



PRIMETAX GUIDE:

PAYROLL MANAGEMENT FOR INTERNATIONAL COMPANIES IN TÜRKİYE

1. Introduction

Managing payroll in Türkiye is more than an administrative duty — it is a compliance-critical process. Employers must navigate complex legislation, work with multiple regulatory bodies, and ensure alignment between local requirements and global payroll policies.

Key compliance areas include:

- Turkish Labour Law
- Income Tax Law
- Law No. 5510 on Social Insurance and General Health Insurance
- Stamp Tax Law
- Law on the Protection of Personal Data (KVKK)
- Applicable bilateral social security agreements

Local payroll operations must also integrate seamlessly with global systems, matching data formats, terminology, and cost allocation rules while meeting Türkiye's detailed legal obligations.

2. Payroll and Tax Rules for Foreign Employees

Work and Residence Permits

Foreign employees must hold a valid work permit from the Ministry of Labour and Social Security before starting work. Payroll registration should only occur once the validity and expiry dates are verified. Failure to comply can result in substantial fines for both employer and employee.

Practical step: Record permit expiry dates in payroll systems with automated renewal reminders.

Tax Residency and Double Taxation

Foreign employees present in Türkiye for more than 183 days in a calendar year are generally considered full taxpayers, liable for tax on worldwide income. Under applicable Double Taxation Avoidance Agreements (DTAAs), taxes paid in Türkiye may be offset against liabilities in the employee's home country. Payroll calculations must reflect treaty-specific rules.

Social Security

Employees from countries with a bilateral social security agreement may be exempt from SGK contributions if they provide the required certificate (e.g., A/T 1). Without such an agreement, SGK registration is mandatory from day one. Late or incorrect registration can result in backdated premiums and interest.

Net-to-Gross and Taxable Benefits

Net salary arrangements are common, but must be grossed up to include:

- Income tax brackets
- SGK and unemployment insurance contributions
- Stamp tax (currently 0.759%)

Benefits in kind — housing allowances, company cars, meal vouchers, tuition assistance — are taxable and must be included in payroll.

3. Payroll in the Context of Transfer Pricing

Intra-Group Assignments

For secondments, the paying entity applies local withholding tax rules.

Cost Sharing

When payroll costs are shared with an overseas parent company, proper invoicing, VAT assessment under Law No. 3065, and compliant transfer pricing documentation are essential.

Executive Service Fees

Time spent by senior executives abroad on Türkiye-related matters may be invoiced as a management service fee. Incorrect classification can trigger corporate tax and VAT liabilities.

4. Global Compliance and Reporting

Payroll Systems

Global platforms such as SAP SuccessFactors, Workday, or ADP must be configured for Türkiye's regulations. Non-compliance with SGK's e-declaration format can lead to penalties.

Local Variations

A standardised global payroll template rarely works in Türkiye; systems must accommodate local requirements.

Data Protection

Transferring payroll data abroad requires explicit employee consent and confirmation that the recipient country meets Türkiye's "adequate protection" standard, or formal approval from the KVKK Authority. Data must be encrypted and access restricted.

5. Frequent Compliance Issues

<u>Issue</u>	<u>Example</u>	<u>Outcome</u>	<u>Solution</u>
Missed tax update	Mid-year change overlooked	Higher payroll costs	Real-time local-global updates
Social security oversight	Foreign staff not SGK-registered	Backdated premiums + fines	Country-specific SGK checklist
Reporting mismatch	ERP output rejected by SGK	Incorrect filings	Local data transformation module
Data transfer breach	Payroll sent abroad without consent	KVKK fine	Pre-transfer compliance check
Benefit misclassification	Housing allowance tax-free	Backdated taxes + interest	Benefits tax matrix

6. Strategic Priorities

1. Integrate local and global updates — Reflect legislative changes in payroll systems immediately.
2. Align systems — Ensure ERP and payroll platforms meet Türkiye's compliance needs.
3. Protect data — Apply KVKK safeguards: consent, encryption, restricted access.
4. Audit annually — Arrange independent compliance reviews.
5. Train teams — Local teams on global processes, global teams on Turkish rules.

7. Summary

A practical payroll framework in Türkiye mitigates compliance risks, ensures accurate reporting, and protects financial and reputational integrity. Success depends on up-to-date legal expertise, robust systems, and payroll professionals who can bridge the gap between local rules and global standards.