



SCREENING CHAPTER 16 TAXATION

AGENDA ITEM : EXCISE DUTY ENERGY PRODUCTS

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I. LEGISLATION

- **Basic legislation**
 - Law on Excise Duty No: 4760
 - Cabinet Decrees
 - Communiqués on Excise Duty



I. LEGISLATION (cont'd)

- **Related Legislation**

- Electricity Consumption Tax laid down in the Law on Municipality Revenues No: 2464
- Customs Law No: 4458.
- Electricity Market Law No: 4628
- Natural Gas Market Law No: 4646
- Petroleum Market Law No: 5015
- LPG Market Law No: 5307

II. ENERGY PRODUCTS SUBJECT TO DUTY

- Energy products are classified in the List No: (I) annexed to Law on Excise Duty No:4760 in Tables (A) and (B).
- There are 71 kinds of CN Codes, 34 of which are placed in Table (A) and 37 of which are placed in Table (B).

II. ENERGY PRODUCTS SUBJECT TO DUTY (cont'd)

THE LIST NO: I



(A) TABLE

- Petroleum Products
- Natural Gas
- LPG

(B) TABLE

- Solvents
- Mineral Oils

III. ENERGY PRODUCTS NOT SUBJECT TO DUTY

- Coal and coke, and electricity are not in the scope of Law on Excise Duty No:4760, although, they are among the energy products listed in the Article 4 of the Directive No: 2003/96/EC.
- Coal and coke are only subject to VAT and electricity is subject to both VAT and Electricity Consumption Tax regulated in the Law on Municipality Revenues No: 2464



III. ENERGY PRODUCTS NOT SUBJECT TO DUTY (cont'd)

Electricity Consumption Tax

- Subject of duty (Article 34)

Electricity consumption in the boundaries of municipalities.

- Taxpayers and the responsibility (Article 35)

Electricity consumers are the taxpayers and electricity distribution enterprises have the responsibility to collect and pay the tax to the relevant municipality.

III. ENERGY PRODUCTS NOT SUBJECT TO DUTY (cont'd)

Electricity Consumption Tax (cont'd)

Tax Base (Article 37)

The sale price of the electricity consumed. VAT is excluded from the tax base.

Tax rate (Article 38)

➤ 1 % tax rate is applied to the sale price of the electricity consumed in production, transportation, loading and unloading, refrigerating and communication with the wire and wireless telegraph and the telephone purposes.

➤ 5 % tax rate is applied to the sale price of the electricity consumed for other purposes.



IV. SUBJECT OF DUTY (ARTICLE 1)

- Delivery of goods laid down in the List No: (I) by their importers or producers (including refineries),
 - Sale of the goods laid down in the List No:(I) by public auction which have not been subject to excise duty
- is subject to excise duty only for once.



V. TAXABLE EVENT (ARTICLE 3)

- For the goods laid down in the List No: (I) taxable event does not occur at the stage of importation but at domestic delivery of goods.
- According to the Article 16 of the Law, for the goods in List (I), at the stage of importation, guarantee is required for the corresponding duty which becomes payable in Turkey.



V. TAXABLE EVENT (ARTICLE 3) (cont'd)

When the goods incompliant with the standards which are confiscated on the border gates are delivered to the refineries by the public authority, taxable event does not occur at this stage, but at the deliveries of them to the refineries.



VI. TAXPAYER (ARTICLE 4)

- Producers and importers of the goods in List No: (I),
- Persons carrying out the sale of these products by auction.



VII. TAXATION

Proportional excise duty is not applied to goods laid down in the

List No: (I).

Instead, **specific tax** is collected from these goods on declared tax amounts.



VIII. UNITS OF TAXATION (ARTICLE 11)

The specific excise duty amounts determined for goods in the List No: (I) can be defined with:

- kilogram
- liter
- meter cube
- standard meter cube
- kilo calorie

their sub and over units and if necessary can be defined as containers, wraps or units considering their greatness.

The Council of the Ministers is authorised to change the units of taxation according to the type of goods.



IX. TAX AMOUNTS

	<u>NTL / unit</u>	<u>€/unit</u>
➤ Unleaded Petrol	1,36 NTL/Lt	≈0,83 €/Lt
➤ Diesel	0,83 NTL/Lt	≈0,51 €/Lt
➤ Fuel Oil	0,23 NTL/kg	≈0,14 €/kg
➤ Natural Gas		
Used as propellant	0,54 NTL /St.M ³	≈0,33 €/St. M ³
Other purposes	0,02 NTL/St. M ³	≈0,01 €/St. M ³
➤ LPG		
Used as propellant	0,86 NTL/kg	≈0,52 €/kg
Other purposes	0,74 NTL/kg	≈0,45 €/kg
➤ Solvent	1,48 NTL/kg	≈0,90 €/kg
➤ Mineral Oils	0,35 NTL/kg	≈0,21 €/kg
➤ Biodiesel	0,64 NTL/Lt	≈0,39 €/Lt



X. AUTHORITY OF THE COUNCIL OF MINISTERS REGARDING TAX RATES (ARTICLE 12)

- The Council of Ministers is authorised for the specific amounts of goods in List No: (I) (by each of the goods)
 - to increase up to 50% of the highest duty rate
 - to decrease it down to zero
 - to determine different amounts within these limits taking account of
 - types
 - natures
 - utilization places of goods
 - way of importation
- The Council of Ministers can exercise this authority to the groups of goods or for each of the goods separately.



X. AUTHORITY OF THE COUNCIL OF THE MINISTERS REGARDING TAX RATES (ARTICLE 12) (cont'd)

When the tax amounts of the goods in the List No: (I) are determined differently by the Council of Ministers, the Ministry of Finance is authorised

- to refund the duty to the taxpayer or to the persons taking part in the transactions which are subject to duty,
- to determine the principles and procedures of the refund.



XI. JOINT RESPONSIBILITY (ARTICLE 13)

- The refineries producing the goods in the List No:(I) as contract manufacturing,
 - The persons using goods in the List No:(I), as the goods subject to higher amounts of duty, or those selling them at these higher amounts to the third parties,
- have joint responsibility.

XI. JOINT RESPONSIBILITY (ARTICLE 13) (cont'd)

Example;

- Tax differentiation is applied for natural gas by taking account of its utilization places.

<u>Natural gas</u>	<u>Tax amount/unit</u>
- used as propellant	0,33 €/St.M ³
- others	0,01 €/St.M ³

- If the persons buy the natural gas with the lower amount of duty but use it as a good subject to higher amount of duty because of its utilisation purpose, they must pay the duty difference.



XII. DECLARATION AND PAYMENT OF DUTY (Article 14)

- There are two taxation periods in a month. The first taxation period is the first 15 days of each month and the second taxation period is the remaining part of the month.
- Excise duty return is submitted to the tax office by the end of the 10th day following the end of the taxation period and payment should be done in the same period.



XIII. EXEMPTIONS AND REDUCED DUTY APPLICATIONS

- 1. Common exemptions**
- 2. Energy products delivered to the armed forces**
- 3. Energy products used for petroleum exploration and production activities**
- 4. Free of charge delivery of the goods which have been disposed according to the Customs Law to the public institutions under some conditions**
- 5. Exemption on diesel for the vehicles leaving Turkey for export**



XIII. EXEMPTIONS AND REDUCED DUTY APPLICATIONS (cont'd)

- 6. Deferment and cancellation**
- 7. Tax reduction for the Table (B) of the List No: (1)**
- 8. Tax reduction in the fuels of sea vehicles**
- 9. Tax reduction in the delivery of base oil**
- 10. Tax reduction application in delivery of petrol with
bioethanol**
- 11. Tax reduction application in biodiesel**



1. Common exemptions

The common exemptions which are valid for the other Lists are also valid for this List. These are:

- exportation exemption
- diplomatic exemptions
- importation exemptions
- supply of goods destined for export



2. Energy products delivered to the armed forces (Article 7)

- Purchasing of the energy products by
 - the Ministry of National Defence
 - the General Commandership of Gendarmerie
 - the Commandership of Coastal Guard
 - the National Intelligence Organisationis exempted from duty.
- Taxpayers shall not calculate duty on the deliveries to the above mentioned organisations.



3. Energy products used for petroleum exploration and production activities (Article 7)

In accordance with the provisions of the Petroleum Law, the goods laid down in the List No:1 used for petroleum exploration and production activities are exempted from duty.

- Petrol right owners or their representatives
- Contractors who carry out petroleum exploration and production activities shall benefit from this exemption.



4. Free of charge delivery of the goods which have been disposed according to the Customs Law to the public institutions under some conditions (Article 7)

In case of disasters, infectious diseases and similar circumstances, excise duty exemption is applied to free of charge delivery of goods in the List No:(I), which have been disposed according to the Customs Law to the following public institutions;

- general and annexed budget administrations,
- special provincial administrations,
- municipalities,
- villages,
- unions established by these public bodies.



5. Exemption on diesel for the vehicles leaving Turkey for export (Article 7)

- This exemption can only be used in the border gates determined by a Cabinet Decree.

- The conditions of the exemption:
 - Deliveries done only to the trucks, tractors and semi-trailers which have a refrigeration system,

 - Exemption is limited with the "standard fuel tanks" serving both to the purposes of propulsion and operation of a refrigeration system.



6. Deferment and Cancellation (Article 8)

This exemption is applied to the deliveries to the producers using the solvents in the Table (B) of the List No: (I) as raw material and semi-finished product.



6. Deferment and Cancellation (Article 8) (cont'd)

- It is an application for the goods in the (B) table of the List No: (I)
- The producers who produce the goods which are not in the List No:(I) and use the goods in the (B) table as raw materials and semi-finished products for the production can benefit from this application.
- Exemption is applied by the way of the duty is firstly deferred and then cancelled.



7. Tax reduction for the Table (B) of the List No: (1)

- Cabinet Decree No: 2002/4930, dated 30.11.2002.
- Delivery of the goods listed in Table (B) of the List No: (I) for the production of the goods listed in the same Table, the excise duty amount of the goods used in the production is the excise duty amount assigned for the produced goods.
- Example:** The producer who buys the solvent listed in Table (B) of the List No:(I) for producing thinner listed in the same Table will pay 0,04 €/kg which is assigned for thinner instead of 0,90 €/kg which is assigned for solvent.



8. Tax reduction in the fuels of sea vehicles

- Cabinet Decree No: 2003/5868 dated 1.07.2003.

- The ships and the commercial yachts registered in ship's register of Turkey and carrying only freight and passenger on the cabotage line and the fishing boats can benefit from this implementation.

- The duty amount on the delivery of diesel and fuel oil used in these vehicles has been reduced to zero.



9. Tax reduction in the delivery of base oil

- Cabinet Decree No: 2003/6467, dated 13.11.2003.
- Mineral oil producers can buy base oil by paying 0,03 €/kg instead of the declared amount (0,21 €/kg) for the base oil.



9. Tax reduction in the delivery of base oil (cont'd)

Conditions are:

- base oil must be used for mineral oil production,
- mineral oil producers must deliver mineral oils for one of these applications;
 - ✓ deferment and cancellation (Slides No:26-27)
 - ✓ supply of goods destined for export
 - ✓ direct exportation



10. Tax reduction application in delivery of petrol with bioethanol

- Cabinet Decree No: 2005/8704, dated 4.4.2005.
- Bioethanol and its delivery is not subject to duty.
- When the bioethanol produced from domestic agricultural products is mixed with the unleaded petrol, up to 2% of the produced unleaded petrol is subject to reduced excise duty amount (currently reduced to zero).



11. Tax reduction application in biodiesel

- Biodiesel and its delivery is subject to duty.

According to the draft Cabinet Decree which is expected to be published;

- Tax amount is reduced to zero when biodiesel which is produced from domestic agricultural products is delivered to mix with diesel.

- For the taxation of the diesel and biodiesel mixture, the tax amount is reduced to zero for the %2 of the mixture.