

Circular

Istanbul, 16 February 2017

Circular No: 27

Subject: Amendment announced on section "III/C-5.6. Time of Deduction" within the VAT General Implementation Communiqué.

As per the Article 29 of VAT Law, the right for deduction could be exercised within the taxation period that the concerning documents are entered into the legal books provided that the calendar year in which the taxable event occurs should not be exceeded.

Amendment has been announced on the section "III/C-5.6. Time of Deduction" within the VAT General Implementation Communiqué through the General Communiqué series no.11 published in the Official Gazette dated 15 February 2017. Pertaining to that, for the special circumstances that the calendar year in which the taxable event occurs was exceeded, arrangements provided below are made concerning the period that the deduction right could be exercised:

- VAT that could not be entreated for deduction within the concerning calendar year **since the invoice drafted had been made litigious by the recipient** is now enabled for deduction provided that the recipient enters it to the legal books within the year that the lawsuit was concluded.
- In the circumstance that reverse charge VAT declaration is not submitted at all or it's under-declared or in case these taxes are levied following **the tax return submitted as reverse charge by the taxpayer after the legal period**, paying the levied VAT to the tax office and entreating the VAT paid for deduction as long as the calendar year in which the payment occurred not exceeded has been enabled.
- In case an invoice **is not drafted by the seller handling the transaction subject to VAT on time and following the recipient's notarized notification** within the taxation period after the last day of invoice drafting deadline at the latest, VAT disclosed on the invoice issued by the seller is now enabled to be entreated for deduction provided that it is entered into the legal books within the calendar year in which the recipient drafted the invoice.

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.