

## VAT Refund in Turkey: Opportunities for Overseas Transport Companies

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### Introduction

As part of the accession process to the European Union, Turkey has been harmonising its national legislation with the EU regulations and policies in many fields, including cross-border taxation. In this regard, principles adopted in the EU Directive 86/560/EEC (13<sup>th</sup> Directive), whereby non-EU businesses who incur VAT in connection with certain activities are entitled to reclaim VAT from the EU country where they paid the VAT, have been incorporated into the Turkish VAT Code (Law No. 3065) through comprehensive legal reforms made in 2001, followed by the ratification of secondary regulation defining the refund procedure.

In this scope, Turkey offers VAT refund to foreign transport and logistics businesses in respect of certain goods and services they purchased in Turkey, provided that the claimant's country of domicile allows VAT recovery for Turkish businesses based on reciprocal treatment.

### Refundable VAT

Foreign road transport businesses can reclaim VAT in relation to expenses incurred while their vehicles travel across Turkey. Following goods and services can be subject to VAT refund:

- Fuel
- Spare Parts

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- Maintenance and Repair
- Highway Tolls

The standard VAT rate in Turkey is 18% and there are reduced rates of 8% and 1% applied to a limited number of goods and services.

### Eligibility for Refund

Basically, there are 3 conditions to be satisfied in order to reclaim VAT.

First, the taxpayer should engage in the business of carriage of passengers or goods by motor vehicles. In this context, coach companies, logistics and cargo companies as well as self-employed road hauliers can enjoy the opportunity to claim VAT refund.

Second, the taxpayer should not have a residence, place of business or fixed establishment in Turkey. In addition, the taxpayer should not perform business activities that require VAT, income tax or corporate tax liability in Turkey.

Third, the taxpayer should be a resident of a country that provides reciprocal treatment to Turkish taxpayers in respect of VAT refund. Currently, there are 16 countries with which reciprocity is established. These countries are listed as follows;

- Bosnia-Herzegovina
- Bulgaria
- Denmark
- Finland
- France
- Holland
- Ireland
- Italy
- Malta
- Norway
- Portugal
- Romania
- Serbia
- Slovakia
- Slovenia
- Switzerland

### Refund Procedure

#### Filing

The applicant or his representative shall submit the application for a VAT refund to the competent tax office. Turkish tax authority designated two tax offices, both of which are located in Istanbul, to deal with VAT reclaims by foreign transport businesses.

## Required Documents

The applicant should present the following documents to claim VAT refund:

1. Tax Registration Certificate
2. Vehicle Registration Document
3. Transit Documents
4. Invoices
5. Passport Copy
  - If the transport is conducted by a self-employed driver
6. Power of Attorney
  - If the VAT refund claim is carried out by an agent

## Submission Deadline

The application must be submitted within 2 years following the end of the calendar year in which the VAT was charged. In other words, the filing must be made by 31<sup>st</sup> December of year n+2. The claimant may submit more than one refund claim on monthly basis in a given year.

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## Minimum Amount

There is no minimum threshold regarding the VAT amount to be claimed. However, the cost of the purchased goods and services, including VAT, must be above the invoice issuing threshold announced annually. Accordingly, the minimum invoice amount must be at least TRY 1.500 for the year 2021.

## Reimbursement

If the requested VAT amount is below TRY 1.000, the tax office makes the refund without any inspection. Where the VAT amount exceeds TRY 1.000, an inspection over the concerning transactions has to be made. However, if the applicant presents a bank guarantee, the refund is immediately made without waiting for completion of the inspection. In such case, the bank guarantee is returned to the claimant once the inspection is complete. The reimbursement can be made either in cash or via bank transfer.

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