

Circular

29 March 2022

Circular No: 35

Subject: VAT rates applied to certain goods and services have been amended.

According to Presidency Decree No. 5359 published in the Official Gazette dated March 29, 2022, the VAT rates to be applied to the following goods and services have been amended.

- Within the scope of the Law No. 6306 on Transformation of Areas Under Disaster Risk, the portion of the net area up to 150 m² of the net area of the residences built within the framework of the transformation projects in the areas designated as reserve building areas and risky areas and in places where there are risky structures shall be subject to VAT at the rate of 1% and the excess portion shall be subject to 18% VAT rate.

- The part of the net area of the houses other than the ones above up to 150 m² will be subject to 8% VAT, and the excess portion will be subject to 18% VAT.

The provisions prior to the above amendments shall be applied for the residences constructed within the scope of the projects for which the construction permit was obtained or tendered by public institutions and organizations and their affiliates before April 1, 2022.

-8% of VAT shall be applied in terms of field and land deliveries.

- VAT rates have been reduced from 18% to 8% in terms of soap, shampoo, detergent, disinfectants, wet wipes (whether or not soap, detergent or solution impregnated), toilet paper, paper towel, tissue and napkin, toothbrush and paste, dental floss and products classified in subheading 9619.00 (diapers and hygienic products).

- 1% VAT will be applied to all seeds and seedlings certified by the Ministry of Agriculture and Forestry.

- The VAT rate is established as 18% for the delivery of vehicles subject to a special basis for taxpayers carrying out trading of second-hand motor vehicles (positive difference between the sales and purchase price for vehicles procured without VAT payment).

- VAT rate was increased from 1% to 18% in the delivery of yachts, boats and cruise ships.

- Delivery and rental services of devices subject to the provisions of the "Medical Device Regulation" and "In Vitro Diagnostic Medical Device Regulation" published by the Ministry of Health will be subject to 8% VAT.

- Food services provided in places that have a first class restaurant license or operating certificate, as well as in three-star and above hotels, holiday resorts and similar facilities will be subject to 8% VAT.
- “8418.69.00.99.19 Others (Milk cooling tanks only)” and “8433.60.00.00.00 Machinery and devices for separating or cleaning eggs, fruits or other agricultural products by weight or size” are added to machinery and devices list used in agriculture and stock breeding which is subject to 8% VAT.

Presidency decree shall enter into force as of April 1, 2022.

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.