GUIDE FOR RESIDENT TWINNING ADVISERS UNDER IPA FRAMEWORK AGREEMENT

I- CLARIFICATIONS FOR TAX EXEMPTIONS

Financial Assistance Mechanism of EU for the candidate and potential candidate countries has been restructured as Instrument for Pre-Accession Assistance (IPA) and included in a single legal framework..

In this context, "*Framework Agreement between the Government of the Republic of Turkey and the Commission of the European Communities on the Rules for Co-operation concerning EC-Financial Assistance to the Republic of Turkey in the framework of the Implementation of the Assistance under the Instrument for Pre-Accession Assistance (IPA*)" which was signed on 11.07.2008 between Turkey and European Commission regarding the financial assistances for the budget period of EU between 2007-2013 in the framework of financial cooperation between Turkey and EU,

was deemed suitable to be ratified by the Law No. 5824 dated 03.12.2008[1],

was published in the Annex of the Decision of Council of Ministers No. 2008/14450 dated 19.12.2008[2],

and entered into force by the Decision of Council of Ministers No. 2009/14614 dated 21.01.2008[3]. **(ANNEX-1)**

Principles and procedures governing the implementation of the provisions of Article 26 of Framework Agreement regarding tax exemption are regulated by "Communique of Turkey-EU Framework Agreement"[4] (**ANNEX-2**) issued by Revenue Administration.

1- General Rules Applied For Tax Exemptions

The first clause of Article 26 of IPA Framework Agreement, titled as "**Rules on taxes, customs and import duties and levies and/or taxes of equivalent effect"**, states that "*Save where otherwise provided for in a Sectoral Agreement or a Financing Agreement, taxes, customs and import duties and levies and/or taxes of equivalent effect are not eligible under IPA. This exemption covers also the co-financing provided by the Republic of Turkey*."

1 Published in the Official Gazette No. 27077 dated 07.12.2008

2 Published in the Official Gazette No. 27090 (reiterated) dated 24.12.2008

3 Published in the Official Gazette No. 27137 dated 10.02.2009

4 Published in the Official Gazette No. 27222 dated 08.05.2009

Accordingly, taxes, customs and import duties and levies and/or taxes of equivalent effect to be incurred, during the implementation of the contracts financed by the EU or co-financed by the EU -Turkey , shall not be financed under financial assistances in accordance with the Article 26 of IPA Framework Agreement.

2- Exemption from Import Duties

According to the Article 25/1-e and Article 26/2-a of IPA Framework Agreement, all imports by EC contractors shall be allowed to enter the Republic of Turkey without being subject to customs or import duties, charges, Value Added Tax (VAT) and the Special Consumption Tax (SCT) or to any other similar tax, duties or charges. Such exemption shall only be applied to the imports in connection with the goods supplied and/or services rendered and/or works executed by the EC contractor under the EC contract.

On the condition that the List of Goods to be Imported which contains information regarding the goods to be imported by the Resident Twinning Advisor is drawn up in accordance with ANNEX-I/a of General Communiqué of IPA Framework Agreement (**ANNEX-3**), and the goods in this list are approved by the grant beneficiary as being in the scope of the EC Contract, and, together with the list, the copy of VAT Exemption Certificate granted by the tax administration is submitted to the customs administration; the goods indicated in the list shall be able to be imported as exempted from customs or import duties, charges, Value Added Tax (KDV), Special Consumption Tax (ÖTV) and other similar taxes and duties. For other provisions regarding import duties exemption, please see Chapter 4.2 of the aforementioned Communiqué.

3- Exemption from Value Added Tax (Vat)

Resident Twinning Advisor shall apply directly to the Revenue Administration in order to have VAT Exemption Certificate. Upon the approval of the application, he/she will be granted a tax ruling and VAT Exemption Certificate annexed to it.

a) Documents Required for the Application of VAT Exemption Certificate

- **Written Request for Application (ANNEX-5):** The written request should clearly state the request for the VAT Exemption Certificate and be signed by the RTA indicating the name, the title and the date and all **contact details (address, phone number, fax and e-mail)** should be included.
- **A Copy of the EC Contract, Annexes and the Budget:** Each page of the copy of the contract concluded with the Contracting Authority and of its budget, if there is any, annexed to it must be signed by the EC Contractor or the Contracting Authority and must include the indication of "true copy of the original", as well as the date, the name and the title of the signatory. In case where the issues such as the total amount of contract, its commencement and expiration dates, and procedures for amendments are not included in the contract but included in its annexes, Resident Twinning Advisor shall also submit those annexes and the application for grants, besides other documents.
- **Notification Document**: Furthermore, in the twinning contracts, a copy of the "Notification Document" issued by the Contracting Authority indicating the employment date shall be approved by the Resident Twinning Advisor certifying that it is the "true copy of the original".

- **Original Information Form:** "Information Form" (**ANNEX 5**) must be signed both by the Resident Twinning Advisor and the executive of the Contracting Authority. The name, surname and title of the signatories and date of signature must be absolutely stated on the form. Information on the Information Form and in the contract must be consistent. If there are sections on the Information Form which are filled in handwriting, they must be definitely initialled and stamped by the Contracting Authority. Sections on the Information Form which do not concern the EC Contractor Resident Twinning Advisor, if there is any, must be filled as "not applicable".

Contact Details for Applications:

Gelir İdaresi Başkanlığı
Avrupa Birliği ve Dış İlişkiler Daire Başkanlığı /Avrupa Birliği Müdürlüğü,
İlkadım Cd. No:2 Kat:14 06450 Dikmen-Çankaya/ANKARA
Tel: 0 (312) 415 34 75–76–88 **Fax:** 0 (312) 415 28 21–22

b) Special Cases for Twinning Contracts

Short and medium term experts who are not citizens of the Turkish Republic, who do not reside in Turkey and who are assigned in the EC Contract concluded between the Contracting Authority and the Resident Twinning Advisor within the scope of the twinning projects financed by the European Union or co-financed by the European Union and Turkey, shall apply to the Revenue Administration with a petition for request and with the letter written by the Resident Twinning Advisor specifying '*the names and periods of assignment of the said experts*' in order to benefit from VAT Exemption. Experts assigned within the scope of the same EC Contract may apply for VAT Exemption with a single petition provided that each one has the signature on the petition.

Upon this application, Revenue Administration shall issue a tax ruling for them to submit to the suppliers, stating that supply and service to be procured and works to be executed within the scope of the EC Contract are exempted from the value added tax. The said experts shall submit to the supplier a copy of this ruling and a copy of the VAT Exemption Certificate issued by the Revenue Administration for the Resident Twinning Advisor. Resident Twinning Advisor shall certify the copies of the said ruling and certificate that they are "true copy of the originals".

Resident Twinning Advisor Assistant, who provides service for RTA within the scope of the twinning contract, has the status of supplier in the implementation of IPA Framework Agreement. Accordingly, Resident Twinning Advisor Assistant has to conform with the procedures and principles specified in Part No. 4.3.3 of the General Communiqué during his/her service to the Resident Twinning Advisor within the scope of the Twinning Contract.

c) Required Documents and Proceedings in case of a Change in the EC Contract

In the event of any changes in duration, price, starting date of the EC Contract, in title of the EC Contractor and of the grant beneficiary, in the subject and number of the EC contract introduced by the Contracting Authority, VAT Exemption Certificate which was granted before must be renewed.

In order to change the current VAT Exemption Certificate, if the period of the contract is still continuing, the Resident Twinning Advisor who is also EC Contractor shall apply to the Revenue Administration with the following documents;

1) petition of request for change,
2) one copy of the supporting document relating to the change received from the Contracting Authority which is signed by the EC Contractor (Resident Twinning Advisor) with an indication of "true copy of the original" including the name, title and the date.
3) Original copy of the current VAT Exemption Certificate

If the application by the Resident Twinning Advisor is approved, a new VAT Exemption Certificate shall be issued in the attachment to the letter.

d) The Use of Vat Exemption Certificate

i) For the Purchases over 2.000 TL

If the amount of the invoice (Excluding the VAT) that is prepared by the supplier for the goods, services and works which the Resident Twinning Advisor will supply within the scope of the EC Contract is over 2.000 TL; the Resident Twinning Advisor shall, primarily, draw up a "supply contract" with the supplier. If the grant beneficiary approve that the supply contract and goods, services and works subject to the same contract are within the scope of EC Contract by putting an annotation such as *"This supply contract has been drawn up on the grounds of the EC Contract no… and dated…",* VAT shall not be applied to the the delivery of goods, provision of the services and fulfillement of the works.

The supply contract should clearly involve the identities of the contracting parties, the subject of the contract, its cost and the EC Contract it is based upon.

The supplier shall not calculate the VAT only in the event of the submission of a copy of the supply contract concluded with the EC Contractor which is approved by the grant beneficiary and a copy of the VAT Exemption Certificate by obtaining the copies of the mentioned supply contract and certificate. Supplier should make a reference, in the invoice or similar document, such as *"VAT has not been calculated within the scope of EC Contract No…., in accordance with the Article 26/2 of IPA Framework Agreement, the ratification of which is deemed suitable by Law No. 5827."*

The EC Contractor (Resident Twinning Advisor) who purchases goods, services and works without paying value added tax due to the mentioned certificate, shall fill in the table (ANNEX 7 of the Genera Communiqué of IPA Framework Agreement) which indicates his title, taxpayer identification number, the types and the amounts of goods, services and the works he purchased without paying value added tax, the dates of the invoices and their numbers, the titles and the taxpayer identification numbers of the taxpayers from whom goods and services have been purchased and shall submit it to the Revenue Administration quarterly, as per the three-months period of the calendar year, until the evening of 25th day of the month following these periods.

ii) For the Purchases under 2000 TL

For each purchase under 2000 TL (Excluding VAT) that will be realized by the EC Contractor (Resident Twinning Advisor) within the scope of the EC Contract, without laying down as condition an approval of the grant beneficiary and without drawing up a supply contract with the supplier, VAT exemption is applied by the submission of a copy of the VAT Exemption Certificate.

Within this scope, the EC Contractor (Resident Twinning Advisor) shall prepare the notification table, ANNEX 8 of the General Communiqué of IPA Framework Agreement, concerning the expenses he realized to make use of the VAT exemption by receiving the approval of the grant beneficiary and putting an annotation such as *"the expenses depicted in this table have been*

realized within the scope of the EC Contract No…". Notification tables shall be submitted to the Revenue Administration quarterly, as per the three-months period of the calendar year, until the evening of 25th day of the month following these periods.

Within this scope, the supplier who realizes the delivery of goods, provides services and carries works without VAT, shall obtain a copy of the certificate submitted to him and shall keep it and he shall not calculate VAT by putting an annotation, in the invoice or in the similar document to be arranged, such as *"VAT has not been calculated within the scope of EC Convention No..., in accordance with the Article 26/2 of IPA Framework Agreement the ratification of which is deemed suitable by Law No. 5824."*

e) Refund of the Value Added Tax

The EC Contractor (Resident Twinning Advisor) who has not VAT paying obligation, shall be disbursed refund of the VAT that he paid for the goods delivered, services provided or works carried out within the scope of EC Contract under IPA Framework Agreement and which he could not collect from the Contracting Authority in accordance with the following principles and procedures.

i) Refunds within the scope of the EC Contracts in Effect

In case where the EC Contractor, who has not VAT paying obligation, did not obtain VAT Exemption Certificate before, within the scope of EC Contract that he executed, shall, initially, apply to the Revenue Administration to obtain VAT Exemption Certificate in line with the procedures and principles laid down in the Part No. 4.3.2 of the General Communiqué of IPA Framework Agreement.

Revenue Administration shall issue a tax ruling to the EC Contractor for the refund of VAT charged under EC Contract and shall canalize him/her towards the tax office directorates where the refund application shall be made.

The EC Contractor (Resident Twinning Advisor) shall apply to the tax office directorate notified in the tax ruling with following documents:

1) A written request for refund,

2) Table of the VAT charged that is approved by the Contracting Authority to be belonging to the expenditure made within the scope of EC Contract,

3) Originals or the copies of the invoices or similar documents related to the purchase of goods and services and the works performed,

4) The originals or the approved copies of the receipts (including the bank receipts) related to the payments realized in return for invoice or similar documents submitted by the Contracting Authority,

5) Certified copy of the VAT Exemption Certificate or a copy of the tax ruling submitted by the Revenue Administration related to the refund,

6) In the event of the existence of a taxpayer registration for a tax other than value added tax, an official document obtained from the related tax administration depicting whether he has tax debts or not.

The table of the VAT charged shall provide the required information in the part 1.1.3.1 of the General Communiqué on Value Added Tax No.84. The Contracting Authority shall give its approval by identifying the date, the name and the title of the authorized person by means of putting an annotation to the VAT table regarding whether the payment made from the European Union funds to the EC Contractor (Resident Twinning Advisor) includes VAT or not. In the

event of the existence of the report arranged by a chartered accountant with regard to the EC Contract, the Contracting Authority shall approve the mentioned table relying on this report.

In the event of the submission of the copies of the required documents, the EC Contractor (Resident Twinning Advisor) shall approve the copies by putting an annotation stating that those are true copies of the originals, by signing and indicating the date and if available, by sealing or stamping.

ii) Refunds within the scope of the Expired EC Contracts

In case where the EC Contract, carried out by the EC Contractor (Resident Twinning Advisor) who has not VAT paying obligation, is expired, then application will be made by the EC Contractor (Resident Twinning Advisor) primarily to the Revenue Administration in accordance with the procedures and principles laid down in the Part No.4.3.2 of the General Communiqué of IPA Framework Agreement.

In the event that the application is deemed appropriate, certificate shall not be prepared and for the necessary operations to be performed related to refund the EC Contractor (Resident Twinning Advisor), with the tax ruling submitted to him and with other document mentioned in the Part No. 4.3.4.2.1 of the General Communiqué of IPA Framework Agreement, shall be canalized to the authorized tax office directorate which will make the application for refund.

f- Matters Related to the Financial Assets Subject to Amortization in Terms of VAT

According to the principles mentioned above, the EC Contractor (Resident Twinning Advisor) has the right to obtain the financial assets subject to amortization related to the goods, services or works he/she will provide within the scope of EC Contract, without VAT, only in the event that the mentioned assets are the assets used within the scope of EC Contract and only in the event that these assets are foreseen to be delivered to the grant beneficiary free of charge with the expiry of the EC Contract. In this case, in the supply contract that the EC Contractor will draw up with the supplier and that will be approved by the grant beneficiary, it shall be defined clearly that this asset shall be transferred to the EC Contractor free of charge at the expiry of the EC Contract.

The supplier shall not calculate the VAT by means of putting an annotation such as *"VAT has not been calculated in accordance with the EC Contract No… and the IPA Framework Agreement the ratification of which has been deemed suitable by Law No.5824"* to the invoice or similar document which he prepared by obtaining an approved copy, from the grant beneficiary, of the supply contract drawn up with the EC Contractor.

In the event of the utilization of the Financial Assets Subject to Amortization for works other than the works mentioned in the EC Contract, the EC Contractor (Resident Twinning Advisor) shall, initially, purchase the Economic Assets Subject to Amortization and pay their VAT and shall make the charged VAT subject to deduction from the VAT calculated over the operations subject to other taxes. With the expiry of the EC Contract, the EC Contractor shall request refund, according to the principles laid down in the Part No. 4.3.4 of the General Communiqué of IPA Framework Agreement, of the VAT paid, for the part of which the period of utilization of this asset within the context of EC Contract corresponds to the amortization rate period defined for this asset. In this case, while receiving the approval of the supply contract from the grant beneficiary, the EC Contractor (Resident Twinning Advisor), shall ensure an annotation to be put by the grant beneficiary regarding how long this asset is to be used within the scope of the EC Contract.

4- Exemption from Excise Duty (Special Consumption Tax-SCT)

According to the Article 26/2(d) of the Framework Agreement, *"Expenditures of the EC contractors shall be relieved from the Excise Duty. This relief shall only be applied to the expenditure in connection with the goods supplied and/or services rendered and/or works executed by that EC contractor under the EC contract."*

In case where the EC Contractor (Resident Twinning Advisor) wants to purchase goods subject to excise duty within the framework of the EC Contract, he/she must have primarily applied for VAT Exemption Certificate in line with the procedure and principles laid down in Part 4.3.2 of the General Communiqué of IPA Framework Agreement.

a) For Purchases Made from Non-Tax Payers of SCT

The EC Contractor (Resident Twinning Advisor) will make his purchase by paying excise duty in the beginning, for goods subject to excise duty and to be supplied from a supplier who is not an excise duty payer within the framework of the EC Contract. EC Contractor (Resident Twinning Advisor) shall prepare the list of goods (ANNEX 10, General Communiqué of IPA Framework Agreement) purchased within this context, as per quarterly periods in one calendar year starting from the commencement date of the Contract, and shall receive the approval of grant beneficiary by putting an annotation such as "*the products in this list are within the scope of the EC Contract No.…*." and insert the same list among the documents required for refund. Excise duties paid by the EC Contractor (Resident Twinning Advisor) in spite of the exemption may be reimbursed in line with the procedures and principles laid down in Part 4.4.3 of the General Communiqué.

b) For Purchases Made from Excise Duty Payers

Goods to be supplied by the EC Contractor (Resident Twinning Advisor) from excise duty payers within the framework of the EC Contract can be supplied without paying excise duty on condition that a supply contract is concluded with the supplier and the grant beneficiary confirms that the goods subject to that contract are within the scope of the EC Contract. There is no limit for supply contracts to be made for purchases from excise duty payers.

The supplier shall not calculate the excise duty, only in the event of the submission of the supply contract concluded with the EC Contractor and approved in accordance with above-mentioned procedure, by means of putting an annotation such as *"excise duty has not been calculated in accordance with the EC Contract No… and the IPA Framework Agreement the ratification of which is deemed suitable by Law No.5824"* to the invoice or similar document which he prepared by obtaining a copy of the mentioned supply contract concluded with the EC Contractor.

EC Contractor (Resident Twinning Advisor), shall receive the approval of the list of goods purchased from excise duty payer and the excise duty of which were paid within the framework of the EC Contract. The approval shall be made in accordance with the procedures laid down in Part 4.4.2.1 of the General Communiqué and EC Contractor (Resident Twinning Advisor) shall insert this approval among documents required for refund.

c) Refund of the Excise Duty Paid by the EC Contractor

i) Refund of the Excise Duty to the EC Contractor having a VAT Exemption Certificate

The EC Contractor (Resident Twinning Advisor), having a VAT Exemption Certificate for goods supplied, services rendered and works performed within the scope of the EC Contract to be exempted from VAT, shall be able to apply to any tax administration indicated in ANNEX 9

of the General Communiqué for refund of the excise duty that he was charged for the expenses made within the scope of the EC Contract. The application shall be done by EC Contractor by providing the documents stated in Part 4.4.3.3 of the General Communiqué.

ii) Refund of the Excise Duty to the EC Contractor not having a VAT Exemption Certificate

The EC Contractor (Resident Twinning Advisor), who has not taken a VAT Exemption Certificate before, shall confirm, before all, that the contract concluded with the Contracting Authority is an EC Contract within the scope of IPA Framework Agreement and that the EC Contractor is himself. For this purpose, the EC Contractor is required to apply primarily to the Revenue Administration with the documents stated in Part 4.3.2.2. of the General Communiqué. Upon the approval of the application, he/she will be granted a tax ruling by the Revenue Administration.

The EC Contractor shall be able to apply to any tax office directorate indicated in ANNEX 9 of the General Communiqué, for refund of the excise duty that he was charged, with the tax ruling and the other documents stated in Part 4.4.3.3 of the mentioned Communiqué

EC Contractor (Resident Twinning Advisor), shall apply to the tax office for refund with the following documents:

1) Written request for refund,
2) One copy of the tax ruling or VAT exemption certificate taken from the Revenue Administration,
3) Certified list of goods purchased including excise duty (ANNEX 10 of the General Communiqué),
4) Originals or certified copies of invoices and similar documents regarding the purchase of goods subject to excise duty,
5) List of excise duty rates to be reimbursed within the goods purchased, calculated by themselves.

In the event of the submission of the copies of the required documents, the EC Contractor EC Contractor (Resident Twinning Advisor), shall approve the copies by putting an annotation stating that those are true copies of the originals, by signing and indicating the date and if available, by sealing or stamping.

EC Contractor (Resident Twinning Advisor), whose term of contract continues, shall make his refund request for quarterly periods in one calendar year starting from the commencement date of the EC Contract. EC Contractor (Resident Twinning Advisor), whose term of contract ends, shall be able to make his refund request as from the date of expiration of the contract.

d) Matters Related to the Financial Assets Subject to Amortization in Terms of Excise Duty

The EC Contractor has the right to obtain the financial assets subject to amortization, without excise duty, related to financial assets subject to amortization that he will supply from excise duty payers within the scope of EC Contract, only in the event that the mentioned assets are the assets used within the scope of EC Contract and only in the event that these assets are foreseen to be transferred to the grant beneficiary free of charge with the expiry of the EC Contract. For this purpose, the EC Contractor, who makes a supply contract with the supplies, shall have approved in the mentioned contract, that the mentioned assets are within the scope of EC

Contract to which the RTA is a party and that those assets are going to be transferred to the grant beneficiary free of charge with the expiry of the EC Contract.

The supplier shall not calculate excise duty by means of putting an annotation such as *"excise duty has not been calculated in accordance with the EC Contract No… and the IPA Framework Agreement the approval of which has been deemed suitable by Law No.5824"* to the invoice or similar document which he prepared by having the copy of the supply contract concluded with the RTA, approved by the grant beneficiary, or in case where the grant beneficiary is also the EC Contractor, approved by the Contracting Authority or above mentioned persons.

In the event of the utilization of the Financial Assets Subject to Amortization for works other than the works mentioned in the EC Contract, the EC Contractor shall, initially, purchase the Financial Assets Subject to Amortization and pay their excise duty. With the expiry of the EC Contract, the EC Contractor shall demand refund, according to the principles laid down in the Part No. 4.4.3 of General Communiqué of IPA Framework Agreement, of the excise duty paid for the part of which the period of utilization of this asset within the context of EC Contract corresponds to the amortization rate period defined for this asset. In this case, while receiving the approval of the supply contract from the grant beneficiary, the EC Contractor, shall ensure an annotation to be put by the grant beneficiary regarding how long this asset is to be used within the scope of the EC Contract.

e) Implementation of Excise Duty on the Transfer, to the Third Parties, of Vehicles of which the First Acquisition are Made Using Excise Duty Exemption

Article 15/2-a of the Excise Duty Law provides that, in cases where the goods in list II, subject to registration and enrollment, for which exemption was applied during their first acquisition, excluding their transfer by inheritance, are acquired by people other than the beneficiaries of the exemption, excise duty will be imposed on the ones of which registration and enrollment proceedings have been completed, on the basis of tax base at first acquisition and on effective rate on the date of registration and enrollment. According to this provision, during the acquisition by third parties, except for being transferred by inheritance or by the grant beneficiaries using excise duty exemption, of vehicles subject to registration and enrollment and of which first acquisition have been done with excise duty exemption, excise duty assessment of the vehicles in question will be made by third persons in the name of whom the enrollment and registration proceedings are going to be made, on condition that they make an excise duty declaration within the framework of Article 15/2-a of the Law. In case where the vehicle in question was purchased and its excise duty was paid at the beginning since it would be used in other works than the works indicated in the EC Contract, but the excise duty, the amount of which was calculated by considering the term of use within the scope of the contract was later reimbursed, the reimbursed amount must be declared and paid by third parties.

5- Exemption from Income Tax

According to the Article 26/2-c of the IPA Framework Agreement, *Natural persons not nationals and not residents of Turkey carrying out services and/or works and/or grant and/or twinning contracts financed by the Community and the eventual co-financing contribution provided by the Beneficiary shall not be subject to income tax in Turkey for the income generated by this type of contract.*

Legal persons will be subject to the same above provision provided that they do not have their permanent establishment or fixed base in Turkey.

Profit and/or income arising from EC contracts shall be taxable in Turkey in accordance with its tax system, if the real and/or legal persons making such profit and/or income have their permanent establishment or fixed base in Turkey according to the provisions of the applicable double taxation agreements as ratified by the Beneficiary."

According to IPA Framework Agreement, income generated from the contract under which the real person RTAs, who are not nationals and not residents of Turkey, and who are assigned within the framework of the implementation of EC Contracts financed by the European Union or co-financed by the European Union and Turkey, shall not be subject to income tax.

Similarly, income of real persons who are not nationals and not residents of Turkey, carrying out services for an EC Contractor (Resident Twinning Advisor) and whose fees are paid from the budget of the EC Contract shall not be subject to the income tax.

However, profit and/or income arising from EC contracts shall be taxable in Turkey in accordance with its tax system if the real and/or legal persons making such profit and/or income have their office or fixed base in Turkey according to the provisions of the double taxation agreements ratified by Turkey, which are applicable to these real and/or legal persons.

6- Stamp Duty and Charge Exemption and Implementation

According to the Article 26/2-g of the IPA Framework Agreement, "*EC contracts shall not be subject in the Republic of Turkey to stamp or registration duties, or to any other charge having equivalent effect. This exemption shall also apply to transactions and related payment orders under the EC contract with the exemption of sub-contracting".*

EC Contract financed by the European Union or co-financed by the European Union and Turkey, and signed between the Contracting Authority and EC Contractor, and described in the Part 3.5 of the General Communiqué of IPA Framework Agreement shall be exempted from the stamp duty. Accordingly, each legally binding document signed by the European Community, or Turkey, or the grant beneficiary; ensuring the financing (including the possible co-financing) of any activity within the framework of IPA shall be exempted from the stamp duty. However, the supply contract concluded between the EC Contractor and the supplier shall not benefit from the stamp duty exemption.

EC Contract financed by the European Union or co-financed by Turkey and European Union, and signed between the Contracting Authority and the EC Contractor; and the proceedings carried out within the scope of the EC Contract shall not be subject to charges. However, as the supply contract between the EC Contractor and supplier, and the proceedings carried out under this contract are not within the scope of the exemption, those proceedings shall be subject to charges.

7- Exemption from Inheritance and Transfer Tax and Its Implementation

According to the Article 26/2-e of the IPA Framework Agreement; *"Those benefiting from projects and/or contracts and/or activities carried out under IPA shall be exempted from "Inheritance and Transfer Tax" resulting from goods and/or rights and/or constructed facilities and/or funds transferred to them without consideration in any way under IPA".*

With regard to the goods and/or rights and/or constructed facilities and/or funds transferred to the grant beneficiaries free of charge in terms of the EC Contract financed by the European Union or co-financed by Turkey and the European Union, the grant beneficiaries shall be exempted from inheritance and transfer tax or the tax to be imposed instead of them. Hence, RTA shall not make a declaration of inheritance and transfer tax, related to the mentioned transfers.

8- Exemption from Special Communication Tax and Its Implementation

According to the 2/i of the Article 26 of the IPA Framework Agreement, *"Apart from the taxes, customs and import duties and levies and/or taxes of equivalent effect mentioned above, the following shall also be exempted: Special Communication Tax"*.

Expenses, of RTA, relating the special communication tax covered by the budget of the EC Contract; and which are within the scope of the EC Contract signed in accordance with the IPA Framework Agreement shall be exempted from the special communication tax with the condition that it is limited with the duration of the EC Contract. EC Contractor (Resident Twinning Advisor), shall pay, at first, the special communication tax, for his/her expenses under this exemption. However, special communication taxes charged for the expenses regarded as exemption under the scope of the EC Contract shall be reimbursed to the EC Contractor (Resident Twinning Advisor) in accordance with the following procedures and principles.

For the refund of the special communication tax charged despite being within the scope of the exemption, EC Contractors (Resident Twinning Advisor) whose term of EC contract continues, for quarterly periods in one calendar year starting from the commencement date of the EC Contract and; EC Contractors whose term of EC contract ends, as from the date of expiration of the contract should apply to anyone of the tax office directorates listed in ANNEX 9 of the General Communiqué with following documents.

Required Documents for the Application for Refund of Special Communication Tax:

1) Written Request for refund,

2) Certified List of Charged Special Communication Taxes,

3) Copies of the Invoices or Similar Documents of the Charged Special Communication Taxes,

4) VAT Exemption Certificate and/or Copy of the tax ruling given by the Revenue administration within this scope.

EC Contractor shall initially prepare a list of invoices or similar documents regarding the special communication taxes charged to him despite being within the scope of the exemption. The mentioned list shall be approved by the grant beneficiary by putting an annotation such as: *"Expenses declared in this list and detailed in the annexed invoices or similar documents have been made within the scope of the EC Contract and the allocated budget for this item in the EC Contract have not been exceeded."*

In case there is not any allocated budget in the EC Contract for the expenses under the scope of the special communication tax, no refund shall be made. Besides, although there is some allocated budget in the EC Contract for this issue, in case where the total amount of the submitted invoices or similar documents is above the allocated budget, no refund shall be made for the exceeding amount.

9- Exemption from Motor Vehicle Tax and Its Implementatıon

In accordance with the 2/i of Article 26 of the IPA Framework Agreement : *"Apart from the taxes, customs and import duties and levies and/or taxes of equivalent effect mentioned above, the following shall also be exempted:*

- *Special Communication tax;*
- *motor vehicle tax."*

Land, air and sea transport vehicles, purchased by the EC Contractor (Resident Twinning Advisor) within the framework of the EC Contract, and enrolled and registered to his own name in the traffic, municipality or port registry and to the relevant registry among the civil aviation registries in the Ministry of Transportation shall be exempted from the motor vehicles tax (MVT) provided that it is limited with the duration and conditions of the EC Contract, and on the condition that the vehicle is going to be transferred to the grant beneficiary free of charge.

EC Contractor (Resident Twinning Advisor) shall enroll and register the vehicle purchased within the scope of the EC Contract, in his own name in the relevant registry office and shall pay the motor vehicles tax accrued during the contract.

Upon application, Motor Vehicles Tax charged during the EC Contract for the vehicle purchased within the scope of the EC Contract shall be reimbursed to the EC Contractor, following the expiration of the EC Contract and transfer of the vehicle to the grant beneficiary, in accordance with the principles and procedures laid down in the Part 4.9.3 of the General Communiqué of the IPA Framework Agreement.

Refund of MVTs

For the refund of the MVTs charged during the contract duration, EC Contractor shall apply to the tax office directorate of the province having the authority to collect MVT with following documents:

1) Petition for Refund Request,

2) A copy of the tax ruling given by the Revenue Administration following the VAT Exemption Certificate application.

3) Copy of the official letter (ANNEX 11 of the IPA General Communiqué) submitted by the Contracting Authority, indicating that the vehicle was purchased and/or used within the scope of the EC Contract,

4) Copy of the Motor Vehicle Registration Certificate of the vehicle purchased by the EC Contractor (Resident Twinning Advisor) and on which MVT was charged; and copy of the Motor Vehicle Registration Certificate issued to the name of the grant beneficiary following its transfer to him/her.

In cases where there is no tax office directorate having the authority to collect MVT, the application for the refund shall be made to the tax office directorate listed in the ANNEX 9 of the General Communiqué of the IPA Framework Agreement and which is authorised to act within related province.

EC Contractor (Resident Twinning Advisor) is also obliged to submit additional information and documents for the refund of MVT **if required** by relevant authorities in accordance with the provisions of the legislation in force.

Depending on the expiration of the EC Contract in question, the vehicle registered and enrolled in the name of the EC Contractor (Resident Twinning Advisor) and transferred to the ownership of the grant beneficiary shall be subject to the motor vehicles tax as of the termination of the contract, according to the provisions of the MVT legislation in force.

For more information:

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