CORPORATE INCOME TAX · CITL ART. 32/8

12.5% corporate income tax on manufacturing profits

From 2027, 25% → 12.5%. Who qualifies, which profits are covered, and how should companies prepare for 2027?

KEY POINTS

11 key points

SWIPE TO CONTINUE →

The tax rate on manufacturing profits is halved

The general corporate income tax rate is 25%. From 2027, a rate of **12.5%** will apply to profits that qualifying companies earn from manufacturing activities.

01 **2026 · The existing 1-point reduction continues → 24%**

02 **2027 onwards · On manufacturing profits → 12.5%**

03 **Special accounting periods · From the period starting in 2027**

04 **Advance tax · From the January–March 2027 period; first return in May 2027**

The 1-point manufacturing reduction introduced in 2022 was also applied in advance tax from the first period. Basis: CITL Art. 32/8, Law No. 7582 Art. 8, CIT General Communiqué No. 26.

03 · WHO QUALIFIES?

Not every manufacturer

INDUSTRIAL MANUFACTURING

Entities holding an industrial registry certificate and actually carrying out manufacturing.

SOFTWARE & IT

Profits from software, IT and similar production activities covered by the industrial registry certificate.

AGRICULTURAL PRODUCTION

Instead of an industrial registry certificate, a farmer registration, food business registration or business approval certificate, together with actual production.

A certificate alone is not enough

Holding an industrial registry certificate is not by itself sufficient to benefit from the 12.5% rate. Two elements are required together.

01 **Industrial registry certificate · The manufacturing activity must fall within the certificate. Small, medium and large enterprises can obtain it only with a capacity report.**

02 **Actual manufacturing · The company must genuinely carry out the manufacturing activity.**

Having “manufacturing” listed as an activity in the trade registry is not sufficient.

05 · WHICH PROFITS?

12.5% does not apply to all of a company’s profit

The reduced rate applies to profit from manufacturing activity.

COVERED

- ✓ Profit on domestic sales of own-manufactured products
- ✓ Profit on exports of own-manufactured products
- ✓ FX differences, interest and similar income on manufacturing receivables

NOT COVERED

- ✗ Goods sold without being processed
- ✗ Rent, interest and similar income unrelated to manufacturing
- ✗ FX differences and similar income arising after collection

If manufacturing activities make an overall loss, the reduction does not apply even if the company is profitable overall.

What do we mean by “manufacturing”?

Under the law, manufacturing means producing a new product continuously and in series by changing the nature, shape or composition of a material. Appearing on the certificate is not enough; the activity must also meet this definition.

01 **Maintenance / repair / servicing · Not manufacturing, even if listed on the certificate.**

02 **Packaging / labelling · Not manufacturing; the nature of the product does not change.**

03 **Assembly · May count if a product of a different nature emerges. If ready parts are only put together without processing, the risk of rejection on audit is high.**

The assessment of maintenance, repair and servicing is based on the Revenue Administration’s private ruling of 09.09.2025. For assembly-heavy operations, review by a YMM or a private ruling request is recommended before applying the reduction.

07 · MINIMUM TAX

Does the 10% minimum tax cancel out the 12.5% advantage?

Under the domestic minimum corporate tax rule, corporate tax payable cannot be less than 10% of profit before deductions and exemptions.

This rule does not take back the 12.5% advantage. The law expressly provides that the tax not collected because of the reduced rate on manufacturing profit is **also treated as a deduction** in the minimum tax calculation.

Basis: CITL Art. 32/C-1 and 32/C-3.

If you export what you manufacture, the two reductions are not combined

Export profit on own-manufactured products benefits from the 12.5% rate; the separate 5-point export reduction is not also applied to the same profit.

MANUFACTURE + EXPORT

→ 12.5%

BUY + EXPORT

→ 20%, if the conditions are met

When is the reduction preserved with subcontracted production?

Subcontracting certain stages of production does not prevent the reduction. Under the Communiqué, the following conditions must be met together:

01 **The subcontracted work falls within the production covered by the industrial registry certificate or operating licence.**

02 **The weight of production lies in the company’s own manufacturing, not in subcontracting.**

03 **The reduction applies to profit limited to actual capacity use.**

04 **The risk and organisation of the work rest with the company.**

05 **Raw and auxiliary materials are supplied by the company.**

If production is mainly carried out through subcontractors, or the company only trades, the reduction does not apply. Basis: CIT General Communiqué No. 26.

Manufacturing profit is separated at the time of recording, not at year-end

Where manufacturing and other activities are carried on together, the revenue, expenses and costs of manufacturing profit must be identified separately, and records kept to allow this.

01 **Shared expenses · General expenses that cannot be tracked separately are allocated with an appropriate key.**

02 **Depreciation · For shared installations, machinery and vehicles, allocated by days used in each activity.**

03 **Assets with undeterminable use · Depreciation is allocated together with general expenses.**

Basis: CIT General Communiqué No. 1, section 32.1.2. As the rate also applies in advance tax, separation is needed from the first quarter; retrospective separation at year-end is the hardest method to defend on audit.

Seven points to check

01 Are the industrial registry certificate and capacity report up to date?

02 Do the products on the certificate match actual activity?

03 Are manufacturing and trading sales tracked separately?

04 Can manufacturing costs be separated correctly?

05 Has an allocation method been set for shared expenses?

06 Are subcontracting processes and production records sufficiently documented?

07 Is production volume, including subcontracting, consistent with the capacity report?

This content is for general information. Company-specific application should be assessed together with the business structure and accounting records.

Five points to know

01 **Rate · 12.5% on manufacturing profit from 2027, from the January–March 2027 advance tax period; first return May 2027.**

02 **Condition · Industrial registry certificate and actual manufacturing together; only for products on the certificate.**

03 **Scope · Maintenance, repair and packaging are not manufacturing; trading, rent and interest income are excluded.**

04 **Limits · Not combined with the export reduction; not applied to manufacturing losses. The 10% minimum tax does not take it back.**

05 **Records · Revenue, expenses and costs tracked separately from 1 January 2027; proof of the reduction rests on these records.**

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