

Circular

Istanbul, 1 February 2018

Circular No: 20

Subject: Procedures and principles concerning the declaration and payment of the VAT arising from the services provided electronically to the real persons who are not taxpayers of VAT in Turkey by non-resident taxpayers have been identified.

The services provided electronically to the real persons who are not taxpayers of VAT by whom not having any residence, workplace, legal center and business center in Turkey are subject to VAT while the declaration and payment of VAT arising from these transactions was not possible since the parties to these transactions were not taxpayers of VAT.

Through the Article 41 of the Law no.7061, published in the Official Gazette dated 5 December 2017, first clause within the Article 9 of VAT Law has been amended by adding a provision indicating that VAT arising from the services provided electronically to the real persons who are not taxpayers of VAT by whom not having any residence, workplace, legal center and business center in Turkey should be declared and paid by the suppliers of these services.

Procedures and principles concerning the implementation of the provision above have been identified as below, through the VAT General Communique series no.17, published in the Official Gazette dated 31 January 2018.

VAT liabilities of the electronic service suppliers

The suppliers of services provided electronically to the real persons who are not taxpayers of VAT by whom not having any residence, workplace, legal center and business center in Turkey in return for a fee should declare the VAT arising from these services through establishing "VAT Liability Exclusive to the Electronical Service Suppliers".

Aforementioned service suppliers electronically declare the VAT regarding these transactions through the VAT return no.3.

Service suppliers within that context should fill in the form released on the Revenue Administration's website www.digitalservice.gib.gov.tr prior to submitting the VAT return no.3 for the first time. Following the electronical filling and certification of the form, "VAT Liability Exclusive to the Electronical Service Suppliers" will be established in the name of service supplier within the presence of Major Taxpayers Tax Office Presidency.

Any notification for commencing business will not be sought from taxpayers within that context. Following the establishment, taxpayer receives a user name, keyword and a password enabling to perform transactions over the internet tax office.

In the circumstances that the service supplier is not apparently indicated and mentioned on the contract signed by the parties, if the information concerning the service and electronic service supplier is not apparently indicated over the invoices and documents alike, VAT arising from the electronic services supplied should be declared and paid by the ones mediating through the supply process.

Also, entities with the authorization to demand fee, to set the general requirements or holding the liability to perform the service are considered as electronic service suppliers.

Calculation of the tax and implementing deduction

Entities within the scope of “VAT Liability Exclusive to the Electronical Service Suppliers” should calculate a VAT rate at which those services are subject to, for the electronic services supplied to the real persons who are not taxpayers of VAT in Turkey.

Provided that it should be concerning the services declared within the scope of “VAT Liability Exclusive to the Electronical Service Suppliers”, if the portion of VAT disclosed on invoices and documents alike issued for the goods and services received from the VAT taxpayers in Turkey, corresponding to the transactions declared within that context may be subject to deduction within the scope of Article 29/1 of the VAT Law.

Those invoices and documents alike should be preserved in line with the preservation and submission requirements of the Tax Procedures Law.

Declaration and payment

Entities within the scope of “VAT Liability Exclusive to the Electronical Service Suppliers” declare the VAT they calculated for the electronic services supplied to the real persons who are not taxpayers of VAT in Turkey by monthly taxation periods of calendar year until the end of 24th day of the month following taxation period through the internet tax office and within the VAT return series no.3 and denominated in Turkish Liras.

Taxpayers within that context are not required to submit returns concerning the related period, in the circumstance that any transaction that should be declared does not exist.

The VAT declared within that context should be paid until the end of the 26th day within the month in which the return is submitted.

The payment may be made both through tax offices, authorized banks and bank cards or credit cards of the authorized banks via the website of (www.gib.gov.tr) the Revenue Administration.

Additional time for the transition period

However, as of 1 January 2018 in which the provision for VAT liability exclusive to electronic service suppliers had been enacted, suppliers of services provided electronically to the real persons who are not taxpayers of VAT by whom not having any residence, workplace, legal center and business center in Turkey in return for a fee may declare the transactions concerning Jan-Feb-March 2018 with the VAT return no.3 from the start of April 2018 until the end of its 24th day.

Circumstances requiring fee calculation in foreign currency

In the circumstance that the fee is calculated in foreign currency, the foreign currency should be converted into Turkish Liras pursuant to the buying exchange rate of CBRT published in the Official Gazette with the date in which the taxable event has occurred. During the conversion of foreign currencies undeclared in the Official Gazette into Turkish Liras, the current exchange rate should be taken into account.

If liabilities are not fulfilled

Regarding the ones failing to fulfil the regulations on declaration liabilities concerning the electronic services indicated in the Article 9/1 of VAT Law, Tax Procedures Law's provisions on tax penalties will be applied.

The aforementioned regulations have been enacted as of publication date, to be effective from 1 January 2018.



Our explanations provided above include general information on the issue. No responsibility can be claimed against EY and KuzeY YMM ve Bađımsız 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 BAĐIMSIZ DENETİM A.Ş.