



Country insights  
**TURKEY**

Country insights from **İsmail Vefa AK** and **Baycan Aksu** on current trends in the Turkish accounting market and the general health of the industry

**İsmail Vefa AK** from **Vizyon** and **Baycan Aksu**, from **MGI Bağımsız Denetim A.Ş.** share important insights on the current trends in the Turkish accounting market, commenting on current challenges and overall health of the industry.

**Q: How do you feel about interest rate rise earlier this year? Do you think it will cool inflation and have a positive effect?**

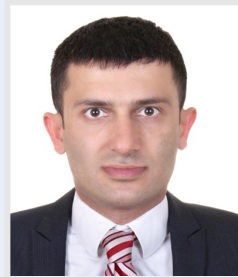
**Baycan:** In March, Turkey’s central bank hiked the interest rate to 50% to control inflation but it is still not tight enough to tame inflation. Annual inflation was recorded at nearly 70% in February, the highest level in 15 months, and peaked in May at just over 75%, decreasing slightly in June. Turkey’s central bank anticipates inflation will end the year at 36% partly due to favourable base effects.

**Q: What kind of effect is hyperinflation having on the business environment?**

**İsmail:** Hyperinflation severely disrupts the business environment by eroding purchasing power, creating uncertainty in pricing and planning, and potentially leading to shortages of goods due to distorted demand.

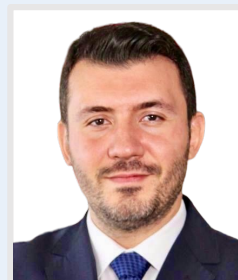
**Baycan:** Businesses in the domestic market cannot predict their probable returns in real terms, so they are reluctant to invest in new capacity and opportunities. Suppliers cannot wait months for payment when money is losing its value all the while prices must be renegotiated all the time to keep abreast of the eroding monetary standard.

Serving you in Turkey



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**Q: Have there been any significant regulatory developments in Turkey over the last 12 months?**

**İsmail:** Decisions were made to increase the policy rate. Alongside monetary tightening policies, expansionary decisions were taken that negatively affect the pension system. Changes were made to tax rates. The corporate tax rate was raised to 25%, and VAT was increased to 20%.

**Baycan:** Due to high inflation in Turkey for several years in a row, companies were required to make inflation adjustments to their financial statements at the end of 2023. In 2024 tax will be levied based on inflationary adjusted profits.

**Q: How would you describe the health of the accounting industry in Turkey in terms of customer demand, fee pressure, and staff recruitment and retention?**

**İsmail:** Accounting is a profession that requires early learning and ongoing commitment, with a constant need to update one's knowledge base. In Turkey, there's a noticeable trend of declining numbers of qualified professionals in the accounting field. Given Turkey's growing economy, there is high demand for accounting services. However, the sector is challenged by low fees amidst rising inflation and a shortage of staff.

**Baycan:** In recent years, attracting and retaining skilled auditors in the tax and accounting industry has been challenging. This is especially true as the demand by private or public companies, for qualified independent auditors increases.

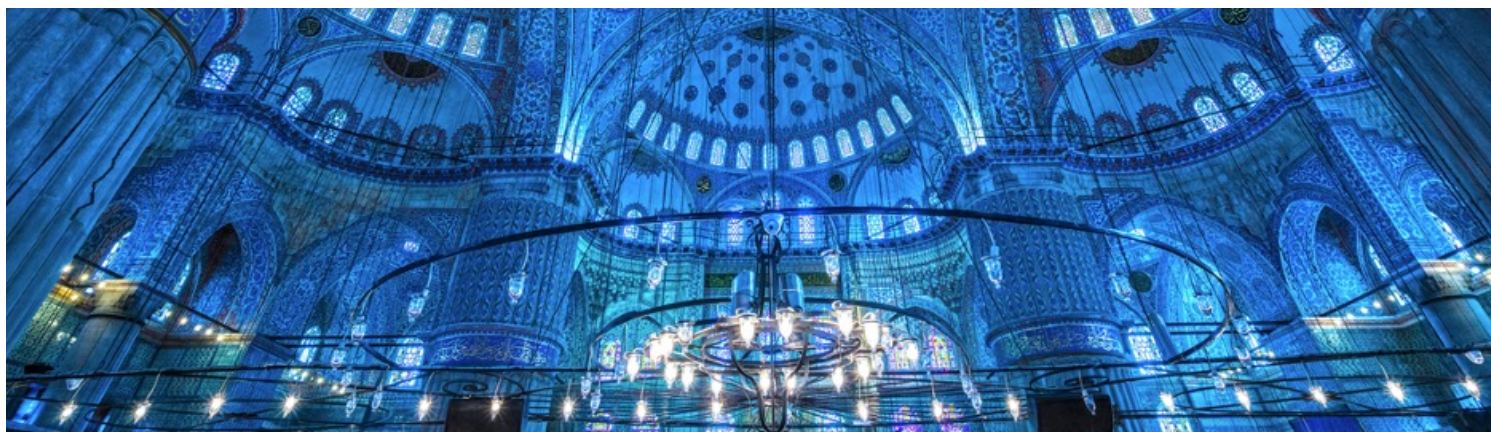
We recently started to observe that younger generations in the audit industry have a lack of commitment to their companies. Audit companies invest in newly recruited personnel, but once they gain experience and knowledge, they leave the company for a small rise in salary. Also, competition in independent auditing has harmful effects on independent audit fees. This situation primarily reduces the interest in the independent auditing profession and reduces the level of new graduates turning to the sector.

**Q: What are your expectations for the next 12 months - are there any potentially significant developments in the pipeline?**

**İsmail:** Budget deficits have become a significant issue for Turkey for the first time in 20 years. In response, the government has initiated a "public sector savings" campaign aimed at reducing overall budget expenditures. Specific targets have been set to achieve this goal.

Furthermore, preparations for a comprehensive tax legislation package are nearing completion. This package, set to be implemented this year, includes increased tax penalties, a narrowing of certain tax advantages, and the introduction of a global minimum corporate tax regime.

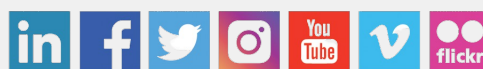
I also anticipate an increase in tax inspections in 2024 and 2025, with tax auditors working more to ensure tax compliance and reduce tax losses.



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