



## Explanation on the Tax Practices Applicable to Turkish Beneficiaries

Türkiye participates in the Interreg IPA Bulgaria – Türkiye Programme, the Interreg NEXT Black Sea Basin Programme, and the Interreg NEXT Mediterranean Sea Basin Programme. Under these programmes, for projects with a total budget (including VAT) below EUR 5 million, VAT is considered an eligible expenditure, and therefore no VAT exemption applies.

However, exemptions are granted for Special Consumption Tax (SCT), Stamp Duty, fees paid to tax offices, Inheritance and Transfer Tax, Motor Vehicle Tax (MVT), and Special Communication Tax (SCT). This information note provides an overview of the implementation procedures for these tax exemptions and outlines key considerations.

### Legal Framework

The primary EU legal basis governing the above-mentioned Cross-border Cooperation Programmes is the Interreg Regulation (EU) No 2021/1060. The implementation rules for the programmes are stipulated therein. Article 64(1)(c) of the Regulation clearly states that VAT is considered an eligible expenditure for projects with a total budget below EUR 5 million.

The international agreements that form the legal basis for Türkiye's participation in Cross-border Cooperation Programmes are the Financing Agreements signed between Türkiye and the European Commission. Separate Financing Agreements have been signed for each programme and can be accessed via the following links:

- Interreg IPA Bulgaria-Türkiye <https://www.resmigazete.gov.tr/eskiler/2024/01/20240106-4.pdf> Programme:
- Interreg NEXT Black Sea Basin <https://www.resmigazete.gov.tr/eskiler/2024/04/20240405-3.pdf> Programme:
- Interreg NEXT Mediterranean Sea Basin <https://www.resmigazete.gov.tr/eskiler/2024/04/20240427-5.pdf> Programme:

The specific provisions on the implementation of EU financial assistance to Türkiye under the Instrument for Pre-accession Assistance (IPA) are laid down in the IPA III Framework Agreement signed between the EU and Türkiye. According to Article 4(4) of this agreement, its provisions do not apply to Interreg cross-border cooperation programmes unless expressly referred to in the relevant Financing Agreement.

### Which Taxes Are Exempt?

According to Article 36 of the Financing Agreements, which regulates tax practices, special consumption taxes, customs duties, and other indirect taxes are not considered eligible expenditures under EU funds.



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Accordingly, project-implementing institutions may benefit from tax exemptions in this regard. The procedures for benefiting from these exemptions are outlined in the IPA III General Communiqué issued by the Turkish Revenue Administration. Within this scope, institutions initially pay the relevant taxes from their own budgets and then initiate the reimbursement process by applying in accordance with the methods described in the Communiqué.

For instance, the procedures for reclaiming Special Consumption Tax (SCT) are detailed under Section 4.3 of the General Communiqué titled “Special Consumption Tax (SCT) Exemption and Application.” This section also specifies the documents required for the application and key issues to be considered. Sample petition templates to be used in applications are provided in the annexes of the Communiqué.