

Circular

Istanbul, 8 March 2017

Circular No: 41

Subject: VAT exemption announced for residential and office deliveries to the limited taxpayers and expats through the Law no.6824.

Through the Article 7 of the "Law Regarding the Restructuring of Certain Receivables and Amendments on Certain Laws and Statutory Decrees" no.6824 published in the Official Gazette dated 8 March 2017, VAT exemption has been introduced for residential and office deliveries to the limited taxpayers and expats by adding a new sub-clause to the Article 13 of VAT Law.

Accordingly, conditions to be met for benefitting from the aforementioned exemption are provided below:

- a. The exemption is only applicable on the deliveries of buildings constructed with residential and office purposes.
- b. The exemption is applicable on deliveries of buildings to the Turkish citizens living abroad for more than 6 months with work or residential permit (excluding the ones indicated in the second sub-clause of the first clause within Article 3 of Income Tax Law) and foreign national real persons non-resident in Turkey and corporates without legal and business centers in Turkey and that are not acquiring income in Turkey through an office or permanent representative.
- c. The exemption will only be applicable in the first deliveries of those buildings.
- d. Transferring the value amount to Turkey as foreign exchange is a requirement.

In case it is detected that the exemption is applied although the conditions above are not met, both the taxpayer and the purchaser are conjointly liable for the tax that is not collected on time, tax loss penalty and late fee.

In the circumstance that the residence or office obtained within the scope of exemption is sold in one year time, tax that is not collected on time is required to be paid by the seller prior to the title deed transactions together with deferment interest calculated pursuant to the Article 48 of the Law no. 6183.

The aforementioned provision on the exemption has been enacted as of the Law's date of promulgation to be implemented effective from 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.