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## Update on Legal Interest, Late Payment Fee and Deferment Interest Rates

## Legal Interest Rate

According to Article 1 of the Law No. 3095 on Legal Interest and Default Interest ("Law No. 3095"), interests to be paid as per Turkish Code of Obligations and Turkish Commercial Code, shall be made at an annual rate of 12%, unless a different contractual rate is agreed. The president is authorized to adjust this rate on a monthly basis, and to reduce it by up to 10% or increase it up to one time.

The legal interest rate was 9% since January 1, 2006, pursuant to the Council of Ministers' decision (2005/9831) dated December 19, 2005 published in the Official Gazette (26039) dated December 30, 2005.

The Presidential Decree (8485) dated May 20, 2024 published in the Official Gazette (32552) dated May 21, 2024 announced that the legal interest rate shall apply as 24% per annum effective from June 1, 2024.

In this context, the legal interest rate regulated in Article 1 of the Law on Legal Interest and Default Interest will apply as 24% as of June 1, 2024.

## Late Payment Fee

According to Article 51 of the Law No. 6183 on the Procedure for Collection of Public Receivables ("Law no. 6183"), a late payment fee of 4% per month shall apply to any portion of the public receivable that is not paid within the designated payment period, starting from the due date. The president is authorized to reduce the late payment fee rates collectively or separately for each month by up to 10%, to increase the late payment fee rate and the minimum amount of the late payment fee up to two times, to determine the late payment fee rate differently for each month, or to calculate the late payment fee monthly, quarterly, semi-annually or annually by compound interest method.

Late Fee rate has been applied as 3.5% per month since November 14, 2024 as per the Presidential Decree (7782) dated November 13, 2023 published in the Official Gazette (32369) dated November 14, 2023.

The Presidential Decree (8484) dated May 20, 2024 published in the Official Gazette (32552) dated May 21, 2024 announced that the late payment fee rate shall apply as 4.5% separately for each month.



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The late payment fee is applied at the rate determined in this article for tax loss penalties imposed under the Tax Procedure Law No. 213, and at half this rate for public receivables imposed by the courts qualified as penalties. Other public receivables that are penalties, shall not incur a late payment fee.

## **Deferment Interest Rate**

According to Article 48 of the Law no. 6183, if the payment of a due public debt or the execution of confiscation or the liquidation of confiscated goods would put the public debtor in a very difficult situation, the creditor public administration or the designated authorities, may grant a deferral of the public debt for up to 36 months with interest. This deferral is contingent upon a written request from the debtor and the provision of an adequate security.

With the General Communiqué on Collection (Serial No: C No: 8) of the Ministry of Treasury and Finance (Revenue Administration) published in the Official Gazette (32552) dated May 21, 2024, the deferment interest rate, which is applied as 36% per annum, has been revised as 48% per annum.

In this regard, a deferment interest of 48% per annum will apply to public receivables deferred pursuant to applications made as of May 21, 2024.

Public receivables that are deferred for applications submitted prior to May 21, 2024, as well as those which were deferred before this date and are being paid in accordance with the deferment conditions, will continue to be subject to the previous deferment interest rate. The previous rate will continue to apply as of the application date, as long as the payments are made in accordance with the deferment conditions.

On the other hand, for public receivables where a deferment request was made prior to May 21, 2024, and the request was approved but the terms of the deferment was later violated, if a new deferment is granted based on a subsequent new request (thus validating the original deferment), the old deferment interest rate will apply until May 21, 2024. After this date, a deferment interest rate of 48% will be applied to the installment amounts due.