

No. 3027

UNITED STATES OF AMERICA
and
TURKEY

**Tax Relief Agreement (with annex and minute). Signed
at Ankara, on 23 June 1954**

Official texts: English and Turkish.

Registered by the United States of America on 30 November 1955.

ÉTATS-UNIS D'AMÉRIQUE
et
TURQUIE

**Accord d'exonération fiscale (avec annexe et procès-verbal).
Signé à Ankara, le 23 juin 1954**

Textes officiels anglais et turc.

Enregistré par les États-Unis d'Amérique le 30 novembre 1955.

No. 3027. TAX RELIEF AGREEMENT¹ BETWEEN THE UNITED STATES OF AMERICA AND TURKEY. SIGNED AT ANKARA, ON 23 JUNE 1954

Within the context of the obligations assumed by them under the North Atlantic Treaty,² the Government of the United States of America and the Government of the Republic of Turkey have agreed as follows with respect to Turkish taxation so far as it may affect expenditures by or on behalf of the United States for common defense:

1. Relief will be granted by the Turkish Government from Turkish taxes, surtaxes, duties, fees and charges enumerated in paragraphs 2 and 3 below. Such tax relief will be applied to all expenditures by or on behalf of the United States in Turkey for goods, facilities and services for the common defense effort, including expenditures for any foreign aid program of the United States.

2. The expenditures by or on behalf of the United States, referred to in paragraph 1 above, will be relieved from the following Turkish taxes and duties:

- (a) Taxes, duties and fees payable on goods imported into Turkey or in connection with the importation of goods into Turkey.
- (b) Transaction tax.
- (c) Transportation tax.
- (d) Fees and stamp duties.
- (e) National and municipal taxes and surtaxes on electricity and gas.
- (f) Municipal taxes on boilers and engines.
- (g) Taxes on liquid fuels procured locally.
- (h) National defense tax on telephone and telegraph charges.
- (i) Duties and charges payable in connection with the operation of vessels and aircraft.
- (j) Municipal taxes on the award of contracts and on advertisements.
- (k) Consumption tax on sugar.
- (l) Monopoly, defense and special consumption taxes on manufactured tobacco and alcoholic beverages.

3. The expenditures by or on behalf of the United States, referred to in paragraph 1 above, will also be relieved from any corporation or income taxes

¹ Came into force on 23 June 1954 by signature.

² United Nations, *Treaty Series*, Vol. 34, p. 243, and Vol. 126, p. 350.

assessed against firms or persons of United States nationality or persons of United States nationality employed by them.

4. The procedure to be employed in accomplishing relief from the taxes, surtaxes, duties, fees and charges enumerated in paragraphs 2 and 3 above, and the extent of such relief, are stipulated in the Annex¹ to this Agreement.

5. Relief will include taxes, surtaxes, duties, fees and charges, if any, under paragraphs 2 and 3 above, in connection with expenditures by contractors or their sub-contractors with respect to contracts financed by the United States.

6. This Agreement does not affect expenditures by individuals; nor shall it extend to small expenditures otherwise covered by this Agreement where there is no formal contract concluded by a "contracting and purchasing officer" or other person duly authorized to conclude contracts by or on behalf of the United States.

7. With respect to infrastructure and other programs for which the Turkish Government may act as procuring agency and receive reimbursement in whole or in part from the United States Government, procedures will be applied so as to ensure that the contribution of the United States is an amount which is net of the Turkish taxes and duties covered by paragraph 2 and any other taxes and duties from which relief may subsequently be obtained under paragraph 8 of this Agreement.

8. With respect to any Turkish taxes, surtaxes, duties, fees and charges not specifically relieved by this Agreement, which might be found to be applicable to United States expenditures in the categories embraced in this Agreement, the two Governments will discuss whether relief from such taxes would be consistent with the principles underlying this Agreement. If so, the two Governments will undertake to establish procedures providing for the United States Government appropriate relief similar to that outlined in this Agreement.

9. This Agreement is not intended to affect any other tax relief provided by the Turkish Government in accordance with existing Agreements or Turkish legislation nor will this Agreement be affected by the Agreement signed at London on June 19, 1951, on the status of the North Atlantic Treaty Organization forces.²

¹ See p. 166 of this volume.

² United Nations, *Treaty Series*, Vol. 199, p. 67, and Vol. 200, p. 340.

10. This Agreement does not provide relief from social security and other contributions related to the employment of individuals.

11. The United States Government and the Turkish Government will cooperate and will take appropriate measures with a view to ensuring the effective application of this Agreement under the principles enunciated and solely for the purposes envisaged herein.

12. Relief to be accorded hereunder is applicable to all expenditures made after the date of this Agreement.

IN WITNESS WHEREOF the respective representatives, duly authorized for the purpose, have signed the present Agreement.

DONE at Ankara, Turkey, in duplicate, in the English and Turkish languages, each of which shall be of equal authenticity, this twenty-third day of June, 1954.

For the Government of the United States of America:
Avra M. WARREN

[SEAL]

For the Government of the Republic of Turkey:
F. KÖPRÜLÜ

[SEAL]

ANNEX

Pursuant to the provisions of paragraph 4 of the Agreement of which this Annex is a part, the procedures to be employed in accomplishing relief from the taxes, surtaxes, duties, fees and charges enumerated in paragraphs 2 and 3 of the Agreement, the extent of such relief, and the dates and numbers of the pertinent Turkish laws, are hereinafter set forth.

1. *Taxes, duties and fees payable on goods imported into Turkey or in connection with the importation of goods into Turkey.*

(a) *Customs duties* (Gumruk vergisi). (Law No. 5383 of May 11, 1949 and Law No. 6290 of February 26, 1954, and any amendments.)

(b) *Customs duties (share of municipalities)* (Gumruk vergisinden belediye hissesi). (Law No. 5237 of July 9, 1948 and Law No. 5383 of May 11, 1949, and any amendments.)

(c) *Transaction tax on imports* (Ithalat muamele vergisi). (Law No. 3843 of June 4, 1940, and any amendments.)

(d) *Quay duties* (Rihtim resmi). (Law No. 5842 of August 16, 1951, and any amendments.)

(e) *Consumption tax on petroleum and petroleum products* (Petrol ve mustaklarından alınan istihlak vergisi). (Law No. 1718 of June 17, 1930, and any amendments.)

(f) *Road tax on liquid fuels* (Akaryakitlerden alınan yol vergisi). (Law No. 5889, of February 22, 1952, and any amendments.)

(g) *Defense stamps on customs documents* (Gumruklerde kullanılan bazı vesikalara yapıştırılan mudafaa pulu). (Law No. 2456 of May 3, 1931, and any amendments.)

(h) *Stamp duties connected with customs documents* (Bu vesikalarla ilgili damga resmi). (Law No. 1324 of May 29, 1928, and any amendments.)

(i) *Customs storage fees* (Gumruk ardiye ücreti). (Law No. 5383 of May 11, 1949, and any amendments.)

A declaration to the Turkish office mentioned in paragraph 18 below shall be made by the United States authorities, the contractor under a contract with the United States or a sub-contractor thereunder, or the Turkish authorities acting as procurement agency on behalf of the United States, as the case may be, showing the kind and quantity of the goods to be imported into Turkey for purposes of common defense. The declaration shall contain a statement to the effect that the importation is subject to relief from taxes under the terms of the Agreement, and where feasible and not prejudicial to the mutual security interests of both Governments shall be supported by plans, projects, contracts or specifications of the work to be carried out and the original or a certified copy of the invoice for the goods. The declaration shall be certified by the aforesaid Turkish office, and upon its presentation to the Turkish Customs Administration, the entry of the goods into Turkey shall be exempted from the levy and payment of the above-enumerated taxes, duties and fees. It is understood that the tax relief covered by this paragraph includes relief on goods purchased outside of Turkey and imported into Turkey.

In the event goods of foreign origin required for purposes of common defense are procured in Turkey, the following procedure shall apply. If substantial quantities of unused goods of foreign origin are purchased from firms engaged in the sale of such goods, the total of the above-enumerated taxes, duties and fees, to the extent they are identifiable on the books and documents of the selling firm or on the customs registries at the port of entry, shall be refunded to the United States authorities or to the contractor in their behalf by the Turkish Government. The fact that goods thus procured are required for the purposes envisaged herein and are in quantities necessary for the work shall be certified by the Turkish office mentioned in paragraph 18 below, on the basis of a statement and accompanying documents as envisaged in the preceding paragraph, to be presented by the purchaser. The above procedure shall be applied to goods other than liquid fuels. The procedure to be applied to liquid fuels procured in Turkey is set forth in paragraph 9 below.

These procedures shall be applied in harmony with other required procedures applied by the Turkish Customs Administration, to ensure that the goods in question shall be available expeditiously for the stated purposes of common defense.

2. *Transaction tax on manufacturing* (İmalat muamele vergisi). (Law No. 3843 of June 4, 1940, and any amendments.)

(a) In the event articles subject to transaction tax are manufactured in Turkey by the United States Government or on its behalf by a contractor, exclusively for purposes of common defense and not for delivery to any third person, no transaction tax shall be paid thereon and relief from the tax shall be afforded by way of exemption.

(b) In the event articles manufactured in Turkey are purchased by the United States Government or on its behalf by a construction contractor for purposes of common defense, relief from this tax shall be accorded by refund of the amount of such tax to the United States Government or to the construction contractor. The transaction tax included in

the manufacturers' sales price, in accordance with the nature of the article, is presently expressed by the following ratios: $\frac{12.5}{112.5}$, $\frac{15}{115}$ or $\frac{18}{118}$. Calculation of the transaction tax

paid with respect to manufactured articles is made by applying these ratios to the gross prices, including taxes, of the manufacturing establishments. Purchasers shall be required to keep and produce on demand documents to show from which manufacturing establishment the articles were bought and the amount of the transaction tax paid to the manufacturing establishment in connection with the delivery of the articles. In cases where substantial quantities of articles are purchased from a commercial firm engaged in the sale of such articles and not directly from the manufacturer, evidence of the price at which the articles were bought from the manufacturer by the commercial firm shall be produced, so that the wholesale price, including taxes, to which the above ratios may be applied, may be determined.

3. *Transportation tax* (Nakliyat resmi). (Law No. 472 of April 10, 1340 A. H. (1924 A. D.) and Law No. 3828 of May 17, 1940, and any amendments.)

The transportation tax paid with respect to the transportation of goods by ships between Turkish ports or by railway trains in Turkey for purposes of common defense, shall be determined on the basis of documents to be obtained from the transportation agencies and produced by the United States Government or on its behalf by the contractor, and shall be refunded to the United States Government or the contractor, respectively, by the Turkish Government.

The transportation tax paid with respect to travel of United States personnel who are present in Turkey for purposes of common defense as envisaged in this Agreement, in ships and railway trains in Turkey in connection with their official duties, shall be determined in the same manner and shall be refunded by the Turkish Government.

4. *Fees* (Harclar). (Law No. 5887 of February 25, 1952, other laws providing for fees, and any amendments.)

Any transaction connected with expenditures for purposes of common defense, provided that a statement to the effect that the transaction is subject to relief from taxes under the terms of the Agreement is contained in the appropriate document, shall be exempt from fees.

5. *Stamp duties* (Damga resmi). (Law No. 1324 of May 29, 1928, and any amendments.)

All advertisements and documents and certificates, whether drawn up in Turkey or abroad, provided that they contain a statement to the effect that they are subject to relief from taxes under the terms of the Agreement, shall be exempt from stamp duties.

6. *National taxes on the consumption of electricity and gas* (Devletce alinan elektrik ve havagazi istihlak vergisi). (Law No. 1718 of June 17, 1930, and any amendments.)

Any electricity and gas to be consumed in the construction or maintenance of facilities required for the common defense, including living quarters on the site of such facilities, shall be exempt from the national consumption tax.

7. *Municipal taxes on the consumption of electricity and gas* (Belediyelerce alınan elektrik ve havagazi istihlak vergisi). (Law No. 5237 of July 9, 1948, and any amendments.)

Any electricity and gas consumed under the conditions described in paragraph 6 above shall also be exempt from municipal consumption taxes and surtaxes.

8. *Municipal taxes on boilers and engines* (Belediyelerce alınan motor ve kazan resmi). (Law No. 5237 of July 9, 1948, and any amendments.)

Boilers and engines to be used as a source of motive power in any activities involving expenditures for purposes of common defense shall be exempt from municipal permit taxes and surtaxes.

9. *Taxes on liquid fuels procured locally* (Dahilde tedarik olunacak akaryakitlerden alınan vergi ve resimler). (Laws enumerated in paragraph 1 of this Annex and Law No. 5237 of July 9, 1948, and any amendments.)

Tax relief on the importation of liquid fuels required for activities involving expenditures for purposes of common defense has been accorded by sub-paragraph 2 (a) of the Agreement and elaborated in paragraph 1 of this Annex. The provision contained in sub-paragraph 2 (g) of the Agreement supplements such relief. Under this provision:

(a) Relief from taxes on liquid fuels to be purchased by United States personnel who are members of the United States forces and their civilian component as defined in the NATO Status of Forces Agreement (and supplementary arrangements) for vehicles used in connection with their official travels will be provided through a mechanism similar to that applied to personnel of foreign diplomatic and military missions in Turkey.

(b) In the event the liquid fuels procured in bulk by the United States Government, or on its behalf by a construction contractor, under the procedure envisaged in paragraph 1 of this Annex, are insufficient or in cases of urgency, the liquid fuels required for purposes of common defense may be procured tax-free on a wholesale basis from specified depots of distributing agencies in Turkey, in accordance with a procedure similar to that applied to foreign diplomatic missions in Turkey.

The Turkish office mentioned in paragraph 18 of this Annex shall ensure that, considering the quantities of liquid fuels imported tax-free, the liquid fuels procured under the procedure envisaged in this paragraph are in accord with actual requirements for purposes of common defense.

(c) Liquid fuels produced in Turkey may be procured tax-free from producers by the United States Government or on its behalf by a construction contractor for purposes of common defense. The Turkish office mentioned in paragraph 18 of this Annex shall ensure that fuels procured in this manner are in accord with actual requirements for purposes of common defense.

10. *National defense tax on telephone and telegraph charges* (Telgraf ve telefon ücretlerinden alınan mudafaa vergisi). (Law No. 5004 of February 17, 1947, and any amendments.)

National defense taxes paid with respect to expenditures by the United States Government or on its behalf by construction contractors of United States nationality on

telephone and telegraph charges, which are subject to this tax, shall be refunded by the Turkish Government on the basis of pertinent receipts or other documents, to the United States Government or to the construction contractor.

11. *Duties and charges payable in connection with the operation of vessels and aircraft.*

Vessels calling at Turkish ports or aircraft calling at Turkish airfields to load or unload goods or to embark or disembark personnel or for other purposes in connection exclusively with common defense as envisaged in the Agreement, and goods unloaded from or loaded by such vessels or aircraft at Turkish ports or airfields, shall be relieved from:

(a) *Harbor occupation duty* (Liman isgal resmi). (Law No. 5237 of July 9, 1948, and any amendments.)

(b) *Duties payable on vessels* (Merakibi bahriyeden alınacak rusum). (Law No. 216 of April 15, 1338 A. H. (1922 A. D.) and Law No. 1755 of February 2, 1931, and any amendments.)

(c) *Charges payable at piers, quays, canals, etc.* (Iskele, rihtim, kanal ve saire ile ilgili mururiye resimleri). (Law No. 3004 of June 8, 1936, and any amendments.)

(d) *Sanitary duties* (Rusumu sihiye). (Law No. 500 of April 21, 1340 A. H. (1924 A. D.) and Law No. 3056 of July 31, 1936, and any amendments.) Relief shall not be accorded for payments for services actually rendered by Turkish authorities for the vessels in question.

(e) *Duties and charges connected with services with respect to the protection of life and property at sea, such as the services of lighthouses, lighted buoys, marker buoys and lifesaving facilities, and pilotage and towage* (Fenerler, ziyali samandıralar, gecit samandıraları, tahlisiye hizmetleri, kilavuzluk ve romorkaj gibi denizde mal ve can korunmasına mütellik hizmetlerle ilgili resim ve ücretler). (Law No. 3056 of July 31, 1936 and Law No. 5842 of August 16, 1951, and any amendments.) Relief shall not be accorded for payments for services actually rendered by Turkish authorities for the vessels in question.

(f) *Charges for services at airfields* (Hava meydanlarında yapılan hizmetler karşılığında alınan ücretler). (Law No. 3424 of June 14, 1938, and any amendments.) Relief shall not be accorded for payments for services actually rendered by Turkish authorities for the aircraft in question.

Relief from the duties and charges listed in sub-paragraphs (a), (b), (c) and (f) above shall be by way of exemption. Relief from the duties and charges listed in sub-paragraphs (d) and (e) above shall be by way of refund by the Turkish Government to the payer of the duties and charges in question.

The relief provided for in this paragraph, whether through exemption or refund, shall not preclude the Turkish authorities from performing services which may be required of them under Turkish legislation.

12. *Municipal taxes on the award of contracts and on advertisements* (Belediyelerce alınan ilan ve tellallik resmi). (Law No. 5237 of July 9, 1948, and any amendments.)

In connection with activities for purposes of common defense, purchases effected through public bids and awards of contracts by public bids or submission of sealed tenders (adjudications), shall be exempt from municipal taxes on the award of contracts; advertisements shall be exempt from municipal taxes on advertisements.

13. *Consumption taxes on sugar* (Seker istihlak vergileri). (Law No. 1718 of June 17, 1930, and any amendments.)

Refined sugar may be sold by the Turkish manufacturers to the United States Government or to special military agencies of the United States, such as post exchanges, commissaries and officers' clubs, for the exclusive use of United States personnel, at a price net of the variable consumption tax and surtaxes. The Turkish office mentioned in paragraph 18 of this Annex shall certify that the sugar thus purchased is in quantities to meet the requirements of the United States personnel in question. Such sales will be subject to the presentation of a purchase request, thus certified, to the manufacturers.

14. *Monopoly, defense and special consumption taxes on manufactured tobacco and alcoholic beverages* (Mamul tutun ve ickilere ait inhisar resimleri, mudafaa vergisi ve hususi istihlak vergisi). (Law No. 2460 of May 28, 1934, Law No. 3437 of June 10, 1938, Law No. 4036 of May 21, 1941 and Law No. 4250 of June 8, 1942, and any amendments.)

Under the terms set forth in paragraph 13 above, tobacco and alcoholic beverages manufactured in Turkey may be sold exclusively by the Turkish Monopolies Administration to the United States Government or to special military agencies of the United States such as post exchanges, commissaries and officers' clubs, for the exclusive use of United States personnel, at a price including monopoly profits but net of the monopoly and defense taxes and of the special consumption tax in the case of wines.

15. *Income and Corporation Taxes* (Gelir ve kurumlar vergileri). (Law No. 5421 of June 3, 1949, Law No. 5422 of June 3, 1949 and Law No. 5432 of June 7, 1949, and any amendments.)

(a) In accordance with paragraph 3 of the Agreement, expenditures incurred in Turkey by the United States Government or by contractors on its behalf in connection with common defense activities undertaken by persons or firms of United States nationality, shall be relieved of income and corporation taxes. Similarly, expenditures made with respect to individuals of United States nationality employed by the aforesaid persons and firms shall be relieved of income taxes. Relief from income and corporation taxes of the above-mentioned expenditures shall be ensured as follows:

(1) Any income or corporation taxes or any monetary penalties with respect thereto, which, but for the provisions of the Agreement, should be collected from persons or firms of United States nationality with respect to common defense activities undertaken by them, shall not be collected.

(2) Any fees for professional services and wages paid to individuals of United States nationality by the aforesaid persons or firms shall not be subject to income tax.

(3) If the entity undertaking common defense activities is a corporation, it shall not withhold funds from its income as income tax.

(b) Sub-paragraphs (a) (2) and (3) above provide for relief by way of exemption and such relief shall not entail any obligation for the firms or persons referred to therein.

(c) Sub-paragraph (a) (1) above provides for relief wherein the income and corporation taxes to be calculated on the basis of the income of the aforesaid persons or firms

shall not be collected. The persons and firms referred to in sub-paragraph (a) (1) above shall comply with the provisions of the Laws on Income and Corporation Taxes and Tax Procedure, referred to at the beginning of this paragraph, with respect to income earned by them in Turkey, up to the point when income or corporation taxes would be collected but for the provisions of the Agreement. The provisions of these laws shall apply with particular reference to the furnishing by the persons and firms in question of information (including the production of the pertinent records and accounts) required by the appropriate Turkish authorities with regard to other persons or firms with whom they have business relations or with regard to other persons to whom they pay fees for professional services or wages, in connection with activities in Turkey, and which other persons or firms are subject to taxation under Turkish legislation; and they shall also apply to the withholding and remission of taxes with respect to persons, not covered by sub-paragraph (a) (2) above, to whom they pay fees for professional services or wages.

(d) No payments, or penalties with respect thereto, shall be required of or collected from persons or firms of United States nationality, and if previously collected shall be refunded, nor shall such persons or firms be required to submit any declaration or documents in connection therewith, with respect to income or corporation taxes from which relief has been provided for in the Agreement or similar abrogated taxes in connection with payments to persons of United States nationality as fees for professional services or wages, with respect to common defense activities in Turkey between January 1, 1950 and the date of the Agreement; provided, however, that any such persons or firms engaged in common defense activities in Turkey on the date of the Agreement, and which have been continuously so engaged since 1950, shall submit to the appropriate Turkish tax office, prior to July 8, 1954, Turkish Ministry of Finance Form No. 28 (Declaration for Income Tax) and Form No. 29 (Declaration for Corporation Tax), as applicable, with respect to income earned by them in connection with such activities between January 1, 1950 and December 31, 1953.

Similarly, no penalties shall be assessed on or collected from, and if previously assessed shall be waived, and if previously collected shall be refunded to, persons or firms of United States nationality engaged in common defense activities in Turkey between January 1, 1950 and the date of the Agreement, with respect to taxes withheld or required to be withheld by them from fees for professional services or wages paid to their personnel other than those of United States nationality, provided that they shall have submitted to the appropriate Turkish tax office, within six months following the date of the Agreement, declarations on Turkish Ministry of Finance Form No. 15 (Summary Declaration) showing the taxes mentioned in this paragraph.

16. In the event that any of the laws cited in this Annex are modified, abrogated or superseded, the two Governments shall consult as provided in paragraph 8 of the Agreement, through the offices mentioned in paragraph 18 below, in order to ensure that appropriate relief is granted as envisaged in the Agreement.

17. Detailed technical arrangements for implementation of the Agreement and this Annex, and any modifications of the procedures set forth herein, including those required by the mutual security interests of both Governments, shall be the subject of mutual understanding between the proper authorities of the two Governments.

18. The authorized office to act as a coordinating office on behalf of the Turkish Government to ensure the efficient application of the terms of this Agreement, as provided in paragraph 11 of the Agreement, is the Turkish North Atlantic Treaty Central Council constituted in accordance with Ministerial Decree No. 3/14591 of March 13, 1952.

The authorized office for such coordination on behalf of the United States Government is the Embassy of the United States in Ankara.

The two Governments may, after consultation, designate other authorities to replace the aforesaid offices.

MINUTE

It is understood that relief from corporation and income taxes, under paragraph 3 of the Agreement and paragraph 15 (a) of the Annex, shall apply to persons and firms of United States nationality, excluding, except as may be otherwise mutually agreed hereafter under paragraph 8 of the Agreement. Persons or firms, other than those engaged in technical assistance activities, under contract with the Turkish Government.
