

## VAT refund of organizer firms in scope of international transportation

In the globalizing world, international buying and selling activities have resulted in a significant increase in international transportation activities.

The fact that our country has a high import and export potential and that countries close to Europe-Turkey and Europe-Middle East Trade in terms of geographical location and the Bosphorus route frequently use our country's transportation channels increase the importance of international transportation activities.

In order to compete in global markets, international transportation activities are exempted from value added tax.

With the exemption in question, transit and freight and passenger transportation between Turkey and foreign countries by sea, air, road and rail are exempt from VAT according to Cabinet Decree numbered 84/8889 published based on the authorization granted to the Cabinet under article 14/1 of Law numbered 3065.

The exemption provision covers both the organizer companies and the companies that actually carry out the transportation business. This issue is stated as follows in General Communique on VAT Applications: "In case all or some of the transportation activities within the scope of the exception are carried out by other carriers, no tax is calculated for either activity since these activities of the organizer firm, which undertakes the work as the addressee against the company that makes the transport, and the firm that carries out the actual transport as the second-degree contractor, fall within the scope of the exemption. However, if the transportation activity of the second degree contractor starts and ends within Turkey, these works are subject to VAT."

In this article, the issues that need to be considered in order not to cause double refunds in VAT refunds to be made both to the organizer company and to the company that performs the actual transportation have been discussed in case the international transportation business is outsourced to other carriers.

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