

Circular

Istanbul, 5 May 2017

Circular No: 59

Subject: Procedure and principles for VAT exemption on residential and office deliveries to the non-resident taxpayers and expats identified.

Procedure and principles of the VAT exemption to be implemented in residential and office deliveries to the non-resident taxpayers and expats have been identified within the VAT Communique series no.12 published in the Official Gazette dated 5 May 2017. Pertaining to that;

- The exemption is applicable on the deliveries of buildings constructed with residential and office purposes.

- To be implemented as of 1 April 2017, the exemption would be applicable on the initial deliveries handled by the taxpayer dealing with construction of residence or office. Residential and office deliveries performed by a land owner, obtaining that residence or office in return for the land, will not be considered within the scope of initial deliveries.

Exemption would be implemented on the residential or office deliveries;

- *to the Turkish citizens living abroad for more than 6 months with work or residential permit (excluding Turkish citizens affiliated with formal offices, establishments or organizations and enterprises with headquarters in Turkey; resident in foreign countries in relation with jobs of the aforementioned formal offices, establishments, organizations and enterprises),*

- *Foreign national real persons non-resident in Turkey,*

- *Corporations without legal and business centers in Turkey and that are not acquiring income in Turkey through an office or permanent representative.*

- Turkish citizens within the scope should be obtaining work or residential permit at least six months prior to the date of delivery within the scope and are required to stay abroad for at least six months between the date of permit and date of the delivery to be handled within the scope.

- For the implementation of exemption, at least 50% of the residence or office value should be paid before the date that the invoice concerning sale is issued and the remaining part is required to be brought to Turkey by the purchaser in foreign currency within one year at the latest and paid to the seller. The VAT refund concerning the exemption would be made following the payment to the seller by completely bringing that amount to Turkey.

- It's essential to bring the foreign currency abroad by transferring it to a bank in Turkey. The transfer handled in that way would be authenticated by a bank receipt. It's also possible to bring that amount to Turkey physically by the purchaser whereas documents obtained from the customs administration would be used to authenticate that situation.

- In the circumstance that the residence or office acquired within the scope of exemption is sold in one year, tax that is not collected on time should be paid by the seller before the title deed transactions including the delay interest.

- *General Directorate of Land Registry and Cadaster electronically notifies the Revenue Administration of the transfers indicated to be exempted from VAT on transactional basis per monthly periods and in a listed form until the 10th day of the following month at the latest.*
- *Sellers declare their sales within that context performed in each taxation period through a form (Atch:24) attached to the VAT return.*
- *The Communique has been enacted to be effective as of 1 April 2017.*

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.