

TAX EXEMPTION INTRODUCED FOR PRIVATE VESSELS



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Turkey's wealthiest individuals have historically registered their private vessels in the countries where a tax exemption is available. There are also a plenty of private vessels used in Turkish coastal waters that carry a foreign country's flag.

Also, in some cases, wealthy people establish a foreign entity that holds private vessels in their books but these are actually for the personal use of Turkish citizens. The main reason for such a practice is to benefit from certain tax exemptions, like the special consumption tax exemption on fuel purchases and motor vehicles tax exemption for foreign flags applied in Turkey. By doing so, substantial amounts of VAT and/or special consumption tax can also be avoided.

As this is a well-known fact, the Turkish government has decided to change its policy and has recently put into effect new regulations to attract the registration of private vessels in Turkey.

In this regard, Law No. 6670 introduced tax exemptions for private vessels registered abroad or carrying a foreign flag. This Law aims to stimulate such vessels to carry a Turkish flag and enables all sort of tax exemptions if they are imported and registered in Turkey.

Based on these facts, to benefit from tax exemption, a private vessel should meet the following conditions:

- be registered abroad or carrying a foreign flag; or
- be imported and registered in Turkey.

Which private vessels are covered by the Law?

The Law provides tax exemptions for private yachts, cruisers, boats, and excursion ships registered abroad or carrying a foreign flag.

The Law covers the private vessels categorised in the GTIP numbers of 8901.10.10.00.11, 8901.10.90.00.11 and 89.03 under Turkish customs tariff schedule as of January 27 2017.

The scope of tax exemption

However, there is an exception for the exemption. In terms of such transactions, there will only be a single duty to be paid, which is licence fee at registry. For 2017, licence fees at registration that apply to private vessels are as follows.

Vessel	Fees (TRY)
from 5 meter to 9 meter	406.70
from 9 meter to 12 meter	813.70
from 12 meter to 20 meter	1,627.65
from 20 meter to 30 meter	3,255.60
Larger than 30 meter	6,511,60

If individuals or corporates pay these low license fees, they will be able to raise the Turkish flag without any other taxes or duties.

No investigation or tax penalty will be applicable

For undeclared private vessels, the Law assures that there will be no investigations or tax penalties for the earlier periods for those who imported or registered these vessels in Turkey.

All investigations being currently carried out will be also abolished. In the same way, if a court case opened against a tax assessment before the introduction of the Law, such assessments will be also cancelled by the tax office provided that the plaintiff withdraws the open court case.

However, the tax office will not refund the paid taxes due to earlier assessments. In conclusion, we believe that it is a good opportunity for individuals and corporates resident in Turkey to import or transfer their private vessels abroad or those carrying a foreign flag without paying any taxes and duties.

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