

## Circular

Istanbul, 16 February 2021

Circular No: 20

### Subject: Parts of VAT General Implementation Communique containing regulations on partial withholding amended.

Amendments to the parts of VAT General Implementation Communique containing services and deliveries subject to partial withholding indicated below have been made through the VAT General Communique series no. 35 published in the Official Gazette dated 16 February 2021:

- Insurance and reinsurance companies, unions and their parent organizations, foundation universities and mobile electronic communication operators have been included into the "Designated Buyers", one of the groups that will apply partial withholding.
- Withholding rate has been increased from 3/10 to 4/10 in engineering-architecture and research - project services performed together with the construction works. Additionally, in case the aforementioned services are performed against VAT taxpayers, they will be subject to withholding. However, withholding will only apply to the works performed against VAT taxpayers with a value of 5 million TL and above including VAT and engineering-architecture and research-project services performed together with these works.
- Withholding rate on machinery, equipment, fixtures and vehicles for modification, maintenance and repair services, outsourced textile and garment works, bag and shoe sewing works and intermediary services for these works and all kinds of printing services has been increased from 5/10 to 7/10.
- Withholding rate applied as 7/10 in cleaning, environment and garden care services has been increased to 9/10.
- Freight transportation services supplied via highways are included in the scope of VAT withholding and the withholding rate has been set as 2/10.
- VAT withholding at a rate of (5/10) will be applied by the relevant buyers in services performed to administrations, institutions and organizations within the scope of the charts attached to the Law no.5018, public institutions and organizations established by the law, circulating capital enterprises, professional organizations in the form of public institutions, banks, insurance and reinsurance companies, retirement and aid funds established by law or legal entities and development agencies and all other services performed and not specified particularly in the Communique.
- The section titled withholding application in the services provided during the operation period regarding the health facilities built with the public-private cooperation model and the words "3/10" in the in-section Table were changed to "4/10" and "7/10" to "9/10"

-The phrases of “3/10” and “7/10” within the section titled “withholding application in the services provided during the operation period regarding the health facilities built with the public-private cooperation model” and the table in that section have been changed as “4/10” and “9/10”.

-Commercial advertising services are included in the scope of VAT withholding and the withholding rate has been set as 3/10.

- In all other deliveries made by VAT taxpayers to the General Directorate of State Supply Office and not particularly specified in the Communiqué (excluding water, electricity, gas, heating, cooling and similar energy uses), a VAT withholding at the rate of (2/10) will be applied by the relevant institution.

-For the fulfilment of the refund requests arising from partial withholding implementation, it has been stipulated that the VAT declared and accrued by the buyer with the VAT declaration No. 2 should be paid.

The Communiqué will be enacted as of 1 March 2021.

*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.