

Circular

Istanbul, 20 February 2017

Circular No: 32

Subject: Calculation method of VAT upper limit to be refunded in export registered delivery of the goods produced with input obtained within the scope of Permit Certificate for Inward Processing changed.

Arrangements on the VAT amount upper limit that can be claimed for refund in export registered delivery of goods manufactured by input obtained domestically and from markets abroad within the scope of Permit Certificate for Inward Processing (PCIP) without paying VAT under VAT Law's article 11/1-c and temporary article 1 have been made through the General Communique series no.11 published in the Official Gazette dated 15 February 2017. Through the aforementioned Communique, calculation method of VAT upper limit to be refunded applicable on these types of deliveries has been changed.

1. Deliveries handled under Temporary Article 17 of VAT Law

As per the VAT Law's temporary Article 17, export registered delivery of goods manufactured by input obtained within the scope of Permit Certificate for Inward Processing to another PCIP holder taxpayer is possible within the context of the same article.

VAT amount to be claimed for refund by the PCIP owning taxpayer handling a delivery in that way may not be exceeding the amount to be reached by applying the overall tax rate on the difference between the cost of goods obtained domestically and from markets abroad without paying VAT for the manufacturing of these products and the cost for export registered delivery.

Pursuant to the previous form of the Communique prior to the amendments, the upper limit of VAT to be refunded in export registered deliveries had been calculated by deducting the VAT amount unpaid because of the inputs obtained under PCIP for the product concerning this delivery from the VAT amount that is not collected from the recipient due to the export registered delivery.

2. Deliveries handled under Article 11/1-c of VAT Law

Within the new arrangement, it's indicated that the VAT amount to be refunded to a taxpayer delivering the goods produced by using input purchased domestically and from markets abroad under PCIP without paying VAT within the scope of the Article (11/1-c) of the Law no.3065 as export registered may not be exceeding the amount to be reached by applying the overall tax rate on the difference between the cost of export registered delivery and the cost of input obtained under PCIP.

That upper limit, pertaining to the previous form of the Communique prior to the amendment, had been calculated by deducting the VAT amount unpaid because of the inputs obtained under PCIP for the product concerning this delivery from the VAT amount that is not collected from the recipient due to the export registered delivery.

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.