

Taxation and Accounting Practices in Foundations

Vakıflarda Vergi ve Muhasebe Uygulamaları

ABSTRACT

Foundations, which are regarded as non-governmental organizations, are established on a voluntary basis and provide social benefits. With these characteristics, they contribute to many services undertaken by the state. A significant portion of the revenues of foundations originates from donations or economic transactions. It is legally mandatory that foundation assets be managed by taking economic principles and risks into consideration. This provision imposes substantial material and moral responsibility on foundation officials. These responsibilities can only be fulfilled through the accounting process. Although foundations are exempt from income and corporate taxes, they are required to make tax withholdings on certain earnings and payments. This situation leads to a decrease in the revenues of foundations and indirectly results in their taxation. In terms of the financial sustainability of foundations that contribute to the state, it is necessary to increase their financial resources. For this purpose, restructuring the legislation to include incentive elements may enhance social benefit.

Keywords: Foundations, Foundation Accounting, Taxation in Foundations

ÖZ

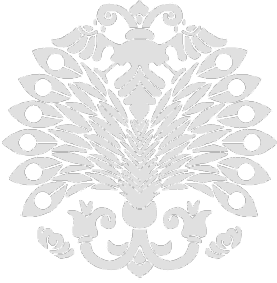
Sivil toplum kuruluşu olarak kabul edilen vakıflar gönüllülük esasına göre kurulmakta ve sosyal faydalar sağlamaktadırlar. Bu özellikleriyle devletin üstlendiği pek çok hizmete katkılar sunmaktadırlar. Vakıfların gelirlerinin büyük bir kısmı bağışçılardan veya ekonomik işlemlerden kaynaklanmaktadır. Vakıf varlıklarının kanunen ekonomik kural ve riskler dikkate alınarak işletilmesi zorunludur. Bu hüküm ile vakıf yetkililerine maddi ve manevi büyük bir sorumluluk yüklenmektedir. Bu sorumluluklar da ancak muhasebe süreciyle yerine getirilebilecektir. Her ne kadar gelir ve kurumlar vergisinden muaf olsalar da çeşitli kazanç ve ödemeleri için vergi kesintisi yapmak zorundadırlar. Bu durum vakıfların gelirlerinde azalışa neden olmakta ve dolaylı olarak vergilendirilmeleri anlamına gelmektedir. Devlete katkılar sağlayan vakıfların mali sürdürülebilirlikleri açısından finans kaynaklarının artırılması gerekmektedir. Bu amaçla mevzuatın teşvik unsurlarını da içerecek şekilde yeniden düzenlenmesi toplumsal faydayı arttırabilecektir.

Anahtar Kelimeler: Vakıflar, Vakıf Muhasebesi, Vakıflarda Vergilendirme

Ali USLU¹



¹Tokat Gaziosmanpaşa University, Turhal
Faculty of Applied Science, Tokat, Türkiye



Geliş Tarihi/Received 14.12.2025
Kabul Tarihi/Accepted 02.03.2026
Yayın Tarihi/Publication Date 30.03.2026

Sorumlu Yazar/Corresponding author:

Ali USLU

E-mail: ali.uslu@gop.edu.tr

Cite this article: Uslu, A. (2026). Taxation and Accounting Practices in Foundations *Dynamics in Social Sciences and Humanities*, 7(1), 10-18



Content of this journal is licensed under a Creative Commons Attribution-Noncommercial 4.0 International License.

Introduction

Foundations are economic and religious asset collectives that emerge with the aims of social responsibility, religious beliefs, prestige enhancement, and asset preservation, which, albeit to a limited extent, influence the distribution of wealth within society, emphasize the moral conscience of individuals, and enable the institutionalization of individual efforts (Akyıldız & Abay, 2017, p. 142). The most distinctive difference between non-profit organizations and commercial enterprises lies in their reasons for existence. The primary objective of commercial enterprises is to generate profit by selling products and/or services to consumers. Foundations, on the other hand, aim to meet the needs of society or their members, or to fulfill the objectives of the foundation (Gross et al., 2005, p. 15).

From past to present, foundations have undertaken significant social and economic roles in various fields such as health, education, culture, art, the environment, animal welfare, and social assistance. Through these roles, they have consistently stood out as institutions that support public services. They do not pursue any profit motive while fulfilling their duties. However, since foundations are also economic entities and have revenues and expenditures related to their activities, it is necessary for the foundation and its administrators to establish trust by fulfilling their responsibilities toward society and the state, particularly with regard to integrity and good faith. This can be achieved by ensuring efficiency and transparency in expenditures, which is of critical importance for the sustainability of the foundation. As public trust and positive attitudes toward the foundation are strengthened, donor commitment will increase, and a favorable environment will be created for potential donors. Therefore, the accounting system in foundations emerges as a fundamental tool for ensuring the effective management of obtained funds, transparent reporting of activities, and the provision of accountability.

In this study, information about foundations is provided, and the functioning, practices, tax-related aspects, and challenges of foundation accounting are explained, emphasizing the aspects that differentiate foundations from other types of enterprises. In addition, the integration of foundation accounting into contemporary financial reporting standards and its importance in terms of transparency and accountability are highlighted. Previous studies have generally focused on specific aspects of foundations, such as their history, establishment, operations, or accounting practices; addressing foundations as a whole in this study distinguishes it from existing literature. In this way, the social impacts of foundations and the role and effects of accounting practices within this

process can be better understood, thereby contributing to stakeholders, practitioners, and the academic literature.

In the first section of the study, information about foundations is provided. The second section explains the qualitative and quantitative size of foundations in Türkiye, their position with respect to financial legislation, and their tax obligations. In the final section, information on accounting processes is presented and sample applications are carried out. The study provides guidance to relevant stakeholders regarding the taxation and accounting procedures of foundations and serves as a guide that can be utilized in determining measures that may be taken for the development of foundations.

Foundations in Türkiye

In present-day Türkiye, foundations (new foundations) are established in accordance with the Turkish Civil Code No. 4721. Activities such as the management of foundations, the operation of their assets, ensuring their continuity, and their supervision are carried out pursuant to the Foundations Law No. 5737 and the Regulation on Foundations. The tables below contain numerical data pertaining to foundations.

Table 1.

Number of Foundations in Türkiye

	2024	2025
Mülhak Foundation	247	247
Community Foundation	167	169
Artisan Foundation	1	1
New Foundation	6,180	6,284

Source: General Directorate of Foundations, 2024 performance program p. 44

<https://www.vgm.gov.tr/vakif-islemleri/vakif-istatistikleri/yeni-vakiflar>

Approximately 94% of these are newly established foundations. The proportion of foundations granted tax exemption is around 5% of the total number of foundations. For foundations whose primary objectives are to serve society and support public services, this ratio is considerably low; increasing the number of foundations granted tax exemption would further enhance the service capacity of foundations.

Table 2.

New Foundations; Types of Foundations, Branches, and Representatives (2025)

Social Assistance and Solidarity Foundations	1,003
Environmental Protection Foundations	9
Other New Foundations (Multi-purpose foundations)	5,272
Branches	2,107
Representatives	1,680

Source: https://cdn.vgm.gov.tr/genelicerik/genelicerik_945_290519/25-01-vakiflarin-turlerine-gore-dagilimi--18072025.pdf

There are 1,009 new foundations operating with a single purpose. A large part of the new foundations (5,272 units) are multi-purpose foundations

Table 3.

Data on New Foundations(number)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets (million TL)	55,182	65,896	65,333	73,720	82,487	95,758	11,794	17,484	27,958	43,232
Bookkeeping on Operating Basis Bookkeeping on Balance Sheet Basis Non-Profit Institutions Owners For-Profit Establishments	875	914	954	1,021	1,004	982	1,114	1,075	1,261	1,319
Bookkeeping on Balance Sheet Basis Non-Profit Institutions Owners For-Profit Establishments	4,077	4,011	4,076	4,127	4,157	4,180	4,312	4,311	4,473	4,554
Bookkeeping on Balance Sheet Basis Non-Profit Institutions Owners For-Profit Establishments	738	711	716	746	725	764	760	956	956	989
Bookkeeping on Balance Sheet Basis Non-Profit Institutions Owners For-Profit Establishments	1,425	1,441	1,436	1,446	1,473	1,480	1,484	1,431	1,442	1,490

<https://www.vgm.gov.tr/vakif-islemleri/vakif-istatistikleri/yeni-vakiflar>

The majority of new foundations in Türkiye keep their accounting records on the basis of the balance sheet method. Particularly since 2020, an increase in the number of such foundations has been observed. This increase indicates that foundations have expanded in terms of scale. Changes in their total assets further support this growth.

Table 4.

Data on Mülhak Foundations(number)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets (million TL)	1,257	1,351	1,451	1,504	1,965	2,180	2,410	2,862	3,361	5,024
Bookkeeping on	187	178	179	183	162	159	150	147	143	147

	2017	2018	2019	2020	2021	2022	2023	2024		
Operating Basis Bookkeeping on Balance Sheet Basis Non-Profit Institutions Owners	70	72	71	68	88	92	92	93	89	86
Operating Basis Bookkeeping on Balance Sheet Basis Non-Profit Institutions Owners	3	3	5	4	4	5	5	5	5	6

<https://www.vgm.gov.tr/vakif-islemleri/vakif-istatistikleri/yeni-vakiflar>

In affiliated foundations, the number of foundations keeping accounting records on the balance sheet basis increased during the 2015–2024 period (from 70 to 86). Their total assets rose by approximately fourfold. These increases indicate an expansion in their activities and overall growth.

Table 5

Data on Community Foundations(number)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets (million TL)	2,167	2,424	2,571	2,942	3,336	3,617	4,522	6,124	7,949	10,800
Bookkeeping on Operating Basis Bookkeeping on Balance Sheet Basis Non-Profit Institutions Owners For-Profit Establishments	75	75	75	76	73	69	68	67	67	68
Bookkeeping on Balance Sheet Basis Non-Profit Institutions Owners For-Profit Establishments	53	55	54	60	64	59	61	105	105	103
Bookkeeping on Balance Sheet Basis Non-Profit Institutions Owners For-Profit Establishments	4	5	5	6	5	6	6	6	6	6

<https://www.vgm.gov.tr/vakif-islemleri/vakif-istatistikleri/yeni-vakiflar>

According to the Foundations Law No. 5737, foundations established before the effective date of the repealed Turkish

Civil Code No. 743 and whose management is stipulated to be carried out by descendants of the founders are called Mülhak foundations. Between 2015 and 2024, the number of foundations belonging to non-Muslim communities that keep accounting records on the balance sheet basis increased. In addition, there was an increase of nearly 100% in non-profit facilities. This increase, together with the limited number of profit-oriented facilities, indicates that these foundations sustain and expand their activities primarily through donations and aid.

According to the World Giving Index 2024, Türkiye ranks 122nd out of 142 countries, with a 29 index score, recording rates of 56% for helping a stranger, 22% for charitable donations, and 10% for volunteering time. Türkiye is positioned in the lower ranks, and despite the increase in the number and revenues of foundations as shown in the tables above, it can be concluded that the development and support of civil society organizations remain insufficient. Enhancing transparency, accountability, and corporate governance practices in foundations in Türkiye, along with the effective operation of internal audit mechanisms, may increase the volume of donations. The most significant indicator of the proper monitoring of funds obtained from donors and the faithful use of financial resources is an independent auditing system (Uysal & Kurt, 2016, p. 1558).

In Türkiye, foundations are not regarded as taxpayers under the Corporate Tax Law (CTL) and the Income Tax Law (ITL). Due to their status as civil law legal entities and the restriction that their assets cannot be used outside their stated purposes, foundations possess a charitable nature. For this reason, they are not permitted to engage in commercial activities. On these grounds, the legal personality of foundations is exempt from the CTL and the ITL (Öğredik, 2005, p. 2). However, pursuant to Article 94 of the ITL, foundations are required, in certain cases, to withhold tax at the time of payment to be credited against the income tax liabilities of the income recipients.

Table 6.

Taxes and Rates on Foundation Revenues

	With Tax Exemption	Without Tax Exemption
Real estate rental payments	20%	20%
Dividend income	10%	10%
Interest from bonds, treasury bills, lease certificates	-	0,3,7,10% before 2006
Bank deposit interest	-	15%
Profit shares under the interest-free finance system	-	15%
Repo and reverse repo transactions	-	15%

Source: Ateş & Akduran, 2024; 17, and ITL

Foundations granted tax exemption by the President are not subject to tax withholding, except for real estate rental payments and dividend income. Since tax withholding in foundations constitutes a final tax, the tax burden of tax-exempt foundations is effectively reduced to zero. Under the provisional tax regime, however, certain types of investment income and capital gains are brought within the scope of taxation without distinguishing between foundations that are granted tax exemption and those that are not.

Table 7.

Taxation of Interest Income of Foundations

	With Tax Exemption	Without Tax Exemption
Interest from bonds and treasury bills; income from securities issued by the Housing Development Administration, Public Partnership Administration, Privatization Administration, lease certificates issued by asset leasing companies		10%
Bank deposit interest		
Profit shares paid to interest-free lenders, profit shares paid on profit-and-loss sharing certificates, and profit shares paid by participation banks under profit-and-loss participation accounts		15%
repo and reverse repo transactions		

Source: Ateş & Akduran, 2024; 18 and ITL

The tax advantage on interest income for tax-exempt foundations has been eliminated through provisional taxation, and securities income that is not subject to withholding under the Income Tax Law has become taxable for all foundations. Income taxes paid on investment income constitute a tax burden for 93% of foundations with revenues of TRY 5,000,000 and above, and for 37% of foundations with revenues of TRY 5,000,000 and below (Ateş & Akduran, 2024, p. 19).

Table 8.

Tax Withholdings to Be Made by Foundations on Payments

	Individuals	Full Taxpayers	Non-Residents
Wages	15-40%	-	-
Professional services	17%,20%	-	20%
Progress payments for construction and repair works extending over several years	5%	5%	5%
Payments to non-residents for the sale of copyrights and patent rights)	20%	-	20%
Real estate capital income	20%		1% leasing, 20% others

Agricultural income	1%, 2%, 4%	-
Payments to exempt tradespeople for goods and service purchased	2%, 5%, 10%	-
Payments for online advertisements and to intermediaries providing such services	15%	15%

Source: Ateş & Akduran, 2024; 21 and ITL

Pursuant to Article 94 of the Income Tax Law and Articles 15 and 30 of the Corporate Tax Law, foundations are required to withhold tax from the payments they make (including advance payments) in order for such amounts to be credited against the income or corporate tax liabilities of the recipients, and to remit these withholdings through a withholding tax return. These withholdings impose a significant financial and administrative burden on foundations. Although foundations are not taxpayers under the corporate or income tax regimes, they indirectly assume the role of taxpayers by making withholdings and submitting tax returns in relation to the payments listed above. All these processes can only be effectively managed through an accounting system that complies with national and international standards.

Accounting System in Foundations

The financial transactions, accounting, and auditing of foundations are carried out in accordance with the principles determined by the General Directorate of Foundations. Due to their economic transactions, foundations are also treated similarly to taxpayers. Therefore, recording and reporting financial transactions are important in terms of determining the current financial position and ensuring accountability. The Foundations Law No. 5737 and the Regulation on Foundations stipulate that foundation assets must be managed and utilized by taking economic principles and risks into consideration. In fact, these provisions impose significant material and moral responsibility on foundation officials. Such responsibilities can only be monitored through accounting processes.

In their accounting processes, foundations use the Uniform Chart of Accounts specifically prepared for foundations. Pursuant to Article 177/2 of the Tax Procedure Law, foundations whose annual gross business revenue exceeds TRY 900,000 (for the year 2025) are required to keep books on the balance sheet basis. Foundations with revenues below this threshold may keep books on the operating account basis.

Table 9.

Comparison of Chart of Accounts

Others	Foundations
131-Receivables from Partners	131-Receivables from Founders
133-Receivables from Subsidiaries	133-Receivables from Economic Enterprises
-	134-Receivables from Members
224-Unearned Financial Leasing Interest Income(-)	-
231-Receivables from Partners	231-Receivables from Founders
233-Receivables from Subsidiaries	233-Receivables from Economic Enterprises
-	234-Receivables from Members
245-Subsidiaries	245-Economic Enterprises
246-Capital Commitments to Subsidiaries(-)	246-Capital Commitments to Economic Enterprises(-)
247-Impairment Provision for Subsidiary Shares(-)	247-Impairment Provision for Economic Enterprises Shares(-)
301-Liabilities from Financial Leasing Transactions	-
302-Deferred Financial Leasing Borrowing Costs(-)	-
304-Bond Principal Debt, Installments and Interest	Not Applicable
305-Issued Bonds and Notes	
306-Other Issued Securities	
308-Issued Securities Premiums (-)	
331-Payables to Partners	331-Payables to Founders
333-Payables to Subsidiaries	333-Payables to Economic Enterprises
-	334-Payables to Members
401-Liabilities from Financial Leasing Transactions	-
402-Deferred Financial Leasing Borrowing Costs(-)	-
405-Issued Bonds	Not Applicable
407-Issued Other Securities	
408-Issued Securities Premium(-)	
431-Payables to Partners	431-Payables to Founders
433-Payables to Subsidiaries	433-Payables to Economic Enterprises
-	434-Payables to Members
500-Capital	500-Assets
502-Positive Capital Adjustment Differences	-
503-Negative Capital Adjustment Differences (-)	-
520-Share Premiums	Not Applicable
521-Cancelled Share Profits	
524-Cost Increase Fund	-
-	543-Mathematical Provisions
-	544-Unpaid Premium Provision
570-Prior Years' Profits	570-Prior Years' Income Surpluses
580-Prior Years' Losses	580-Prior Years' Expense Surpluses (-)
590-Net Profit for the Period	590-Net Income Surplus for the Period
591-Net Loss for the Period(-)	591-Net Expense Surplus for the Period (-)
-	603-Donations and Grants
-	604-Premiums and Membership Fees
-	633-Purpose-Oriented Expenses
648-Inflation Adjustment Gains	648-Economic Enterprise Revenues
658-Inflation Adjustment Losses(-)	-
698-Inflation Adjustment	-
7/A-Cost Accounts	-
7/B-Cost Accounts	7/B Cost Accounts

Source: vgm.gov.tr; Uniform Chart of Accounts; Şahin, 2016, p. 705; Türk, 2022,1155

Since foundations cannot have partners, the accounts 131, 231, 331, and 431 – Receivables from and Payables to Partners in the Uniform Chart of Accounts are replaced by Receivables from and Payables to Founders. As the entire capital of the economic enterprises of foundations is provided by the relevant foundation, the accounts numbered 133, 233, 245, 246, 247, and 333, which relate to subsidiaries and affiliated entities, are designated as economic enterprises. Foundations that use cost accounting accounts operate under the 7/B option.

Due to their inherent nature, concepts such as capital, profit or loss, and profit distribution cannot be applied in foundations. The accounts 543–Mathematical Provisions and 544–Provision for Unearned Premiums have been established for funds and supplementary foundations. New accounts have been arranged for recording the revenues and expenses of foundations. Accordingly, the accounts 603–Donations and Grants, 604–Premiums and Contributions, and 633–Purpose-Oriented Expenses, which are not included in the standard Uniform Chart of Accounts, have been created. Since foundations are not permitted to engage in transactions involving bonds, promissory notes, bills, or marketable securities, the accounts numbered 304, 305, 306, 308, 520, and 521 cannot be used.

Sample Applications in the Accounting Processes of Foundations

Sample applications regarding the recording of the financial transactions of foundations are presented below.

1. For the purpose of integrating individuals with disabilities into society, the *Engel-Yok Foundation* was established with the allocation of TRY 2,500,000 in cash, a building valued at TRY 12,350,000, land valued at TRY 3,450,000, and a vehicle valued at TRY 1,700,000.

102 Banks	2,500,000	
250 Lands	3,450,000	
252 Buildings	12,350,000	
254 Motor Vehicles	1,700,000	
500 Assets		20,000,000

2. An unconditional cash donation of TRY 30,000 was received for use in the foundation's activities.

100 Cash	30,000	
603 Donations and Grants		30,000
102 Banks	30,000	
100 Cash		30,000

3. On 01.12.20XX, TRY 20,000 was paid from the bank account for healthcare expenses of individuals with disabilities, and TRY 25,000 was paid for their educational expenses.

01.12.20XX		
794 Miscellaneous Expenses	45,000	
794.01 Health Assistance 20,000		
794.02 Education Assistance 25,000		
102 Banks		45,000
31.12.20XX		
798 Expense Type Allocation Account	45,000	
794 Miscellaneous Expenses		45,000
794.01 Health Assistance 20,000		
794.02 Education Assistance 25,000		
31.12.20XX		
633 Purpose-Oriented Expenses	45,000	
798 Expense Type Allocation Account		45,000

4. An electricity bill of TRY 5,000 for the building used by the foundation was accrued; however, due to the payment being made after the due date, a TRY 300 late payment penalty was incurred. The late payment penalty paid was collected in cash from the founders.

794 Miscellaneous Expenses	5,000	
794.03 Electricity Expense		
131 Receivables from Founders	300	
131.01 Electricity Late Payment Penalty		
102 Banks		5,000
100 Cash		300
100 Cash	300	
131 Receivables from Founders		300

5. *Engel-Yok Foundation* established its economic enterprise for the rehabilitation of individuals with disabilities on 12.10.20XX with a capital commitment of TRY 850,000. The committed capital was paid from the bank account on 15.11.20XX.

12.10.20XX		
245 Economic Enterprises	850,000	
246 Capital Commitments to Economic Enterprises		850,000
15.11.20XX		
246 Capital Commitments to Economic Enterprises	850,000	
102 Banks		850,000

6. Individuals with disabilities received physiotherapy services from the economic enterprise. An invoice amounting to TRY 55,000, inclusive of VAT, was issued to the foundation on 02.12.20XX. The invoice was paid from the bank account on 07.12.20XX.

02.12.20XX		
633 Purpose-Oriented Expenses	55,000	
333 Payables to Economic Enterprises		55,000
07.12.20XX		
333 Payables to Economic Enterprises	55,000	
102 Banks		55,000

7. A real property was leased on 1 January for a period of one year for use in the foundation's activities, with a gross rental amount of TRY 240,000, and the payment was made from the bank account after deducting 20% withholding tax.

01.01.20XX		
794 Miscellaneous Expenses	20,000	
180 Prepaid Expenses	220,000	
102 Banks		192,000
360 Taxes and Funds Payable		48,000

8. The November salary payment of an employee with a gross amount of TRY 40,000 was made.

05.02.20XX		
791 Employee Wage Expenses	47,100	
102 Banks		32,109.48
360 Taxes and Funds Payable		1,890.52
361 Social Security Withholdings Payable		13,100

9. Adjusted Trial Balance as of December 31, 20XX

Account	Debit	Receivable	Debit Balance	Receivable Balance
100	80,000	65,000	15,000	-
102	800,000	630,000	170,000	-
254	970,000	-	970,000	-
255	500,000	-	500,000	-
257 (-)		47,000		47,000
260	32,000	-	32,000	-
268 (-)		2,000		2,000
280	146,500		146,500	
300	7,500	180,000	172,500	
360		3,000		3,000
361	7,000	12,000		5,000
500		1,500,000		1,500,000
590		104,000		104,000
603	190,000	190,000		
632	40,000	40,000		
633	60,000	60,000		
642	15,000	15,000		
660	1,000	1,000		
690	205,000	205,000		
791	40,000	40,000		
794	12,000	12,000		
795	1,000	1,000		
796	49,000	49,000		
797	1,000	1,000		
798	103,000	103,000		

Let's create the balance sheet and income statement at the end of the period according to the above data

31.12.20xx Balance Sheet (TRY)			
ASSETS	Total	LIABILITIES	Total
Cash	15,000	Bank Loans	172,500
Banks	170,000	Taxes and funds payable	3,000
Motor Vehicles	970,000	Social security premiums payable	5,000

Furniture and fixtures	500,000	Capital	1,500,000
Accumulated depreciation (-)	47,000	Net income surplus for the period	104,000
Rights	32,000		
Accumulated depreciation (-)	2,000		
Prepaid expenses for the following	146,500		
TOTAL ASSETS	1,784,500	TOTAL LIABILITIES	1,784,500

The income statement is as follows

31.12.20xx Income Statement (TRY)		
	Sub Total	Total
GROSS SALES		190,000
Donations and Grants	190,000	
NET SALES		190,000
GROSS SALES REVENUE / EXPENSE		190,000
OPERATING EXPENSE (-)		100,000
General and Administrative Expenses	(40,000)	
Purpose Related Expense	(60,000)	
INCOME AND PROFIT FROM OTHER OPERATIONS		15,000
Interest Income	15,000	
FINANCIAL EXPENSES (-)		1,000
Short Term Borrowing Expenses	(1,000)	
REVENUE FOR THE PERIOD		104,000
NET REVENUE FOR THE PERIOD		104,000

Conclusion and Recommendations

By their very nature, foundations are established with the aim of providing social contributions in areas such as education, health, animal welfare, the environment, and culture, without pursuing profit; therefore, they possess a public-interest character. For this reason, they are exempt from income and corporate taxes. In addition, the legislation differentiates between foundations that are granted tax exemption and those that are not. While all foundations contribute to social services, granting tax exemption only to certain foundations may give rise to unequal treatment. Moreover, foundations engage in revenue-generating transactions during their activities. Although they are exempt from income and corporate taxes, their involvement in financial transactions that fall within the scope of private sector activities may lead to unfair competition. In some cases, by preventing price increases, they are able to provide goods and services to society at more affordable levels. While these practices generate social benefits, they also create a function that reduces state tax revenues and potentially hinders the development of the private sector.

The taxation of foundations largely resembles the income taxation borne by individuals. Income generated from activities such as the operation of foundation assets

and the leasing of properties is taxed through withholding by the payers, rather than through corporate tax. Foundations pay taxes on many of their financial transactions under the Income Tax Law; however, since they are not recognized as tax taxpayers, they are unable to deduct the taxes they pay. As a result, a portion of their funds cannot be used for their activities and is instead paid directly as tax. Consequently, foundations are regarded as indirect taxpayers, and the funds they collect are reduced. From the perspective of tax legislation, the transactions carried out by foundations should be clearly distinguished, and the circumstances under which tax is payable should be regulated in a more simplified and comprehensible manner.

Since foundations are prohibited from engaging in activities outside their stated purposes and from conducting profit-oriented transactions, the monitoring and recording of their financial transactions are of critical importance. In Türkiye, although the main theme remains the same, a new chart of accounts has been established for foundations. This chart of accounts differs from that used in economic enterprises in several respects. While the legal entity of the foundation itself is not a corporate tax taxpayer, the economic enterprise established by the foundation is subject to taxation. Foundations apply the 7/B option in cost accounting. Concepts such as capital, profit or loss, and profit distribution cannot be used in foundations; instead, accounts such as 500–Assets, 580–Prior Years’ Excess Expenses, 590–Current Period Net Excess Income, 591–Current Period Net Excess Expenses, 671–Prior Period Income and Excess Income, 679–Other Extraordinary Income and Excess Income, 689–Other Extraordinary Expenses and Excess Expenses, 690–Period Income or Expense Excess, and 692–Period Net Income or Expense Excess are utilized. In addition, the accounts 603–Donations and Grants, 604–Premiums and Contributions, and 633–Purpose-Oriented Expenses, which are not included in the standard Uniform Chart of Accounts, have been created. Since foundations cannot have partnership relationships in their establishment or operations, Receivables from and Payables to Founders are used instead of Receivables from and Payables to Partners. For the economic enterprises established by foundations for income-generating purposes, the concept of an economic enterprise is used rather than that of a subsidiary. As foundations are not permitted to engage in transactions involving bonds, promissory notes, bills, or marketable securities, the accounts numbered 304, 305, 306, 308, 520, and 521 cannot be used in foundation accounting. Foundations are subject to Value Added Tax (VAT) under the Income Tax Law and are required to perform tax withholding. Since foundations do not have VAT or tax taxpayer status, taxes such as paid VAT remain as a

cost burden on the foundation and cannot be deducted.

As foundations primarily appeal to the moral sentiments of donors, there is a risk that malicious foundation staff or individuals may use foundations as a front for activities such as money laundering or the financing of terrorism. Therefore, foundations should remain in communication with public authorities and exercise caution with respect to donations, aid, and cooperation proposals of uncertain or suspicious origin. Funds such as donations, assistance, and grants should be audited through systematic records and cross-check mechanisms. By maintaining transparent and accountable records, foundations will be able to fully ensure stakeholder trust and compliance with legislation, thereby sustaining their missions. Authorizing more than one individual for cash withdrawals or payment transactions on behalf of the foundation, ensuring that related transactions are carried out by two or more individuals rather than a single person to provide automatic control, establishing an internal audit system, and conducting periodic internal and external audits will help prevent errors and fraud while enhancing financial accuracy and transparency. In this way, the assets and reputation of the foundation will be safeguarded.

Since foundations operate widely across countries, expanding incentive mechanisms—similar to investment and employment incentives granted to the private sector—can increase their capacity and the number of donors. This, in turn, may alleviate the service burden on the state. To raise social awareness, a course on non-governmental organization accounting may be incorporated into university curricula for accounting and tax practices. Furthermore, by classifying their activities in line with the United Nations Sustainable Development Goals, foundations can become more comprehensible and visible at both national and international levels.

Etik Komite Onayı: Etik Kurul İzin belgesi gerekmemektedir.

Hakem Değerlendirmesi: Dış bağımsız.

Çıkar Çatışması: Yazar, çıkar çatışması olmadığını beyan etmiştir.

Finansal Destek: Yazar, bu çalışma için finansal destek almadığını beyan etmiştir.

Yapay Zeka Kullanımı: Yazar, bu çalışma için yapay zeka kullanılmadığını beyan etmiştir.

Ethics Committee Approval: Ethics Committee approval is not required.

Peer-review: Externally peer-reviewed.

Conflict of Interest: The author have no conflicts of interest to declare.

Financial Disclosure: The author declared that this study has received no financial support.

Use of Artificial Intelligence: The author declare that no artificial intelligence was used in this study.

References

- Ateş, L., & Akduman, Ö. (2024). *Dernek ve vakıfları ilgilendiren vergi düzenlemeleri*. TÜSEV Publications No. 97
- Akyıldız, Y., & Abay, A. R. (2017). Vakıf müessesesinin gelişimi ve mahiyeti tarihsel bir değerlendirme. *Yalova Sosyal Bilimler Dergisi*, 7(15), 141-157. <https://doi.org/10.17828/yalovasosbil.372776>
- Charities Aid Foundation, (2024), World Giving Index, https://www.cafonline.org/docs/default-source/inside-giving/wgi/wgi_2024_report.pdf
- Öğredik, G., (2005). Vakıf ve vakıf iktisadi kişiliğinin vergi mevzuatı açısından incelenmesi, *E-Yaklaşım Dergisi*, Mayıs 2005, Sayı 22.
- Gross, M., J., McCarty, J. H., & Shelmon, N.E., (2005), *Financial and accounting guide for not-for-profit organizations*, 7.press, John Wiley and Sons, Inc.
- Şahin, N. K. (2016). Sivil toplum kuruluşlarından STK vakıflarda muhasebe ve vergi uygulamaları. *Uluslararası Yönetim İktisat ve İşletme Dergisi*, 12(12), 703-718.
- Türk, M. (2022). *Sosyal hizmet kurumlarında muhasebe sisteminin organizasyonu*. *Turkish Studies-Economy*, 17(4), 1149-1173. <https://dx.doi.org/10.7827/TurkishStudies.62031>
- Uysal, T., & Kurt, G. (2016). kâr amacı gütmeyen işletmelerde denetim: bir paradoks mu? *Süleyman Demirel Üniversitesi İktisadi ve İdari Bilimler Fakültesi Dergisi*, 21(Özel Sayı),1555-1559.
- Vakıflar Tek Düzen Hesap Planı, https://cdn.vgm.gov.tr/genelicerik/genelicerik_220_260519/tek-duzen-hesap-plani.pdf.01.10.2025
- Vakıflar Genel Müdürlüğü, (2024). Performans Programı, https://cdn.vgm.gov.tr/genelicerik/genelicerik_218_260519/vakiflar-genel-mudurlugu2024-yili-performans-progr.pdf.12.11.2025
- Vakıflar Yönetmeliği, <https://www.mevzuat.gov.tr/mevzuat?MevzuatNo=12466&MevzuatTur=7&MevzuatTertip=5> 10.11.2025
- 4721 sayılı Türk Medeni Kanunu, <https://www.mevzuat.gov.tr/mevzuat?MevzuatNo=4721&MevzuatTur=1&MevzuatTertip=5> 14.11.2025
- 5737 Sayılı Vakıflar Kanunu, <https://www.mevzuat.gov.tr/mevzuat?MevzuatNo=5737&MevzuatTur=1&MevzuatTertip=5> 10.11.2025
- 6102 sayılı Türk Ticaret Kanunu, <https://www.mevzuat.gov.tr/mevzuatmetin/1.5.6102.pdf,09.11.2025>
- 193 Sayılı Gelir Vergisi Kanunu, <https://www.mevzuat.gov.tr/mevzuat?MevzuatNo=193&MevzuatTur=1&MevzuatTertip=4>, 10.11.2025
- 5520 sayılı Kurumlar Vergisi Kanunu, <https://www.mevzuat.gov.tr/mevzuat?MevzuatNo=5520&MevzuatTur=1&MevzuatTertip=5>