

VAT practices in terms of foreign exchange difference

According to article 20 of VAT Law numbered 3065, it is stipulated that tax base is the amount constituting the return for such transactions in terms of delivery and service transactions and amount phrase in question refers to total money, goods and benefits, services and values provided in other methods and represented in money received or owed by any means in return for these transactions from those who receive the goods or serve or act on their behalf and various incomes such as interest, price difference, currency difference, interest, premium, and all kinds of benefits, services and values provided under service and similar names are included in the tax base according to article 24/c of same Law.

According to section III/A-5.3.) “Exchange Differences” of Communique on VAT General Application, it is stated that in transactions where the price is denominated in foreign currency or indexed to foreign currency, if the price is partially or fully paid after the date of the taxable event, the exchange differences in favor of the seller are included in the VAT base and in this framework, exchange differences corresponding to the cost of goods and services will be taken into account in the calculation of the exchange differences to be included in the tax base, and the exchange differences arising from the calculated VAT will not be included in the assessment.

VAT is calculated by issuing an invoice for the favorable exchange rate difference between the date of delivery or service and the date the price is collected and applying the rate applicable to these transactions on the date of delivery or service to the exchange rate difference demonstrated on the invoice.

If there is a foreign exchange difference in favor of the buyer on the date the price is collected, an invoice must be issued by the buyer to the seller over the exchange rate difference and VAT must be calculated at the rate on the date of delivery and service.

In the framework of explanations made under “III A-5. 3 Exchange Differences” section of Communique on VAT General Application, VAT is not calculated over exchange differences resulting from valuations made in accordance with the Tax Procedure Law at year-ends and advance tax periods.

Within the framework of the explanations in the VAT Law No. 3065 and the VAT General Application Communique, the applications regarding exchange rate differences are called to your attention in this article.

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