

WORLD TRADE ORGANIZATION

RESTRICTED

G/SCM/Q2/TUR/16

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(02-1456)

**Committee on Subsidies
and Countervailing Measures**

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SUBSIDIES

Replies to Questions Posed by the EUROPEAN COMMUNITIES¹ Regarding the New and Full Notification of TURKEY²

The following communication, dated 18 March 2002, has been received from the Permanent Mission of Turkey.

Q1. On page 5 of the notification, it is stated under the sub-heading "Definitions, descriptions of encouragement measures" that there is an exemption from "fund levies"

Please define the term 'fund levies'.

Reply

Investment project proposals, which are evaluated in accordance with rules set forth by the "Decree Concerning State Encouragement to Investments and the Investment Encouragement Fund" and found eligible by the Undersecretariat of Treasury, are issued an investment encouragement certificate. Imports of the machinery and equipment to be used in the physical plant in connection with an investment encouragement certificate shall be subject to exemption from customs duty and fund levies to be collected in line with the current "Import Regime Decree". Once the exemption is listed on the "Certificate" the investor can import the machinery and equipment indicated on the approved list, namely the "Global List" aiming only at the purposes of the investment in question free of customs duties and fund levies.

The term "fund levies" in the notification document designated as G/SCM/N/71/TUR corresponds to "Mass Housing Fund levies".

With regard to the provisions of the "Law for Regulation of the Foreign Trade" No. 2976, dated 1.1.1984, the current "Import Regime Decree" (Decree No. 95/7606) was published in the Official Gazette (No. 22510, dated 31.12.1995). The Decree has the purpose of regulating the principles in the implementation of the import policies provided to different public authorities with several legislation and execution of the import within the framework of policy, targets and principles foreseen in the Development Plans and Annual Programmes and in line with the international agreements.

¹ G/SCM/Q2/TUR/15

² G/SCM/N/71/TUR

Goods listed in the Annexes III and IV to the "Import Regime Decree (No. 95/7606)" are subject to "Mass Housing Fund levies" in addition to the customs duties during the import. Goods included in the Annexes III and IV are "processed agricultural products and fishery products".

"Mass Housing Fund levies" collected for the goods listed in Annexes III and IV are differentiated in accordance with preferential trade agreements signed with the third countries.

According to the Article 4 of the Community Council Decision 1/95 establishing a Customs Union between Turkey and the European Union, all customs duties and charges having equivalent effect must be nullified for the "industrial goods" in the bilateral trade. On the other hand "Mass Housing Fund levies" are collected from the fishery products and processed agricultural products remaining outside of the scope of the Customs Union during the import of these goods from the European Union.

In the above paragraphs, it has been mentioned that the "Mass Housing Fund levies" are collected from the "fishery products" and "processed agricultural products" enlisted in the Annexes III and IV. Since the measure in question is an exemption from customs duties and fund levies for the imports of machinery and equipment (capital goods related to the investment), fund levies or exemptions of them has no effect in practice.

Q2. Can Turkey please indicate whether the following programmes were in force during the reporting period?

- (a) **'General' tax deduction on export & export tax rebate on certain products
(Art 8 of Corporation Tax Law as amended by Law No. 2362)
(Law No. 261 of July 1963 , Decree No. 7/10624 of Sept 1975)**

Reply

We understand from the question raised by the EU is in fact "The Corporate Tax Exemption". This system was introduced by Law No. 5422, amended in 1981 by Law No. 2573, in 1988 by Law No. 3482, abolished in 1993 by Law No. 3946 and published in the Official Gazette dated 30 December 1993.

We also notified this information to the WTO-Committee on Subsidies and Countervailing Measures, which took place in the document dated 4 April 1997, numbered G/SCM/Q2/TUR/6, as an answer to the United States regarding our subsidy notification in 1995.

Any other programme about tax deduction on export and export tax rebate on certain products does not exist.

- (b) **'direct' freight rebate & transport volume aid measures
(Decree No. 93/43 Oct. 1993)**

If yes, please provide information on them in the agreed format.

Reply

Such a programme does not exist.
