

Turkey Amends Rules for Value Added Tax, Introducing New Exemptions

13 Jun 2018

Turkey has announced a range of amendments to the tax regime, as well as new VAT exemptions. A new tax base calculation is introduced for sale of secondhand vehicles and immovable property. Time limits are also introduced where sellers must repay buyers for excessive and unfairly calculated tax inputs.

The Law Concerning Certain Changes to the Value Added Tax Law and Certain Laws and Statutory Decree number 178 ("**Law**") was published in Official Gazette number 30383 on 6 April 2018.

The Law introduced the following amendments:

- The VAT system has changed for construction done in return for land shares, so that now:
 - The landowner will be deemed to have delivered the land share to the contractor in return for the residential house or workplace. Similarly, the contractor will be deemed to have delivered the residential house or workplace to the landowner in return for the land share.
 - The price of a residential house or workplace will be determined in accordance with the imputed cost, regulated under Tax Procedural Law.
- Sellers must repay buyers for excessive and unfairly calculated inputs, with related tax returns will be amended accordingly. Within this scope, analysing the tax returns must now be examined within three months, extendable by two months maximum.
- A special tax base calculation is introduced for sale of secondhand vehicles and immovable property. The tax base will now be determined as the amount remaining after deducting the purchase price.
- From 1 January 2019, the right to VAT deductions will be extended to the end of the following calendar year and the current principle of deduction within the same year will be abandoned.

New tax exemptions

A range of new tax exemptions have been announced, entering into force at different times:

- **1 June 2018:**
 - Deliveries to duty free shops will be exempt from VAT and Special Consumption Tax.
 - Deliveries and services related to donations for construction of schools, health facilities, dormitories, and retirement homes will be exempt from VAT.
 - Certain health services provided to foreigners will be exempt from VAT.
 - Purchases of machinery and equipment by companies operating in R&D centres and technology development zones will be exempt from VAT.
 - Converting an entity from an ordinary partnership into an equity company will be exempt from VAT.
- **1 January 2019**, delivery of software for games produced in technology development zones will be exempt from VAT.

Please see this [link](#) for full text of the Law (only available in Turkish).

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