



The following explanations include changes in the current VAT law numbered 3065.

1- VAT Base on land delivery in consideration for housing or workplace

With the addition of the paragraph 5 to the Article 2 of VAT Law, VAT base on land delivery constructed by the land owner is limited to the land part attached to the houses or workplaces that are going to be contracted. Therefore; As a contractor; in the case of delivery of house and workplace, delivery will be deemed to have been realized for the share of the land.

This provision aims to limit the VAT base for the construction on the basis land delivery in consideration of house or workplace

2- Group VAT Liability;

The Ministry of Finance is authorized to register "Group VAT liability", which allows corporations taxpayers to submit a VAT declaration at consulate with companies with at least a 50% share in case of their wishes

With this arrangement, companies will also be able to download VAT that they cannot deduct from different group companies of VAT.

It's not mandatory. That's why companies should evaluate their VAT position before applying this system.

The company that is registered for group VAT liability is responsible for the assessment of group VAT. Again all taxpayers who are members of the group are jointly responsible for the VAT.

3- Delivery to Duty Free's will be deemed as export

The bill's new added provision to 12/1-a of VAT Law, Delivery of goods from Turkey to the Duty Free 's will also be deemed to be export and exempt from KDV.

Here, the VAT charged for these goods will be refundable. Further SCT exemption is also applicable for these deliveries to Duty free.

4- Full VAT Exemption for Warehousing and Terminal Services

Warehousing, and terminal services provided for the goods subject to import and export transactions and for goods traded under the transit regime have been included under the exception of customs premises where customs warehouses and temporary storage areas previously covered by VAT Law 17/4-o and customs services are provided.

With this change VAT charged for these services will be refundable.

5- Full VAT Exemption For Deliveries And Services To Donors

Deliveries and services made or rendered to Donors who have charities of schools, hospitals, dormitories, kindergartens, nursing homes, nursing and rehabilitation centers, worship services subject to the permission and supervision of the heads of the provincial administrations, facilities provided with extensive religious education related to the Diyanet, sports centers, affiliated to the Ministry of Youth and Sports and youth and scouting camps are included in FULL VAT EXCEPTION.

With this way charities are encouraged.

6- Full VAT Exemption for Health Services Made for Non-Residents

Preventive medicine, diagnosis, treatment and rehabilitation services for foreign nationals who are not resident in Turkey are exempted from VAT provided that exclusively these services given in the context of health institutions and organizations. Other services for non-residents are not in the scope of the VAT exemption.

7- Full VAT Exemption for Delivery of Machinery and Equipment to R&D Centers And Technology Development Zone's

- In the technology development zone within the scope of the Technology Zones Law numbered 4691 and in the specialized technology development zone,
- In R & D and design centers within the scope of Law No. 5746,
- In laboratories covered by Act No. 6550

New machinery and equipment deliveries made exclusively for use in these activities are exempted from VAT for those engaged in research and innovation activities.

Since the exemption is in full VAT exemption, the VAT amounts charged by those deliverers may be refunded.

This machinery and equipments should be used within 3 years and not be used out of the scope of R&D and design activities. Otherwise, it will be handed over to you by losing the exceptional conditions.

8- Partial VAT Exemption for Conversion of Partnership to Corporation

In the event that the conditions of conversion of the ordinary partnership into Capital Company within the scope of article 81/2 of PIT are realized, this conversion process is exempted from VAT.

For the exemption, it is required that the transfer of the company to the capital company with all assets and liabilities of the ordinary partnership, the same transfer to the transferor company and the ownership share calculated in accordance with the shareholders equity of the common company partners. It is essential that the shares representing the share of the company are issued on the name of shareholders.

9- Partial VAT Exemption for the Delivery of Apparel Clippers

Delivery of apparel clippers are added to the provision of VAT Law and are exempted from VAT.

A major problem is solved by exempting taxpayers from the garment/confection sector who are not able to use them.

10- VAT Base On The Sale Of Used Motor Vehicles And Real Estate Are Defined

VAT base on taxpayers involved in second hand motor vehicles or real estate trade are defined as the amount remaining after deducting the purchase price for the sale of second hand motor vehicles and immovables provided that sold without any substantial modification is made after purchased from the non-taxpayers (including tax exempt purchases from VAT taxpayers)

11- In the "land against housing construction activities" the base for house and workplace are defined

In the determination of the cost of the construction work for the land, the application is clarified by indicating that the residence or the workplace left by the contractor to the land owned by the contractor shall be based on the sales amount determined on the basis of the cost method (for the whole sale it's cost plus 5 %) mentioned in the second paragraph of article 267 of the Tax Procedure Law

12- Deferred VAT can be Refundable

According to the current sub paragraph 2 of Article 29 of VAT law, excess amount of input VAT can be deferred to the next taxable periods but cannot be refunded. This has been created huge problem in VAT system. Now it's going to be changed and with this new provision excess VAT can be deferred and in case it cannot be deducted in 12 month period it could be refunded provided that the taxpayer is claim and apply for refund within the six month following the 12 month period.

13- VAT Deduction Limitation is Widened

According to the current provision of paragraph 3 of Article 29 regarding deduction of input VAT there was a very tight limitation. This creates huge problem in the deduction of VAT especially resulted from late arrived invoices, discounts made after sale, turnover premiums etc.

The current provision includes that "The right to deduction may be exercised during the period in which the relevant documents are entered in the books kept pursuant to laws, providing no later than the calendar year in which the event giving rise to tax took place"

Now the wording of changed and ""The right to deduction may be exercised during the period in which the relevant documents are entered in the books kept pursuant to laws, providing no later than the following calendar year the calendar year in which the event giving rise to tax took place"

With this change VAT on any invoice that is related to transaction realised in a calendar year can be deducted within 2 years.

14- VAT on Worthless Receivables Can be Deducted

With this change any VAT on worthless receivables which is in line with the article 322 of TPLA can be deducted from calculated (output) VAT.

15- VAT Refund Claim Should be Made in 2 Years

According to Article 32 some excess VAT which cannot be deducted from calculated VAT could be refundable. With this change refund claim should be made until the end of second years following the transaction is made.

Again, in the same article, the authorization for the trash given to the Ministry of Finance was expanded to "make repayments up to a certain percentage of the export value in sectors" instead of the VAT charged in the exports arising from the export transactions made by the manufacturers. With this arrangement, the Ministry of Finance will be able to provide a wider VAT refund depending on the exported value basis.

16- The Authority of Cabinet and Ministry of Finance is Expanded on Refund of VAT

The authority of the Council of Ministers has been expanded and the Cabinet has been authorized in determining the minimum amount that can be claimed for refund and deducting as an expense in the determination of income and corporate tax base of unclaimed VAT within the period.

Again with the same article, to the Ministry of Finance; given the authority to determine the refund methods related to the refund according to the criteria such as the duration of the obligation, the number of employees, active and the amount of capital paid in, tax amount, and whether the tax duties are fulfilled on time.

17- Late VAT refunds will be paid together with late payment interest

According to the VAT Law, if the beneficiary is not returned within 3 months following the completion date of all information and documents to be completed regarding the transaction, the late payment fee amount shall be determined according to the Law No. 6183 and paid to the taxpayer together with VAT refund.

18- Game Production in Technology Development Zone is Exempted

Temporary Article 20 exempt delivery of some type of technological products. Game is also added to this group.

Furthermore, input VAT regarding exempt delivery of the products in this zone could also be deducted from calculated VAT on non-exempt delivery.

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