

Circular

Istanbul, 20 February 2017

Circular No: 35

Subject: Incremental collateral implementation to provide the payments for VAT refunds in cash handled in 5 workday time introduced.

Pursuant to the VAT General Communiqué series no.11 published in the Official Gazette dated 15 February 2017, concerning the refunds in cash exceeding the limit for refunds in cash without inspection, collateral and claimed through a CPA VAT Refund Certification Report in terms of transaction type; the refund payment will be processed in 5 workday time if a bank letter of guarantee corresponding to 120 % of the claimed amount is submitted.

The rate of collateral would be implemented at 60 % for the taxpayers subject to Reduced Collateral Implementation System.

Requirements to be met by the taxpayers intending to benefit of this implementation are indicated within the Communiqué as provided below:

- This implementation is applicable for refund claims exceeding the limit of refunds in cash without inspection, collateral and handled through a CPA VAT Refund Certification Report in terms of transaction type.
- Presenting the documents stated for each transaction type in the concerning sections of the Communiqué with refund claim request and attachment is mandatory. Claim for the refund would be applicable as of the date that those documents and letter of bank guarantee are completely submitted and the aforementioned 5 day period would be starting by then.

It appears that tax offices will be checking if the documents submitted are complete as listed within the Communiqué or not and any inspection regarding the content of the documents will not be handled since these sorts of checks would be dealt at the stage of resolution of bank letters.

The CPA report concerning the return of bank letter should be submitted within 6 month time as of the refund date at the latest. If it is not submitted within the mentioned time frame, the refund claim will immediately be referred to inspection.

The process to be handled following the CPA report is provided below:

- . Checks to be held by the tax office following the submission of CPA report concerning the refund would be completed within 2 months at the latest.
- . If any lacking/negativity is not detected after the checks, the letter of guarantee would be returned back to the taxpayer within 2 months at the latest following the date that CPA report had been delivered to the tax office.
- . In the circumstance that any lacking/negativity is detected, the taxpayer will be granted a 30 day term to compensate it. In case it could not be compensated, an additional 30 day term will be granted.
- . These terms granted would not be taken into account in calculating the 2 months period.
- . If the lacking/negativity could not be compensated within the granted additional term either, the unfairly refunded amount would be sought with a late fee and tax loss penalty.

Pertaining to these arrangements, the CPA reports submitted within the scope of incremental collateral implementation will be finalized within maximum 4 months.

Although it is not indicated within the Communiqué, we are of the opinion that the unfair refund amount to be sought from the taxpayer will be restricted with the uncompensated lacking/negativity and any assessments for unfair refunds resulting from negative findings that do not impact the refund amount will not be handled.



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.