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**CIRCULAR 18/27**

**Subject: General Communiqué on Tax Procedure Law No 497**

**General Communiqué on Tax Procedure Law No 497 entered into force on 25.05.2018 by being published on the Official Gazette no 30431.**

In order to support the investments, R&D, innovation and design activities, by taking half of the useful life span of machinery and equipment subject to depreciation into consideration, the Provisional Article 30 was added to the Tax Procedure Law through the Law No 7103, to be effective from 1 May 2018.

The amendment made in this regard was announced in our Circular 18/18-2 dated 30 March 2018. With this amendment made, the procedures and principles regarding the implementation of this article were announced.

- Machinery and equipment refers to all kinds of machinery and devices, which have economic value subject to depreciation, and are used in goods/service production, R&D, innovation and design activities, their accessories and transportation equipment used for this purpose.
- In order for the acquired asset to benefit from the application in terms of machinery and equipment acquired under the investment incentive certificate, first of all the annex of investment incentive certificate must be listed and should have the nature of machinery and equipment. It is not possible to benefit from the application for the machinery and equipment acquired prior to the issuance of the investment incentive certificate. Despite being included in the investment incentive certificate, the machinery and equipment subject to transfer, sale or export through the permission granted by the Ministry of Economy, no correction shall be made for the amortization amounts previously allocated within the scope of this application. In case of cancellation of investment incentive certificate, no transaction shall be established for the machinery and equipment acquired based on the certificate subject to cancellation.

**Economic Assets that are Not Covered by the Provisional Article 30**

- Consumables and spare parts refer to fixtures other than those directly and mandatorily used in production such as tables, chairs, sofas, cabinets and furniture and the vehicles such as automobiles, panels, land vehicles, buses, minibuses, vans, trucks, trailers and tractors (excluding off-road-truck type trucks with a loaded weight exceeding 45 tonnes, rock-type dumper trucks, which are not possible to be used on

the highway, dumper trucks used in mining, mixing trucks (including those mounted with concrete pumps, dry bulk trailer etc.), refrigerated trucks, semi or refrigerated trailers, heavy equipment, forklifts, cranes, agricultural machinery and the like, ambulances acquired for hospital investments, apron buses used only for transporting passengers from terminal to the plane and from plane to the terminal at the airports)

### **Those who are to Benefit from the Provisional Article 30**

Those, who have the industrial registration certificate, shall be able to benefit from the application of Provisional Article 30 for the machinery and equipment determined by the Decree of the Council of Ministers numbered 2018/11674 published in the Official Gazette dated 5/5/2018 and numbered 30412 and the **industrial registration certificate should be held as of acquisition date of the machinery and equipment**. From the Provisional Article 30 of Tax Procedural Law No 213, **those, who hold industrial registration certificate** among the income/corporation taxpayers, those, who carry out business activities under the Law No 4691, Law No 5746 and the Law No 6550, in order to use exclusively in **R&D, innovation and design activities**, exclusively for use in manufacturing activities, and **those, who hold investment incentive certificate**, shall be able to benefit from the **new machinery and equipment they will acquire exclusively from value added tax** under their **investment incentive certificate** which they hold.

- Taxpayers, who fall under the scope of the article through the application made with the Provisional Article 30 of the Tax Procedure Law No 213, shall be able to benefit for the new machinery and equipment to be acquired **from the enforcement date of May 1, 2018 until the end of the calendar year 2019**.
- **It is not possible to benefit from this application for machinery-equipment acquired before the enforcement of the said article or after 31/12/2019.**

### **Calculation of Depreciation Rate and Period:**

- The economic value falling within the scope of the article through the application made with the Provisional Article 30 shall be benefited from as of the accounting period in which **the depreciation is to be allocated for the first time**. If the depreciation allocated for a machine-equipment covered by the said article for the first time is in accordance with the general principles, in other words if it is not preferred to benefit from this application, it is not possible to benefit from the application of the aforementioned article in the following periods.
- In case the useful life span of an economic asset acquired within the scope of the Provisional Article 30 of the Tax Procedures Law No 213 is determined to be two years by the Ministry of Finance, **the taxpayer shall be able to directly write the economic value in question as an expense without being subjected to depreciation.**

### **Choosing the Depreciation Method:**

For the machinery and equipment to benefit from the application made with the Provisional Article 30 of the Law No 213, one of the depreciation methods shall be chosen by the bookkeeping taxpayers by means of normal or decreasing balance methods and depreciation may be allocated to other taxpayers, who have the right to allocate depreciation, according to the normal depreciation method.

### **Acquisition of Economic Assets that are Not Included in the Lists:**

In case the economic assets subject to depreciation acquired within the scope of Provisional Article 30 of the Tax Procedures Law No 213 are not included in any classifications included listed in the annex of the General Communiqué on Tax Procedures Law with the Serial No 333, the depreciation rates to be applied to the economic assets shall be determined by the Ministry of Finance upon the application of taxpayers and the taxpayers shall not be able to benefit from the provisions of the article which is also mentioned for the economic assets.

Yours respectfully,

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