

## Turkey Introduces VAT Exemptions for Investment Incentive Certificate Scheme and Assets Subject to Financial Leasing

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Turkey's Ministry of Finance has announced a range of new exceptions to Value Added Tax. Notable exemptions apply to fixed investments within the scope of the investment incentive certificate scheme, as well as for transfers, leases and sale of movables and immovable which are subject to financial leasing. Also, an exemption is introduced for funds managed by the Turkish Wealth Fund Management Joint Stock Company.

Communiqué No. 7 on Amending the Communiqué General Application of Value Added Tax ("**Communiqué**") was published in Official Gazette number 29847 on 4 October 2016, entering into effect on the same date.

The Communiqué introduced the following exemptions to VAT:

- Transferring or leasing assets and rights to leasing companies for the purpose of issuing lease certificates is now exempt from VAT, provided the reference institution will reclaim such assets and rights on termination of the agreement.
- Transferring, leasing and sale of movables and immovables which are subject to leasing that are purchased and then re-leased to the lessee by financial leasing companies, participation banks and development and investment banks, are now exempt from VAT, provided the asset's title will be transferred back to the lessee on termination of the agreement (within the scope of the Law No. 6361).
- Services conducted in order to manage the Turkish Wealth Fund, as well as transfers to sub-funds and the assets and rights by the Turkish Wealth Fund Management Joint Stock Company pursuant to Law No. 6741, are now exempt from VAT.
- Income distributed via transfer pricing in case of sale or acquisition of goods or services ascertained contrary to the arm's length principles under Income Tax Law No. 193 will be deemed to be distributed implicitly. Incomes which are distributed implicitly via transfer pricing are not subject to tax deductions during determination of corporate profits. Also, VAT paid due to these expenses is not subject to tax deductions.
- A tax refund is introduced for fixed investments within the scope of the investment incentive certificate scheme, available until 31 December 2023.
- Payment of interest/coupon in exchange for financial services provided by those who buy conversions during the issuance of bonds are now exempt from VAT.
- Purchase and export of raw materials for fertilizers is now exempt from VAT, provided manufacturers obtain an exemption document from the relevant tax offices.
- Delivering goods used for feeding animals under Article 13 of the Law No. 3065 are now exempt from VAT.

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

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