

Circular

Istanbul, 6 October 2017

Circular No: 110

Subject: Regulations on VAT and SCT within the draft law containing amendments to certain tax laws.

The regulations on VAT and SCT within the draft law presented to the Grand National Assembly of Turkey on 27 September 2017 are provided below:

- *The VAT arising from the services provided electronically to the real persons who are not taxpayers of VAT by whom not having any residence, workplace, legal center and business center in Turkey is proposed to be declared and paid. This term will be taking effect as of the beginning of the month following the month in which the Law is published.*
- *Imports performed within the scope of Ministry of Education's "Raising Opportunities and Improving Technology in Education" project, services provided and goods delivered to the Ministry under that project are proposed to be included in the scope of exemption. This term will be enacted as of the Law's publication date.*
- *Through the draft, roaming services received under international roaming agreements and activities of delivering those services to the clients in Turkey are proposed to be included in the scope of exemption. This term will be taking effect as of the beginning of the month following the month in which the Law is published.*
- *Through the draft, the scope of term on exemption existing in Article 17/4/r of VAT Law applied only for the debt to banks is extended to comprise the debts to financial leasing and financing companies as well. That will be enacted as of 1 January 2018.*
- *Refund right concerning the VAT incurred for expenditures on construction work within the scope of investments with incentive certificate in manufacturing industry and not compensated by deductions is proposed to be extended to comprise 2018 as well. This arrangement will be taking effect as of the Law's publication date.*
- *Others (Makaron) with HS Code of 4813.10.00.80.00 is added to the line (B) of the list no (III) attached to the SCT Law while the tax rate is set as 65,25 % and minimum fixed tax amount set at TL 0,0994.*
- *Through the amendment in Article 11 of SCT Law, by the inclusion of makaron within the scope of SCT with adding it into the line (B) of the list no (III) attached to the SCT Law, taxation measures on them are identified.*

These arrangements will be enacted as of the Law's publication date.

- *Soda drinks existing under HS Code 2202.10.00.00.12 and various drinks shown as Others (excluding lemonades) that are not classified as energy drinks and fruit juice are taken into the scope of SCT and the SCT rate on them is set as 25 %.*

The term provided above will be enacted as of 1 January 2018 if the draft passes into law with this current form.

Our explanations provided above include general information on the issue. No responsibility can be claimed against EY and Kuzey YMM ve Bağımsız Denetim A.Ş. due to the implications arising from the context of this document or emerging with respect to its context.

Best Regards,

KUZEY YMM VE BAĞIMSIZ DENETİM A.Ş.