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Taxation of e-services in Turkey

Tax ●

Starting from January 2018, non-resident electronic service providers are obliged to register for VAT due to electronic services sold to real person end customers in Turkey (B2C).

### Covered companies

According to the general communique serial No:17 related to VAT registration and declaration rules, non-Turkish resident suppliers of e-services are going to be required to apply for VAT registration in Turkey provided that the e-services are rendered to a real person end customer (B2C) who are not VAT taxpayers.

### Covered services

There is no limitation mentioned in the communique, thus, all types of e-services are subject to VAT registration in Turkey.

### VAT registration

According to the communique, the non-resident e-service supplier is responsible to declare the VAT due to its sales to a real person end customer.

In order to submit the VAT return, the non-resident service supplier should first register to the Main Tax Office by electronically filling in the relevant form at [www.digitalservice.gib.gov.tr](http://www.digitalservice.gib.gov.tr) before electronically submitting their first monthly VAT Return No:3. Upon registration, the system will create a user name, code and password to the non-resident service provider which will be used while filing the VAT return.

In case where the electronic service supplier is not mentioned clearly or the service rendered is not based on an agreement or invoicing process is not mentioned clearly, the VAT that arises from electronically supplied services will be declared and paid by the intermediary parties.

According to the communique, there is no certain threshold for VAT registration.

### E-services accounting

Non-resident electronic service providers will not need to keep books and issue any type of document to the service recipients.

The communique allows deduction of input VAT incurred in Turkey which is directly related to electronic services supplied in Turkey. In order to enjoy VAT deduction, invoice issued by Turkish provider who supply goods or services to ESS provider must be retained to prove in case of an audit. Therefore original of the vendor invoices must be retained for 5 years in case of VAT deduction.

Rate of VAT will be differed according to the type of e-services. Standard VAT rate is 18% whereas reduced rates are 8% and 1%.

There is no need to file VAT return for the month for which there is no sales. There is no bookkeeping obligation for VAT registered electronic service suppliers.

### Payments and Filings

Since this law is effective from January 2018, the initial submission of VAT Return No:3 will be related with the first quarter of the financial year, therefore January, February and March tax return will be filed together under a single tax return. After the first exclusive tax return, the following returns will be filed monthly.

The deadline for filing a return is 24<sup>th</sup> of the following month, whereas, the payment should be made until the 26<sup>th</sup> of the following month through Turkish banks that are authorized to collect taxes on behalf of the tax authority. Non-resident service providers can also make their payments at [www.gib.gov.tr](http://www.gib.gov.tr) web address by Turkish credit/debit cards that belong to the authorized banks.

The sales can be made in foreign currency, however the relevant currency to be used in VAT return and the payment will be in local currency (TRY). In such case, the Central Bank's buying rate should be used in order to convert foreign currency into Turkish Lira.

Additionally, there is no need to file VAT return for the month for which no sale was made, so nil tax return is not required.

### Penalty and Interest regime

For failures discovered by the tax authorities the applicable penalty is 100% penalty of VAT liability due + 1.4% interest payment calculated on outstanding tax amount per month. The penalties will be charged according to Tax Procedure Code.

## Key Points of e-services

**1** Effective date of registration?  
**1.1.2018**

**2** Any specific invoicing requirements/  
bookkeeping?  
**No.**

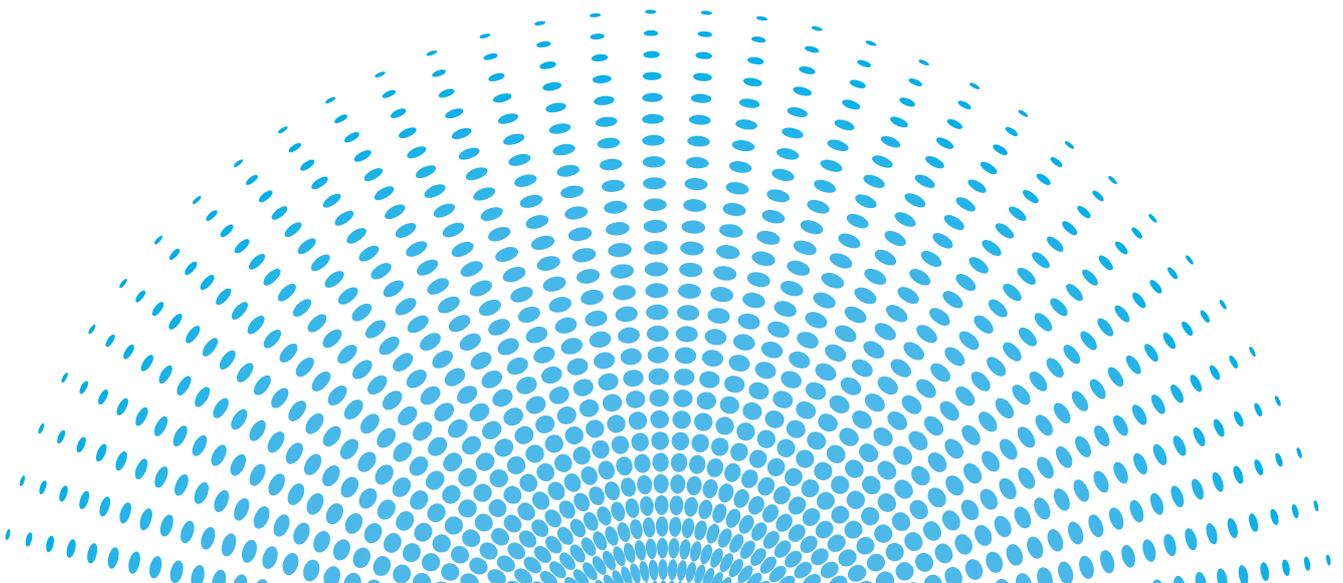
**3** Any threshold to apply?  
**No.**

**4** VAT rates?  
**18%, 8% or 1%.**

**5** Deadline for declaration/payment?  
**Declaration:**  
24<sup>th</sup> of the following month  
**Payment:**  
26<sup>th</sup> of the following month

**6** VAT filing frequency?  
For the month when  
there is sales.

**7** Language and currency of  
declaration/payment?  
**Turkish / Turkish Lira**



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