

Circular

Istanbul, 13 March 2017

Circular No: 45

Subject: *Statements issued on VAT refunds obtained through a tax inspection report.*

The statements added into the certain parts of the section titled as "IV/A-6.Refund by Tax Inspection Report" within VAT General Implementation Communiqué pursuant the Communiqué series no.11 published in the Official Gazette dated 15 February 2017 are provided below:

1. The line below added to follow the line (iii) of the first paragraph:

"iv. The situation of not having corrected the deficiencies or negativities detected during the checks by tax offices in line with the legislation despite having claimed refund with collateral or sworn-in CPA report"

2. The paragraph below added to follow its second paragraph:

"Within the scope of fourth line above, the referral of refund claim to inspection may be handled by the Revenue Administration or directorates of tax/revenue offices. The referral to inspection would only be possible if the letter regarding the correction of deficiencies/negativities within the taxpayer's refund file by the sworn-in CPA or taxpayer is written by the tax office and if the required corrections are not done by sworn-in CPA or taxpayer in line with the legislation within the period indicated. The refund claims referred to inspection within that context would be met if a letter of guarantee at a rate of 120 % of the claimed refund amount is submitted, the collateral would be released in accordance with the tax inspection report."

Pursuant to that, the scope of refund claims to be met in line with the tax inspection report has been extended; it is indicated in the circumstance that the deficiencies or negativities detected are not corrected despite the refund is claimed with collateral or sworn-in CPA report, they would be compensated with a tax inspection report.

In the circumstance that the deficiencies or negativities detected are not corrected although the refund is claimed with collateral or sworn-in CPA report, the referral of refund claim to inspection may be handled by the Revenue Administration or directorates of tax/revenue offices.

For the referral of refund claim to inspection, the conditions provided below must be met;

- First of all, the letter regarding the correction of deficiencies or negativities within the taxpayer's refund file by sworn-in CPA or the taxpayer should be drawn up by tax offices,

- The required corrections are not done and negativities are not eliminated in line with the legislation by the sworn-in CPA or taxpayer within the indicated time span.

Refund claims that are referred to inspection within that context would be met if a letter of guarantee at a rate of 120 % of the claimed refund amount is submitted, and the collateral would be released in accordance with the tax inspection report.

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.