



SCREENING CHAPTER 16 TAXATION

AGENDA ITEM : EXCISE DUTY VEHICLES

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1- LEGISLATION

Basic Legislation

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



1. LEGISLATION (cont'd)

Related Legislation

- Turkish Commercial Code No: 6762
- Customs Law No: 4458
- Road Traffic Law
- Traffic By-Law
- Communiqué on Production, Modification, Installation of Vehicles
- Regulations Regarding Ship Registry

2. CN CODES OF VEHICLES

Vehicles are divided into three categories:

- designed for transport of persons
- designed for transport of goods
- motor vehicles for special purposes



2. CN CODES OF VEHICLES (cont'd)

Vehicles principally designed for transport of persons:

<u>CN CODE NO</u>	<u>Type of Vehicle</u>
87.02	Bus, midi bus, mini bus
87.03	Motor cars
8703.10.11.00.00	Specially designed for travelling on snow
8703.10.18.00.00	Golf cars and similar vehicles
87.11	Motorcycles
88.02	Helicopters, aeroplanes, spacecrafts
8901.10.10.00.11	Cruise ships not exceeding 18 gross tonality
8901.10.90.00.11	Traveller and tour ships
89.03	Yachts and other vessels for pleasure or sports, rowing boats and canoes



2. CN CODES OF VEHICLES (cont'd)

Vehicles principally designed for transport of goods:

CN CODE NO

Type of Vehicle

8701.20

Wreckers for semi-trailers

87.04

Motor vehicles for the transport of goods

87.09

Self-propelled vehicles, not fitted with lifting or handling equipment, of the type used in factories, warehouses

2. CN CODES OF VEHICLES (cont'd)

Motor vehicles for special purposes:

<u>CN CODE NO</u>	<u>Type of Vehicle</u>
87.05	Motor vehicles for special purpose

- Breakdown lorries, crane lorries, concrete-mixer lorries, road sweeper lorries, e.t.c. (only for those subject to entry and registration)
- Other than fire-fighting vehicles



3. TAXATION OF VEHICLES

Proportional duty is applied for vehicles.



3. TAXATION OF VEHICLES (cont'd)

In terms of taxation procedures vehicles are divided into two categories;

- the ones subject to entry and registration,
- the ones not subject to entry and registration,



3. TAXATION OF VEHICLES (cont'd)

1. Vehicles Subject to Entry and Registration

- the ones registered to traffic registration institution and Turkish Armed Forces,
- the ones registered by the General Directorate of Civil Aviation related to the Ministry of Transportation,
- the ones registered by municipal organisations and port offices.



3. TAXATION OF VEHICLES (cont'd)

1. Vehicles Subject to Entry and Registration (cont'd)

Tax rates of certain motor vehicles subject to entry and registration

	<u>Rates</u>
➤ Cars	
✓ Of a cylinder capacity not exceeding 1600 cm ³	37 %
✓ Of a cylinder capacity exceeding 1600 cm ³ but not exceeding 2000cm ³	60 %
✓ Of a cylinder capacity exceeding 2000 cm ³	84 %
➤ Minibus	9 %
➤ Midibus	4 %
➤ Bus	1 %



3. TAXATION OF VEHICLES (cont'd)

1. Vehicles Subject to Entry and Registration (cont'd)

Tax rates of certain motor vehicles subject to entry and Registration (cont'd)

	<u>Rates</u>
➤ Trucks	4%
➤ Motorcycles	
✓ Of a cylinder capacity not exceeding 250 cm ³	22%
✓ Above 250 cm ³	37%
➤ Airplanes-Helicopters	0,5%
➤ Traveller and tour ships	6,7%
➤ Yachts	8%



3. TAXATION OF VEHICLES (cont'd)

2. Vehicles not Subject to Entry and Registration

Tax rates of certain vehicles not subject to entry and registration:

	<u>Rates</u>
➤ Golf cars and similar vehicles	6,7 %
➤ Vehicles specially designed for travelling on snow	6,7 %
➤ Jet-ski and similar vehicles not subject to entry and registration	8 %



4. TAXATION ON MODIFICATIONS OF MOTOR VEHICLES (ARTICLE 15)

In the case of transformation of vehicles which are subject to entry or registration to vehicles indicated under

- CN Code 87.02 (except bus and midibus)
- CN Code 87.03
- CN Code 87.04 (except “others”)

within 5 years following the first acquisition.

- excise duty is assessed on the basis of tax base at first acquisition and on effective rate on the date
- duty which has already been paid is subtracted
- difference between new and former tax amounts is collected.



5. TAXABLE EVENT (Article 2)

1. Vehicles Subject to Entry and Registration

First acquisition is the **taxable event** for vehicles which are subject to entry and registration

The term “**first acquisition**” means;

- importation,
- acquisition by auction,
- acquisition from the persons trading motor vehicles,
- started to be used or capitalized by persons trading of motor vehicles or registred in the name of them,

for the purpose of being used of only those goods which have not already been entered and registered in Turkey.



5. TAXABLE EVENT (cont'd)

1. Vehicles Subject to Entry and Registration (cont'd)

- Taxable event** on importation of vehicles in order to be used which are subject to entry and registration occurs on importation of vehicles in accordance with Customs Law No: 4458.

- There is no liability on the importation of vehicles with commercial purposes, but liability arises on delivery of motor vehicles to buyers who will use these vehicles in Turkey.



5. TAXABLE EVENT (cont'd)

1. Vehicles Subject to Entry and Registration (cont'd)

Since there occurs a taxable event when producers, sellers and importers of vehicles

- use,
- capitalize,
- register in the name of themselves

they have to assess and pay excise duty.



5. TAXABLE EVENT (cont'd)

2. Vehicles not Subject to Entry and Registration

Taxable event for motor vehicles not subject to entry and registration is their

- importation,
- delivery by manufacturers,
- sale by auction before excise duty is applied.



6. TAX PAYER (Article 4)

1. Vehicles Subject to Entry and Registration

Taxpayers for vehicles which are subject to entry and registration are the persons who

- carry out the trade of (persons who sell vehicles to users),
- import to use,
- sell by auction.



6. TAX PAYER (cont'd)

2. Vehicles Not Subject to Entry and Registration

Taxpayer for vehicles not subject to entry and registration is their

- importers,
- manufacturers,
- sellers by auction before excise duty is applied.



7. TAX BASE - (Article 11)

- Tax base on first acquisition of vehicles is the base of value added tax, excluding excise duty,
- Spare parts and items of vehicles are excluded from tax base,
- Tax base for excise duty collected on importation of vehicles is also the base of value added tax excluding excise duty.



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

The Council of Ministers has the authority to;

- increase tax rates determined for goods in List No: (II) up to one fold,
- decrease them to zero,
- Decrease up to 50% of the existing rate or to increase up to the consolidated rate, which have already been applied, for only vehicles equipped with catalytic converter system appropriate for EURO standards.



9. DECLARATION, ASSESSMENT and PAYMENT OF DUTY (Article 14)

1. Declaration, Assessment and Payment of Duty on Vehicles Subject to Entry and Registration

- Tax return is submitted to the tax office in place of the transaction before completion of transaction related to first acquisition.

- Duty is paid on the same day on which return is submitted.



9. DECLARATION, ASSESSMENT and PAYMENT OF DUTY (cont'd)

2. Declaration, Assessment and Payment Of Duty On Vehicles Not Subject To Entry and Registration

- Taxation period is each monthly period of calendar year.
- Tax return is submitted to the tax office until 15th day of the month following the end of the taxation period.
- The duty is paid within the period of submission.



10. EXEMPTIONS

- a. Common exemptions
- b. Exemptions on importation
- c. Exemption on first acquisition of motor vehicles by disabled persons
- d. Exemption on first acquisition of planes and helicopters by Turkish Aeronautical Association



a. Common exemptions

Common exemptions for the Lists annexed to Law on Excise Duty indicated below are also valid for vehicles:

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



b. Importation Exemptions

- According to Article 167/12-a of Customs Law No: 4458, goods for disabled persons are exempted from customs duty.
- Importation of such goods is also exempted from excise duty according to Article 7/6 of Law on Excise Duty.



c. Exemption on first acquisition of motor vehicles by disabled persons (Article 7)

Once in every 5 years, first acquisition of motor vehicles indicated under

- ✓ **CN Code 87.03** (cylinder capacity not exceeding 1600 cm³)
- ✓ **CN Code 87.04** (cylinder capacity not exceeding 2800 cm³)
- ✓ **CN Code 87.11**

by disabled or impaired persons;

- whose degree of disablement is above 90%

or

- who have a special apparatus appropriate for their disablement, with the condition that these vehicles are exclusively used by themselves (without looking at their degree of disablement) is exempted from excise duty.



c. Exemption on first acquisition of motor vehicles by disabled persons (cont'd)

❑ Sale of Vehicles Acquired by Disabled Persons (Article 15)

In case of sale of vehicles of disabled persons (which are acquired without paying excise duty) to persons who are not disabled, excise duty which is not collected at the stage of first acquisition, is collected from buyers.



d. Exemption on First Acquisition of Planes and Helicopters by Turkish Aeronautical Association (Article 7)

- First acquisition of planes and helicopters by the Turkish Aeronautical Association is exempted from excise duty.

- Delivery to or importation of planes and helicopters by the above mentioned association is not subject to tax.