



VAT IN TÜRKİYE

Türkiye Tax Regulation

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1.VAT IN TÜRKİYE IN GENERAL

Deliveries of goods and services are subject to VAT at rates varying from 1% to 20%. The general rate is 20%.

VAT payable on local purchases and on imports is regarded as 'input VAT', and VAT calculated and collected on sales is considered 'output VAT'. Input VAT is offset against output VAT in the VAT return filed at the related tax office. If output VAT is in excess of input VAT, the excess amount is paid to the related tax office. Conversely, if input VAT exceeds output VAT, the balance is carried forward to the following months to be offset against future output VAT.

With the exception of a few situations, such as exportation and sales to an investment incentive holder, there is no cash refund to recover excess input VAT.

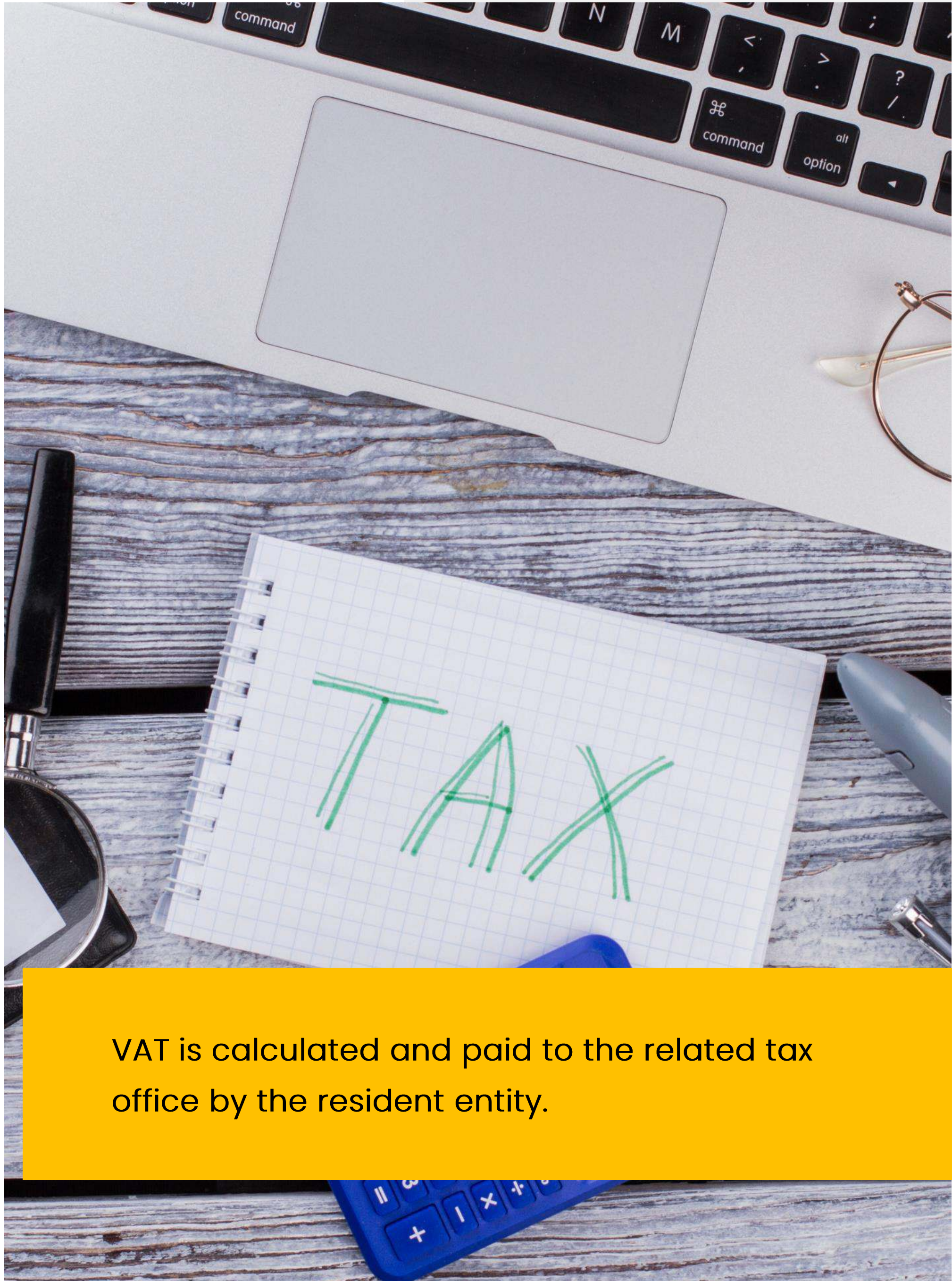


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VAT in TÜRKİYE

Turkish VAT principles contain a 'reverse-charge VAT mechanism', which requires the calculation of VAT by resident entities on payments to persons in foreign countries. Under this mechanism, VAT is calculated and paid to the related tax office by the resident entity. The resident entity treats this VAT as input VAT and offsets it in the same month. This VAT does not create a tax burden for the resident or non-resident entity, except for its cash flow effect on the former if there is insufficient output VAT to offset the input VAT.

VAT is also collected at the point of import. The VAT rate is the same rate as the one that is applied for transactions in the country of origin. The base for VAT is the value of the goods for customs tax purposes plus any kind of tax payable at the point of import and all the expenses incurred until the single administrative document is registered.

A photograph of a desk setup. In the foreground, a blue calculator is partially visible. Behind it, a spiral-bound notebook with a grid pattern has the word 'TAX' written in large, green, hand-drawn letters. To the right of the notebook is a silver pen. In the background, a silver laptop is open, showing its keyboard and trackpad. A pair of gold-rimmed glasses is resting on the desk to the right of the laptop. The desk surface has a light-colored, wood-grain pattern.

VAT is calculated and paid to the related tax office by the resident entity.

2.VAT REGISTRATION IN TÜRKİYE



There is no turnover threshold for VAT registration in Turkey. Any person or entity engaged in an activity within the scope of the VAT Law must notify the local tax office where his place of business is located. If there is more than one place of business, registration is performed by the tax office that is authorized with respect to individual or corporate income tax.

In General, VAT Registration occurs after the incorporation of a Turkish Entity.

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3. TRANSACTIONS THAT ARE SUBJECT TO VAT

TRANSACTIONS

*that are realized in Turkey
are subject to VAT*

3.1. Delivery of goods and services

“Delivery of goods” is the transfer of possession by the seller or the person acting on behalf of the seller to the buyer or the person acting on behalf of the buyer.

“Delivery of services” is realized through rendering of the service.

“Transportation of the goods” by the seller to the buyer also implies the delivery

3.2. Transactions that are realized in Turkey are subject to VAT

In order for transactions to be subject to VAT in Turkey;

- a. Goods must be present in Turkey at the time of delivery.
- b. Services must be rendered or benefited in Turkey.

4. TAXABLE EVENT



The taxable events for VAT purposes are as follows:

- a. Delivery of goods and services.
- b. Issuance of an invoice before the delivery of goods and services.
- c. Partial delivery of goods or services if the partial delivery is a common practice or it is agreed between the parties.
- d. The delivery of goods to the buyer in case of sales on a consignment basis or through intermediaries.
- e. Starting the transportation of goods or their delivery to the transporter in case of sending goods to the buyer or person acting on behalf of the buyer.
- f. Accrual of water, electricity and gas consumption.
- g. Arising of the liability to pay customs duties (in the case of imports subject to customs duty) or the registration of import clearance document with the Customs Authority

5. TAX BASE



The VAT base is generally the total value of the transaction

5.1. Tax base for delivery of goods and services rendered:

The VAT base is generally the total value of the transactions. The value means the sum of the money, goods, or other benefits, services and values which can be represented by the money, paid or indebted by those who bought these goods and services or those who acted on behalf of them in return for these goods and services. If the parties agree on any benefit other than money, then the equivalent price on the market is the tax base of the transaction. Market value is the average price payable in the market for similar goods and services and is determined with reference to the Tax Procedural Code.

6. ITEM INCLUDED IN THE VAT BASE

Following items have to be included in VAT base.

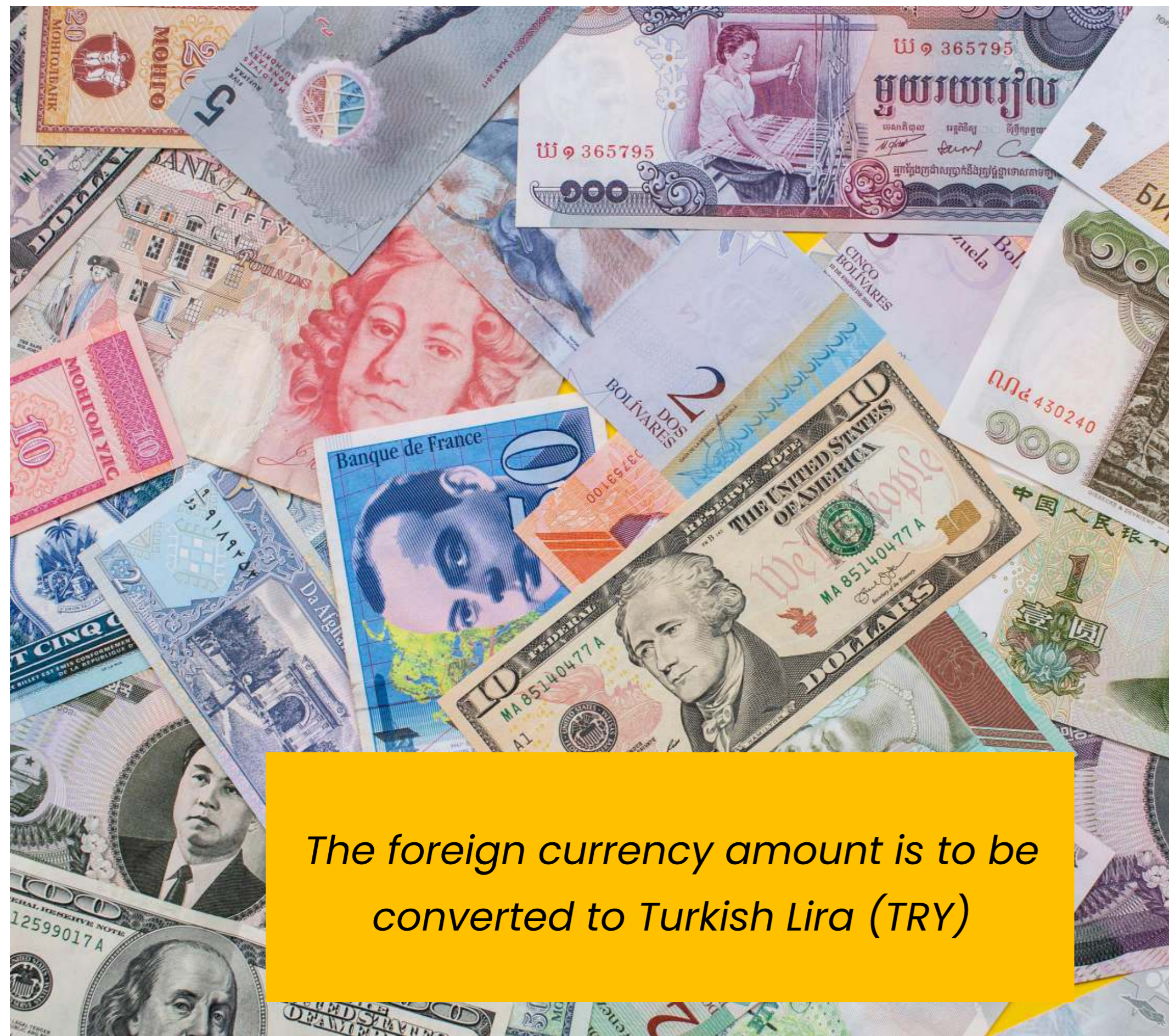
- The transportation, loading and unloading expenses made by the seller till the delivery place shown by the customer.
- The packaging expenses, insurance, commission, and similar expense accruals, taxes, duties, fees and funds paid by the seller.
- Delay charge, price difference, interest, premium and similar revenues, all kind of benefits, services and values.

VAT base includes transportation, packaging, taxes, fees, and all related expenses and revenues.



7. DETERMINATION OF TAX BASE FOR TRANSACTION IN FOREIGN CURRENCIES

In case the tax base is determined in terms of a foreign currency other than Turkish Lira, the foreign currency amount is to be converted to Turkish Lira by using the foreign exchange buying rate prevailing on the day of realization of the taxable event.




The foreign currency amount is to be converted to Turkish Lira (TRY)

8. MINIMUM INFORMATION REQUIRED OVER A LEGAL INVOICE

KURSOFT YAZILIM BİLİŞİM TEKNOLOJİLERİ

Telefon : 08504200577
Vergi Dairesi : Melikgazi
Vergi No : 5940853387
E-Posta :
Adres : Cafer bey Mahallesi Bardak Sokak
Safir Apartmanı 31/C Melikgazi / Kayseri Kayseri


e-Arşiv Fatura

KURSOFT YAZILIM
Kemeraltı Mahallesi, Çelebi Sk. No:1 Melikgazi / KAYSERİ

Web Sitesi : ÖZEL ALAN 1
E-Posta : m.ustafa@kursoft.com
Telefon : 08504200577
Vergi Dairesi : Melikgazi
VKN : 5940853387

Özelleştirme No:	
Senaryo :	Temel Fatura
Fatura Tipi :	0
Fatura No :	11120631910
Fatura Tarihi :	18.08.2022
Muhasebe Fatura No :	
İrsaliye No :	
İrsaliye Tarihi :	18.08.2022

ETTN:

Sıra No	Mal Hizmet	Miktar	Birim Fiyat	İskonto Oranı	KDV Oranı	Mal Hizmet Tutar
1	KRS vS KOBİ	1,00 Adet	3898,31 TL	10,00	% 10	3.898,31

Mal ve Hizmet Toplam Tutar	3.898,31
Toplam İskonto	389,84
Hesaplanan Toplam KDV	631,53
KDV Dahil Toplam Tutar	4.140,00

İrsaliye yerine geçerlidir.
E-Arşiv izni kapsamında elektronik ortamda ibtilirir.
Ödeme Kipulu

Açıklama:
Yalnız: DÖRT BİN YÜZ KIRK LİRA

Required Information on an Invoice

Identifying Number	Yes
Sequential Identifying number	Yes
Supplier's name & address	Yes
Supplier's VAT Number	Yes
Customer's name and address	Yes
Customer's VAT number	Yes
Time of Supply	If it is included in waybill
Date of Issue of invoice	Yes
Type of supply (e.g. sale/rental)	Yes
Description of the goods or services	Yes
Number of Goods	Yes
Charge made for each supply excluding VAT	Yes
Rate of VAT applicable to each supply	Yes
Total Charge excluding VAT	Yes
Each VAT rate charged	Yes
Amount of VAT charged at each rate	Yes
VAT due	Yes
Discount given if any	Yes
Tax office of customer and supplier	Yes
Waybill number	Yes
Date of Delivery of goods	Yes

9.VAT CREDIT MECHANISM

Under the credit mechanism, if output VAT exceeds input VAT in the related month, difference is paid to the tax office. In contrary, if input VAT exceeds output VAT the difference is carried forward in order to offset against future VAT collections. There is no time limitation to refund deferred VAT from future VAT collections. are used for the productions of exempted sales (i.e. “exemption with credit” transactions listed in the articles 11, 13, 14 and 15 of VAT Law) can be refunded via offsetting against future VAT collections. However, tax payers have option to reclaim incurred VAT from tax authority in cash or offsetting against other payable taxes on the condition that these taxes cannot be refunded with credit method. In order to reclaim incurred VAT, bank guarantee or CPA report is required by the tax authority. (For the exempted sales list please see above section 10.3)

With the exception of a few situations, such as exportation and sales to an investment incentive holder, there is no cash refund to recover excess input VAT.



10. NON-DEDUCTIBLE INPUT VAT

Businesses are not permitted to recover Input VAT incurred on a number of items including the following:

- Automobiles (except “rent-a-car” companies) (*)
- Perished (except those perished due to earthquake or flood), missing or stolen goods
- Non-deductible expenses according to Turkish Tax Regulations
- Sold items which are not subject to VAT or exempt from VAT

In principle, for Input VAT to be deducted, the VAT amount has to be shown separately on an invoice and such VAT must be recorded in the statutory books.

(*) VAT incurred on purchases of cars should be recorded as either an expense or cost.



11. REVERSED CHARGE NON-DEDUCTIBLE INPUT VAT

Those services purchased from non-resident entities by resident tax payers and benefited in Turkey are considered to be supplied in Turkey. This procedure is known as the "reverse charge mechanism" or "tax shift mechanism".

Non-resident supplier of services in Turkey need not therefore register for VAT.

Consequently, the recipient of the services in Turkey has to calculate VAT at the standard rate of 20% on the gross invoice amount (except for financial leasing transactions) and accounts for this amount as "VAT Payable". This amount is declared on "VAT Return No: 2" and at the same time recoverable as "VAT Deductible or input VAT" through declaration on the "VAT Return No: 1" in the same month.

The reverse charge, or tax shift, only applies to services and rental payments for intangible rights and royalties. For goods supplied in Turkey, the importing party is liable to pay VAT at the Customs.

12. NON-DEDUCTIBLE INPUT VAT

According to the VAT General Communiqué no 91, those public entities which are financed through the General Public Budget or Annexed Public Budget, public companies, and banks or financial institution are required to apply VAT withholding on VAT amount with respect of the purchased services.

Service transactions that must be subjected to VAT withholding mechanism are as follows:

	VAT withholding rate	
Type Of Service	Publicly quoted Companies	Public entities and Financial Institutions
Construction Services	1/3	1/3
Cleansing Services	2/3	1/2
Gardening Services	1/2	1/2
Security Services	1/2	1/2
Maintenance Services for Fixed Assets	N/A	1/3
Catering Services	1/2	1/3
Audit and Consultancy Services	N/A	1/2



13. FREQUENCY AND SUBMISSION OF VAT RETURNS

VAT returns are normally submitted on a monthly basis. Only suppliers of international and inter-city transportation services are allowed to submit VAT returns on a quarterly basis. VAT returns must be submitted till the end of the normal working hours of 26th and paid till the end of the 26th of the following month. VAT returns have to be filed and submitted every month even if there is no taxable transaction.



14. EXPORTATION OF GOODS AND SERVICES

According to Article (11/1-a) of the Value Added Tax Law, export deliveries and services related to these deliveries and services performed for customers abroad are exempted from value added tax. According to Article (12/b) of the same Law, in order for a delivery to be considered as an export delivery, the goods subject to delivery must leave the customs territory of the Republic of Turkey and arrive in a foreign country.

The exemption related to the export of goods is declared with the VAT declaration for the taxation period that includes the “closing date” of the customs declaration, which is the date of export.



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In export deliveries, the date on which the customs declaration is closed by the border customs is accepted as the date of export realization.

Accordingly, the event giving rise to the exemption and VAT refund right in export deliveries occurs on the date when the exported goods leave the Turkish Customs Territory. Therefore, even if the date of issuance of the export invoice and opening of the customs declaration is earlier, export deliveries should be declared in the taxation period that includes the actual export date when the goods leave the Turkish Customs Territory.

The export price shall be converted into TL at the foreign exchange buying rate of the Central Bank of the Republic of Turkey, which was first published before the closing date of the customs declaration.

– Journal entries must be made taking into account the “actual export date”. The export price should be written in the declaration, including freight and insurance costs.



15. EXPORTATION PERFORMED AND SERVICES RENDERED TO THE CUSTOMERS ABROAD ARE EXEMPT FROM VAT

For the deliveries to be considered as exportation following conditions have to be fulfilled:

- a. Exportation of goods and roaming services
- b. Finished product deliveries of manufacturing companies destined for exportation

Export transactions are exempt from VAT, and credit and refund is available for input VAT for the export goods. VAT related to export transactions can be claimed on the VAT return for the period in which the export took place. The requested amounts can be received in cash or offset against other taxes of the Company, after the tax office's control and approval upon submission of the following information and documents:

- Refund request letter
- Sales invoice list
- Customs declaration or list
- List of deductible VAT for the period of export
- List of loaded VAT
- Calculation Table for Requested VAT Refund



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Offset Refunds:

Upon presentation of documents, irrespective of the amount, tax examination report, certified public accountant (CPA) report, and without requiring collateral, the taxpayer's tax debts are offsetted against other taxes.

Cash Refunds: Collateral-Free

Cash refund requests not exceeding 10,000 TL are refunded without requiring tax examination report, CPA report, or collateral.

For amounts exceeding 10,000 TL, the excess amount is refunded upon the taxpayer's request along with the tax examination report.

For refund amounts not exceeding annually determined thresholds, the refund is based on CPA attestation report upon taxpayer's request.

For refund requests exceeding annually determined thresholds, a fully attested contract by a certified public accountant is required along with timely signature for CPA attestation report.

Refund with Collateral:

Upon providing collateral, the taxpayer's refund request is fulfilled. Collateral is resolved based on the tax examination report or CPA report.

16. EXPORTATION OF SERVICES ARE EXEMPT FROM VAT UNDER FOLLOWING CONDITIONS

- I. For the services to be considered as exportation following conditions have to be fulfilled;
 - a. Services have to be rendered for the customers abroad (out of Turkey),
 - b. Invoices and other documents must be issued in the name of the foreign customer,
 - c. Fee for the services must be brought into Turkey as a foreign currency,
 - d. Services must be benefited abroad. The term “customers abroad” means the buyers whose domiciles, workplaces, business centers are abroad or the subsidiaries of a Turkish Corporation founded in a foreign country.



II. Conditions of Service Exportation

a. The service in question should be provided in Turkey for a customer based abroad.

The term “customer abroad” should mean an individual or entity whose place of residence, business, workplace, administrative seat or business head office is abroad or a branch, agency, representative or office of a company which is based abroad and which individually operates on its own behalf whereas its parent company is based in Turkey. Unless the service is provided in Turkey, it shall not be subject to a VAT and there will be no service exportation. For instance, contracting works abroad are not subject to VAT in Turkey. However, if an architect in Turkey draws a project and sends it to abroad for the construction works of that contractor abroad, this will qualify as a service exportation. Considering the fact that VAT assumed for non-taxable transactions may not be deductible (Article 30/a of the VAT Law) and VAT assumer for works that are eligible to service exportation exemption may be deductible and refunded (Article 32 of the VAT Law), it is easy to understand that this difference is critical.



b. An invoice or similar document should be issued in the name of the customer abroad.

Even if the customer based abroad runs a representative office in Turkey, it is strictly required to issue the invoice in the name of the customer abroad. Therefore if the invoice is issued in the name of the representative office in Turkey, no exemption shall be applicable.

c. The price of the service should be transferred into Turkey in foreign currency.

Even if it is not strictly conditional to transfer the price of goods into Turkey in foreign currency in case of exportation of goods, in case of eligibility to exemption in case of service exportation, it is strictly required to transfer the price of the service to Turkey in foreign currency, which shall be converted into Turkish lira at banks or private finance institutions. Unless the original copy of the FX purchase receipt or a copy of it legalized by the issuing agency or the notary public is presented, the exporter shall not be eligible to the exemption for service exportation. A letter that issued by the bank evidencing the transfer of the foreign currency from abroad will also pass as the FX purchase receipt.

On the other hand, a ruling published by the revenue administration states that in the case the company abroad makes its payments via set-off mechanism, it is possible to use "a mutual set-off letter" that shall be issued as between the parties in lieu of a FX purchase certificate provided that other conditions shall have been fulfilled.

d. The recipient of the service should make use of it abroad.

In addition to the conditions which may be called “physical” ones, the condition of making use of the service abroad, which is rather an abstract condition, leads to certain doubts in the implementation of the service exportation exemption. As a matter of fact, the Ministry of Finance cited examples in the General VAT Communiques under the serial no. 26 and 30 instead of explaining and clarifying this principle. Here we can understand that whether a service is used in Turkey or abroad is open to interpretation on a case-by-case basis.

When the examples given in the Communiques are checked, it is seen that in general, services provided for recipients abroad in connection with goods exported to abroad are considered to be eligible to exemption while services provided to suppliers abroad for goods imported to Turkey are taxed.

On the other hand, we would like to state that a service exportation exemption may be applicable to toll manufacturing, which has become a significant industry in itself for our country. But, a toll manufacturing company may be eligible to a service exportation exemption on the condition that the invoice should be issued to the company abroad, the price should be transferred to Turkey in foreign currency and toll manufactured goods should in no event be sold in Turkey, including to exporters.

III. Examples of VAT Exemption for Services Provided to Abroad

In light of these general rules described above, based on rulings adopted by the Ministry of Finance, please find below the examples for the VAT exemption eligibility in services provided to abroad:

EXAMPLE 1: A printing house based in Turkey performs printing works for a magazine published abroad. Here there is no delivery of magazines to abroad but a magazine printing service (by the way, delivery of magazines is also exempted from VAT under the goods exportation regime). On the condition that printed magazines will not be sold in Turkey and the cost shall be transferred by the publishing house abroad to Turkey in foreign currency, the service to print magazines for customers abroad shall be eligible for export exemption and shall not be subject to VAT.

EXAMPLE 2: Toll manufacturing that manifests itself in the form of assembly of toys sent from abroad or sewing baby dresses from fabrics cut-out abroad is eligible to VAT exemption on the condition that the price shall be transferred to Turkey in foreign currency.



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EXAMPLE 3: A consultancy firm based in Turkey carries out a market research in order to market goods of a German manufacturer in Turkey. These services shall not be eligible to VAT exemption and shall be subject to VAT even if the invoice in return for these services may be issued to abroad and the service fee may be transferred to Turkey in foreign currency as the foreign company makes use of this service in Turkey.

EXAMPLE 4: A company based in Italy plans to buy leather articles from Turkey. It hires a Turkish company to make a survey among leather article manufacturers in Turkey. Turkish company shall be eligible to service exportation exemption on the condition that it issues the research service invoice to the Italian company and the invoice sum is brought to Turkey in foreign currency.



IV. Examples of VAT Exemption for Services Provided to Abroad

Examples above are based on communiqués published and rulings delivered by the Ministry of Finance about the service exportation. As it is evident from the examples, the sharp lines of the criterion “making use of the service” in service exportation is not clear cut. It is also observed that court decisions in this respect are not that clear cut to create a stare decisis of their own. For instance, in one of its decisions, the Council of State 7th Chamber ordered that a Turkish company which acted as a broker for goods that a company based abroad would sell in Turkey was eligible to the service exportation exemption thanks to its such service, the same Chamber concluded in another decision of it that services provided by a tourism organizing company in Turkey to foreign travel agencies for services to tourists visiting Turkey were used in Turkey and therefore it was not possible to categorize these services as a service exportation.

One of the illustrative decisions of the Council of State concerns industrial property rights. It was ordered that for an intermediary firm which offered services for the registration of trade marks, patents and industrial property rights of a company based abroad in Turkey, these services were used in Turkey and therefore were not eligible to service exportation exemption. Hiring yachts in Turkey for customers abroad is also not treated as a service exportation. There are also certain orders made by the Council of State 7th Chambers that services provided by a Turkish company for its customer abroad, including supply of information about Turkish tax legislation and following up tasks and works before administrative and judicial bodies, are eligible to this exemption as well.

17.VAT OBLIGATION AT IMPORTS

When determining the VAT base for imports, the customs value and all taxes, duties, and charges paid during importation are included.

These include customs duties, municipal taxes, wharfage dues, stamp duties, and any similar obligations arising from the importation process.



18.VAT OBLIGATION AT IMPORTS

When determining the VAT base for imports, the customs value and all taxes, duties, and charges paid during importation are included.

These include customs duties, municipal taxes, wharfage dues, stamp duties, and any similar obligations arising from the importation process.

There is no a low value threshold for VAT in Turkey. Imports in general are subject to VAT of 20 % general rate.

But under certain conditions imports are exempt from VAT. Those are as follows;

- a) Importation of goods and services which are exempted from VAT specified in VAT law.
- b) Importation of goods for which the rules of the Customs Law concerning the policies of transit and bonded warehouse regime, temporary warehousing and the rules of free trade zones are applied.
- c) Materials sent to Turkey to help victims of disaster.
- d) Inward processing enables exporters to import raw materials without paying VAT or customs duty (if any).
- e) Under the temporary exportation regime; machinery and equipment can be sent to abroad for repair purposes temporarily under a warranty contract. In this condition, there will be no import tax applicable at the import clearance stage under the re-importation procedures.
- f) Temporary importation regime allows the tax payers to import machinery and equipment into Turkey for a certain period of time without paying import taxes in the condition that temporary imported materials must be export cleared within the time period.

Additionally, importation of machinery and equipment which has customs duties exemption within the scope of an investment incentive certificate is exempted from customs duty and import VAT. Besides if the goods are transferred without any value (free of charge) it is possible to avoid VAT and customs duties within some conditions.

CONTACT INFORMATION



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