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## Turkiye removes right to deduct import VAT calculated due to certain trade policy measures

- *A recently promulgated Presidential Decree has abolished the right to deduct the import value added tax (VAT) declared due to certain trade policy measures.*
- *As a result, importers will not be able to deduct the VAT calculated on their import transactions due to certain trade policy measures — namely, anti-dumping duty, countervailing duty, protective measures<sup>1</sup> and surveillance instruments.<sup>2</sup>*
- *Therefore, for products imported into Turkiye that are subject to the above trade policy instruments, the amount of VAT that is deductible will be lower.*

With the publication of Presidential Decree no. 7846 in the *Official Gazette* dated 24.11.2023 and no. 32379, the right to deduct the VAT calculated on imports due to trade policy measures has been abolished in Turkiye.

As per Article 21 of VAT Code no. 3065, the VAT base for imports consists of:

- Customs value of goods
- All taxes and duties paid on imports
- Other expenses and payments made until the registration date of the customs declaration that are not taxed, as well as payments such as price differences and exchange-rate differences calculated on the cost of the goods

Trade policy measures on imports for certain goods increase the customs value of those goods and thus increase the VAT base. This results in additional VAT being declared on import transactions, as increased customs value or VAT base is declared due to "surveillance in imports,"<sup>3</sup> anti-dumping duty or additional financial liability.

The new Presidential Decree has now abolished the right to deduct the VAT paid on the increased value declared in the customs declarations of the goods subject to surveillance in imports.

Additionally, VAT will not be deductible if paid within the scope of customs duties and/or additional financial obligations imposed as protection measures, anti-dumping duties and countervailing duties applied in accordance with the legislation on preventing unfair competition in imports. Also no longer deductible are various taxes, duties, fees and shares arising from these amounts and included in the VAT base.

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**ENDNOTES**

<sup>1</sup> Protective measures are applied as taxes and duties on imports. They are also included in the VAT base of imported goods.

<sup>2</sup> Surveillance instruments are trade policy measures but also are applied as an increase in the dutiable basis of goods.

<sup>3</sup> "Surveillance in imports" is a protective trade policy measure where a "surveillance certificate" is required during importation of certain goods. Due to this trade policy measure, products to be imported into Turkey with a value below a certain threshold cannot be imported without a surveillance certificate. In practice, importers that do not want to wait to obtain the certificate instead choose to artificially increase the value of the goods being imported, until the point where the threshold is exceeded and the certificate is not required. However, this additional "fictive" value added on the goods affects the VAT base. In this legislative amendment, it is seen that VAT arising from the increased value due to surveillance cannot be deducted.

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