

## VAT Exemption in terms of housing or workplace sales to foreigners

Due to the population growth in our country, domestic and international migration movements, the increase in the need for housing is continuous and up-to-date, especially in big cities. Due to the recent earthquake disaster, the demand for new housing is also increasing. In order to meet both employment and housing and workplace needs of the construction sector, which is the locomotive of the country's economy, some regulations are made by the government to support this sector.

One of the regulations in question is the regulation made with Article 13-(i) of the Value Added Tax Law. With the regulation that came into force as of 01.04.2017 with the 7th article of the Law dated 23.02.2017 and numbered 6824, VAT exemption was implemented in the first delivery of the buildings constructed as residences or workplaces to foreign individuals or entities under certain conditions. With this regulation, it is aimed to contribute to the country's economy and to increase the foreign exchange income transactions to the country, excluding exports.

Two main elements stand out regarding the exemption application:

- ✓ The first element is to obtain an exemption certification stating that the buyer is not a resident before the sale of the real estate commences.
- ✓ The second basic element is related to the foreign currency prices, and 50% of the foreign currency values must be brought to the country before the issuance date of the invoices subject to the real estate sales transactions; the remaining amount should be brought to the country within 1 year, based on the date of issuance of the invoices.

The problems experienced during the implementation of this exemption have been resolved with subsequent regulations.

There is a period of 3 years to be considered regarding the delivery to foreigners. The house or workplace sold must not be subject to purchase and sale within 3 years. Otherwise, the penal sanctions to be applied consist of the tax not collected on time, tax loss penalty and delay interest and the responsibility belongs to the buyer.

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