

Circular

Istanbul, 30 June 2017

Circular No: 77

Subject: Price rises linked to inflation will not be applied over fixed and minimum fixed SCT amounts of cigarette and tobacco products for the second half of the year.

Column (A) within the list no (III) attached to the Special Consumption Tax Law contains cola drinks and alcoholic beverages while the list (B) covers cigarette, cigarillo, cigar and other tobacco products smoked, chewed or snuffed.

The third clause of SCT Law's Article 12 titled as "Rate or amount" contains a regulation indicating that, latest minimum fixed tax and fixed tax amounts of the goods identified within the list no (III) will be considered as reset on January and July, in line with the producer price index (PPI) change rate in last 6 months announced by Turkish Statistical Institute (TÜİK) to be effective as of the date that this rate change is declared.

Within the scope of this term, latest minimum fixed tax and fixed tax amounts for the goods existing in the list no (III) should have been raised in accordance with domestic PPI rate for the second half of the year.

However, the Council of Ministers decided not to implement that term on increases concerning the minimum fixed tax and fixed tax amounts of the goods within the (B) column of the list no (III) for Jul-Dec period of 2017, through the Decision no.2017/10462 published in the Official Gazette dated 30 June 2017.

Within the scope of this Decision, any price increase linked to inflation will not be applied over the SCT of cigarette, cigar, tobacco and tobacco products in the second half of the year.

The aforementioned Council of Ministers Decision has been enacted as of 30 June 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.