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Legal Alert
Tax Law
7 September 2026

Updates to Withholding Tax on Money Market Funds

With the publication of the Presidential Decision No. 11734 in the Official Gazette, institutional investors' gains derived from money market funds and similar hedge funds are now subject to withholding tax, effective from 5 September 2026.

Legal Framework

Presidential Decision No. 11734 (the "**Decision**") was published in the Official Gazette numbered 33361 of 5 September 2026 and entered into force on the same date. The Decision amends the Decision No. 2006/10731 of the Council of Ministers, which sets forth the withholding tax rates applicable to certain investment returns.

Key Changes

The Decision raised the withholding tax rate applicable to gains derived from investments in money market funds and hedge funds with the term "*money market*" in their titles (the "**Funds**") **from 0% to 10%** for the institutional investors listed below:

i. Joint-stock companies, limited liability companies, partnerships limited by shares and foreign entities of a similar nature, as well as funds subject to the regulation and supervision of the Capital Markets Board and comparable foreign funds, which are deemed capital companies under Article 2/1 of the Corporate Income Tax Law No. 5520;

ii. Taxpayers operating exclusively for the purpose of deriving income and capital gains from securities and other capital market instruments and exercising the rights attached thereto, which are determined by the Ministry of Treasury and

Finance of Türkiye to be of a similar nature to the investment funds and investment trusts established under the Capital Markets Law No. 6362.

The new withholding tax rate applies to the gains listed below, starting from 5 September 2026:

i. For Funds whose units were acquired on or after 5 September 2026, all gains are subject to 10% withholding tax; and

ii. For Funds whose units were acquired before 5 September 2026, only the portion of the gain corresponding to the period between 5 September 2026 and the date of redemption, is subject to 10% withholding tax.

Comments

While the amendments aim to channel capital market investments to medium/long term vehicles, they also bring multiple challenges to the operations of investment institutions and portfolio management companies including tracking the proportional gains against the 5 September 2026 cutoff date and classification of clients to whom the amendments apply.

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Should you have any queries on the matters above, please do not hesitate to contact us.

Yours faithfully,

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