



# EXPORT-ORIENTED TAX POLICY IN TURKEY

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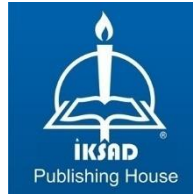
Hacı Muhammet KEKEÇ



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# **EXPORT-ORIENTED TAX POLICY IN TURKEY**

**Hacı Muhammet KEKEÇ**



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E mail: iksadyayinevi@gmail.com  
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## **ACRONYMS**

CPA	Certified Public Accountants
IPPC	Inward Processing Permit Certificate
IPR	Inward Processing Regime
VAT	Value-Added Tax
SCT	Special Consumption Tax

## **ABSTRACT**

The international commercial relations of the countries with each other differ in many ways from the national commercial relations. There are different balances and regulations for both economies. While ensuring competition among producers in the national economy is more a national issue and a situation in their own hands than in the international economy, difficulties arise in the competition of those who want to sell their products in the international arena. Different costs and tax burdens faced by international sellers affect competitive power negatively. At this point, it is aimed to increase the competitiveness of producers and/or sellers carrying out export activities by keeping their costs low by providing some facilities by the state. We can say that the most important economic tools that will serve this purpose are incentives.



# CHAPTER 1

## 1. THEORETICAL FRAMEWORK OF TAX POLICY IN EXPORT

Under the heading, where we will examine the tax policy in exports theoretically, the effect and importance of incentives for exports on different economic instruments will be emphasized.

### 1.1. Tax Policy in Exports

From the point of view of the state, export promotion is based on asymmetric knowledge of the economy and market failures. When the market fails, the classical understanding of economics argues that the market will come to balance with the invisible hand. However, with the realization that the invisible hand in the market is not effective in the economic problems experienced, it is observed that the necessity of state intervention has emerged. At the same time, we can express that export incentive, which we can express as an effective tool as a tax policy tool, have an important place in exports. It can be stated that the policies applied for the activity in question can be effective in the formation of tax compliance and working conditions based on registration.

### 1.2. Importance of Tax Policy in terms of Export

The globalization process in the world increases the commercial relations of countries in goods, services, and financial fields. Especially

developing countries are involved in this commercial relationship. The adaptation of the countries to the globalization process reveals competition in the commercial relations of the countries with each other. It is stated that this competition results in the necessity of supporting export activities for the countries to increase their profitability from these relations. The increase in international trade provides positive externalities to the economy with the contribution of newly developed production methods, together with the increase in productivity, foreign exchange input, technological progress, and growth in any country. Due to these effects, export activity is an important factor affecting the level of development in the country in question(Ajmi, Goodness , Balcilar, & Gupta, 2015).

### **1.3. The Importance of Exports for Economic Growth**

Economists have studied the relationship between international trade and growth output in the second half of the 18th century since Adam Smith to the present. With the formation of a large literature, opinions are presented within the framework of the export-based growth hypothesis and the export hypothesis based on growth.

It is possible to talk about many studies on the relationship between economic growth and exports. One of them is the study in which the causality relationship between exports and growth is revealed, and this study is the study Jung and Marshall prepared in 1985, which included 37 countries and benefited from the data of these countries in 1950-1981(Temiz, 2010). Jung and (1985) Marshall used the Granger

causality test to examine the causality link between exports and economic growth in 37 countries, including four developing African countries. And in this study, it is stated that only the results of four countries support the export growth hypothesis (Biyase & Zwane, 2011).

Several notable effects of export activity on economic growth reveal as follows(Aktaş, 2009):

- i. Export brings with it an increasing competition,
- ii. With a productive structure, international trade also contributes to the increase in economic growth by contributing to the acquisition and dispersion of the latest technological developments,
- iii. Offers the opportunity to benefit from the privileges provided by the competition,
- iv. Provides the creation of different opportunities in the national and international arena,
- v. It provides the opportunity to produce internationally for the economies of countries with narrow domestic markets.
- vi. It offers the opportunity to reduce the foreign exchange pressure on foreign payments by increasing foreign exchange inputs.

Adam Smith is described as the economist who first addressed the relationship between foreign trade and economic growth. Later, classical economists John Stuart Mill, David Ricardo, and James Mill studied the relationship. It is observed that the relationship between growth and foreign trade was revealed by the said economic view, and

later different studies emerged on the idea that foreign trade has great importance on growth. "The thesis that foreign trade is the engine of growth is expressed in Adam Smith's concept of specialization and Ricardo's theory of comparative advantage". It is stated that the subsequent reviews of Feder and Michaley also support this idea(Gül & Kamacı, 2012).

There are two different views on the interaction between exports and economic growth. The first opinion regarding these studies is that exports have a positive effect on economic growth. The Heckser-Ohlin-Samuelson (HOS) Model states that the welfare of the two countries is based on their factor wealth. It is stated that the basic element in the model in question is that international trade is an important way to reach efficiency and competitiveness(Jayme, 2001). Studies defending the export-led growth thesis; In his study, Feder (1982) divided economic growth into two as export-based and non-export based(Stait, 2005). Ekanayake examined the relationship between economic growth and exports in 1999 with the study he conducted in eight South Asian countries. It is stated that the study in question makes use of the two-stage "Granger causality analysis based on Engle-Granger, Johansen cointegration and error correction model". As a result of the analysis, it is stated that the existence of a cointegration relationship between economic growth and exports for all eight South Asian countries (Ağayev, 2011). It is stated by Grossman and Helpman that foreign trade will have a positive effect on economic growth with the positive effect of increasing productivity and the spread of new technologies.

The second is the studies that believe that economic growth triggers exports. Some of his works are; Abbas (2012), Ceviker and Taş (2011), and Ağayev (2011) concluded that economic growth has a strong effect on exports, as a result of their investigations in the economy of 12 former Soviet Union member countries(Ağayev, 2011). Sharma and Dhakal (1994) examined the relationship between growth and exports by using Granger's causality analysis in a multivariate study involving 30 countries in the periods between 1960 and 1984(Abdul-Khaliq, Soufan, & Shihab, 2013). Turkey, the mentioned study examined data involving the 1960-1988 period. As a result of the examination, it concluded that there is no causal link between exports and growth(Demirhan, 2005). With the study of Sharma and Dhakal, they reveal a relationship of causality from economic growth to export(Özer & Erdoğan, 2006). Sharma and Panagiotidis, in their study on India in South Asia in 2004, revealed that export-based growth is out of the question for this country. In the causality hypothesis for the country in question, a relationship from poor growth to export is put forward(Ağayev, 2011).

#### **1.4. Importance (Effects) of Incentive Policies for Export**

The main goal of every country in the development process is to increase exports. Along with this target, supporting export-oriented activities is also considered an important policy tool for the country's economy (Ersungur & Yalman, 2009: 82). Incentive policies are one of the important policy tools, as they are one of the tools to contribute to the country's economy by increasing exports. However, export

incentive policies provide an important externality in collecting information on consumer preferences in the international arena (Lederman & Payton, 2006: 2).

The effect of incentive policies on many indicators of the economy is related to the use of export figures in the calculation of these indicators. Incentive policies for export will also have a positive effect on export figures. The positive change in the said export figures affects many macroeconomic indicators such as the current account deficit, the ratio of exports to imports, and employment figures. If the main reason for your foreign trade deficit for a developing country is the existence of an economy based on imports, it is possible to talk about the incentive policies applied for exports as an effective tool to reduce this deficit. These incentive policies not only close the current account deficit but also have many positive effects such as unemployment, self-confidence, and competitiveness of export-oriented companies.

### **1.5. Objectives of Export Incentive Policies**

The general economic goals of the countries acting with development policies are expressed as reaching the level of countries that have completed their development process quickly. Countries that want to achieve this goal aim to benefit from these incentives to provide the technologies and production tools needed from the world markets in line with their export incentives in line with industrial development (Eğilmez & Kumcu, 2004).

Implementation of export incentive policies varies according to the macro-dynamics of countries and their expectations from foreign trade. These expectations can be stated as follows (Melemen, 1995: 8).

- i. Increasing exports
- ii. Improving the balance of payments
- iii. Increasing employment
- iv. Gaining competitive power to export products in international markets
- v. Increasing capacity utilization rates
- vi. Developing/expanding export markets
- vii. To minimize foreign currency spend
- viii. To increase the technological level

Many factors such as the economic, social, and political factors of the countries are effective on these targets. While incentive policies enable development in the country's economy, these policies have the nature of state intervention in terms of classical economic thought. According to the classical economic view, which opposes the intervention of the public sector to the market, incentive policies can be interpreted as an intervention of the public sector in the economy.

Incentive policies created in an economy are among the policy tools that aim to increase efficiency and workforce (Yavuz, 2010: 89). However, the incentive policies aim at the other issues mentioned above as a whole.

## CHAPTER 2

### 2. TAX POLICIES FOR EXPORT

It is aimed to examine the tax incentive policies, one of the incentive policies created by the public sector to encourage exports, under this heading. It is aimed to explain the said policies by taking advantage of the objectives and targets of the export-oriented tax policies, which will be evaluated under headings.

#### 2.1. Tax, Duties, and Fee Exemptions

The main purpose of tax, duty, and fee exemption; is expressed as the return of economic values such as taxes, duties, and charges, which are effective in the cost of the products subject to export or assumed to be exported, to the exporters after the exportation or delivery of the said products(Kemer, 2003:45).

The costs incurred in terms of those firms in export activities in Turkey, increasing exports together with the provision of facilities for low to be able to keep the incentives offered is concerned, the development of markets that are subject to export and the products that are subject to export is targeted to find viability compete in the international market(Aydoğuş, 2000:151).



## **2.2. Vat Exemption**

The theory of VAT is expressed as a value-added tax that is accepted in international transactions and is taxed at the destination. In the export activities subject to VAT, the value-added tax is not applied in the deliveries of the export products in question. The said transaction is expressed as a VAT refund. VAT refund is considered as one of the incentive tools to export. The VAT paid during the procurement of raw materials and other inputs for the production of the products subject to export remains above the enterprises producing the products subject to export. The refund of the said VAT is carried out by returning it to the relevant companies after export. In other words, these companies are exempt from tax (Atayeter & Arzu, 2011).

The operation of VAT exemption in exports is as follows; A company that carries out the export disposes of the exported product at a price without VAT. The company in question can either manufacture the product it sells itself or obtains it from other businesses. Even though it has supplied the product manufactured by someone else, the exporter is under the VAT burden due to the transaction in question. Since the export process of the relevant product is exempt from tax, VAT remains with the exporting enterprise. It is stated that the public authority approves the return of the VAT in question, as the resulting situation will cause costs for exporting enterprises. As a result, products exported without being subject to VAT are sold cheaper (Türkay & Ünsal, 2008:94). Thus, companies engaged in export activities gain competitive power in international markets.

The decrease in costs as a result of the tax return provides export companies with the opportunity to market and sell their products more easily. While the decrease in costs provides a competitive advantage for exporters, it also creates an expectation of an increase in export figures for the economies of the country. This increase is a factor that may affect the form of a contraction in the foreign trade deficit of the countries. The country's credibility will also increase in the international arena. It would not be wrong to think that the public authority turns to such incentive practices for these reasons.

The issues considered within the VAT exemption were published in the Official Gazette dated 26.04.2014 and numbered 28983. Those within this matter(VAT General Practice Statement, 2014).

- i. Export of Goods
- ii. Service Export
- iii. Roaming Services
- iv. Contract Services for Customers in Free Zones
- v. Passengers together the goods (to those not residing in Turkey on Sales to engineered VAT)
- vi. Transporters are not residing in Turkey with the Trade, Exhibition, Fair Made to participants and Exceptions in Service Delivery
- vii. Exception Recognized to Foreign Cinema Producers
- viii. Postponement and Cancellation Application in Deliveries with Issue Record

ix. It is expressed as Postponement and Denial in the Supply of Inputs Used in the Production of Goods to be Exported within the Scope of Inward Processing and Temporary Acceptance Regimes.

Exporter companies are exempted from the VAT that will arise due to the activities mentioned above. Each item will be examined one by one and its application will be emphasized. With the decrease in the tax burden on the exported products of the exporting companies, the competitiveness of the companies will increase.

### **2.3. Inward Processing Regime**

Inward processing regime; In cases where the goods required for the production of the goods subject to export are imported, it is expressed as ensuring the import with the condition of export in return for the duty to be paid due to import is not paid but postponed and secured. Imports or domestic purchases, which are considered to be carried out within the scope of the mentioned regime, require the requirement to obtain a document from the Under secretariat to benefit from "sales and deliveries considered export and foreign currency earning services and activities from tax, duty and fee exemption". In this context, the exceptions provided by the loans granted are followed by this document. In other matters, the tax, duty, and fee exemption is not associated with any document, although it is carried out by the relevant institutions and organizations. In this context, the taxes originating from the import activity realized with the inward processing regime are

canceled by the notification that the export has been made by proving that the export is "used in the production of the goods" and the process is followed by the resolution of the price put in the guarantee(İnanç, 2011).

Turkey's Customs Union to take a step of a step Inward Processing Regime with 31.12.1995 dated Official Gazette No. 95/7615 published our legislation has been replaced with the Inward Processing Regime Decision. By the Decision of Inward Processing Regime, Inward Processing Regime Communiqué numbered 25709, published in the Official Gazette dated 27.01.2005 and numbered 2005/1, has been put into force to regulate the treatment principles and procedures of inward processing measures. Besides, the orders for the Inward Processing Regime are included in the 108-122 articles of the Customs Law numbered 4458 and in the 347-398 Articles of the Customs Regulation on the Execution of the Customs Law(Takım & Ersungur, 2010:292).

The purpose of the Inward Processing Regime was mentioned in the first article of the Inward Processing Regime Decision no 2005/8391, published in the Official Gazette dated 27.01.2005 and numbered 25709.

These;

- i. Increasing exports by supplying raw materials from world markets,
- ii. To gain competitive power for export products in international markets,

- iii. Developing export markets,
- iv. Diversifying export products,

It is indicated in the form.

Based on these purposes, IPR said, "It is an incentive practice that allows companies to bring the raw and intermediate goods they need in the production of their export products, exempt from all kinds of taxes required in import and without being subject to trade policy measures, provided that they are exported within the prescribed period of time.

The Inward Processing Regime (IPR) is evaluated as a policy that encourages exports, and it is possible to use "raw materials, auxiliary materials, intermediate goods, and packaging materials" that will be needed in the production of products considered to be exported, by clearing some tax burdens in the first place, benefiting from some comfort and encouraging policies. It facilitates the procurement of these inputs. It is stated that the goal of IPR is to increase exports by providing raw materials at international market prices. It is stated that the said increase in exports together with IPR will be effective in the competitiveness of the products subject to export in the international market, gaining competence and expanding the product range (Atayeter & Arzu, 2011).

It is thought that the fact that the companies producing for export provide the production input of the goods subject to export without an acceptable reason may lead to a decrease in the supply of raw materials in the national area. It is thought that the misuse of IPR will cause the

enterprises in the national market that provide raw materials to exporters to experience loss and increase their costs. It is stated that import activities other than the acceptable import activity realized with IPR will weaken the competitiveness of national producers. Besides, the said import constitutes the idea that companies engaged in export activities for a long time will prefer national products and the country will eliminate the possibility of saving foreign currency(Kemer, 2003:45).

To benefit from the inward processing regime incentives, some criteria must be met.

Conditions to take advantage of IPR (Şenol):

- i. Export intention in processed products,
- ii. To be able to distinguish the material subject to import in processed products,
- iii. Free zones with outside economic interests of manufacturers located in Turkey Turkey customs adversely affected the appearance of the property,
- iv. Establishing processing studies in the national field,
- v. It is expressed as the success of the companies within the structure of IPR.

These criteria are important for those who want to benefit from IPR. If we talk about the advantages and disadvantages of the inward processing regime, it is necessary to read the results of the application well.

Some advantages of DİR(Sayılğan & Şenol, 2010:40);

- i. Customs duty on importing from third countries,
- ii. "Exemption from VAT and other taxes, duties, and charges on imports from EU countries",
- iii. Exemption from "quota and surveillance" measures in imports, provided that the promise of export is met with exports to third countries,
- iv. Import with customs tax exemption related to sales and transfers considered as exports,
- v. Allowing the savings of equivalent goods,
- vi. The list can be made as a refund of the taxes paid.

The Conditional Exemption in Import practice is defined as the activity of importing the raw materials, auxiliary materials, semi-finished products, and packaging materials to be used in the production phase of the goods that companies have committed to export for a price or without paying a price. It is possible to import duty-free products with the deposit of all tax fees for products that are imported with the conditional exemption as security. Use of Equivalent Goods is explained as the use of goods in free circulation, which is equivalent, instead of imported raw materials and semi-finished goods in the production phase of the goods that will be exported (Şekeroğlu & Ürer, :61).

## **2.4. Outward Processing Regime**

Processing Outward, processing at a later stage of the goods in free circulation, the repair or regeneration in order indefinitely "Turkey Customs Area to outside or free zone" Taking issue and complete the resulting products occur during this processing result, or expressed as activity into partial relief free movement is being. "For example, if the unprocessed leather within the scope of the external processing certificate is exported to the free zone and then imported in the form of processed leather within the time of the said certificate, exemption from taxes and funds arising during import is provided. However, the VAT for labor and chemicals must be collected (Akça, 2011:73)."

The outward processing procedure done as imports of products processed under the said regime similar products can be produced in Turkey think that will adversely affect the national producers said. It is stated that it is aimed to encourage exports within the scope of the said regime, provided that it does not adversely affect the interests of the said national producers. This negative effect is expressed to protect national companies.

## **2.5. Tax Refund on Exports**

Tax refund based on the return of taxes in export-oriented production was first applied in 1963 with Law No. 261. The refund process is defined as the return of a certain part or all of the collected tax to the taxpayer or transferring it to the segments that contribute to the



collection of the tax. It is a general practice to refund indirect taxes of goods subject to export or subject to exit procedure with the passenger.

The purpose of the tax refund system in exports is to prevent the burden on the costs of the company such as taxes, duties, and fees arising from the products subject to export or exported products with the tax refund system. Many countries aim to increase the competitiveness of exporters in the international arena by reducing the tax burden of their exporters with different practices. Different applications of each country cause their companies to gain different competitive power. This situation reduces the export power of some countries (Kemer, 2003:45).

It is stated that tax return is the most popular incentive tool among export incentives. It is stated that it is the most popular incentive tool and is the first incentive tool to be abolished with the emergence of misuse (Mollasalihođlu, 1999:50). Increasing use out of purpose harms the effectiveness of the incentive policy and causes export activities to reach a different dimension.

The tax refund system is based on the return of indirect or direct taxes during the production of the products subject to export. It is stated that this refund caused the tax refund to be paid more than required for some exported products in the period following the 1980s. This period is considered as the years when the vision of businessmen operating in many fields and the Turkish business understanding changed (Mollasalihođlu, 1999:40). In the said period, it is observed that the value of the goods was overestimated to get more tax refund on the

goods subject to export. These transactions during that period in Turkey "Export dream" is expressed.

In essence, this tax refund system applied for exports can be expressed as the countries offering opportunities to companies that carry their products to the international market. The fact that companies are subject to VAT due to the principle of destination increases their costs for the products they export. These companies are subject to tax both in the country of export activity and in the country of destination. This factor, which causes an increase in costs, also causes an increase in prices. In this case, it may lead to a decrease in competitiveness and export opportunities. Thanks to the tax refund system, which aims to prevent double taxation in question, the competitive power of exporting companies are increased by decreasing their costs.

For the first time, the tax refund application, which was implemented in 1963 with the Law numbered 261, made a name for itself in the 1980s as an incentive tool that remained in practice for the longest time and is important in terms of efficiency. The tax refund system, which was worn out due to the increase in misuse and the "fictitious export", was abolished on 01.01.1989 (Mollasalihođlu, 1999: 40).

## **2.6. Corporate Tax Exemption**

The corporate tax exemption related to exports has been regulated in clause h of Article 5 of the Corporate Tax Law (KVK) numbered 5520. According to this article law "made overseas construction, repair, and installation is providing the technical services of the gains reflected in

the overall results account in Turkey are exempt from the tax"(Kvk, 2006).

KVK abroad and in Article 33 of the advance tax paid within the scope of application, such as income tax and corporation tax, calculated based on the company's corporate earnings are taxed in Turkey will be deducted from taxes. It may also be the case that the documents showing that the export activity is taxed abroad cannot be submitted by the taxpayer during the assessment procedure. In such a case, the tax paid or to be paid abroad is calculated by taking into account the rate in force in the country in question, provided that it does not exceed the corporate tax rate in article 32 of the KVK, and the part of the assessment corresponding to the amount calculated in this way is postponed. If the documents that are required to be submitted are submitted to the relevant tax office within one year at the latest as of the date of imposition, the assessment procedure is carried out according to the written amount in the said documents(Kvk, 2006).

## **2.7. Special Consumption Tax Exemption**

Export firms in activities that are subject to foreign customers and delivered to Turkey issued outside the customs territory of goods are exempt from excise duty laws. people with Buyer's active buyer on behalf of Turkey in case of presence abroad, organization or receiver "to be processed or to be evaluated in any way" for delivery to an export exemption for the actual property in Turkey can not be said(Kolçak, Bilici, & Naktiyok, 2014: 21). the condition of the goods subject to

export abroad to benefit from the exemption in question to be delivered to the customer and it is understood that Turkey should be excluded from the customs territory.

The export exemption is regulated in Article 5 of the Special Consumption Tax (SCT) law numbered 4760. Within the scope of the relevant law, export deliveries of goods are exempt from tax by the conditions stated below. These(SCT Special Consumption, 2002) ;

- i. Delivery should be made to a customer abroad. If it is meant by a customer abroad; It refers to buyers whose domicile, workplace, legal and business centers are abroad and the branches of an enterprise operating abroad.
- ii. Delivery subject of the goods, should be increased from the Customs Territory of the Republic of Turkey. Delivery of the goods domestically to those who act on behalf of the buyer abroad or to the buyer before being exported to be processed or evaluated in any way is not considered an export.
- iii. It realizes the refund of the special consumption tax shown and declared on the purchase invoices and similar documents of the exported goods to the exporter. The Ministry of Finance is authorized to determine the procedures and principles regarding the return of the tax for exported goods.

## CHAPTER 3

### 3. PRINCIPLES OF EXPORT EXCLUSIONS UNDER VAT

VAT exemption has been regulated in Exports of Goods and Services by considering economic and social factors in Articles 11, 12, and 32 of Law No. 3065 and related VAT communiqués. Within the scope of laws and communiqués, the export exemption can be addressed under the following headings.

- i. Export of Goods
- ii. Service Export
- iii. Roaming Services
- iv. Contract Services for Customers in Free Zones
- v. Passengers together the goods (to those not residing in Turkey on Sales to engineered VAT)
- vi. Transporters are not residing in Turkey with the Trade, Exhibition, Fair Made to participants and Exceptions in Service Delivery
- vii. Exception Recognized to Foreign Cinema Producers
- viii. Postponement and Cancellation Application in Deliveries with Issue Record
- ix. Postponement and Denial Application in Procurement of Inputs Used in the Production of Goods to be Exported within the Scope of Inward Processing and Temporary Admission Regimes

Each of the VAT exceptions we have listed will be discussed in a separate topic.

Some goods and services are exempted from VAT for both economic and social reasons. We can divide them into two as partial and complete exceptions. Due to the delivery of goods and services included in the partial exception, it is not possible to make a refund or discount for VAT. In this context, VAT that cannot be evaluated as a discount can be evaluated as cost or expense. For the full exemption, which also includes the export exception, VAT charged on the delivery of goods and services is refunded through a discount, if it is not possible to reduce it, the taxpayer is refunded (Değirmencioğlu, 2014: 141).

Companies engaged in export activities are exempted from VAT within the framework of the VAT law. Thus, providing exporters with the opportunity to legally refund VAT due to these activities, some companies benefit from documents that are inaccurate or misleading in terms of content to obtain more VAT returns (Demiroğlu, 2014: 64).

### **3.1. Export of Goods**

Taxation in the country of destination, import activity is subject to tax, and export is a tax refund. In other words, it is the taxation system in which the export activity is subject to exception. In this process, the value-added taxes paid by the exporter as a result of the exportation are compensated by return or discount, and the relevant goods are exempt from VAT in exports. While this practice provides the opportunity to

compete for the exporting country, it provides fair competition for the importing country (Saracoğlu & Ejder, 2002: 67).

Exports of goods take place in two ways.

These;

- 1) Export of Goods with Customs Declaration
- 2) Sales made by a private bill to those not residing in Turkey (shuttle trade)

### **3.1.1. Export of Goods with Customs Declaration**

According to Article (11/1-a) of Law No. 3065, export deliveries and services related to these deliveries are exempt from VAT. For a delivery to be considered as an export delivery in Article 12 of the same Law, the following two conditions must be fulfilled:

- a) Delivery should be made to a customer abroad or the buyer in the free zone or to an authorized customs warehouse operator or the goods should be deposited with the authorized customs warehouse operator.
- b) The goods must be delivered to the Republic of Turkey at a foreign country or a free zone or exiting the customs territory should be authorized customs warehouse.

By Article 12 of Law No. 3065, deliveries made to a buyer in a free zone and arriving at the free zone is within the scope of the export exemption.

#### **3.1.1.1. Delivery Related to Transportation**

Deliveries in the form of fuel, provisions, technical and other materials to sea and air transport vehicles related to international transport activities are tax-exempt within the framework of the following explanations(VAT General Practice Statement, 2014):

- a) "has no right to foreign-flagged ships and aircraft to transport fuel made in Turkey, provisions, delivered in the form of technical and other materials are exempt from the scope of export VAT delivery."
- b) Since the domestic ships and planes carrying out international transportation activities are "the branch of a company operating in the country operating independently in their name", the mentioned deliveries to these vehicles are included in the scope of the export exemption.
- c) The transactions or payments made by the agents regarding the deliveries described above and within the scope of the exception does not prevent the application of the exception.



- d) For the relevant deliveries to be evaluated within the framework of export exemption, it must be certified with a customs-exit declaration.

### **3.1.1.2. Certification of Exception (Documentation)**

Some documents must be documented to benefit from the incentive system. This is the responsibility of the taxpayer, the exporter. These (VAT General Practice Statement, 2014):

- i. In the declaration of the export of goods with customs declaration, the customs declaration, and sales invoices are submitted to the tax office with a petition attached to the declaration regarding the export exemption. For those that can be obtained electronically, it is not necessary to provide them with this, but "tax office list" was deemed sufficient.
- ii. Apart from the customs declaration related to export; A list containing the date, number of the customs declaration subject to export, the type, quantity, and amount of the goods, the name of the customs gate, the destination country, the manufacturer's name-surname or title, if any, and the date of exit must be submitted.
- iii. Exports made within the border trade are confirmed by a customs declaration or list. In this case, the border trade authorization must also be declared for once.

- iv. Copies of invoices issued on behalf of the buyer abroad or a signed and stamped list must be submitted by the company officers that contain the invoices.
- v. Export deliveries made by mail and fast cargo transportation must be certified with an electronic trade customs declaration issued on behalf of the cargo company, containing the information of the taxpayer whose goods are sent abroad and approved electronically by the customs office.
- vi. It is also possible to submit a customs declaration for export, as well as to list the information on the customs declarations.

### **3.1.1.3. Return of Exported Goods**

According to the article (16/1-b) of Law No. 3065 regulating the import exemption, exported by benefiting from the export exemption, but; As specified in Articles 168, 169 and 170 of the Customs Law, for the returned goods to benefit from the import exemption, the amount benefited due to the export exemption must be paid to the customs administration or a guarantee should be provided for this amount (VAT General Practice Statement, 2014).

### **3.1.1.4. Exchange Rate to Be Applied**

It is necessary to calculate the TL equivalent of the relevant foreign currency type in determining the VAT refund as a result of the export. At this point, the "export price", which was published in the Official Gazette on the closing date of the customs declaration (if the exchange rate was not announced in the Official Gazette on the closing date, was

published in the first Official Gazette before the closing date). It is converted into TL over the Central Bank's buying rate. "(VAT General Practice Statement, 2014) The declaration will also be made in line with the said calculated value.

### **3.1.1.5. Return**

The following documents are sought in return requests by taxpayers due to the export of goods.

- i. Standard refund request petition
- ii. Sales invoices list
- iii. Customs declaration or list
- iv. VAT list to be downloaded for the period in which the export is declared
- v. Uploaded VAT list
- vi. Requested VAT Calculation Chart

#### **3.1.1.5.1. Returns on Offset**

Refund requests of taxpayers who are exporters in the return process are fulfilled by submitting the required documents and without looking for a CPA report, guarantee, and tax inspection report, regardless of the amount.

#### **3.1.1.5.2. Cash Back**

In the return process, cash refund requests of exporter taxpayers, not exceeding 5,000 TL, are fulfilled regardless of the tax inspection report,

CPA report, and guarantee. If there is a refund request exceeding 5.000 TL, the refund process is made for the part exceeding 5.000 TL if a guarantee is paid to the "tax inspection report or CPA approval report". Later, the collateral is resolved according to the results of the CPA report and tax inspection report(VAT General Practice Statement, 2014).

### **3.1.2. Sales are made through private bills to those residing in Turkey (shuttle trade)**

Private invoice sales made to those living in Turkey, Article 11 of the 3065 Act are exempt from VAT.

#### **3.1.2.1. Exception Certificate**

Turkey 'will be the taxpayers who do not reside must apply to the relevant tax authorities who will carry out the sale to private invoiced sales. As a result of the application, a VAT export exemption permit is given for the sales in question, and VAT is not calculated for the sales in question. Taxpayers who want to obtain an export permit for such activities must first be VAT payers in a real way. Besides, there should not have been a negative report about TA. If the applications of the taxpayers with these qualifications are evaluated and approved, a notification is made and the permit is given with the notification. If a negative report is prepared about it, the exception permit document is canceled. In such a case, if the taxpayer reaches the general principles for VAT refund requests, the exception permit certificate can be re-issued by the administration(VAT General Practice Statement, 2014).

### **3.1.2.2. Conditions of Exception**

Those who have an exception permit can operate without VAT calculation under the following conditions.

- i. Turn-to-do foreigners not residing in Turkey or resident abroad will document this with a residence permit or possessing such a document is required to Turkish nationals.
- ii. The total price of the sales amount must be above 2.000 TL. This amount may belong to more than one type of goods in the invoice.
- iii. The goods in list number I in the Special Consumption Tax Law numbered 4760 are excluded from this scope.

The sales activities of the sellers who have license certificates use "Special Invoice" by determining the form and content by the Revenue Administration and the Ministry of Customs and Trade. The special invoice issued consists of five copies. The first copy is approved by the field, and the second, third, and fourth copies are approved at the customs exit. The fifth copy remains with the seller.

In the VAT general application communique published in the Official Gazette dated 26.04.2014 and numbered 28983, the goods purchased with special invoices must be out of the country within three months starting from the beginning of the month following the invoice date. After this sale, a copy of the special invoices approved at the customs gate, indicating that these goods have left the country, must reach the seller at the latest in one month, starting from the exit date of the goods. While the document approved at the exit of the customs can be

approved by the seller, it is also possible to have it approved by the buyer or the cargo carrier. Thus, in this context, it is understood that the goods subject to export do not have to leave the country with the buyer.

### **3.1.2.3. Declaration of Exception**

In the VAT general application communiqué published in the Official Gazette dated 26.04.2014 and numbered 28983, for the goods sold with special invoices, the taxpayer is declared within the scope of full exemption with the VAT declaration in the period when the approved special invoice arrives. A list indicating the content of the invoice subject to the sale must be added to the special invoice that has been approved by the taxpayer.

### **3.1.2.4. Return**

The following documents are sought in the residence extradition request, which will arise from sales made in Turkey for non.

- i. Standard refund request petition
- ii. The original or certified copy of the approved special invoice or the list prepared to include the content of approved special invoices
- iii. VAT list to be downloaded for the period in which the export is declared
- iv. Uploaded VAT list
- v. Requested VAT Calculation Chart

#### **3.1.2.4.1. Returns on Offset**

3065 Law No. 11 of Article 1-b in subparagraph residence sale made, including VAT non-Turkey are thus offsetting the extradition request to be provided can be presented to the documents that are subject to refund whatever amount provided "tax inspection report, the CPA report, and collateral without search" process is carried out.

#### **3.1.2.4.2. Cash Back**

If the demand refunded the taxpayers still 3065 Law No. 11 of Article 1-b in subparagraph resident returning cash not exceeding \$ 5,000 due to the sales to the special invoice for non-Turkey "demand tax inspection report, the CPA report and guarantees" a are fulfilled regardless. If there is a refund request exceeding 5.000 TL, the refund process is made for the part exceeding 5.000 TL if a guarantee is paid to the "tax inspection report or CPA approval report". Later, the collateral is resolved according to the results of the CPA report and tax inspection report(VAT General Practice Statement, 2014).

### **3.2. Service Export**

Services for customers abroad are exempted from tax according to Clause 1-an of Article 11 of Law No. 3065.

#### **3.2.1. Conditions of Exception**

Again, according to Article (12/2) of VAT Law No. 3065;

- Providing the service for a customer abroad,
- Benefiting from the service abroad,

must.

In addition to this, in the communiqué no 30 and communiqué no 26 on service export, the conditions of the exception applies in the neighborhood of service export are stated as follows;

- i. Services to be issued by the services offered to customers in Turkey from a foreign country,
- ii. Documents such as invoices should be arranged for foreign customers,
- iii. The service fee subject to export should be brought to the country in foreign currency,
- iv. Benefiting from the said service abroad,

It is stated that such conditions will be emphasized.

Referring to the VAT General Communiqués, which include the aforementioned conditions of the VAT Law and the declarations on the subject, in the period when the services offered to foreign buyers are provided, the foreign currency corresponding to the relevant service will be declared within the scope of export exemption without waiting for the arrival process. However, for the taxes that are not "incurred and can not be subject to deduction" for such declaration transactions, the refund will not be made before the return transaction in foreign



currency, which is the cost of the relevant service export, by Article 32 of the VAT Law(Akbulut).

### **3.2.2. Documentation and Declaration of Exception**

In the certification of service exports, it is documented with documents such as invoices issued on behalf of the customer to document that the service in question is made for the customer abroad. Again, the exception to this situation must be proven with these documents. The documents in question are presented with a petition as an attachment to the petition during the declaration submission process. The declaration for exemption in service export is made with the declaration of the taxation period in which the service is provided. In the event of such a declaration, the refund of the VAT that is incurred when the relevant service export price comes to the country in the form of foreign currency and cannot be subject to discount will be in question(VAT General Practice Statement, 2014).

### **3.2.3. Return**

Due to the relevant export activity, a refund request is made within the scope of the exception provided by the law. Some documents must be submitted for the refund request to be made.

These(VAT General Practice Statement, 2014);

- i. Standard refund request petition
- ii. Service invoice or list

- iii. Payment document (a document confirming that the foreign currency brought into Turkey, bank statements, etc.).
- iv. VAT list to be downloaded for the period in which the service export is declared
- v. Uploaded VAT list
- vi. Requested VAT Calculation Chart

### **3.2.3.1. Returns on Offset**

In the VAT general implementation communiqué published in the Official Gazette dated 26.04.2014 and numbered 28983, for taxpayers' off-balance refund requests not exceeding 5.000 TL within the scope of service export activity, CPA report, the examination report and if there is a case of exceeding, the relevant Refunds are made on the account provided that reports are submitted. If a guarantee has been given, the refund is made upon the request of the taxpayer. Later, the relevant collateral is resolved according to the results of the CPA and examination report.

### **3.2.3.2. Cash Back**

For cash reimbursement, with the VAT general implementation communiqué dated 26.04.2014, refunds are made regardless of the amount in cash refund requests of taxpayers related to their service export activities. If the collateral is given, it is resolved by the result of the tax inspection report.

### **3.3. Roaming Services**

Law No. 3065 (11/1-a) agents, international roaming abroad within the framework of protocols to users of roaming services offered in Turkey, a country which is not subject to reciprocity in the relationship are exempt from the condition VAT. The relevant exception is that all communication activities within the framework of communication and communication services are exempted under the roaming agreement.

For example; operating in Turkey (K) Co., Ltd. network abroad by offering consumers located in its territory and circulation, as well as ensure that they can benefit from foreign communications services in Turkey. (K) the company enables Mr. (C) from the USA to benefit from communication facilities with the help of subscription information available in the USA. (K) company invoices the cost resulting from the communication service to (A) Roaming company with which it has signed a Roaming agreement in the USA. Within the framework of international roaming agreements edited by Mr. C's bill K company benefiting from communications services in Turkey and was billed as exceptions to the exceptions provided there is reciprocity VAT is calculated.

#### **3.3.1. Conditions of Exception**

The roaming services in question are stipulated by the statement of the respective countries "mutually exempt from VAT".

### **3.3.2. Documentation and Declaration of Exception**

The certification of the roaming exception in the VAT general implementation communiqué dated 26.04.2014 is linked to the service invoice to be created for the user abroad. Besides, a document showing that the VAT exemption is also applied mutually in the relevant country in roaming services must be submitted.

### **3.3.3. Return**

Some documents are required to be submitted with the request for the requests requested as a result of the export of roaming services.

These documents(VAT General Practice Statement, 2014):

- i. Standard refund request petition
- ii. Letter stating that there is an exemption for roaming services in a foreign country
- iii. Roaming service invoices or list
- iv. The VAT list to be downloaded for the period in which the roaming service is declared
- v. Uploaded VAT list
- vi. Documents consisting of the Requested VAT Calculation Table must be submitted.

Regardless of the amount, the refund request is fulfilled without seeking the CPA report, inspection report, and guarantee condition in case of submitting the mentioned documents, even if the exception is

documented within the scope of the VAT general implementation communiqué dated 26.04.2014 in the deduction refund process.

### **3.3.3.1. Returns on Offset**

In the VAT general implementation communiqué published in the Official Gazette dated 26.04.2014 and numbered 28983, taxpayers are refunded on offset without the need for a CPA report, examination report, and guarantee for offset refund requests not exceeding 5,000 TL within the scope of Roaming service. If there is a situation of exceeding 5,000 TL, the refund of the exceeding part is carried out according to the CPA report or tax inspection report. If a guarantee has been given, the refund is made upon the request of the taxpayer. Later, the relevant collateral is resolved according to the results of the CPA and examination report.

### **3.4. Contract Services for Customers in Free Zones**

The contract is a commodity that the trade material has been paid for by the brand owner and made by another firm(Tdk). In case such transactions are outsourced services for customers in the free zone, it is stipulated that the services provided in free zones are exempt from VAT in Article 17/4 of the VAT Law. With this provision, contract services for customers in the free zone are exempted from VAT.

Thus, outsourcing services offered for free zones were evaluated within the framework of full exemption, and the taxes incurred as a result of these services could be deducted from the calculated taxes of the

taxpayer and refunded for the part that could not be visited(Bulut & Coşkun, 2011).

Even though the free zone outside the customs territory of the Republic of Turkey to take place within the boundaries of political differences of opinion with the service contract concerned therefore might be applied in the free zones of VAT exemption is available(Güneş, 2008: 127).

### **3.4.1. Conditions of Exception**

According to the article (12/3) of VAT Law numbered 3065, for the contract services to be considered as offered to customers in free zones;

- Providing outsourced service for customers operating in free zones,
- Benefiting from outsourced service in free zones,
- The main materials and materials subject to contract service are sent from the free zone, and then the said goods return to the free zone.

It has been stated that the exemption can be used under these conditions.

### **3.4.2. Documentation and Declaration of Exception**

Contract services to free zones must be documented with customs declarations or a replacement document and an invoice prepared in the name of the customer who is subject to the contract(VAT General Practice Statement, 2014).

Exception in line with outsourced services offered to free zones, with the creation of the relevant invoice to the customer in the free zone, the taxation should be carried out and declared with the declaration of the relevant period(VAT General Practice Statement, 2014).

### **3.4.3. Return**

The documents to be included with the petition must be present in the refund requests arising from the export of contract services given to the free zones.

These (Barınır, 2012: 118);

- i. The list containing information about the invoice and invoice subject to contract service, approved by the company officers
- ii. The VAT list to be downloaded for the period in which the service is offered
- iii. The list in which the amount of tax incurred within the scope of contract service exemption is calculated,
- iv. Customs declarations or a replacement document shall be attached to the goods subject to freight service to be sent to the free zone from the free zone for contract processing and to be sent back to the free zone after the transaction.

#### **3.4.3.1. Returns on Offset**

Regardless of the amount, the refund request is fulfilled without seeking the CPA report, inspection report, and guarantee condition in case of

submitting the mentioned documents, even if the exception is documented within the scope of the VAT general implementation communiqué dated 26.04.2014 in the deduction refund process.

### **3.4.3.2. Cash Back**

In the VAT general implementation communiqué published in the Official Gazette dated 26.04.2014 and numbered 28983, taxpayers are refunded on offset, without the need for a CPA report, inspection report, and a guarantee for offset refund requests not exceeding 5,000 TL within the scope of outsourced service export activity. If there is a situation of exceeding 5,000 TL, the refund of the exceeding part is carried out according to the CPA report or tax inspection report. If a guarantee has been given, the refund is made upon the request of the taxpayer. Later, the relevant collateral is resolved according to the results of the CPA and examination report.

### **3.5. Passengers together the goods (to those not residing in Turkey on Sales to engineered VAT)**

The exemption for exporting goods with passengers is regulated in clause 1 / b of Article 11 of the Value Added Tax Law No. 3065. Related products covered by non-resident passengers purchase and Turkey in countries outside the VAT they have paid for goods out of customs declaration with the return process is carried out in the invoice or other relevant documents.



### **3.5.1. Conditions of Exception**

#### **3.5.1.1. Beneficiaries and the Principles to Follow**

28983 numbered Official Gazette published VAT general practice as be able to benefit from the exemption of notification out of the country the goods taken not to reside in Turkey issuing located residence in the citizens of other countries or other countries, and it proved towards that country taken from the competent authorities residence status have received a document such as to declare must be.

Again, within the scope of the relevant communiqué, the buyers who are within the scope of the foreign buyers must benefit from this exemption within the scope of the principles to be followed, and the purchased goods must be taken out of the country within three months (Değirmencioğlu, 2014: 144).

#### **3.5.1.2. Vendors and Sales Principles**

Residency is not in Turkey for sales made from the tax authorities "permit" with the actual method is performed by VAT payers. In this context, sellers who want to sell must apply to the tax office with a petition. After the tax office evaluates the application, a license for sale is issued. This document must be hung in a visible position in the business that will sell. The companies applying for this authorization document must have some conditions. These can be listed as follows (VAT General Practice Statement, 2014):

- i. Keeping books based on the balance sheet,
- ii. Minimum equity capital amount to be 1.000.000 TL,
- iii. Employment of at least five people in paid positions,
- iv. The lack of editing or using misleading documents that will be the subject of a negative report,
- v. Only in the VAT general implementation communique published in the Official Gazette numbered 28983 II. The department must meet the conditions such as intermediation for transactions within the scope of title A-5.

Within the principles of the VAT general implementation communique, it is stated that the application of the exemption, first of all, the tax is collected, and then the refund can be made in the step following the departure of the purchased goods. Thus, the invoice prepared for the goods subject to sale is calculated based on the total sales price of the goods, and it is written independently of the total amount and collected from the purchaser. The tax in the transaction is "declared within the framework of the general principles in the period statement and paid if" VAT payable "is included in the declaration due to this amount."

In order to benefit from the exemption, the sellers in question must be either VAT payers or sellers without VAT liability on a lump-sum basis. However, buyers can't request a VAT refund due to the sales made to foreigners by sellers who do not have a permit (Değirmencioğlu, 2014: 143).

To the invoice created in sales activities within the scope of exception(VAT General Practice Statement, 2014);

- i. Passport type and number of the recipient, along with the date and number of the document showing their residence in the foreign country for Turkish nationals,
- ii. Bank branch and account number of the recipient,
- iii.If the seller has opened an account for these returns, the bank branch, and account number,

Should write. The first three copies of the invoice, consisting of four copies, are delivered to the buyer.

### **3.5.1.3. Goods to be Sold and Minimum Amount to be Sold**

It is possible to be evaluated within the scope of the application for all kinds of goods other than the goods included in the list numbered I attached to the SCT Law numbered 4760 in the VAT general application communique published in the Official Gazette dated 26.04.2014 and numbered 28983 regarding Goods that can be sold and the Minimum Amount to be Sold. However, it is not possible to evaluate service activities within this scope. Foreigners can benefit from the exemption if the total purchase price excluding VAT exceeds 100 TL in purchases made from sellers with foreigners who have a sales permit. More than one type of goods is included in this invoice.

### **3.5.2. Refund of Tax to Buyer**

Turkey on the refund of VAT refunds to those who have the options to reside in different ways. These are determined as a result of the mutual agreement between the seller and the buyer. Buyer invoice etc. will apply with documents. If we look at the ways of return, we can evaluate them respectively.

#### **3.5.2.1. Receiving the refund from the bank branch while leaving the customs**

If the seller has given a check to the buyer for the VAT refund of the goods sold, the buyer can obtain the amount written on the check from the branch of the bank where the relevant check was written at the customs exit. If the bank where the check is written does not have a branch in customs, it can be obtained from the branch of any bank in customs within the scope of banking and foreign exchange legislation. If the seller wants to obtain the refund from the bank at the customs, he must present the check of the bank with which he has agreed to the buyer, along with the invoice. The date and invoice number of the invoice must be displayed on the check-in question, and the VAT amount specified in the invoice must be in TL. Although the check delivered to the buyer by the seller is prepared in accordance with the procedure, it is approved by the customs personnel in charge of the invoice and obtained from the bank in the customs branch. The approved check is shown to the staff of the branch of the bank and the amount written on the check makes cash payment in TL or foreign

currency at the request of the buyer (VAT General Practice Statement, 2014).

### **3.5.2.2. Receiving Return After Customs Exit**

In the VAT general application communique published in the Official Gazette dated 26.04.2014 and numbered 28983, if it is not possible to pay at the customs exit stage due to the return process, the buyer must send the invoice declaring that the goods have been taken out of the country to the seller within three months from the date of departure. As of the date of delivery of the return request to the seller with an invoice, it must make a transfer to the bank account or address declared by the buyer within 10 days at the latest. If he does not send the refund amount within ten days, the sales permit of the seller is canceled.

### **3.5.2.3. Refund of Tax**

If the buyer presents the invoice to the seller within three months from the date of exit of the goods, the price subject to the refund is paid by the seller. If the seller has issued a check, the buyer must submit it to the seller on the check together with the invoice (VAT General Practice Statement, 2014).

### **3.5.2.4. Payment of the Refund in Advance**

In the VAT general implementation communiqué dated 26.04.2014, it was stated that the seller can offer the refund to the buyer as an advance payment in the sales transaction if he wishes. In such a transaction, it is

stated in the sales invoice that the return subject to sale is presented to the buyer in the form of an advance. As a result of this transaction, the goods received as an advance payment were taken out of the country within three months and the invoice approved by the customs personnel was sent to the seller.

#### **3.5.2.5. Refund by Intermediaries with Authorization Certificate**

Another form of refund is possible by intermediary institutions that have received authorization from the Revenue Administration. For such a return method, the VAT refund, which is the subject of the purchase of goods from the sellers with whom the intermediary institution has an agreement, is paid to the buyer by the intermediary institution, provided that the purchased goods are taken out of the country within three months (VAT General Practice Statement, 2014).

#### **3.5.3. Documentation and Declaration of Exception**

3065 of the Law Article 11 of the 1-b in subparagraph created for the residence of the recipient is not in Turkey in terms of documenting the said exception processing and customs directorate approved owned property "copy of the sales invoice or list" is documented by. If the refund is made by the intermediary institution, it is documented with the "approved copies of the documents and payment documents" sent by the institution (VAT General Practice Statement, 2014).

### **3.5.4. Return**

VAT in Turkey and made those without residence calculated based on sales transactions as well as to have made extradition requests for documents are required.

These (VAT General Practice Statement, 2014):

- i. Uniform refund request petition
- ii. The original or certified copy of the invoice or invoice or check certified by the customs
- iii. VAT list to be downloaded for the said refund request period
- iv. Uploaded VAT list
- v. Requested VAT Calculation Chart

#### **3.5.4.1. Returns on Offset**

3065 Law No. 11 of Article 1-b in subparagraph residence sale made, including VAT non-Turkey are therefore extradition request to be provided can be presented to the documents that are subject to refund whatever amount provided "tax inspection report, the CPA report, and collateral without search" process is carried out.

#### **3.5.4.2. Cash Back**

Cash return also is still 3065 of the Law Article 11 of the 1-b in subparagraph residence due from sales, including VAT non in Turkey returning cash not exceeding TL 5000 "The demands of the tax inspection report, the CPA report, and guarantees" an irrespective of

being realized. If there is a refund request exceeding 5.000 TL, the refund for the part exceeding 5.000 TL is made by looking at the "tax inspection report or CPA approval report". If the deposit is paid, a refund is made. Later, the collateral is resolved according to the result of the CPA report and tax inspection report (VAT General Practice Statement, 2014).

### **3.6. Transporters are not residing in Turkey with the Trade, Exhibition, Fair Made to participants and Exceptions in Service Delivery**

3065 Law No. (11 / at 1-b), Article, residence in Turkey, business, legal and transportation operations of the business center without due fairs, and exhibitions contributions from they buy goods and of VAT amount they pay for the service contact person VAT provided that reciprocal countries It has been stated that will be returned.

#### **3.6.1. Documentation and Declaration of Exception**

In order to request a return, some documents for the goods and services subject to return must be submitted together with the petition. This process is important both for the documentation and declaration of the relevant exception.

Documents attached to the declaration are(VAT General Practice Statement, 2014):

- i. ANNEX: 5 return request forms,



- ii. If the return is requested by any intermediary, a notarized "power of attorney" document,
- iii. If the participants in the fairs, fairs, and exhibitions are real persons and the transportation is carried out by the driver in his name, a notarized photocopy of their passports,
- iv. A "tax liability" document showing the tax liability in their own country,
- v. Originals or notarized copies of the invoice or self-employment receipt issued by the provisions of the Law No. 213 regarding the expenditures made.

In addition to the articles in question, there are different documents that foreigners carrying out transportation activities should add.

These are;

- i. As regards the transport operations of the TIR Carnet stub showing the dates of entry and exit to Turkey, the transit declaration or certified copy of the Transit Accompanying Document,
- ii. Originals or notarized copies of the documents that include the plate of the vehicle where the transportation is made and the name of the person/company carrying out the transportation

must be attached to the relevant declaration.

### **3.6.2. Return**

For refund transactions, in the VAT general application communiqué published in the Official Gazette dated 26.04.2014 and numbered 28983, foreign companies or persons dealing with transportation business and "foreign persons or companies participating in fairs, exhibitions and fairs" are the subject of the goods and services they have paid. They can demand the refund of the VAT. These persons or companies are required to declare the document showing the subject of activity and tax liability that they received from their country where the name and surname or company title is written.

In return transactions, if cash refund requests not exceeding TL 1,000 are submitted together with the relevant documents, the refund process is carried out regardless of the CPA, examination report, and guarantee. However, if the amount subject to a refund request exceeds TL 1,000, the excess amount is refunded as a result of the tax inspection report. If the collateral is given, the return process is carried out without waiting for the relevant report. Later, as a result of the tax inspection report, the collateral is resolved (VAT General Practice Statement, 2014).

### **3.7. Exception Recognized to Foreign Cinema Producers**

According to Article 232 of the Tax Procedure Law No.213, cinematographic works approved by the Ministry of Culture and Tourism within the scope of the Law on Evaluation and Classification and Support of Cinema Films dated 14.7.2004 and numbered 5224, with the clause 1-b of Article 11 of Law No. 3065. The VAT paid for the

excessive goods and services included in the relevant year and applied in the relevant year is returned to the producers. The statement has been mentioned(VAT General Practice Statement, 2014).

Returns processing for 26.04.2014 dated and 28983 numbered Official Gazette published VAT general application of foreign filmmakers institutions in Turkey in the notification, no action is provided that together foreign investors in the workplace that are subject to liability for taxes like income or Vat, residence and business center absence required. Within the scope of the Law on the Evaluation, Classification, and Support of Cinema Films dated 14.7.2004 and numbered 5224, the Ministry of Culture and Tourism approved this exemption for the Vat burden on goods and services that will be purchased and imported during the filming permit provided by the ministry for the production of cinematographic works. The refund process is made by applying for a refund request from the tax office.

### **3.7.1. Conditions of Exception**

VAT notification dated 26.04.2014 general practice residency in Turkey within the scope of foreign investors to benefit from the exemption, the workplace, and their income must be no legal or business center in Turkey Vat or institutions are required, such as the absence of tax liability. Besides, exemption refund is valid for VAT transactions within the period given for the works for the production of the works.

### **3.7.2. Documentation and Declaration of Exception**

Among the documents that are subject to the exception in the VAT general application notification numbered 28983; A list of invoices and similar documents and customs receipts regarding purchases of goods and services subject to VAT refund, import, and inventory is presented in the CPA report. If the services are provided by other companies, the invoices should be included in this report. Foreign cinema producers are required to submit a list of CPAs showing this information in the list created for the demand for goods and services they purchase with VAT.

### **3.7.3. Return**

It will be possible with the petition submitted to the relevant tax office as a result of the expiry of the permission period received by the foreign film producers from the Ministry of Culture and Tourism and the finalization of the shooting of the relevant production. It is presented with the CPA report without seeking any limit for the VAT refund transaction requested as a result of the relevant activity. And the request is processed within thirty days after the submission of the report (VAT General Practice Statement, 2014).

### **3.8. Postponement and Cancellation Application in Deliveries with Issue Record**

The application of postponement and cancellation in deliveries with the condition of expulsion is in the clause 1-c of the 11th article of the law

numbered 3065; There is a provision that no VAT is collected from exporters for goods purchased from manufacturers on the condition of export. In the same way, the statement "VAT has not been collected since it is delivered on the condition of export" should be noted on the invoice created by the manufacturer for the condition of export to the exporter.

The tax in question, which is not collected by the manufacturer taxpayer from the exporter but will be included in the declaration for the relevant period, is "imposed and deferred by the tax office." Later, following the delivery date of the exported goods delivered to the exporter, starting from the beginning of the month and realizing the export within a three-month period, the tax postponed further is canceled (VAT General Practice Statement, 2014).

If the exporter does not export the goods that he has bought based on the conditions, the deferred tax is collected with the default interest calculated within the scope of Article 51 of the Law No. 6183 on the Procedure for the Collection of Public Receivables. If the situation preventing the export was not possible due to a force majeure, the deferred tax is collected together with its interest starting from the date of deferment.

The deferment and cancellation of the goods delivered by the manufacturers to those engaged in export activities are carried out after the export activity has been completed. The tax amount, which will be subject to both refund and deferment, is calculated by comparing the

information declared by the taxpayer in the delivery period. If the export could not be made within three months due to unexpected reasons or force majeure, exporters who apply within fifteen days after the expiry of the three months can be provided with an additional three-month period (Çoban, 2007).

### **3.8.1. Submissions to be Applied for Postponement and Cancellation**

Procedures to be deferred and canceled in the VAT general implementation communiqué published in the Official Gazette dated 26.04.2014 and numbered 28983, it was stated that manufacturers can benefit from the deferment and cancellation treatment for the delivery transactions for the goods delivered to exporters on the condition of export. Residential sales in for the private bill, for not in Turkey, "exception permits" in the delivery to be made on the condition issued by fabricators for exporters taxpayers who have acquired, in the 3065 law Article 11 1-c can be applied to treatment according to me. "For the cancellation of the deferred taxes of those who deliver to the sellers with an exemption permit certificate on the condition of export, a copy of the special invoice approved by the customs must be submitted".

Sellers who are qualified as "manufacturers" can benefit from the deferment and cancellation treatment. The manufacturer in question (VAT General Practice Statement, 2014);

- i. To be registered in the industrial registry and to have an industrial registration certificate or to have any of the farmer registration

certificates, Food business registration certificate, and business approval certificate (producer certificate) from the Ministry of Food, Agriculture, and Livestock

- ii. Being registered with the relevant professional association,
- iii. It must employ the number of workers stipulated in the Industrial Registry Communiqués in force at the time of production and have the necessary vehicle park or have the production infrastructure in the capacity report.

Some of the goods delivered to exporters may not be produced by the manufacturer, in which case they can be supplied readily from the market. In such a situation, deferment and cancellation can only be made for the goods produced by the manufacturers themselves. If there are some goods supplied from the market, postponement and cancellation are not applied for these goods to be sold to the exporter. In such a case, the manufacturers who sell with export registration will invoice the goods they produce and the goods they supply from the market separately or separately in the invoice (VAT General Practice Statement, 2014).

**For example;** *A manufacturer has met with an exporter to sell 15,000 bags on the condition of export registration. He produced 10,000 of these bags himself. The remaining 5,000 bags were purchased from the market as ready-made. In this case, since this taxpayer is the producer of 10,000 of the 15,000 bags in question in his meeting with the exporter, it can only be deferred and canceled for this part. There is no deferment or cancellation for the remaining 5,000 pieces.*

However, in the VAT general implementation communiqué published in the Official Gazette numbered 28983 on sales within the scope of contract manufacturing and export registration; It has been stated that considering the production capacity of the manufacturer, they can benefit from the deferment and cancellation treatment for the goods to be produced and the goods produced within this scope. Thus, the provision of all of the manufacturer's goods on contract production does not prevent delivery within the scope of export registration. The process of returning the ownership and disposition to the owner by passing through certain procedures in the acquisition of a certain price without "taking over the right of ownership and disposition" for a property is called contract manufacturing.

### **3.8.2. Goods Included in the Application**

Goods included in the application of deferment and cancellation, in the VAT general application communiqué published in the Official Gazette dated 26.04.2014 and numbered 28983, it has been stated that the manufacturers will be in question for the deliveries of goods registered as export to those engaged in export activities. The seller in question must have the product subject to sale in the final product state. It is not possible to talk about deferment and cancellation for the goods in the seller that are not in the final state. In other words, the exporter seller should export the product that he bought from the manufacturer without making any changes on the product subject to delivery so that he can benefit from the postponement and cancellation.



**For example;** “K” incorporated company bought fabric from a manufacturer engaged in fabric production. “K” incorporated a company that processes these fabrics and turns them into shirts. has exported the shirts. Although the manufacturer company has all the conditions that can benefit from the postponement and cancellation on the condition of export, it will not be able to benefit from the treatment of postponement and cancellation because the product subject to exportation is not the fabric it has sold, but a shirt.

Within the scope of the export record, the delivery of the goods that are used as add-ons or inseparable goods and packaging materials or materials for export goods can be delivered by the clause 1-c of Article 11 within the scope of the law numbered 3065. However, to benefit from the postponement and cancellation in this context, the invoice prepared on behalf of the customer abroad and the customs declaration must be included in the goods of the said nature in addition to the original goods (VAT General Practice Statement, 2014).

**For example;** Upon the order of the exporter (A) 's customer abroad, the chassis truck received from the factory (B) on the condition of export is mounted on the chassis truck delivered by the (C) factory on the condition of export. If the chassis truck and the chassis are shown separately in the invoice issued by the exporter (A) on behalf of the customer abroad and these goods are included in the customs declaration and with the name and title of the manufacturers, the said goods may be processed within the scope of Article (11/1-c) of the law.

### 3.8.3. Account and Cancellation of the Tax to be Suspended

The tax amount can't be deferred to be more than the tax amount calculated due to the sales made by the taxpayer on the condition of the issue. However, if the amount required to be paid by the taxpayer is less than the tax amount arising from the deliveries provided that the issue is issued, this amount is taken into consideration. If there is a non-deferred part of the VAT amount calculated from the amount delivered within the scope of export registration, this part is returned to the manufacturer. With the realization of the exportation of the goods subject to export within the specified period, the VAT, which was previously deferred, is now canceled. For the abandonment treatment, the customs declaration or list documenting the export in question must be submitted to the tax office (VAT General Practice Statement, 2014).

**For example;** *computer parts manufacturer (A) delivered computer parts in the amount of 10,000 TL to a public institution and 14,000 TL to an exporter company in July 2014. The total VAT discount of (A) for this period is 3,400 TL.*

*The calculations regarding (A)'s return for the relevant period and postponement procedures are as follows:*

*Calculated VAT [(10.000 + 14.000) x 18%] 4.320*

*Total Tax Reduction -3,400*

*Difference (VAT payable) 920*

*Detachable VAT (14.000 x 18%) 2.520*

*Deferred VAT 920*

*VAT Refundable During the Period of Export 1.600*

*VAT to be Paid 0*

**For example;** *Manufacturer (A) delivered 16.000 TL of cable to wholesalers in October / 2014 and 4.000 TL to the exporter company on the condition of export. The total amount of VAT charged in October is 1,200 TL. The manufacturer does not have any deductible VAT that can be transferred from previous periods.*

*(A)'s calculations for October postponement transactions are made as follows:*

*Calculated VAT [(16,000 + 4,000.) X (8%)] 1,600*

*Total Tax Reduction 1.200*

*Difference (VAT payable) 400*

*Detachable VAT (4.000 x 8%) 320*

*Deferred VAT 320*

*VAT to be Paid 80*

*This taxpayer will pay 80 TL VAT to the tax office for October / 2014. 320 TL VAT is deferred to be canceled after the export is completed.*

### **3.8.4. Additional Time for Export**

Additional time requests of exporters who cannot fulfill the exportation of the goods they have purchased from the manufacturer within the legal period given to them due to force majeure or sudden reasons are examined by the relevant tax office and financial offices. For the additional period, the exporter must request a petition to be submitted to the relevant tax office and the fiscal office within fifteen days from the end of the three months. It is not possible to examine additional time requests made after this period is over. In the application petition of the issuance requesting additional time, the reason for the export that is not fulfilled due to force majeure or sudden reasons should be written in the petition and there should be a copy of the invoice for the delivery with the condition of export (VAT General Practice Statement, 2014).

The additional period for export is limited to three months by the clause 1-c of Article 11 in the law numbered 3065. It is not possible to give a new time for those who demand less than three months and those who do not export within the additional period, except those accepted. For the taxpayers who request a period of fewer than three months, there may be requests for additional time for the period up to three months later.

### **3.8.5. Failure to Perform Export**

If the manufacturers do not export the goods that the manufacturers deliver to the exporters on the condition of export within the required time frame or if the exporters export after the end of the period, the said

export qualifies as domestic goods. In this context, the deferred tax calculated over the amount delivered to the exporter by the manufacturer is collected from the manufacturer, including the delay increase calculated by Article 51 of the Law No. 6183 from the date of accrual (VAT General Practice Statement, 2014).

If the exportation of the goods that the manufacturer has delivered to the exporter is not made within the required time, the manufacturer can recourse to the exporter for the VAT paid. In this case, for the exporter, the said VAT becomes deductible at the end of the export period of the goods received on the condition of export. If the goods are exported, the amount subject to the discount can be added to the export-related VAT refund requests (VAT General Practice Statement, 2014).

If it is concluded that the manufacturer who delivers exported goods to the exporter does not have the quality of a manufacturer, the tax calculated on the goods in question may be subject to a reduction in the taxation period in which the delivery of the goods subject to registration by the exporter is recorded in the books, provided that it does not exceed the export registered delivery date (VAT General Practice Statement, 2014).

In other words, if a manufacturer removes the VAT deferment application of the goods delivered to the exporter on the condition of export, not by cancellation, but as a VAT burden on the manufacturer, the manufacturer will pay the VAT in question. This situation may occur because the exporter cannot export on time. In the examination

made by the administration, it may be encountered that the manufacturer does not qualify as the manufacturer. The manufacturer will recourse to the exporter for the VAT paid. The exporter company will pay the VAT in question to the manufacturer. If the exporter carries out the export, the exporter will be able to deduct the VAT of the goods purchased by the exporter in the same period.

### **3.8.6. Change in Base in favor of the Manufacturer**

It is not an issue to calculate the tax refund, resource utilization support premiums and VAT on the exchange rate difference received by the companies engaged in export activities due to their deliveries abroad. With the exporter export record, the period in which the goods purchased from the manufacturer are purchased and after the exportation, "reclamation, tax refund, exchange difference, resource utilization support premium, interest, etc. transferring the elements partially or completely is included in the delivery price provided that they are exported according to Article 20 of Law No. 3065 "(VAT General Practice Statement, 2014).

The manufacturers issue an invoice on behalf of the exporter for the payments made by the exporter to the manufacturers after the delivery based on export and specify the nature of the payment clearly and separately. The current VAT rate is calculated on the said good and it should be stated that the amount has not been collected. Then, with the export registered delivery invoice, which forms the basis of the payment, the export customs declaration is referred to by writing the

date and number. Thus, the manufacturer declares the VAT written in the invoice, including both deductible and calculated VAT in the VAT declaration of the period included in the invoice date (VAT General Practice Statement, 2014).

### **3.8.7. Change in Base Base Against Manufacturer**

If there is an exchange difference against the manufacturer, then an invoice is created by the exporter to the manufacturer, and VAT is calculated. The exporter can make the declaration of the said calculated VAT, and the manufacturer can make a discount(VAT General Practice Statement, 2014).

### **3.8.8. Postponement and Cancellation Application in Free Export**

In the clause b of the 12th article of the VAT, law numbered 3065, the customs declaration and the provision and declaration of the permission documents required to be obtained from the relevant authorities for the goods sent out of the country free of charge can be included in the scope of the export exemption. If the said goods are delivered to exporters by the manufacturers, deferment and cancellation can be applied by clause c of Article 11 of the VAT law.

### **3.8.9. Return of Goods Delivered with Export Record and Exported**

The return of the export goods subject to delivery on the condition of export, if the goods in question are considered within the scope of the import exemption in case they return to the country by the clause c of Article 11 of the VAT law numbered 3065, according to the articles 168,169 and 170 of the customs law. It is linked to the payment of the VAT to the customs administration. The amount that is not paid by the exporter related to the export in question and is deferred and abandoned by clause 1-c of Article 11 of the VAT law regarding the goods that are exported and returned to the country, is the amount that is not paid by the exporter based on the manufacturer's sales price.

The deferment and cancellation of the said goods are carried out provided that the exporter certifies that the VAT amount not paid by the exporter is paid to the relevant customs administration by the person who delivered the goods. If there is VAT paid by the exporter to the relevant customs administration, this amount may be subject to a reduction in the said period. Delivery of returned goods to the manufacturer or third parties within the country is a VAT-subject process (VAT General Practice Statement, 2014).

### **3.8.10. Return**

Documents Required for Returns

- i. Fixed refund request petition



- ii. Notarized copy of the certificate of membership to the professional chamber related to the subject of activity
- iii. Manufacturer's certificate
- iv. Delivery invoices or list with export
- v. Customs declaration printout or list
- vi. Approved letter from the exporting company stating that the goods delivered on the condition of export are exported,
- vii. The VAT list to be downloaded for the period in which the export registered delivery is made

#### **3.8.10.1. Returns on Offset**

Regardless of the amount, "tax inspection report, CPA report and no guarantee" transaction are carried out, provided that the request for return on account subject to delivery can be provided with the condition of issuance and the documents subject to return are submitted(VAT General Practice Statement, 2014).

#### **3.8.10.2. Cash Back**

Cash refund "requests, which arise from the taxpayers' deliveries based on export and not exceeding 5.000 TL, are carried out regardless of the tax inspection report, CPA report and guarantee". If there is a refund request exceeding 5.000 TL, the refund for the part exceeding 5.000 TL is made by looking at the "tax inspection report or CPA approval report". If the deposit is paid, a refund is made. Later, the collateral is resolved according to the results of the CPA report and tax inspection report (VAT General Practice Statement, 2014).

### **3.9. Postponement and Abandonment Application in the Supply of Inputs Used in the Production of Goods to be Exported within the Scope of Inward Processing and Temporary Admission Regimes**

The delivery transactions of the products to be used in the production of goods that will be subject to export by inward processing method to the taxpayers who have an inward processing permit can benefit from deferment and cancellation. The periods specified in the inward processing permit document (IPPC) are taken into account in the export transaction. If the export does not occur by the rules determined within the framework of inward processing, the tax not collected on time for the export in question is charged with the tax loss penalty and collected from the buyer together with the delay interest. It is possible for the taxpayers who have an inward processing certificate to deliver the products they have procured and the goods they produce within the scope of the temporary article 17 to the ones who also own the IPPC. However, "the goods must be the input of the other IPPC and each IPPC must be closed in accordance with the inward processing legislation" (VAT General Practice Statement, 2014).

Taxpayers who will be subject to delivery within the framework of IPPC, which will be subject to delivery within the framework of IPPC, 'the amount of VAT that the taxpayers will request to be refunded, the VAT amount that they have not calculated and collected due to the delivery based on export, and the remaining VAT amount that they have not paid for the production of these goods under the provisional article

17 of the Law No. can not be more than the amount.” Besides, the return of the goods produced in the deliveries within this framework will not be on the agenda without the export (VAT General Practice Statement, 2014).

### **3.9.1. Taxpayers to Benefit from the Application**

For deliveries within the framework of Article 17 of the VAT law, their evaluation within the scope of deferral and cancellation is bound to some conditions. These;

- i. Being VAT payer,
- ii. They are required to have the IPPC by the Internal Processing Regime Decree enacted by the Decree of the Council of Ministers dated 17.1.2005 and numbered 2005/8391 and the Communiqués on this Decision.

Buyers who have a certificate within the inward processing regime do not have to be an extra manufacturer to be able to purchase goods without paying VAT within the framework of Article 17 of VAT Law No. 3065.

### **3.9.2. Sellers that can be delivered within the scope of the application**

In the VAT general implementation communiqué published in the Official Gazette dated 26.04.2014 and numbered 28983, the delivery activities within the scope of the deferment and cancellation procedures

of the substances included in the document were left to the elections of IPPC's taxpayers. The sellers who will deliver the materials to be used in the production of the goods to be exported by IPPC owners are not required to be manufacturers but it has been deemed sufficient to be VAT payers.

### **3.9.3. Deliverable Goods Under Application**

The taxpayers who have the IPPC within the scope of the application and receive the goods within the scope of the said document within the scope of postponement and cancellation can benefit. In the invoice to be created as a result of this process, "the price excluding VAT for each type of goods must exceed 2.500 TL (500 TL in the textile apparel industry for goods other than cotton, wool, yarn, and fabric)" (VAT General Practice Statement, 2014).

After processing for the goods received in the scope of inward processing, the export in the form obtained is taken as the basis. Within the scope of the said scope, it is possible to perform transactions without VAT in the import or delivery of the goods used in production and for export purposes other than the goods produced after the purchase of the goods subject to export. Fulfillment of this process is tied to IPPC's taxpayers or exporter's closure of IPPC (VAT General Practice Statement, 2014).

### **3.9.4. Postponement and Abandonment Application**

Taxpayers who want to benefit from the postponement and cancellation of the articles in IPPC in the VAT general application communique published in the Official Gazette dated 26.04.2014 and numbered 28983, should submit their IPPC to the sellers and ask not to collect the calculated VAT amount. Thus, sellers carrying out transactions within the framework of the provisional article 17 of the VAT Law numbered 3065 take into account "whether the goods are by the type and amount in the document, the amounts previously imported or purchased" by the buyers who have the IPPC, and the total amount VAT He will calculate but not collect. In this context, "VAT has not been collected" for the invoice to be issued for the goods delivered. the statement must be written. If the ones under the scope of postponement and cancellation are delivered together, then the invoices must be prepared separately.

With this method, within the framework of the temporary article 17 of the Law numbered 3065, the VAT canceled with the postponement treatment is canceled with the declaration that the export transaction has been carried out within the time allowed under the inward processing regime. In order to benefit from the said transaction, a copy of the IPPC submitted to the buyer within the period of submission of the declaration of the delivery activities made within the scope of inward processing, or a document containing information about the number and date of the said document and the amount, type and amount of the goods subject to sale. must be submitted to the tax office. In addition to these documents, this determination process is carried out with the report to

be prepared by the certified public accountant for the goods manufactured and exported on time. While the said report can be prepared for purchases within the framework of postponement and cancellation, it is possible to arrange it regarding the sales made within the seller (VAT General Practice Statement, 2014).

In the reports subject to this process, production analysis and efficiency analysis are performed in the light of the information recorded during the production phase. If the report is prepared by the seller, the transaction is carried out taking into account the documents submitted by the buyers. There should be certain features that should be present in this report to be edited. If we count them;

- i. Date and number of IPPC,
- ii. The validity period of the document,
- iii. Date and number of customs declarations for export,
- iv. Actual export dates,
- v. The type, quantity, and amount of goods exported,
- vi. Whether the export is made within the time limit,

Matters such as should be included. At the same time, the list of personal information in the declaration submitted within the framework of customs legislation is considered as a customs declaration. There is no need to issue this report again and again in every period of export. Purchases made in the postponement and cancellation class are created in a single report. And the prepared report is submitted by the seller to the tax administration to which it is affiliated, and the VAT amount

previously subject to deferment is canceled (VAT General Practice Statement, 2014).

### **3.9.5. Failure to Export in Accordance with the Time and Conditions Stipulated in the Document**

VAT is deferred for deliveries made to taxpayers holding inward processing authorization. Later, the transformation of this postponement process into cancellation is canceled when the exportation of the goods produced by the owner of IPPC within the validity period of the document within the exporter. In this context, if the goods produced from the purchased materials are not exported within the valid time, the tax subject to deferment transaction is collected with tax loss penalty and interest starting from the postponement procedure (VAT General Practice Statement, 2014).

### **3.9.6. Sellers' VAT Declaration**

Delivery transactions made within the scope of deferment and cancellation are carried out by selecting the declaration to be made in the "Notification of Deliveries with Export Record table, code number 702 from the transaction Type list" in clause 1-c of Article 11 of the VAT law numbered 3065 (VAT General Practice Statement, 2014).

### **3.9.7. Return**

In the VAT general implementation communiqué published in the Official Gazette dated 26.04.2014 and numbered 28983, the declaration

of some documents is sought for the return due to the deliveries within the scope of the export record made to the taxpayers holding IPPC. These;

- i. Standard refund request petition
- ii. Delivery invoices or list with export
- iii. Customs declaration or list
- iv. IPPC approved sample
- v. Special purpose CPA report prepared in the presence of sellers or buyers, sought in the application of the provisional article 17 of the Law numbered 3065
- vi. The VAT list to be downloaded for the period in which the delivery is made on the condition of export required.

#### **3.9.7.1. Returns on Offset**

Regardless of the amount, "tax inspection report, CPA report and no guarantee" transactions are carried out on the condition that the return request is provided for the transactions made on the condition of export to the taxpayers holding IPPC provided that the documents related to the returned goods are submitted (VAT General Practice Statement, 2014).

#### **3.9.7.2. Cash Back**

Cash refund "requests not exceeding 5.000 TL" due to the transactions made with the condition of export to the taxpayers who have IPPC are carried out regardless of the tax inspection report, CPA report, and



guarantee. If there is a refund request exceeding 5.000 TL, the refund for the part exceeding 5.000 TL is made by looking at the "tax inspection report or CPA approval report". If the deposit is paid, a refund is made. Later, the collateral is resolved according to the results of the CPA report and tax inspection report (VAT General Practice Statement, 2014).

## CHAPTER 4

### 4. DEFINITION AND THEORETICAL FRAMEWORK

#### 4.1. Export Concept and Definition

Exports can be defined as the activity of selling the goods produced by countries at a cheaper cost than other countries in order to increase their national income. Although the definition of export is within this framework, it has gained a different dimension over time. With the effect of globalization, the export can be considered as a factor that increases interaction and dependency among countries in the commercial field and many areas. With the introduction of goods and services produced for export to the international arena, export activity has become an important factor in terms of the economic data of the countries. Exports, especially the foreign trade balance of the countries that carry out export activities, the national income, and the fact that exports are an important factor in terms of meeting imports increases the importance of exports.

There are different definitions for exports in the literature. One of these definitions is expressed as "Export, separation of goods and services subject to export from the relevant country" (Oecd). Another of the said definition is as follows: "An asset to the customs legislation with applicable Export Regulations properly in Turkey, the removal of the customs territory outside or free zone, or to be considered as exports by

the Under secretariat called on other outputs and processes."(Kaya, 2011: 5).

"Export; Customs legislation with the export of a commodity by the legislation in force Turkey to be admitted to the removal of the customs-free zone or out of the Under secretariat exports are separate or other outlets" (Yıldırım & Özsağır, 2013: 161)

## **4.2. Economic Importance of Exports**

In the macro plan, exports are needed to stay away from the turmoil in the national market and the environment of national conflict for companies. In addition to this function of export, it has an important role in balancing the commercial relations of the country in the international arena (Sakarya, 2009: 118).

Exports have an important role in the revival of the country's economy. Therefore, while countries aim to decrease their imports, they also aim to increase their exports (Kaya, 2011: 8).

All countries share the same world both socioeconomically and politically. As a natural consequence of this, their economic, social, and political relations with each other are inevitable. It represents only one of the economic dimensions of these relations in exports.

While countries specialize in the production of goods that they are relatively superior, they also prefer to transfer the production activities of certain goods to different countries in order to reduce the costs they

bear. While this situation increases the mutual dependency of the countries on each other, it also contributes positively to the welfare of the countries (Eski, 2007: 311).

Classical economic thought argues that international trade activity will be beneficial for countries. Each country may face different costs in product production. For this reason, countries prefer to export the products they can produce at a low cost, in other words with a cost advantage. If there are products with high costs in their production, they can choose to import these goods from countries that produce them with lower costs. This process allows all countries of the world to benefit. The higher the increase in export activity in a country, the higher the money flow to the country in question, and this may be an important factor in determining the economic development of the country (Korkmaz, 2014: 122).

Although a country can produce all goods and services at less cost than other countries, it is called the comparative advantage theory that it chooses a commercial structuring route by considering the advantages between countries (Aren, 2007: 277). The country may choose to export goods and services where it is an expert in export activities, can compete, and provide a low cost in production. The aim here is to export goods and services with high added value and to provide more benefits for the country's economy.

### **4.3. Export Types (Methods)**

We will try to deal with export types under four headings according to the nature and structure of the export in question. It is possible to express the different trading methods that companies encounter in carrying out their commercial activities in the international arena. Besides, the type of goods subject to export is also determinant in determining the types of exports.

#### **4.3.1. Pre-Permit Export**

In the export of goods subject to pre-authorization of a certain location in accordance with international agreements, laws, decrees, and other relevant legislation, the provisions of the export legislation are applied after the preliminary permission is obtained from the relevant authorities (Export Regulation, 2006). The process of obtaining permission to realize the said export due to reasons such as the properties of the goods subject to the export activity or their export being restricted for various reasons are expressed as an export subject to pre-authorization.

The free export of goods, which are stated to be subject to preliminary permit, is also subject to the decision of the relevant authority that allows the exportation subject to preliminary permit. It is stated that the authority granting the preliminary permit in question can also issue a free export permit for the export activity to be realized with the preliminary permit.

### **4.3.2. Feature-Free (Free) Export**

Non-specific export; It is defined as the export activity of goods groups that are subject to prohibition by law, decree, or international treaties or subject to the permission of any authority and goods not included in the list of goods subject to registration (Türkoğlu, 1998: 11). It is stated that the said type of export includes the export of goods that are not restricted or prohibited due to the nature of the goods subject to export.

Those engaged in export activities apply to the relevant customs administration where the export will be carried out with the customs declaration they have approved by the relevant export-oriented unions of export (T.C. Millî Eğitim Bakanlığı, 2007). Thus, it can be stated that there is a difference in terms of procedure between exports, which are characteristic, and exports that do not. It is observed that the procedure for the export of goods with special characteristics or not prohibited in non-specific exports is less than export with special features.

#### **4.3.2.1. Registered Export**

Registered export is a method applied for the export of goods specified in the registered export list. In the said export, the exporter applies to the exporter union with the customs declaration for registration. The exporter submits the relevant document to the relevant customs administration as a result of the approval of the export document attached to the registration and the positive registration in the customs declaration (Ekonomi Bakanlığı, : 9). It is expressed as the export method to be applied in the event of the export of the goods stated in

the aforementioned list. It is stated that the exporter company that will export the goods in the relevant list must follow the procedures stated above in the export of the goods in question.

#### **4.3.2.2. Types of Export That Offer Features**

It is the export that has the nature of the export activity and transit trade to be carried out within the scope of overseas contracting services, which will be realized through free of charge, commercial leasing of goods on credit, consignment, import (Türkoğlu, 1998: 13). It can be stated that the export activity in question includes the export of goods that are included in the scope of certain rules due to the nature, structure, or type of the export activity to be carried out, unlike the export that does not have special features.

#### **4.3.2.3. Credit Export**

The export type that allows the export value resulting from the export to enter the country beyond the time mentioned in the “Legislation for the Protection of the Value of Turkish Currency” is called credit export (Camitez, 2008: 23).

Applications regarding the said export requests; It is carried out in exporter's associations with documents showing the type of goods, payment schedule, the original sales agreement covering the payment term, and its Turkish translation. These requests are confirmed by the export association as a result of their approval. Duration in export on credit; For the goods subject to consumption, there are two years

following the year in which the export activity took place, while for the goods subject to investment, there is a five-year period (Yıldırım & Özsağır, 2013: 162).

#### **4.3.2.4. Consignment Export**

“The form of export that takes place in the form of sending goods to foreign buyers, brokers, exporters' branches and representative offices abroad for final sale to be made later” is called consignment export (Yıldırım & Özsağır, 2013: 162).

In other words, consignment export is the sending of a good to the buyer for sale through promotion, without transfer of ownership. The sale of the relevant goods is finalized with the relevant buyer goods approval. This method is used both nationally and internationally. In particular, our companies engaged in export activities commonly use the international sales and payment method that includes the processes of introducing, granting, and selling to the buyer (importer) company through consignor after sending the goods abroad (Gürsoy).

#### **4.3.2.5. Transit Export**

Transit export is defined as the type of export of goods purchased from abroad, from a company located in the free zone or from warehouses in transit from national borders or directly to warehouses, abroad or companies located in free zones (Yıldırım & Özsağır, 2013: 162).



To put it more clearly, it can also be expressed as the activity of selling the relevant goods directly or in transit without being subject to the rules of the import regime, with or without a transfer for the relevant goods, provided that there is a benefit in the purchase and sale amounts. Taxes and funds are not collected on goods that are bought from another country and sold to another country in transit (İto, 1998).

#### **4.3.2.6. Export to Be Realized Through Commercial Leasing Channel**

Exports to be made through commercial leasing are subject to the provisions of customs legislation (Export Regulation, 2006). In the said export activity, the goods are taken abroad for a certain period of time and a certain price and then leased. Requests for exports made by this method are fulfilled by filling out the application form "Regarding Export by Commercial Leasing" with the lease agreement made with the company or organization in the country of the export activity and applying to the exporter association of which you are a member. However, in the lease agreement to be made with the exporter party; "The type of the goods to be leased, technical characteristics, customs tariff statistical position number, amount, unit price, lease term, rental price, the payment method, time and place of delivery of this price" must be included (Canitez, 2008: 25).

#### **4.3.2.7. Export by Connected Transaction or Exchange**

Exchange is defined as the type of export realized by the transfer of a certain part or all of the cost of the goods and services or technology

that is exported or imported between two states or by partially supplying foreign exchange. The bound transaction is an exchange transaction with more than two states. In case of a change or dependent treatment, the application process is made to the relevant exporter association. The permit period can be extended up to two years. In the process of continuing with the dependent transaction or change permission, the transactions are carried out within the import and export regimes in circulation (Gökçelik, 2005: 148).

#### **4.3.2.8. Free Export**

Free export is defined as "goods outflows to abroad without having to bring the cost to the country" within the scope of the foreign exchange regulation in circulation (Yıldırım & Özsağır, 2013: 162).

It is also expressed as a method developed by companies to increase the demand for goods subject to export and to have new markets with an increase of competition in the international arena (Üyücü). This type of export can be expressed as the best example for companies to find new markets and develop new tools to compete.

#### **4.3.2.9. Export to be Made within the Scope of Overseas Contracting Services**

"Requests for the temporary export of all kinds of machinery, equipment, and equipment that the contractors recruiting from abroad may need for the works they undertake." (İto, 1998). is in the scope of overseas contracting service.

The "machinery, equipment and materials" exported abroad to be used in their activities by "construction, installation and repair contractors" outside the country should be evaluated within the scope of the export exemption, and they must meet the condition that the said goods are taken out of the country. This exception is stated to be subject to VAT export exemption provided that the goods in question do not return to the country again. However, it is not possible to evaluate all kinds of equipment that are taken abroad by the companies dealing with construction works to bring them back to the country (Güneş, 2008).

#### **4.3.2.10. Export for Participation in International Fairs and Exhibitions**

To participate in fairs and exhibitions abroad, the export can be expressed as an export method used in the export of the relevant goods in order to ensure the participation of the promoted goods of companies or organizations in the said fairs and exhibitions.

International trade fairs and exhibitions, both at the national level as well as the participation of individual companies and organizations representing Turkey is concerned. The applications regarding the departure of the goods with or without charge to be sent abroad by companies and organizations and the goods to be sent to the events such as science, art, cultural or promotional fairs, exhibitions, conferences, seminars, etc., are made directly to the relevant customs administrations. The customs administrations examine and finalize the

requests for the export of the said goods within the framework of the relevant legislation (Export Regulation, 2006).

#### **4.3.2.11. Export to Free Zones**

"Free Zones" are defined as regions that are within the sovereignty of a country, as well as regions considered outside the customs border of the country in question. Free zones are special areas that allow businesses to carry out export activities and import activities at international airports or ports. These areas can be provided with opportunities for businesses to compete. These facilitating opportunities are expressed as areas that reduce the export and import restrictions of firms and have an effect that reduces the factors that negatively affect competition such as customs duties (Atik, 1998: 1).

Many advantages of exports to free zones are subject to legislation in terms of the competitive characteristics of these zones. The legislation in question is being expressed as export regulations in the Internal Processing Regime, Export Credit Bank of Turkey VAT applications, and practices are expressed as required by the legislation of the consideration for the application in question (Export Regulation, 2006 Madde: 13). Practices related to these issues in export activities are separated from export legislation in this sense and it is stated that the legislation of these applications should be considered as the main element.

#### **4.3.2.12. Export of Imported Goods**

The export of new or used goods in free circulation within the framework of customs legislation is carried out within the framework of general principles (Export Regulation, 2006 Madde: 11). For old or new foreign origin goods, for which import transactions are carried out and taxes are paid within the scope of the import regime, the export process falls under the scope of "non-specific export". In this case, there is no need to apply to the exporter association for any other treatment other than declaration approval (Yıldırım & Özsağır, 2013: 64).

#### **4.4. DEFINITION, IMPORTANCE AND PURPOSE OF INCENTIVE CONCEPT**

Under the title where we will discuss the theoretical framework of the concept of incentives, the importance, purpose, and scope of incentives will be emphasized.

##### **4.4.1. The Concept and Definition of Incentives**

Incentives are expressed as a frequently used and utilized tool in bringing foreign direct investment to the country (Unctad, 2004). As can be understood from the definition, it is possible to evaluate it as a tool that countries use in managing their economies.

At the same time, incentives are defined as the development of some economic activities with both financial and moral opportunities and

supporting them with policies that direct those areas (Acinöroğlu, 2009: 149).

Export incentives can be defined as a series of measures to increase exports and foreign currency revenues in a short time period and to facilitate the orientation of country assets to export industries in the long period (Tomanbay, 2001: 34).

Export incentive measures cover every process aimed at reducing the costs involved in the production processes of the raw product that may be subject to production coming to the factory. After production, it decreases all or part of all cost items that can be considered until the final sale and subsequent support, which is the continuation of the sales and adds all the measures that make the export profitable by increasing the foreign exchange income to be obtained from the export activity that will arise as a result of the activity (Kemer, 2003: 32).

Incentives are also referred to as subsidies. In other words, it is possible to express it as a series of regulations that provide general convenience to investors. Another type of incentive concept is investment incentives. Investment incentives are defined as government measures designed to influence the size, region, and sector of the investment by affecting the cost or potential profit of investment or by changing the risks associated with the investment (Duran, 2003: 11).

#### **4.4.2. The Importance of Incentive Policies**

Many factors play a role in economic growth. One of these factors is the incentive policies (Acinöroğlu, 2009: 148). Incentives are aimed to direct support to the sectors that the state attaches importance to in its development and to contribute to the national economy by ensuring the development in those sectors.

In the international arena, it can be beneficial for countries to support and direct their investors in terms of competition. The development of the countries in the field of industry and technology increases their competitiveness in foreign trade with other countries, together with the development of foreign trade in these countries (Şenol, : 5).

Efforts to positively affect the economy of the country are closely related to the economic, monetary, and political activities of that country. In other words, activities aimed to have an impact on the economy are a tool of economic, monetary, and social goals (Karabıçak, 2013: 264). The fact that the policies set forth with the said activities are a means of affecting different macro indicators in the country's economy has an important place for economic indicators. For example, incentives can be expressed as an important factor in terms of foreign trade balance and macro values such as current account deficit.

Besides, the existence of incentive policies plays an important role in the continuation of regional and local development as well as eliminating the negative effects of financial crises (Karabıçak, 2013: 264). Incentive policies, which are an effective tool in eliminating the

differences between regions, can play an important role in moving towards a national development process with this positive effect. Considering the effects of incentive policies, it is possible to state that not only are incentives a tool that can provide the vitality required by the country's economy, but also the effective use of these incentives is an important factor that has an impact on this vitality.

#### **4.4.3. Purposes of Incentive Policies**

Government support for export aims to increase the competitiveness of export companies while supporting the solution of the difficulties that may arise in the production or marketing stages of the exported products and the global market (Yakal, 2002: 1).

As a result of the implementation of incentive policies, the targets set in the economy are realized. These goals (Cangöz, 2009; Nelson, 1981: 104; Yavuz, 2010: 87):

- ✓ To reduce regional development differences,
- ✓ Increasing competitiveness,
- ✓ To support large-scale investments
- ✓ Supporting sectoral clustering,
- ✓ The economy gains strength,
- ✓ Development of the production system,
- ✓ Increasing social welfare

It is expressed in the form.



In other words, incentives are one of the main elements of the social state understanding, which contributes to the spread of economic growth throughout the country and to eliminating the differences between regions that may arise (Şenol, : 5).

#### **4.4.4. Incentives by Scope**

Incentives are handled in two ways as general and special purposes according to their scope. General-purpose incentives are incentives carried out in the same way for all sectors that do not separate any sector that includes the entire economy. General-purpose incentives; It can be classified as "economic development incentives, regional development incentives, incentives to encourage foreign capital, export incentives". Special purpose incentives, on the other hand, are defined as incentives that enable certain sectors, segments, or companies to be more advantageous than others. As an example of these incentives, the provision of loan opportunities with favorable conditions for investments such as R&D, promotion, and branding investments can be expressed (Horoz, 2006: 18).

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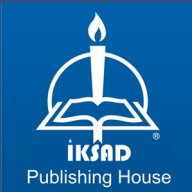
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