

Circular

Istanbul, 31 December 2019

Circular No: 122

Subject: The refund limit to be applicable in 2020 for the transactions subject to reduced rate set as TL 17.300.

Article 29 of the VAT Law contains a provision indicating that the portion of VAT amounts, concerning the deliveries and services that their tax rates were lowered by the President, incurred but cannot be refunded through deduction exceeding the limit set by Presidential Decision may be refunded either on account in terms of taxation periods of its year, in cash within the following year if demanded or on account for the mentioned debts.

Pertaining to the authorization existing in the Law, through the Decision no. 2017/9759, the aforementioned limit had been set at TL 10.000 for 2017. This limit will be identified in 2018 and following calendar years through increases on the basis of the revaluation rate. In a calculation handled in that way, amounts at TL 50 and lower will not be taken into account while the amounts over TL 50 will be raised to the closest folds of TL 100.

The revaluation rate for 2019 has been calculated as 22.58% and announced through the Tax Procedure Law General Communique series no.512 published in the Official Gazette dated 23 December 2019.

Through the "Communique Requiring Amendments over the VAT General Implementation Communique" series no.29 published in the 2nd repetitive Official Gazette dated 27 December 2019, the concerning amount is announced to be calculated as TL 17.300 for 2020 by taking the revaluation rate into account.

Accordingly, for the VAT refund demands arising from the transactions subject to reduced rate, the non-refundable portion of a VAT amount incurred concerning those transactions but could not be deducted will be implemented as TL 17.300 in 2020.

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.