

Circular

Istanbul, 20 February 2018

Circular No: 26

Subject: Concerning the deliveries subject to reduced rate, amounts not refunded through deduction should be included into the VAT return of January.

Claiming for the VAT refund receivables arising from deliveries subject to reduced rate through deduction within the calendar year covering the transactions is possible. Taxpayers demanding for refunds through deduction within current year submit it on the line for VAT to be refunded after subtracting the refund amount demanded from the deferred VAT.

VAT refund receivables claimed within its year should be deducted on tax and other debts concerning the same year. VAT refund receivables that are not deducted in that way could also be subject to refund during the following year through annual refunding. However, amounts that are not entreated within annual refunding is not possible to be refunded through deduction on debts of the following year or in cash.

Pursuant to the VAT General Implementation Communique, receivables not refunded despite claimed during the current year in which the deliveries subject to reduced rate were performed should be included in the deferred VAT amount by being entered on the line no.106 "VAT not refunded through deduction concerning the transactions subject to reduced rate" created on this purpose under the "deductions" segment of the VAT return concerning the period following the refund claim at the earliest and January taxation period for the following year at the latest.

In the circumstance that the amounts not refunded despite being claimed within the year are included into the deferred VAT account the way mentioned above will refer to withdrawal from refund claim with respect to the aforementioned amounts.

These amounts included into deferred VAT could again be subject to refund within the context of annual refund implementation.

Therefore, the amounts not refunded through deduction despite being claimed within its year concerning the deliveries subject to reduced rate within the calendar year 2017 should be entered into the related line on the VAT return of 2018 January taxation period.

VAT General Implementation Communique does not contain any statement referring to the possible consequences unless this action is not taken. It would be appropriate to abide by the arrangement precisely to avoid encountering a significant trouble.

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.



[Insert Name]
[Insert Company Name]
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