below the base or above ceiling earnings, which are determined at least twice a year, these contribution rates are applied to the base or ceiling amounts respectively. In 2008, the ceiling amount is YTL 48.637,80 and the base amount is YTL 7.482,60. Under the Social Security Law amended by Law 5198, the base wage for social security contributions is equal to the minimum wage since 1<sup>st</sup> July 2004. Because employees cannot earn less than the minimum wage, the base wage is not considered in this publication. However, the ceiling earnings are considered for the purposes of this Report.

Death, confinement and marriage allowances, travel allowance, severance pay, pay for notice period, cash register indemnities and allowances in kind paid by the employer to the insured person in accordance with the employment contract as well as child and family allowances determined annually by

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the Ministry Labour and Social Security are not taken into consideration when calculating monthly amount of insurable earnings for contributions

### *10.3.1 Contributions payable by employees and benefit recipients*

#### ***Employees' contributions***

Pensions (disability, old age and death insurance) 9 per cent

Sickness: 5 per cent

Unemployment: 1 per cent

### *10.3.2 Contributions payable by employers*

#### ***Employers' contributions***

They are set at 21.5 percent and include pensions: 11 percent,

General Health Insurance: 7.5 percent, (Maternity Insurance Included)

Unemployment: 2 per cent,

Work injury: The rate of contribution for the insurance of work accidents and occupational diseases varies between 1.0% - 6,5% depending on the category and degree of the risk that the workers exposed in a given workplace.

A new Premium incentive has entered into force as of 1 October 2008, which enables the part of 5 % of employer's insurance contribution by private companies that are out of debt to Social Security Institution, to be paid by the Treasury.

With this amendment, the Treasury shall pay 5 % of insurance contribution for disablement, old-age and death to be paid by employers for incentive purposes. Therefore, the Treasury undertakes 5 % of insurance contribution burden of the companies which have no debt to Social Security Institution and do not employ any unregistered worker.

### *10.3.3 Payroll taxes*

## ***10.4 Treatment of particular group***

### *10.4.1 Young persons*

Bağ-Kur has been covering the social security of tradesmen, craftsmen and self-employed people in compliance with the Act No. 1479; the self-employed farmers according to the Act No. 2926; and finally the head of districts as well as villages in compliance with the Act No.2108

Furthermore;

- Housewives,
- Foreign nationalities residing in Turkey,
- The persons who are not covered by any social security institution,

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- The non-working persons who stay aboard with their Turkish spouses,
- The persons who lost their compulsory insurance status under Bağ-Kur,

may be covered under the voluntary insurance system.

Bağ-Kur pays old-age, invalidity and survivors' pensions and health benefits to those insured persons under the coverage of the provisions of Act No. 1479 and 2926. In the event of not being entitled to pension payment, the contributions accrued are paid to the insured or their survivors as lump-sum payments.

For the goal of increasing the efficiency of social security institutions (SSK, Bağ-Kur, Emekli Sandığı), The Social Security Institution is established by the Law numbered 5502 and all social security institutions are unified under The Social Security Institution. It is foreseen that this law would be applied in the first half of 2008.

Contributions under the Act No. 1479:

In order to cover the benefit payments and all sorts of administrative expenses, contributions are collected by the Institution in accordance with the provisions of the said Act. Administrative expenses cannot exceed 10% of the general annual expenses of the Institution.

According to the said Act, the amount of contribution corresponds to the 20% of income scale raised, adjusted or chosen by the insured person. Commencement deduction is collected only once by the Institution at the level of 25% of the notified income on the date of Commencement of the insured status. In the event of income scale increases, the contribution amount corresponding to the difference between the two income scales is charged. The contribution amount is charged monthly by calculating as from the beginning of the month following the date on which the insured status started until the end of month in which the insured status ended.

All these deductions and contributions may be declared as expenses for the purposes of tax calculations, provided that the contributions due have been paid during the corresponding tax year.

Contributions under the Act No. 2926:

Under the Act, the amount of contribution for invalidity, old-age and survivors insurance corresponds to the 20 % of income scale adjusted or chosen by the insured person. The contribution amount is computed by multiplying the coefficient of the income scale of the insured person by the index determined in accordance with the Act.

Contributions for the Health Insurance:

The contributions are collected by the Institution in accordance with the provisions of the Act No.1479 at a proportion of 20 % of the 8th scale from the insured persons within the first 8 scale and at a proportion of 20 % of the applicable scale in and over 9 th scale.

The contributions are collected by the Institution in accordance with the provisions of the Act No. 2926 on the basis of 20 % of the sixth income scale from the insured persons within the first 6 scale and 20 % of the applicable scale in and over 7 th scale.

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#### 10.4.2 *Older workers*

In cases where a pensioner starts working as an insured person while drawing an old-age pension, the payment of pensions may continue. However, a Social Security Support Contribution is deducted from their earnings at a rate of 30 %. One fourth of the contribution is paid by the person insured and three-fourths by the employer.

If the pensioner was paid 638.70 YTL by an employer, the amount of contribution payable would be;

		<b>Amount Payable</b>
<b>Gross Income</b>	<b>638.70</b>	<b>-</b>
<b>Insured Person's share</b>	$\frac{1}{4}$	<b>47,90</b>
<b>Employer's share</b>	$\frac{3}{4}$	<b>143,71</b>
<b>Total</b>	<b>4/4</b>	<b>191,61</b>

#### 10.4.3 *Others if applicable*

### 11. **Part-time work**

#### 11.1 *Special benefit rules for part-time work*

Days are taken as a basis for social security contributions taking into account the number of hours worked. The "insured status" starts from the day on which the employee starts working under an employment contract. Each 7.5 hours of working period is considered as one day working time. In determining the contribution amount, the maximum and minimum limits of the insurable daily earnings are also taken into consideration.

#### 11.2 *Special tax and social security contribution rules for part-time work*

Each 7.5 hours of working period under a part-time employment contract is considered as one day working time and the minimum amount of daily wage determined for the persons older than 16 years of age is considered as the minimum amount of earnings that can be declared for insurance calculations.

### 12. **Policy developments**

#### 12.1 *Policy changes introduced during 2008*

- Tax Allowance for Wage-Earners which was arranged by Repeated Article 121 is abolished by Article 31 of the Law No: 5615. Instead, Minimum Living Relief which was enacted by Rearranged

Reference date for all information is **July 1<sup>st</sup> 2008**

Country chapter for OECD series *Benefits and Wages* ([www.oecd.org/els/social/workincentives](http://www.oecd.org/els/social/workincentives))

Article 32 of Personal Income Tax shall be amended and applied to income that will be obtained as of 01/01/2008 by Article 2 of the Law No: 5615. According to the amendment, the annual gross amount of minimum wage which is valid from the beginning of the calendar year in which the wage is earned and which applied to the employees older than 16 who work in industry sector is multiplied with 50 % for the taxpayer himself, 10 % for his spouse who neither work nor have an income, 7,5 % for the first two children separately, 5 % for other children, than these final amounts multiplied with the rate (15 %) applied to the first tax bracket of the Personal Income Tax Schedule stated in Article 103 so that the minimum living relief amount is calculated. This amount (minimum living relief) may be offset against the calculated tax. The total amount to be subject to allowance cannot exceed annual gross amount of minimum wage.

- A new Premium incentive has entered into force as of 1 October 2008 with the Law No: 5763, which enables the part of 5 % of employer's insurance contribution by private companies that are out of debt to Social Security Institution, to be paid by the Treasury.

With this amendment, the Treasury shall pay 5 % of insurance contribution for disablement, old-age and death to be paid by employers for incentive purposes. Therefore, the Treasury undertakes 5 % of insurance contribution burden of the companies which have no debt to Social Security Institution and do not employ any unregistered worker.

## **12.2** *Future policy changes announced in 2008*

## ANNEX

### DEFINITION OF SOCIAL SECURITY CONTRIBUTIONS AND PAYROLL TAXES.

The following text has been adapted from Annex A of the OECD *Revenue Statistics*.

#### **Social security contributions to general government**

Classified here are all compulsory payments that confer an entitlement to receive a (contingent) future social benefit. Such payments are usually earmarked to finance social benefits and are often paid to institutions of general government that provide such benefits. However, such earmarking is not part of the definition of social security contributions and is not required for a tax to be classified here. However, conferment of an entitlement is required for a tax to be classified under this heading. So, levies on income or payroll that are earmarked for social security funds but do not confer an entitlement to benefit are excluded from this heading and shown under personal income taxes or taxes on payroll and workforce. Taxes on other bases, such as goods and services, which are earmarked for social security benefits are not shown here [...] because they generally confer no entitlement to social security benefits.

Contributions for the following types of social security benefits would, *inter alia*, be included: unemployment insurance benefits and supplements, accident, injury and sickness benefits, old-age, disability and survivors' pensions, family allowances, reimbursements for medical and hospital expenses or provision of hospital or medical services. Contributions may be levied on both employees and employers.

#### **Social security contributions paid to institutions outside general government**

Contributions to social insurance schemes which are not institutions of general government and to other types of insurance schemes, provident funds, pension funds, friendly societies or other saving schemes [are included here if they are compulsory or quasicompulsory (e.g., by virtue of agreement with professional and union organisations)]. Provident funds are arrangements under which the contributions of each employee and of the corresponding employer on his/her behalf are kept in a separate account earning interest and withdrawable under specific circumstances. Pension funds are separately organised schemes negotiated between employees and employers and carry provisions for different contributions and benefits, sometimes more directly tied to salary levels and length of service than under social security schemes.

#### **Payroll taxes**

This heading covers taxes paid by employers or employees either as a proportion of payroll or as a fixed amount per person, and which do not confer entitlement to social benefits. Examples of taxes classified here are the United Kingdom national insurance surcharge (introduced in 1977), the Swedish payroll tax (1969-1979), and the Austrian Contribution to the Family Burden Equalisation Fund and Community Tax.