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CLIENT ALERT

Türkiye Raises Withholding Tax on Money Market Fund Income

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Presidential Decree No. 11734 ("Decree") was published in the Official Gazette No. 33361 of 5 September 2026, amending Council of Ministers Decision No. 2006/10731 ("Cabinet Decision"), the long-standing decree that sets withholding tax rates under Provisional Article 67 of the Income Tax Law on capital market income. The amendment raises the withholding tax on income from money market funds and from free funds having the term "money market" in their titles, earned through certain fund-like corporate vehicles, and introduces a transitional rule for holdings acquired before publication.

What has changed

The amendment rewrites the special rate carve-out that applies to corporate taxpayers under Article 2/1 of Corporate Tax Law No. 5520 whose sole activity is earning income from securities and other capital market instruments, where the Ministry of Treasury and Finance ("Ministry") determines that the taxpayer is similar in nature to an investment fund or investment trust established under Capital Markets Law No. 6362. Such taxpayers previously fell outside the Cabinet Decision's general 10% rate altogether and were taxed at 0% on the whole of their capital market income. The amendment now splits that treatment: gains from money market fund participation shares, and from free fund participation shares carrying "money market" in their registered title, are subject to a new 10% withholding tax. Their other gains remain at 0%, unchanged from before. Taxpayers outside this group continue to be taxed at the same general 10% rate that already applied to their non-fund capital market income; their ordinary investment fund income, including plain money market fund participation shares, remains taxed separately at 17.5%, unaffected by this amendment.

Who is affected

The change reaches corporate taxpayers under Article 2/1 of Corporate Tax Law No. 5520 that the Ministry has designated, or could designate, as similar in nature to a Capital Markets Law fund or trust, together with the custodians and fund administrators that service such a designated vehicle's Turkish money market fund and free fund holdings. Clients whose holding structure includes, or could include,

CONTACT US

Beybi Giz Plaza
Office 55, Maslak
Istanbul, Türkiye
+90 212 215 30 00
info@gurulkan.com
www.gurulkan.com

such a designated vehicle should treat this as a direct rate change on their income; a client that simply holds Turkish money market fund units directly, without being or using such a designated vehicle, remains outside this carve-out and is unaffected by the amendment.

Impact on foreign investors

Residence status does not affect this withholding. Paragraph (5) of Provisional Article 67 of the Income Tax Law states expressly that whether the income recipient is a resident or non-resident taxpayer does not change the withholding due under paragraphs (1) through (4), so a fund-like vehicle held by a foreign parent or foreign investors remains fully within scope of the new 10% rate on its money market income.

The Ministry's designation power is not limited to domestic vehicles. Sovereign wealth funds, institutional or organizational funds, and investment institutions that operate in Türkiye exclusively to invest in securities and other capital market instruments can themselves be designated by the Ministry as similar in nature to a Capital Markets Law fund or trust, placing them within the same carve-out as their domestic counterparts. A foreign institutional investor holding Turkish money market fund or money-market-titled free fund positions through such a designated vehicle should expect the same split treatment, a new 10% rate on that money market income and continued 0% on its other capital market gains, rather than the flat 10% rate that applies to an ordinary foreign corporate investor outside the carve-out.

Where a fund-like vehicle is itself a non-resident taxpayer with Turkish-source income, or where treaty relief might otherwise be considered, the withholding here attaches to the vehicle's own investment income rather than to a payment made to a nonresident, so it does not automatically qualify for the reduced rates available under a treaty's dividend or interest articles. That interaction is fact-specific and worth a separate review for any affected structure.

Transitional treatment

The new rate applies from the publication date to money market fund units and money-market-titled free fund units acquired on or after 5 September 2026. For units of either type already held before that date, it applies only to the portion of the gain accruing between publication and the eventual disposal date; gains that accrued on those existing holdings before publication remain outside the new rate. All other elements of the Decree take effect on the publication date.

Recommended action

Clients whose Turkish money market fund or money-market-titled free fund positions are held through a fund-like vehicle that has been, or could be, designated by the Ministry should have their custodians or fund administrators confirm how the accrual is being split between the pre- and post-publication periods, since the withholding will now depend on that split rather than on a single flat rate. Clients using foreign fund, institutional or sovereign vehicles to hold Turkish money market fund or money-market-titled free fund positions should also confirm whether that vehicle has been,

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+90 212 215 30 00
info@gurulkan.com
www.gurulkan.com

or could be, designated by the Ministry as similar in nature to a Capital Markets Law fund or trust, since that designation determines whether the new 10% carve-out rate applies to that income or whether it instead remains taxed at the general 17.5% rate that applies to ordinary investment fund income. Clients who simply hold Turkish money market fund units directly, without being or using a Ministry-designated vehicle, fall outside this carve-out and continue to be taxed at the unaffected 17.5% rate, with no action required as a result of this amendment.

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