



## **SCREENING CHAPTER 16 TAXATION**

### **AGENDA ITEM: EXCISE DUTY**

### **GENERAL FRAMEWORK**

**Country Session: The Republic of TURKEY  
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# CONTENTS

- I. General Explanations**
- II. Legislation**
- III. General Structure**
- IV. Goods Within the Scope**
- V. Common Provisions**

## I. GENERAL EXPLANATIONS

- Law on Excise Duty No:4760
- The Official Gazette No: 24783, dated 12 June 2002
- Put into force on 1 August 2002
- Aim:
  - Simplification of indirect tax system
  - Harmonization with EU legislation

## I. GENERAL EXPLANATIONS (cont'd)

### Abolished Taxes, Fees, Funds And Shares

With the Excise Duty Law, 16 items including taxes, fees, funds and shares were abolished. Some of them are:

- Petroleum Consumption Tax
  - Petroleum Price Stabilization Fund
  - Motor Vehicle Purchasing Tax
  - Additional Motor Vehicle Purchasing Tax
  - Anti-pollution Fund
  - Traffic Registration Fee
  - Contribution to Education Share
  - Special Transaction Tax
  - Pasture Share (levied on alcoholic beverages and tobacco products)
- } (levied on entry, registration  
and delivery of the vehicles)



## II. LEGISLATION

- Law on Excise Duty No: 4760
- Cabinet Decrees
- Communiqués on Excise Duty
- Circulars



### III. GENERAL STRUCTURE

The Law is composed of 23 articles; 4 of which are provisional. 4 Lists are annexed to the Law. Some of the Articles composing the general structure are these:

- Subject of Duty (Article 1)
- Delivery and States Considered as Delivery (Article 2)
- Taxable Event (Article 3)
- Taxpayer and Persons Liable for Payment of Duty (Article 4)
- Exemptions (Article 5,6,7,8)
- Tax Reduction (Article 9)
- Rates and Amounts of Duty (Article 12)
- Declaration and Payment of Duty (Article 14)

### III. GENERAL STRUCTURE (cont'd)

#### Excise Duty

- collected at one stage of consumption process only for once.
- taxes the goods laid down in the four Lists annexed to the Law.
- Tax incidence to the final consumers is possible.
- The goods laid down in Lists annexed to the Law, are subject to Excise duty only for once, from the stage of production and importation to the stage of selling and using.



## IV. GOODS WITHIN THE SCOPE

- Goods listed in the Excise Duty Law numbered 4760 are laid down in the 4 Lists annexed to the Law.
- These goods are mentioned in the Law by codes in the Turkish Customs Tariff Nomenclature (TCTN).
- Turkish Customs Tariff Nomenclature is in compliance with the Combined Nomenclature which is the international classification system for goods.





## IV. GOODS WITHIN THE SCOPE (cont'd)

The List No: (I) → Energy Products

The List No: (II) → Vehicles

The List No: (III) → Alcoholic Beverages And Tobacco Products

The List No: (IV) → Other Consumption Goods



## IV. GOODS WITHIN THE SCOPE (cont'd)

### LIST NO: I

#### TABLE (A)

- Petroleum Products
- Natural Gas
- LPG

#### TABLE (B)

- Solvents
- Mineral Oils

### LIST NO: II

- Cars and Other Transporting Vehicles
- Motorcycle
- Airplane
- Helicopter
- Yacht-Cutter

### LIST NO: III

#### TABLE (A)

- Cola Soda Pops
- Alcoholic Beverages

#### TABLE (B)

- Cigarettes and Other Tobacco Products

### LIST NO: IV

- Caviar, Fur and Other Consumption Goods
- White Goods and Other Electrical Household Machines



## **V. COMMON PROVISIONS**

- 1. Taxable event**
- 2. Delivery**
- 3. Importation**
- 4. Tax responsibility**
- 5. Exemptions**
- 6. Tax deduction**
- 7. Limits of exemptions and authority**
- 8. Rate or amount**
- 9. Declaration, assessment and payment of duty**
- 10. Indication of duty on documents**



## 1. Taxable event (Article 1)

- Taxable event occurs at the time of:
  - delivery
  - import
  - first acquisition
  
- Taxable event differs for each of the Lists annexed to the Law.



## 2. Delivery (Article 2)

“Delivery” means the transfer to recipient or to those acting on behalf of him, the right of disposition of property by the owner or by those acting on behalf of him.





## 2. Delivery (cont'd)

In addition;

- The consignment of goods to a place or to a person designated by the recipient or by those acting on behalf of him, is considered as delivery.
- In the case of dispatching of goods to the recipient or to those acting on behalf of him, commencement of the transportation of goods or the consignment of the goods to the transporter or driver, shall also be regarded as delivery of the goods.
- Barter is considered as two separate deliveries.
- In the cases of returning of containers, wraps, wastes and leavings are routine; delivery is considered to be done for the products inside of these.



## 2. Delivery (cont'd)

- Where invoice or similar documents are issued before the goods are delivered, issuing of invoice or similar documents is considered as delivery provided that the amount is limited to that shown on such documents.
- When delivery of goods in parts is routine or in the cases of an agreement to this effect, delivery of each part is considered as a separate delivery.
- Where goods are sold through intermediaries or on consignment, dispatch of goods to the recipient is delivery.



## 2. Delivery (cont'd)

### States considered as delivery:

- Any kind of
  - utilisation,
  - consumption,
  - removal from the enterprise,
  - dispersions to the employees as wages, premium, bonus, gift, donation,of the goods subject to taxation,

However the above mentioned uses of goods in the production of the goods subject to taxation is not considered as delivery.

- Transfer of possession in the bailment lease sales.



## 2. Delivery (cont'd)

- For all of the goods annexed to the Lists, delivery has the same meaning as mentioned in the previous slides, except for the goods subject to entry and registration laid down in List No: (II).
- Delivery means the first acquisition of these goods from the traders of the motor vehicles for the goods subject to entry and registration in List No: (II).



### 3. Importation (Article 2)

“Importation” means the entry of goods subject to excise duty into the Customs Territory of the Republic of Turkey.





## 4. Tax responsibility (Article 4)

Persons involved in the transactions, are responsible for the payment of the duty in the following cases:

- When taxpayers do not have
  - ✓ domicile,
  - ✓ workplace,
  - ✓ head office and business headquarter, in Turkey
  
- When considered necessary by the Ministry of Finance.



## **5. Exemptions**

- a. Exportation exemption**
- b. Diplomatic exemption**
- c. Importation exemptions**
- d. Supply of goods destined for export**



## a. Exportation Exemption (Article 5)

- Export deliveries of goods are exempted from duty, if the following conditions are met:
  - ✓ The delivery must be made to a customer abroad.
  - ✓ The goods subject to delivery must leave the Customs Territory of the Republic of Turkey.



## a. Exportation exemption (Article 5) (cont'd)

- The term “customer abroad” shall mean recipients whose domicile, place of business and legal headquarter are abroad, as well as branches in foreign countries acting on behalf of a firm established in Turkey.
- Excise duty indicated on invoices or similar documents related to exported goods is refunded to exporter.

## **b. Diplomatic exemption (Article 6)**

- The first acquisition and importation of goods laid down in Lists No: (I), (II) and (III) for the needs of the following persons and enterprises or deliveries to them are exempted from duty, on provision that this be done on a reciprocal basis.
- Persons and enterprises benefiting from diplomatic exemption:
  - ✓ diplomatic representation and consulates of foreign countries in Turkey,
  - ✓ international organizations to whom a duty exemption based on international agreements have been granted,
  - ✓ their members who have diplomatic rights.
- Goods in List No: (IV) are not subject to diplomatic exemption.



## c. Importation exemptions (Article 7)

➤ Importation of goods which are exempted and excluded from the customs duties under the following provisions of the Customs Law No:4458 are also exempted from excise duty;

- ✓ Article 167,
- ✓ temporary import procedures,
- ✓ outward processing procedures,
- ✓ importation of goods returned.

## c. Importation exemptions (Article 7) (cont'd)

➤ Article 167 of Customs Law No:4458 consists of 12 subparagraphs. Some of them are:

- ✓ diplomatic goods imported on the basis of reciprocity,
- ✓ goods, total value of which does not exceed 100 €,
- ✓ fuel oil and mineral oil available in the means of transport and special containers,
- ✓ presents received within the framework of international relations.

## c. Importation exemptions (Article 7) (cont'd)

➤ The goods subject to the following provisions of Customs Law No:4458 are exempted from excise duty;

- ✓ transit procedure
- ✓ customs warehouses procedure
- ✓ inward processing procedure
- ✓ processing under customs control procedure
- ✓ free zones
- ✓ temporary storage areas



## **c. Importation exemptions (Article 7) (cont'd)**

The goods in List No: (I) are not subject to exemption within the scope of inward processing procedure.



## d. Supply of goods destined for export (Article 8)

- The excise duty of the goods delivered to the exporters for the export purposes is assessed, accrued and then **deferred** by tax office upon the request of taxpayers provided that the duty are not collected by these taxpayers from exporters.
- Deferred duty is **cancelled** when these goods have been exported within 3 months as of the first day of the month following the date of delivery to the exporter.





## 6. Tax deduction (Article 9)

If the goods subject to excise duty are used in manufacturing of other goods in the same List, duty paid shall be deducted from due duty.

## 6. Tax deduction (Article 9) (cont'd)

### purchase:

- goods must be directly imported or duty must be paid to the taxpayer at the time of purchase
- duty must be separately indicated in the invoice and customs receipt

### sale:

- goods must be in the same List with the purchased goods
- duty must be separately indicated in the selling documents



## 7. Limits of exemptions and authority (Article 10)

- Exemptions and exceptions on excise duty can only be arranged by making amendments in this Law.
- Provisions concerning exemptions and exceptions laid down in other laws are not valid for this duty.
- Provisions of the Law can not prejudice to the provisions of international agreements.



## 7. Limits of exemptions and authority (Article 10) (cont'd)

The Ministry of Finance is authorized to determine the principles and procedures of;

- exemptions in this Law,
- the application of deferment and cancellation.



## 8. Rate or amount (Article 12)

- Excise duty shall be collected on rates and/or amounts shown in Lists annexed to this Law.
- The Council of Ministers is authorized to change the rates and/or amounts designated for each List annexed to the Law.
- The limits of the above mentioned authorization are defined in the Law.





## 9. Declaration, assessment and payment of duty (Article 14)

- Excise duty is assessed and collected upon declaration of taxpayers.
- Excise duty is calculated by customs administration on importation. The duty is paid at the same time with import duties.



## 10. Indication of duty on documents (Article 15)

- Taxpayers must separately indicate the excise duty on their sales documents.
- Although there is no transaction subject to duty, the persons who indicates the duty on the documents by mistake (invoice or similar documents) are liable for declaration and payment of the duty.
- This provision is also valid for taxpayers who indicates the amount higher than the duty that they have to calculate according to the Law.

## 10. Indication of duty on documents (Article 15) (cont'd)

Taxpayers who realised transactions subject to duty, can make adjustments on duties which they have debted or paid, can deduct from this duty, can claim for refund in the following conditions when,

- the goods are returned
- the transaction does not occur
- the transaction is given up
- excessive and unnecessary duty is calculated