



SCREENING CHAPTER 16 TAXATION

AGENDA ITEM : EXCISE DUTY

ALCOHOLIC BEVERAGES AND TOBACCO PRODUCTS

**Country Session: The Republic of TURKEY
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1. Legislation
2. Goods within the Scope
3. Cola Soda Pops
4. Alcoholic Beverages
5. Tobacco Products



1. LEGISLATION

Basic Legislation

- Law on Excise Duty No: 4760
- Cabinet Decrees
- Communiqué on Excise Duty



1. LEGISLATION (cont'd)

Related Legislation

- Law on Establishment of the Tobacco, Tobacco Products and Alcoholic Beverages Market Regulation Authority (TAPDK)
No: 4733
- Communiqués issued by TAPDK
- Customs Law No: 4458
- Communiqués on Customs Law
- Communiqués on Turkish Food Codex

2. GOODS WITHIN THE SCOPE

LIST NO: (III)



TABLE (A)

- Cola Soda Pops
- Alcoholic Beverages

TABLE (B)

- Tobacco Products

2. GOODS WITHIN THE SCOPE (cont'd)

- In Table (A), there are 18 CN Codes under which alcoholic beverages are placed.

- In Table (A), there is only one CN Code under which cola soda pops are placed.

- In Table (B), there are 5 CN Codes under which tobacco products are placed.



3. COLA SODA POPS



3. COLA SODA POPS

- There is only one CN Code No **2202.10.00.00.13** under which cola soda pops are placed.
- No application of minimum specific tax amount
- Only subject to proportional tax (at a rate of 25%)
- Tax base has same elements with tax base of alcoholic beverages



4. ALCOHOLIC BEVERAGES



CONTENTS

1. Taxation of Pure Ethyl Alcohol
2. CN Codes of Alcoholic Beverages
3. Taxation of Alcoholic Beverages
4. Examples
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8. Tax Base
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1. TAXATION OF PURE ETHYL ALCOHOL

Pure ethyl alcohol is not subject to excise duty.



2. CN CODES OF ALCOHOLIC BEVERAGES

2203.00	Beers (made from malt)
22.04	Wine of fresh grapes
2204.10	Sparkling wine
22.05	Vermouth and other wine of fresh grapes
2206.00	Other fermented beverages (e.g: cider, perry, mead) mixture of fermented beverages and mixture of non- alcoholic beverages with fermented beverages
22.08	Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80% vol.
2208.20	Beverages acquired from distillation of grapes.



2. CN CODES OF ALCOHOLIC BEVERAGES (cont'd)

2208.50	Gin
2208.60	Vodka
2208.70	Liqueurs
2208.90	Others
2208.90.48.00.11	Rakı
2208.90.71.00.11	Rakı



3. TAXATION OF ALCOHOLIC BEVERAGES

Proportional taxation is applied in the excise system for alcoholic beverages provided that the calculated tax is not less than the tax calculated according to the minimum specific tax amount.

- Proportional Tax $>$ Minimum Specific Tax

Tax to be paid \longrightarrow Proportional Tax

- Proportional Tax $<$ Minimum Specific Tax

Tax to be paid \longrightarrow Minimum Specific Tax



3. TAXATION OF ALCOHOLIC BEVERAGES (cont'd)

Proportional Tax ;

- on beer and fresh grape wines **63,3 %**
- on other alcoholic beverages **275,6 %**



3. TAXATION OF ALCOHOLIC BEVERAGES (cont'd)

Minimum Specific Tax

For alcoholic beverages, minimum specific tax amounts are determined in 3 different categories. These are;

- 1st category —————> per alcohol degree in 1 liter of product
- 2nd category —————> 1 liter of product
- 3rd category —————> per liter of pure alcohol contained.



3. TAXATION OF ALCOHOLIC BEVERAGES (cont'd)

- **1st Category:** Beverages, minimum specific tax amounts of which are determined according to the alcohol degree per 1 liter of product and their minimum specific tax amounts:

<u>CN CODE</u>	<u>Kind of Product</u>	<u>Minimum Specific Tax Amounts</u>
2203.00	Beers	0,2380 NTL (≈ 0,144 €)



3. TAXATION OF ALCOHOLIC BEVERAGES (cont'd)

- **2nd Category:** Beverages, minimum specific tax amounts of which are determined according to 1 liter of product and their minimum specific tax amounts:

<u>CN CODE</u>	<u>Kind of Product</u>	<u>Minimum Specific Tax Amounts</u>
22.04	Wine of fresh grapes	3,28 NTL (≈1,98 €)
2204.10	Sparkling wine	11,21 NTL (≈ 6,79 €)
22.05	Vermouth and other wine of fresh grapes	15,60 NTL (≈ 9,45 €)
22.05.10.10.00	Beverages, alcoholic strength of which is 18% by volume and less	12,17 NTL (≈7,37 €)
2206.00	Other fermented beverages	3,28 NTL (≈ 1,98 €)



3. TAXATION OF ALCOHOLIC BEVERAGES (cont'd)

- **3rd Category:** Beverages, minimum specific tax amounts of which are determined according to per liter of pure alcohol contained and their minimum specific tax amounts:

<u>CN CODE</u>	<u>Kind of Product</u>	<u>Minimum Specific Tax Amounts</u>
2205.10.90.00.12	Beverages, alcoholic strength of which above 22%	70.92 NTL (≈42,98 €)
2207.20	Denatured ethyl alcohol	70.92 NTL (≈ 42,98 €)
2208	Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80% vol.	70.92 NTL (≈ 42,98 €)
2208.20	Beverages acquired from distillation of grapes	51.36 NTL(≈31,12 €)

3. TAXATION OF ALCOHOLIC BEVERAGES (cont'd)

- **3rd Category(cont'd):** Beverages, minimum specific tax amounts of which are determined according to per liter of pure alcohol contained and their minimum specific tax amounts:

<u>CN CODE</u>	<u>Kind of Product</u>	<u>Minimum Specific Tax Amounts</u>
2208.50	Gin	41,42 NTL(≈ 25,10 €)
2208.60	Vodka	41,42 NTL(≈ 25,10 €)
2208.70	Liqueurs	56,99 NTL (≈ 34,53 €)
2208.90	Others	70,92 NTL (≈ 42,98 €)
2208.90.48.00.11	Raki	35,84 NTL (≈ 21,72 €)
2208.90.71.00.11	Raki	35,84 NTL (≈ 21,72 €)

4. EXAMPLES

Taxation of Beer:

Producer selling price of a bottle (50 cl.) of beer alcohol strength of which is 5, before tax is 2 €. Excise duty amount to be paid:

- Proportional tax rate: **63,3 %**
- Minimum specific tax amount for per alcohol degree : **0,144 €**
- Minimum specific tax amount for 1 liter of beer: **0,72 €**
($0,144 \times 5 = 0,72 \text{ €}$)
- Minimum specific tax amount for 1 bottle of beer: **0,36 €**
($0,50 \times 0,72 \text{ €} = 0,36 \text{ €}$)
- Tax calculated on proportional basis: **1,266 €**
($2 \text{ €} \times 63,3 = 1,266 \text{ €}$)

1,266 € > 0,36 € → excise duty amount to be paid is: **1,266 €**

4. EXAMPLES (cont'd)

Taxation of Fresh Grape Wine:

Producer selling price of a bottle (70 cl.) of fresh grape wine before tax is 5 €. Excise duty amount to be paid:

- Proportional tax rate : **63,3 %**
- Minimum specific tax amount for 1 liter of wine: **1,98 €**
- Tax for a bottle of wine calculated on proportional basis: **3,16 €**
(5 x %63,3) = 3,16 €
- Minimum specific tax amount for a bottle of wine: **1,38 €**
(1,98 € x 0,70)= 1,38 €

3,16 € > 1,38 € → excise duty amount to be paid is: **3,16 €**



4. EXAMPLES (cont'd)

Taxation of Gin:

Producer selling price of a bottle (75 cl.) of gin, alcohol strength of which is 40, before tax is 4 €. Excise duty amount to be paid:

- Proportional tax rate : **275,6 %**
- Minimum specific tax amount for a liter of alcohol: **25,10 €**
- Tax for a bottle of gin calculated on proportional basis: **11,024 €**
(4 x 275,6 %) = 11,024 €
- Minimum specific tax amount for a bottle of gin: **7,53 €**
(25,10 € x 0,75 x 0,40)= 7,53 €

11,024 € > 7,53 € → excise duty to be paid is: **11,024 €**



5. TAXABLE EVENT (Article 3)

Taxable Event

Taxable event for alcoholic beverages is their

- importation,
- delivery by manufacturers,
- sale by public auction before implementing excise duty.



6. TAX PAYER (Article 4)

Taxpayer

Taxpayer of duty for alcoholic beverages is their

- importors,
- manufacturers,
- sellers by public auction before applying excise duty.



7. EXEMPTIONS

- Common exemptions for the Lists annexed to Excise Duty Law shown below are also valid for other consumption goods;
 - exemption of export
 - supply of good destined for export
 - exemptions relating to importation of goods
 - diplomatic exemption
- There is no exemption specific to alcoholic beverages.



8. TAX BASE (Article 11)

- Tax base of excise duty for alcoholic beverages; is the elements establishing base of value added tax, excluding excise duty.
- Excise duty should be indicated separately on the sales invoice and other sales documents.

Example:

Selling price before tax of a gin subject to proportional excise duty at a rate of 275,6% is 10,00 €. It's retail selling price is going to be calculated as follows:

✓ Value of a Good	: 10,00 €
✓ Excise Duty	: 27,56 €
✓ Tax Base for VAT	: 37,56 €
✓ VAT (18%)	: 6,76 €
✓ Total	: 44,32 €



9. AUTHORITY OF THE COUNCIL OF MINISTERS REGARDING TAX RATES (Article 12)

The Council of Ministers has the authority to;

- decrease **rates** determined by Excise Duty Law down to zero for each products,
- increase them up to four fold,
- decrease **minimum specific tax amounts** determined by Excise Duty Law down to zero for each products,
- increase them up to two fold,
- determine different tax rates and minimum specific tax amounts within these limits according to the types, characteristics, price categories, alcohol strengths and alcohol content of the product



10. DECLARATION, ASSESSMENT AND PAYMENT (Article 14)

- Assessed upon written declaration of taxpayers,
- Taxation period is each one monthly period of the calendar year,
- Tax return is submitted to the tax office until the 15th day of the month following the end of the taxation period,
- Paid within the period of submission of a return,
- The Ministry of Finance is authorised to collect duty through banderol application for alcoholic beverages and to determine the procedures related to implementation of this application.



5. TOBACCO PRODUCTS



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1. CN Codes of Tobacco Products
2. Taxation of Leaf Tobacco
3. Taxation of Cigarettes and Other Tobacco Products
4. Tobacco Fund
5. Examples
6. Taxable Event
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8. Exemptions
9. Tax Base
10. Authority of the Council of Ministers
11. Declaration, Assessment and Payment of Duty



1. CN CODES OF TOBACCO PRODUCTS

<u>CN CODES</u>	<u>Type of Product</u>
2402.10.00.00.00	Cigars, cheroots and cigarillos, containing tobacco
2402.20	Cigarettes containing tobacco
2402.90.00.00.00	Others (Cigars made of ingredients deemed as a tobacco, cigars, cheroots and cigarillos)
2403.10	Smoking tobacco (whether or not containing tobacco substitutes in any proportion)
2403.99.10.00.00	Chewing tobacco and snuff



2. TAXATION OF LEAF TOBACCO

- Leaf tobacco is not subject to excise duty.
- Products obtained from leaf tobacco is subject to excise duty.



3. TAXATION OF CIGARETTES AND OTHER TOBACCO PRODUCTS

- Proportional taxation method is used in calculating excise duty on cigarettes and other tobacco products.
- Tax on cigarettes and other tobacco products calculated on proportional basis can not be less than tax amount calculated according to minimum specific tax amounts.



3. TAXATION OF CIGARETTES AND OTHER TOBACCO PRODUCTS (cont'd)

Units for minimum specific tax amount ;

- **Cigarettes**
each piece of cigarettes taking place in a unit of a pack supplied to market
- **Other tobacco products**
each gram of product in a unit of a pack supplied to market



3. TAXATION OF CIGARETTES AND OTHER TOBACCO PRODUCTS (cont'd)

Cigarettes:

- Proportional Tax Rate **58 %**
- Minimum Specific Tax Amount

1 piece of cigarette	0,060 NTL (≈ 0,036 €)
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3. TAXATION OF CIGARETTES AND OTHER TOBACCO PRODUCTS (cont'd)

Other Tobacco Products:

- Proportional Tax Rate **58 %**
- Minimum Specific Tax Amount

Cigars, cigarillos, Smoking tobacco, Chewing tobacco and snuff	1 gram	0,060 NTL (≈ 0,036 €)
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4. TOBACCO FUND

Legal Basis:

- The Council of Ministers is authorised for imposing “tobacco fund” on tobacco products according to tobacco types by Law No: 3291 dated 28.05.1986.



4. TOBACCO FUND (cont'd)

The Fund is levied on;

- importation of foreign tobaccos and of foreign tobaccos which is used for domestically produced and blended tobaccos, (3000 \$ for each tone),
- importation of manufactured tobacco (0,40 \$ for each packet).



5. EXAMPLES

Retail selling price for a pack of cigarettes including 20 pieces of cigarettes is 2,5 €. Excise duty to be paid for 2000 packs of cigarettes:

- Proportional Tax Rate : **58 %**
- Specific Tax Amount for each piece of cigarettes : **0,036 €**
- Specific Tax Amount for 2000 packs of cigarettes : **1140 €**
($20 \times 0,036 \text{ €} \times 2000 = 1140 \text{ €}$)
- Tax amount calculated on proportional basis : **2.900 €**
($2,5 \text{ €} \times 0,58 \times 2000 = 2.900 \text{ €}$)

2.900 € > 1140 € → excise duty to be paid : **2.900 €**



5. EXAMPLES (cont'd)

Retail selling price for a pack of cigarettes including 20 pieces of cigarettes is 0,8 €. Excise duty to be paid for 2000 packs of cigarettes:

- Proportional Tax Rate : **58 %**
- Specific Tax Amount for each piece of cigarettes : **0,036 €**
- Specific Tax Amount for 2000 packs of cigarettes : **1140 €**
($20 \times 0,036 \text{ €} \times 2000 = 1140 \text{ €}$)
- Tax amount calculated on proportional basis : **928 €**
($0,8 \text{ €} \times 0,58 \times 2000 = 928 \text{ €}$)

1140 € > 928 € —————> excise duty to be paid : **1140 €**



5. EXAMPLES (cont'd)

Retail selling price for a pack of cigar including 10 pieces of 5 gram of cigars is 10 €. Excise duty to be paid for 2000 packs of cigars:

- Proportional Tax Rate : **58%**
 - Specific Tax Amount for each gram of cigar containing tobacco : **0,036 €**
 - Specific Tax Amount for 2000 packs of cigars : **3.600 €**
($5 \times 10 \times 0,036 \text{ €} \times 2000 = 3.600 \text{ €}$)
 - Tax amount calculated on proportional basis : **11.600 €**
($10 \text{ €} \times 0,58 \times 2000 = 11.600 \text{ €}$)
- 11.600 € > 3.600 €** → excise duty to be paid : **11.600 €**



6. TAXABLE EVENT (Article 3)

Taxable Event

Taxable event for alcoholic beverages is their

- importation,
- delivery by manufacturers,
- sale by public auction before implementing excise duty.



7. TAX PAYER (Article 4)

Taxpayer

Taxpayer of duty for alcoholic beverages is their

- importors,
- manufacturers,
- sellers by public auction before applying excise duty.



8. EXEMPTIONS

- Same as the alcoholic beverages.
- No specific exemption to tobacco products.



9. TAX BASE (Article 11)

- Tax base for tobacco products is **retail selling price** of these goods to final customers including VAT.
- Tax base for duty to be paid to customs office on importation of tobacco products is also **retail selling price** of these goods.



10. AUTHORITY OF THE COUNCIL OF MINISTERS REGARDING TAX RATES (Article 12)

The Council of Ministers has the authority to;

- decrease **rates** down to zero for each products,
- increase up to 50% of the determined rates,
- decrease **minimum specific tax amounts** determined by Law down to zero for each products,
- increase up to one fold for tobacco products,
- determine different tax rates and minimum specific tax amounts within these limits according to the types, characteristics and price categories of the products.



11. DECLARATION, ASSESSMENT AND PAYMENT OF DUTY (Article 14)

- Assessed upon written declaration of taxpayers,
- Taxation period is each one monthly period of calendar year,
- Tax return is submitted to the tax office until the 15th day of the month following the end of the taxation period.
- The duty is paid within period of submission of the return.
- Ministry of Finance is authorised to collect duty through banderol application for alcoholic beverages and to determine the procedures related to implementation of this application.