

Circular

Istanbul, 17 February 2017

Circular No: 28

Subject: *Explanations made upon the VAT exemption concerning the exports oriented cargo transport business into or from the free zones.*

Pursuant to the Article 17/4-I of VAT Law, services supplied to the free zones were treated as exempt from VAT, however services supplied by the domestic market into the free zones and from the free zones to the domestic market including the transportation services had been subject to VAT.

The wording of “the exports oriented cargo transport business into or from the free zones” has been added to the Article 17/4-I of VAT Law through the Article 5 of the Law no. 6761 as of 24.11.2016 to follow the phrase of “services supplied”. Pertaining to that, the exports oriented cargo transport business into or from the free zones have also been treated as exempt from VAT:

Through the General Communique series no.11 published in the Official Gazette dated 15 February 2017, explanations concerning the aforementioned legal amendment within the section "II/F-4.9. Services Supplied to the Free Zones" of VAT General Implementation Communique are made, the scope of the related exemption identified and certain examples are provided. As per the provided explanation and examples;

- Services dealt within the free zone are exempt from VAT.*
- The task of transporting exports goods from the free zone to a domestic port or customs gate is exempt from VAT.*
- The transportation of goods to be used in manufacturing of products from the domestic market to the free zone, from the free zone to another free zone is exempt from VAT.*
- Cargo transport business from the free zone to the domestic market will not be considered as exports oriented and will be subject to VAT.*

On the other hand, previous implementation will be in progress for the services other than exports oriented cargo transport businesses and services provided from the domestic market to the free zones and from the free zones to the domestic market are subject to VAT.

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.