

Assessment on the Instrument for Pre-Accession Assistance Framework Agreement between the Turkey and the European Union (IPA II) in terms of VAT

Instrument for Pre-Accession Assistance Framework Agreement (IPA) is a mechanism formed by the European Union (EU) to support western Balkan states and Turkey more efficiently. Projects supported through IPA mechanism help candidates and potential member states prepare for the EU standards.

Through the IPA II agreement, five components making up the framework for the financial assistance in the initial period of IPA I covering 2007-2013 have been maintained and transformed into five policy domains that shape the financial supports concerning 2014 – 2020 fiscal periods.

The projects undertaken particularly in the eastern parts of Turkey within the scope of IPA I agreement are also handled in other parts of Turkey in line with the IPA II agreement, exclusively on matters of “agricultural and rural development” and “regional and cross-border cooperation” as well as the eastern regions of Turkey.

In the Article 28 of IPA II Agreement it is indicated that taxes, customs and import duties and/or charges having identical impacts within the context of imports in connection with the goods supplied and/or services rendered and/or tasks executed by the Union contractors under a Union contract are not eligible under IPA II.

Accordingly, Union contractors intending to benefit from VAT exemption within the scope of Framework Agreement should be applying for “Certificate of VAT Exemption” and obtain it.

Since this regulation is of full exemption nature, incurred VAT on deliveries and services subject to exemption is refunded to Union Contractor and/or Provider in cash or on account, in case the incurred VAT cannot be offset by deduction.

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