

---

of VAT for which Turkey shall ensure that an effective mechanism and procedures for VAT ex-ante exemption has been put in place beforehand.

Where the refund procedure applies, Union contractors and contractors to the Union contractors shall be able to obtain a VAT refund directly from the tax administration upon submission of a written request to the tax administration accompanied by the necessary documentation required under the Republic of Turkey law for the refund of VAT.

The Union contractor and contractors to the Union contractors shall be entitled to offset or deduct any input VAT in connection with the goods supplied and/or services rendered and/or works executed under IPA II assistance which are exempted from VAT, as provided in this Agreement, against any VAT collected by them for any of their ordinary business transactions outside IPA II.

Upon submission of the necessary documentation, the tax administration shall complete any request for exemption, tax refund, and offsetting within a maximum of 30 calendar days without any cost other than minimum and reasonable administrative fees;

- (d) Profit or income arising from Union contracts shall be taxable in the Republic of Turkey in accordance with the national/local tax system. However, natural and legal persons, including expatriate staff and RTAs, resident or established in the Member States of the European Union or other countries eligible under IPA II other than Turkey, executing Union contracts shall be exempted from profit or income tax in the Republic of Turkey, including withholding and provisional or temporary taxes except in cases where the natural and/or legal person making such profit and/or income has its residence or a permanent establishment to which such income is attributable in the Republic of Turkey according to the provisions of the applicable double taxation agreements.

A Union grant to a grant beneficiary shall not be construed as a profit or income to that grant beneficiary. Where a profit is generated from a grant contract, the Commission shall be entitled to recover the percentage of the profit in accordance with the terms of the underlying contract. The remaining profit may be taxable according to the national/local tax system. "Profit" in the context of this paragraph means a surplus of the receipts over the eligible costs approved by the Contracting Authority when the request for payment of a balance is made;

- (e) Expenditures of the Union contractors shall be relieved from special consumption taxes or excise duties or from any other taxes or charges having equivalent effect for the expenditure in connection with the goods supplied and/or services rendered and/or works executed by that Union contractor under the Union contract;
- (f) Those benefiting from actions and/or contracts and/or activities carried out under IPA II shall be exempted from "Inheritance and Transfer Tax" or any other taxes or charges having equivalent effect resulting from goods and/or rights and/or constructed facilities and/or funds transferred to them without consideration in any way under IPA II;
- (g) Personal and household effects imported for personal use by natural persons (and members of their immediate families), other than those recruited locally, carrying out tasks defined in service and/or works and/or grant contracts and/or twinning contracts or covenants, shall be exempted from customs duties, import duties, taxes and levies and/or taxes having equivalent effect and/or deterrent excessive collateral requirements, the said personal and household effects being re-exported or disposed of in the state, in accordance with the regulations in force in the Republic of Turkey after termination of the contract;
- (h) Union contracts, contracts signed by Union contractors as well as partners in a consortium or joint venture or co-beneficiaries and affiliated entities (as defined in Article 122 of the Financial Regulation) in grants shall not be subject to stamp or registration duties, or to any other charge having equivalent effect in the Republic of Turkey. This exemption shall also apply to transactions (including assignment of rights) and documents related to payments made to the Union contractor, including contracts concluded between grant beneficiaries (including their partners, affiliated entities or sub-grant beneficiaries) and their contractors (including their staff or contracted experts), and contracts concluded for incidental and provisional expenditure under service contracts and works contracts respectively where such payments are directly related to the Union contract;
- (i) For the purposes of this Agreement, the term "*Union contractor*" shall be construed as natural and legal persons, rendering services and/or supplying goods and/or executing works under a Union