ACCOUNT 502 · CAPITAL ADJUSTMENT DIFFERENCES

A risk sitting quietly on your balance sheet

Misusing this account can create corporate income tax and withholding tax costs.

KEY POINTS

7 key points

SWIPE TO CONTINUE →

— 02 · THE RISK

Not every movement in account 502 is tax-free

If positive capital adjustment differences are transferred to another account or distributed to shareholders, they are **taxed in the period** in which the transaction takes place.

⚠ CIT + WHT

Corporate income tax and withholding tax: the cost of an incorrect transfer or distribution

If your balance sheet carries account “502 Positive Capital Adjustment Differences”, this topic concerns you directly.

03 · RECOMMENDED ROUTE

If you have inflation losses: offset

When positive capital adjustment differences are offset against prior-year losses arising from **inflation adjustment**, the account is closed tax-free.

Permanent solution

The offset amount creates no re-taxation risk in a later capital reduction or liquidation

Under Repeated Article 298/A-5 and Provisional Article 25 of the Tax Procedure Law, this is not treated as a profit distribution. The offset is limited to losses arising from inflation adjustment.

04 · ALTERNATIVE ROUTE

Adding to capital: tax-free but conditional

If there is no inflation adjustment loss to offset, account 502 can be added directly to capital. **No tax arises at that stage**, but the matter does not end there.

⚖ Conditional exemption

Tax consequences may arise if the amount added to capital is later subject to a capital reduction or liquidation

05 · LATER TAX RISK

Tax can reappear in two situations

CAPITAL REDUCTION

If the amount added to capital is later subject to a capital reduction, taxation comes into play.

LIQUIDATION

If the company goes into liquidation, taxation arises for the amount added to capital.

Example: if TRY 1,000,000 were taxable, 25% corporate income tax plus 15% withholding on the remainder could total TRY 362,500. Taxation on liquidation is the tax administration's view; some commentators disagree.

06 · ADDITIONAL OPPORTUNITY

Usable for the 2026 minimum capital requirement

Account 502 can also be used in a capital increase made to comply with the new minimum capital amounts under **TCC Provisional Article 15**.

31 December 2026

Deadline for compliance with the minimum capital amounts

Adding to capital requires a separate resolution and registration

01 The board of directors prepares the resolution to add the amount to capital.

02 Approval is obtained from the general assembly (JSC) or shareholders’ meeting (LLC).

03 The transaction is registered with the trade registry.

04 Under Article 73 of the Trade Registry Regulation, an SMMM/YMM report confirming the internal source and equity is required; for audited companies, an auditor’s report.

An offset against losses is not a capital increase and requires no resolution or registration; it is an accounting entry.

IN SUMMARY

Offset against losses first

If you have inflation losses, this is the most permanent and fully tax-free solution.

Otherwise, add to capital

Tax-free, but taxation may arise on a reduction or liquidation.

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