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Guidelines on VAT Exemption Procedures

for EU Funded Projects in the IPA Countries



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Preface

The information within this set of guidelines on VAT Exemption for the IPA countries has been gathered by each TACSO country office and compiled by the TACSO Regional Office. The information is based on each country's specific requirements in terms of VAT exemption for EU/IPA funded projects.

The guidelines are a form of instructions that are intended to ease the process of VAT exemption for newly awarded EU projects.

Please note that the statements within the guidelines have been provided as an informal advice, to the best knowledge of the authors and in good faith. They do not necessarily reflect the views of the European Union and/or SIPU International AB as well as all the TACSO Offices. Due to the current situation, on the topic in Albania, it is not for the time being possible to provide adequate guidelines on VAT procedures.

SIPU International AB as well as the TACSO offices disclaim all responsibility for the effects of the advice whose use is exclusively at the recipients' own risk. Please contact the appointed institutions in your country for more information.

In case of comments or corrections, please contact the TACSO national and regional office. Contact details are located on the back page.

June 2011
TACSO Regional Office
Sarajevo

I. Bosnia and Herzegovina

As a general rule, VAT under IPA is to be exempted. There is a unified approach as presented in the Guidelines/Instructions that are annexed to the contract that each and every contractor receives for a project funded by IPA programmes. As there are much specificity regarding these procedures in Bosnia and Herzegovina, which are closely related to the type of contracts and programming for which they apply to, the Delegation of the European Union (DEU) to BiH recommended the following:

- [Instructions and Guidelines for VAT exemption procedures](#) established by the Indirect Taxation Authority (ITA) of BiH for the Delegation of the European Union contractors under IPA funds are available on the [ITA Web site](#). Please note that the procedure is slightly altered for regional contractors only in the part of communication between all counterparts and NOT on the procedural issues.
- It has been confirmed that all contractors/partners for IPA project are strongly advised to contact EUD at the functional mailbox : delegation-bih-vat@eeas.europa.eu for all VAT issues;
 - The contract number should be stated in all communication
 - Procedure information can be provided on an individual basis by sending the DEU an e-mail (above address) along with the contract number and necessary data.

Grantees are strongly warned to not start spending their budget before contacting the DEU in order to prevent mistakes that cannot be reimbursed once the VAT procedure is in place.

There is intention for the procedures to be harmonized in the forthcoming period.

Example VAT Procedures for the IPA Project TACSO in BiH

It is necessary to inform any service suppliers/providers about the IPA program under which TACSO conducts its activities before any costs are incurred. In order to achieve this we send the companies information on the [Instructions on VAT exemption for IPA Funds](#) and the legal background information on legally binding procedures, which is quoted in the Official Gazette. This explains that on each and every invoice 0% VAT (price without VAT) should be shown.

Each invoice should contain the clausal: "Oslobodjeno od placanja PDV-a u skladu Članom 29. stav 2. Zakona o porezu na dodatnu vrijednost".

VAT exemption occurs in two steps.

Step 1: After the invoice is issued, the following documents should be sent to the EC Task Manager in Brussels for his approval and cc. to the respective BiH Delegation contact or cc. delegation-bih-vat@eeas.europa.eu:

1. Scanned copy of the issued invoice

2. Signed and scanned unofficial translation of the invoice (Annex I) – pattern provided by the DEU to BiH for translating invoices in English for which we are requesting exemption.
3. Filled-in Attachment 2 (Potvrda za oslobadjanje od PDV – Annex II).

Please note: The contract number of the project should be stated in all communication

Step 2: Once the invoices are approved by the EC in Brussels:

1. All three above-mentioned original invoices are then submitted to the EU Delegation in BiH. *Prilog 2* needs to have three copies.
2. The EU Delegation to BiH will then sign and approve the invoices. The three copies of *Prilog 2* will then be distributed in the following manner:
 - a. 1 copy goes to the supplier/provider (through the TACSO office)
 - b. 1 copy goes to TACSO
 - c. 1 copy remains with the EU Delegation and is also scanned and sent to Brussels HQ.

How to fill in *Prilog 2*:

- Under Section I:
 - Fill in the number and date of the IPA program contract
 - Fill in the value of the IPA program contract
- Under Section II:
 - Fill in the name of the project
 - Fill in the number and date of the contract
 - Fill in the value of the contract
 - Fill in the location of the project

Section II. a. should be filled in if the contractor is domestic, i.e. from BiH

- Fill in the name of the contractor
- Fill in the address
- Fill in the headquarters
- Fill in the VAT number, in so much as you have one

Section II. b. should be filled in if the contractor is foreign, i.e. (not domestic)

- Fill in the name of the contractor
- Fill in the address of the representative office in BiH
- Fill in the VAT number, in so much as you have one
- Under Section III:
 - Fill in the name of the supplier/provider
 - Fill in their address
 - Fill in their VAT number
- In the table:
 - One invoice per row
 - Fill in the number of items listed in the invoice (column 1)
 - Fill in the invoice number (column 2)
 - Fill in the date of the invoice (column 3)

- Fill in the invoice amount without VAT (column 4)
- Within the specification of the invoice, the value of the VAT (in BiH 17%) has to be calculated - depending on the invoice amount that is being requested for exemption. (column 5)
- Fill in the description of the services/goods provided (column 6)

ANNEX I: Example of an unofficial translation form

-Unofficial translation-

| | |
|------------------|--|
| Contract number: | |
| Contractor: | |
| Project title: | |

Invoice specification

| Number of items | Invoice number | Date of invoice | Invoice amount without VAT (BAM) | VAT amount (BAM) | Description of supply(ies) or service(s) |
|-----------------|----------------|-----------------|----------------------------------|------------------|--|
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

Date and signature of authorised person

ANNEX II: Example of an Attachment 2 form (Prilog 2)

Prilog 2.

POTVRDA ZA OSLOBAĐANJE OD PLAĆANJA PDV-a
ZA SNABDIJEVANJE DOBRIMA I USLUGAMA
U OKVIRU PROJEKATA KOJI SE FINANSIRAJU IZ IPA FONDA
U SKLADU SA OKVIRNIM SPORAZUMOM
("Službeni glasnik BiH - Međunarodni ugovori", broj 6/08)

Kontrolni broj:

I IPA Finansijski sporazum zaključen između Evropske komisije i BiH

Broj i datum zaključivanja:

Vrijednost ugovora:

II Ugovor potpisan između Evropske komisije i ugovarača

Naziv projekta:

Broj i datum zaključivanja:

Vrijednost ugovora:

Mjesto izvođenja: Bosna i
Hercegovina

a.) Izvođač projekta/domaći ugovarač

Adresa:

Sjedište:

PDV broj (ukoliko ga ima):

b.) Izvođač projekta/strani ugovarač

Adresa:

Predstavnik u BiH:

PDV broj:

III Nabavka dobara ili usluga

Prodavac dobara ili usluga:

Adresa:

PDV broj:

Specifikacija računa

| Broj stavki | Broj računa | Datum računa | Iznos računa bez PDV-a | PDV | Opis proizvoda ili usluga |
|-------------|-------------|--------------|------------------------|-----|---------------------------|
| | | | | | |

Ovjera Evropske komisije

Mjesto i datum:

Odgovorna osoba:

Potpis i
pečat:

II. Croatia

As a consortium leader or a partner in an EU-funded project, you have the right to exempt goods and services procured in the implementation of such a project from VAT payments.

Legislation

The Legal framework for VAT exemption in the Republic of Croatia is as follows:

- Framework Agreement between the European Commission and the Government of the Republic of Croatia Concerning Participation of the Republic of Croatia in the European Community's Aid Programmes (Official Gazette - International Agreements, No. 8/02 and 11/02), Article 25, Para 1, Item e;
- Framework Agreement between the Government of the Republic of Croatia and the Commission of the European Communities on the Rules for Co-Operation Concerning EC-Financial Assistance to the Republic of Croatia in the Framework of the Implementation of the Assistance under the Instrument for Pre-Accession Assistance (IPA) (Official Gazette - International Agreements, No. 10/07), Article 26, Para 2, Items b and d;
- Bylaw on amendments to the Bylaw on Value-Added Tax (Official Gazette, No. 34/08).

Initial set-up of the VAT exemption procedure

1. The contract should be concluded between the Contractor and the European Commission and validated/endorsed by the competent public administration body. Partner organisations, in addition to the contract concluded between the Contractor and the European Commission, have to also have an agreement concluded with the Contractor as evidence of their partner role in the project. The information on which public administration body is competent for your project, i.e. which public administration body should validate/endorse your contract, is available at the Central State Administrative Office for Development Strategy and Coordination of EU Funds. Beneficiaries of the majority of multi-beneficiary (centralized) programmes may contact Mr. Ivica Bogdanic in the Government Office for Cooperation with NGOs concerning validation/endorsement as well as for any additional information: ivica.bogdanic@uzuvrh.hr.
2. The document should be translated into Croatian. The translated copy does not need certification.
3. Prepare a statement that stipulates the legal framework for VAT exemption, from which your supplier will be able to simply copy the relevant legal framework pursuant to which VAT exempted invoice is being issued. The statement should be printed on your organisation's memo and it should bear the signature of an authorized signatory, plus your organisation's stamp. When you purchase goods or services for the project you have to inform the supplier that the goods and/or services being purchased are VAT exempted, and submit a copy of the validated/endorsed contract, translation of the contract into Croatian and the above-mentioned statement on VAT exemption. Some suppliers may request that the statement is prepared specifically stipulating their relevant invoice number. Supplier's invoice may have

the VAT amount listed, but the invoice has to also stipulate the amount to be paid, which should be VAT free. An example of the above-mentioned statement is attached herewith for your easy reference.

In January of each following year, you will be obliged to prepare a report on all VAT exempted invoices paid in the course of the previous financial year. The relevant form is available with the relevant public body.

Example: Statement on VAT exemption

<Name of organisation implementing the project>, Tax File Number: <Tax file number of organisation implementing the project> is <Project Leader/Project Partner> in EU project <Name of project>, in respect of which a contract has been concluded with the European Commission No. <Contract No.>. The project start date was <project start date>, and planned project completion date is <planned project end date>.

Pursuant to the Framework Agreement between the European Commission and the Government of the Republic of Croatia Concerning Participation of the Republic of Croatia in the European Community's Aid Programmes (Official Gazette - International Agreements, No. 8/02 and 11/02), Article 25, Para 1, Item e, and Framework Agreement between the Government of the Republic of Croatia and the Commission of the European Communities on the Rules for Co-Operation Concerning EC-Financial Assistance to the Republic of Croatia in the Framework of the Implementation of the Assistance under the Instrument for Pre-Accession Assistance (IPA) (Official Gazette - International Agreements, No. 10/07), Article 26, Para 2, Items b and d, as well as Bylaw on amendments to the Bylaw on Value-Added Tax (Official Gazette, No. 34/08), all purchases financed from the European Union support funds are VAT exempted.

Therefore, pursuant to the above-mentioned legal framework for VAT exemption, kindly issue your invoice for the ordered goods/services VAT exempted.

Example in Croatian language: Izjava o poreznom oslobođenju

<Naziv organizacije koja imlementira projekt>, OIB: <OIB broj> je <voditelj projekta/partner u projektu> <naziv projekta>, o čemu je sa Europskom komisijom sklopljen ugovor broj <broj ugovora>. Projekt je započeo <datum početka projekta>, a planirani završetak projekta je <datum završetka projekta>.

U skladu s člankom 13, točka 4 Dodatka A Okvirnog sporazuma između Europske komisije i Vlade Republike Hrvatske (Narodne novine - Međunarodni ugovori, br. 08/2002 i 11/2002), te člankom 26. Okvirnog sporazuma između Vlade Republike Hrvatske i Komisije europskih zajednica o pravilima za suradnju u svezi financijske pomoći Europske zajednice Republici Hrvatskoj u provedbi pomoći u okviru Instrumenta prepristupne pomoći - IPA (Narodne novine - Međunarodni ugovori, br. 10/07), na isporuke koje se financiraju iz potpore Europske zajednice ne obračunava se porez na dodanu vrijednost (PDV).

Temeljem gore-navedene osnove za porezno oslobođenje molimo da nam fakturu za naručenu robu/usluge dostavite bez obračunatog poreza na dodanu vrijednost.

III. Kosovo under UNSCR 1244/99

In order to efficiently run a project and to successfully achieve its objectives, YOUR project has to be managed and administered in an accurate and accountable way. The grant beneficiary has to secure efficient and operational management of the grant project. In addition to this, an accurate handling of the project accounts is crucial to the project's success.

After signing a contract with the Contracting Authority, the **Applicant, becomes a Grant Beneficiary and takes the responsibility for the entire project including activities carried out by all other partners (if applicable)**. The Grant beneficiary is responsible for timely and correct reporting to the Contracting Authority. Therefore the grant beneficiary should ensure that efficient administrative management and control systems are established within the operation. The Grant Beneficiary is also responsible for ensuring proper communication with the partners, ensuring that proper financial management and control procedures are applied and that the EC contractual procedures concerning financial management and control (audit) as well as procurement, information, communication and visibility activities and rules are respected and observed, also by the partners. As a **Grant Beneficiary** or a partner in an EU-funded project, you have the right to exempt all goods and services procured in the implementation of such a project from Value Added Tax (VAT) payment.

Ineligible costs

There are a number of specific costs that are **not** eligible for the project. This means that if you incur any of these costs, these are not allowed to be paid from project funds. VAT also falls under the Ineligible costs of your project activities. Examples of ineligible costs are¹:

- Debts and provisions for losses or debts;
- Interest owed;
- Items already financed in another framework or project;
- Purchases of land or buildings, except where necessary for the direct implementation of the action, in which case ownership must be transferred to the final beneficiaries at the end of the action;
- Currency exchange losses;
- In-kind contributions;
- Taxes, including VAT, unless the beneficiary (or the beneficiary's partners) can show it cannot reclaim them and the applicable EU regulations do not forbid coverage of taxes. This implies that the beneficiary (Functional Lead and/or the Applicant 2 and partners) should be able to submit supporting documents that prove that VAT cannot be reclaimed. This can for example be in the form of a letter from the country's authority responsible for VAT issues stating so, or statements by the auditor that VAT cannot be reclaimed (citing relevant legislation/regulation). It is strongly advised that obtaining VAT exemption is arranged by the grant beneficiary (or the beneficiary's partners) as early as possible after signing the contract with the EU;
- Credits to third parties.

If any of the above-mentioned **ineligible costs are incurred then the beneficiary** (or the beneficiary's partners) will need to cover these from **their own resources**. They should not be included in the financial report(s). Any non-eligible costs which are found in the report(s), particularly in the final report, will be deducted from the total project costs, therefore reducing the requested EU contribution accordingly.

¹ General conditions, art. 14.6.

The Kosovo Government has agreed with the IPA that there would be an exemption for funds received from the IPA for international contractors i.e. branch/foreign companies and from 1 January 2010 the law has changed in line with this agreement. Institutions which are exempted from taxes are the following:

- 1) International Monetary Fund (IMF);
- 2) World Bank- International Bank for reconstruction and Development (IBRD) and International Development Association;
- 3) International Financial Corporation's (IFC) and other members of the World Bank Group;
- 4) European Commission (EC);
- 5) European Bank for Reconstruction and Development (EBRD);
- 6) European Bank for Investment (EIB);
- 7) Inter-American Bank for Development (IADB);
- 8) Asian Development Bank (ADB);
- 9) African Development Bank (AFDB);
- 10) International Fund for Agricultural Development (IFAD);
- 11) Islamic Development Bank (IDB).

What is Value Added Tax?

Value Added Tax (VAT) is a consumption tax which is applied from 1 July 2001 on goods that are imported in Kosovo and the domestic supply of goods and services (according to the UNMIK Regulation no. 2001/11 "On Value Added Tax" which was amended in the UNMIK Regulation no. 2002/17 and 2004/35), and under the Law no.03/L-146 is applied at a rate of 16%.

People, who are subject to be registered as taxable persons, should have an annual turnover above 50,000 € (also persons who are under this ceiling, but who choose to register for VAT). These persons shall apply and collect calculated VAT from buyers or their consumers, and will receive a deduction tax credit for VAT paid on imports and domestic purchases.

VAT declaration forms shall be filled-in each month. In cases where we have a deduction tax on required VAT which exceeds the calculated tax of collected VAT, the taxable person is entitled to VAT credit or even a VAT refund.

When is the taxable period for Value Added Tax?

The taxable period for Value Added Tax is each calendar month. (Article 54, Law No. 03/L-146).

When is the deadline to declare VAT?

VAT shall be declared no later than the 20th of the following month for all purchases and sales from the previous month.

What is a Tax Declaration?

Taxing principles in Kosovo rely merely on the taxpayer's declaration of income. Therefore, the taxpayer should willingly declare all of the income by filling a tax declaration at a certain period of time, depending on the income declared.

Each person who is subject to taxation under the applicable legislation in Kosovo should submit to the Kosovo Tax Administration (KTA) or its agent, a declaration according to the requisition stated in the Law on Tax Administration and Procedures (Law No.03/L-222).

What are the tax declarations?

1. Declaration on Personal Income Tax
2. Declaration on Corporate Income Tax
3. Declaration on VAT and
4. Declaration on Pension Saving Contribution

If KTA ascertains that a taxpayer failed to submit a tax declaration, or in case he/she did this, the taxpayer under- or over-declared their income, then under the applicable tax laws KTA is entitled to make a new tax assessment

Request for VAT reimbursement

NGOs which are involved in performing VAT exempted supplying, such as projects funded by the EC, and as foreseen in the IPA agreement, have the right to reimbursement of VAT paid on purchases on a monthly basis regardless of the amount of these assets.

As the first step the NGOs must obtain a fiscal number and certificate of VAT declaration.

NGO must fill in and submit to KTA monthly statements of VAT at the latest by 20 (twenty) of the following month. NGOs should also fill in the request for a VAT refund of which will be available/presented to the office of the taxpayer service at KTA.

The evidences that an NGO must possess in their books and records to get reimbursement should be as follows:

1. Invoices of purchases for the tax period related with credit.
2. Sales invoices for tax periods related with credit.
3. Clarification regarding the cause of the credit balances of VAT²
4. Contracts and any supporting documents related to credit.

Note: the Invoices should contain all the details as prescribed with financial rules including the fiscal number and VAT number of the buyer and seller, date of the purchase and sale, VAT amount as a separate amount from the taxation amount.

These documents are required for the applicant to have upon the application for refund, but do not mean that such documents are attached to the request for refund.

In cases where an NGO, has other tax liabilities due to the irregular holding of tax at source or for any other legal reason, even though the requests will be approved for reimbursement, initially previous obligations will be covered and the remaining part will be reimbursed to them.

For more information please contact the TACSO Kosovo office at info.ko@tacso.org.

² This is applicable for the NGOs performing VAT exempted supplying, such as projects funded by the EC.

IV. Former Yugoslav Republic of Macedonia

Legislation

(In which legislative acts are the VAT exemption regulations laid out? Is there clear legislation on the VAT exemption for EU funded projects? Are there official Guidelines for VAT exemption of EU funded projects?)

EU-funded projects are VAT exempt pursuant to the Agreement between the Government of the Republic of Macedonia and the European Commission dated 26.07.1996, containing a clause that the donated funds cannot be used for payment of public fees in the Republic of Macedonia.

The following are the legislations that govern the VAT exemption for projects funded by irreversible funds from foreign donors. All of these documents are available on the [Ministry of Finance](#).

- *“Rulebook on the manner of applying the exemption from payment of customs and other duties, excise and value added tax (VAT) when importing goods and on providing funds for payment of excise and VAT on the sale of goods and services in the country, necessary for the realization of projects financed with irreversible funds by foreign donors” (Official Gazette of the Republic of Macedonia No.54/2003 dated 19.08.2003)*
- *Guidelines on the manner of applying the exemption from payment of customs and other duties, excise and value added tax (VAT) when importing goods and on providing funds for payment of excise and VAT on sale of goods and services in the country, necessary for realization of projects financed with irreversible funds by foreign donors (no. 08-17077/1 from 07.08.2003 and amendment No. 10-3780/1 from 10.02.2005)*
- *Guidelines on changing and amending the Guidelines on the manner of applying the exemption from payment of customs and other duties, excise and value added tax (VAT) when importing goods and on providing funds for payment of excise and VAT on sale of goods and services in the country, necessary for the realisation of projects financed with irreversible funds by foreign donors (No 20 - 44415/1 from 29 December 2009) (applicable as of 1 January 2010).*

Who is eligible?

(Which legal entity can use the privilege of VAT exemption for a Project? Is VAT exemption carried out through the Applicant CSO, or through the Project? Are both Applicant CSOs and Partner CSOs eligible to use VAT exemption?)

- The entity responsible for the realization of projects – the implementing agency (Budget users, Funds, non-government organisations registered in the Republic of Macedonia) shall initiate the procedure for exemption from payment of customs and other duties, excise and value added tax (VAT) when importing goods, as well as the procedure for providing funds from the Budget of the Republic of Macedonia for the payment of excise and VAT on the sale in the country, necessary for the realization of projects.
- The foreign donor or entity (foreign legal entity or physical person not having an establishment in the Republic of Macedonia) - implementing agency, which has concluded

written agreement with the foreign donor or with its authorized representative for project realization, can initiate the procedure for VAT exemption

- Local government units responsible for the realization of the project - implementing agencies, shall initiate the procedure via the Ministry of Local Government.
- Spending units responsible for the realization of the project - implementing agencies, shall initiate the procedure via the competent budget user.

Initial set-up of the VAT exemption procedure

1. Project registration

Entities responsible for project implementation have to register the project in the Government of the Republic of Macedonia - General Secretariat - Sector for European Integration - Foreign Assistance Coordination Unit, by filling in a special registration form (please see Annex 1) which among other information contains the following:

- a. Name of the project in Macedonian and English language;
- b. Amount of the donation for the respective project;
- c. Names of the foreign long-term experts engaged in the project implementation.

Copy of the agreement concluded between the implementing agency and the foreign donor or its authorized representative shall be attached to the request.

The Foreign Assistance Coordination Unit shall issue a certificate of registration of the project. The certificate shall contain the following data:

- d. Name of the project in Macedonian and English language;
- e. Amount of the donation for the respective project;
- f. Name of the implementing agency responsible for project implementation; and
- g. The date the Government of the Republic of Macedonia and the foreign donor (indicating its name) concluded an agreement, containing a clause stating that the donated funds cannot be used for payment of public fees in the Republic of Macedonia;

2. Making a project stamp

On the basis of the certificate for project registration the entities responsible for project implementation should make a project stamp which will mainly be needed when requesting the VAT exemption to the Ministry of Finance.

3. Project tax number

Entities responsible for project implementation - implementing agencies should obtain project tax identification number (TIN) at the Public Revenue Office - Skopje Regional Branch Office.

4. Informing suppliers about VAT exemption

In order to avoid any misunderstandings with suppliers before contracting them for providing goods/services for the project, please make sure that you inform them clearly that the project is VAT exempt and send them a copy of the certificate for project registration issued by the Government of the Republic of Macedonia. This should especially be done when taking into account the fact that the project does not pay the full amount but only the invoice amount without VAT.

In addition, you may advise them about their obligations which are stated in Article 5 from the "Guidelines on the manner of applying the exemption from payment of customs and other duties,

excise and value added tax (VAT) when importing goods and on providing funds for the payment of excise and VAT on sale of goods and services in the country, necessary for the realization of projects financed with irreversible funds by foreign donors”.

The invoice has to be addressed to the name of the project, but further on it should also contain the name of the implementing party as well as the project number.

5. Submitting form A3-P to the Ministry of Finance

To the end of providing funds for the payment of excise and VAT from the Budget of the Republic of Macedonia on the sale of goods and services in the country for the realization of projects financed with funds from foreign donors, request on the form A3-P, (Annex II), should be filed to the Ministry of Finance in two copies.

The following documents should be attached to the request:

- Invoice (bill of quantity or other document), in original, from the supplier of the goods or the service provider, sent to the project, under the name in which the project has been registered in the Government of the Republic of Macedonia, indicating the implementing agency. The invoice must separately present the VAT amount and the excise amount, expressed in Denars:
- Copy of the certificate of registration of the project in the Government of the Republic of Macedonia - General Secretariat - Sector for European Integration - Foreign Assistance Coordination Unit, containing the following data:
 - Name of the project in Macedonian and English language;
 - Amount of the donation for the respective project;
 - Name of the implementing agency responsible for project implementation; and
 - The date the Government of the Republic of Macedonia and the foreign donor (indicating its name) concluded an agreement, containing a clause stating that the donated funds cannot be used for payment of public fees in the Republic of Macedonia; and
- Copy of the agreement concluded between the entity responsible for project implementation - implementing agency and the foreign donor or its authorized representative (submitted only with the first request).

ANNEX I: Request for registration of projects in the Central Donor Assistance Database of the Government of the Republic of Macedonia

Form: SCFA – CDAD1

Request

for registration of projects in the Central Donor Assistance Database of the Government of the Republic of Macedonia

Date: _____

/Project title in Macedonian/

/Project title in English/

Financed by: _____

Requests from the Secretariat for European Affairs –Sector for Coordination of the Foreign Assistance within the Government of the Republic of Macedonia, to register the project in the Central Donor Assistance Database of the Government of the Republic of Macedonia (CDAD) and to issue a certificate, according to Article 3, paragraph 2 and Article 4, paragraph 2 from the *“Rulebook on the manner of applying the exemption from payment of customs and other duties, excise and value added tax (VAT) when importing goods and on providing funds for payment of excise and vat on sale of goods and services in the country, necessary for realization of projects financed with irreversible funds by foreign donors”* published in the Official Gazette of the Republic of Macedonia No.54/2003 dated 19.08.2003, according to Article 8 from the *“Guidelines on the manner of applying the exemption from payment of customs and other duties, excise and value added tax (VAT) when importing goods and on providing funds for payment of excise and vat on sale of goods and services in the country, necessary for realization of projects financed with irreversible funds by foreign donors”* issued by the Ministry of Finance No.08-17077/1 on 07.08.2003, and according to the agreement between the Government of the Republic of Macedonia and _____ dated _____, containing a clause that the donated funds cannot be used for payment of public fees in the Republic of Macedonia.

Project information *

Project value: _____ Currency: _____

Start date: _____ End date: _____

* Request holder certifies that all data are valid. Every modification of the project information the request holder is obligated to inform the Sector for Coordination of the Foreign Assistance within the Secretariat for European Affairs of the Government of the Republic of Macedonia.

Donor's information³:

| | | |
|----------------------------|--------------------|----------------|
| <i>Donor:</i> | | |
| <i>Address:</i> | | |
| <i>Telephone:</i> | <i>Fax:</i> | <i>E-Mail:</i> |
| <i>Responsible person:</i> | | |
| <i>Title:</i> | <i>Department:</i> | |
| <i>Address:</i> | | |
| <i>Telephone:</i> | <i>Fax:</i> | <i>E-Mail:</i> |

Information on the implementing company:

| | | |
|------------------------------|--------------------|----------------|
| <i>Implementing company:</i> | | |
| <i>Address:</i> | | |
| <i>Telephone:</i> | <i>Fax:</i> | <i>E-Mail:</i> |
| <i>Team leader:</i> | | |
| <i>Title:</i> | <i>Department:</i> | |
| <i>Address:</i> | | |
| <i>Telephone:</i> | <i>Fax:</i> | <i>E-Mail:</i> |

Recipient information⁴:

| | | |
|----------------------------|--------------------|----------------|
| <i>Recipient:</i> | | |
| <i>Address:</i> | | |
| <i>Telephone:</i> | <i>Fax:</i> | <i>E-Mail:</i> |
| <i>Responsible person:</i> | | |
| <i>Title:</i> | <i>Department:</i> | |
| <i>Address:</i> | | |
| <i>Telephone:</i> | <i>Fax:</i> | <i>E-Mail:</i> |

In addition to this request, a copy of the agreement between the implementing agency and the donor or its authorized representative has to be submitted and a list of long term foreign experts included in the project.

Project stamp:

.....
Authorized person

.....
Authorized person function

.....
Authorized person Signature

³ In case of two or more donors, appropriate number of tables has to be filed in

V. Montenegro

Legislation

(In which legislative acts are the VAT exemption regulations laid out? Is there clear legislation on the VAT exemption for EU funded projects? Are there official Guidelines for VAT exemption of EU funded projects?)

The referential documents are:

1.1 National legislation:

1.1.1 Montenegrin Law on Value Added Tax ("Official Gazette GoM" No. 65/01, 12/02, 38/02, 72/02, 21/03, 76/05 and 16/07; electronic copy of the Law available on the official website of the Government of Montenegro: <http://www.mf.gov.me/biblioteka/zakoni?pagerIndex=5>).

2.1.1 Rulebook on the Implementation of Law on Value Added Tax ("Official Gazette GoM" No. 65/02 and 13/03; electronic copy of the Rulebook available on the official website of the Government of Montenegro: <http://www.mf.gov.me/biblioteka/pravilnici?pagerIndex=2>).

3.2.1 Instruction on the manner of conducting the procedure with regards to exemption from payment of VAT in cases international agreements or contracts provided that for ("Official Gazette of RoM, No. 34/03).

1.2 International treaty:

1.2.1 Framework Agreement between the Government of Montenegro and the Commission of European Communities signed by ELARG Director General Mr Pierre Mirel and former NIPAC Ms Gordana Djurovic on 05/11/2007, as reflected in the General Conditions Applicable to European Union-Financed Contracts for External Actions (Article 26).

Who is eligible?

(Which legal entity can use the privilege of VAT exemption for a Project? Is VAT exemption carried out through the Applicant CSO, or through the Project? Are both Applicant CSOs and Partner CSOs eligible to use VAT exemption?)

VAT exemption is carried out based on the Project Contract, signed between the Contractor/Beneficiary and the Contracting Authority. The Project Contract should reference the relevant bilateral or multilateral agreement based on which the Project is eligible for VAT exemption. In the case of EU-funded projects, the relevant agreement is the Framework Agreement referenced above (Item 1. 2.1)

Both National and Multibeneficiary IPA-funded Projects are eligible for VAT exemption.

Contractor/Beneficiary is eligible for VAT exemption for EU-funded projects. The VAT status of Project Partners within the projects funded under National programme is not clearly defined by the VAT law. The EU Delegation to Montenegro is in communication with the relevant local authorities on that subject expecting to have that issue clarified in the forthcoming period.

Project partners implementing their activities in Montenegro within **regional programmes** are exempted according to the procedure detailed below (please see item 5. - Procedure for VAT exemption for goods and services).

How many types of VAT exemption exist in the country?

There are two types of VAT exemption, one applicable for legal entities with diplomatic status, and one for non-diplomatic legal entities, including EU funded projects.

Initial set-up of the VAT exemption procedure

The "Instruction on the manner of conducting the procedure with regards to exemption from payment of VAT in cases international agreements or contracts provided that for" stipulates that tax exemption certificates are to be issued by the Ministry competent for the field in which the project is to be realized (Article 2, Para 4) and that the competent Ministry is obliged to forward the tax certificates on the date of their issuance to the Directorate for Public Revenues – its main office in Podgorica (Article 2, Para 5). However, in practice, the authority dealing with VAT exemption procedure for EU-funded Projects is currently the Ministry of Foreign Affairs and European Integration (hereinafter: MoFA&EI).

The initial setup of the VAT exemption procedure for a new EU funded Project requires the following steps:

- As a model of good practice and in order to reduce administrative workload, you are kindly advised to **collect invoices issued by the same supplier**, list them in a single request and submit them altogether.
- **It is essential that you highlight to suppliers that the requested goods/services are project-related and VAT exempted**, so that they indicate clearly in the invoice amounts excluding VAT (net amount), the amount of VAT and total amount. It is recommended that you prepare a statement that stipulates the legal framework for VAT exemption (please see above point 1), contractor's references, number and title of contract, as well as project start and planned end date, and provide it to your suppliers.
- For supply contracts which include importation from abroad, Contractors (if they are not established in Montenegro) are advised to authorise a shipping agent to clear the customs/VAT on their behalf.
- For works contracts, tax exemption certificates are issued following the approval of individual IPCs for payment by the relevant Task Manager.
- The requests are processed sequentially and priority is given to urgent importations of goods from abroad, when the delivery is scheduled for a fixed date. Usually it takes up to three weeks to obtain the tax exemption certificates, however this should be taken only indicatively, depending on the number of received requests, availability of relevant Task Manager and the availability of the responsible person in the Ministry of Foreign Affairs and European Integration (MoFA&EI). The Delegation informs the Contractor by email when the certificates are fully processed and approved by the Ministry of Foreign Affairs, and the Contractor is obliged to collect them (in duplicate original) from our reception. You are hence kindly asked to clearly indicate your contact details in the

header of the request so that we inform you the moment the certificates become available.

Procedure for VAT exemption for goods and services

VAT exemption for goods and services is obtained based on the invoice. The regular procedure is described below:

- Request an invoice or any document, which can be used as an invoice (Ref. Article 31 of the Law on Value Added Tax) for each separate supply of goods/services (hereinafter: invoice) from the provider of goods and services. Invoice should be stamped and signed, and accompany the VAT exemption request.
- Insert your company logo in the template VAT exemption request annexed to this instruction (hereinafter: request), indicate amounts excluding VAT in the enclosed table, and enter project title and number in the footer as well. The request should be addressed to:
 - Delegation of the European Union to Montenegro
 - Operations Section, for the attn of Relevant Task Manager (please enter name) in the EU Delegation to Montenegro (for national programmes) or in Brussels (for regional programmes)
- The request should be duly filled in and printed out, dated, signed and stamped by the Authorised Person.
- The request can be hand delivered or sent by fax or email. If the requests are sent by email, please send them to the the responsible TMs and always copy functional mailbox: DELEGATION-MONTENEGRO-TAX-EXEMPTIONS@eeas.europa.eu
- If the project is regional, the request needs to be filled in, scanned and sent (along with the corresponding invoice) by email to responsible TM in Brussels, CC to Nina Markovic (nina.markovic@eeas.europa.eu).
- EUD fills out VAT exemption form as per each admissible request.
- Once the request is approved by the responsible TM and Head of Operations, the VAT exemption form and the request are then forwarded to the MoFA&E for final approval.
- Once the VAT exemption form have been approved and processed by the MoFA&EI, the Contractor shall collect 2 originals from the Delegation; **a copy of the approved VAT exemption request should be given to the supplier of goods and services, one original sample should be sent to the Tax Authority and the other original should be filed in your archive.**

How should the invoice¹ look like?

There are a number of rules that the invoice needs to adhere to in order to be acceptable for VAT exemption:

- It must clearly show the name, address and VAT ID no. of the provider of services
- It must clearly show the name, address and VAT ID no. of the organisation implementing the Project – identical to those stated in the Project Contract and preferably reference the Project title and number
- It must clearly show net value, VAT rate, VAT amount, and total cost of goods/services and the description of goods/services
- The net value on the invoice must match the value listed on the VAT exemption form exactly. *(Note – in case of goods or services which are not subject to VAT or are subject to a 0% rate of VAT, this sum is NOT included in the value listed on the VAT exemption form. The value on the VAT exemption form must match exactly the total value of the tax base of all the articles on the invoice which are subject to any rate of VAT other than 0%.)*
- The invoice does not need to be an original – it can be a copy, a scan, or a faxed version.

What to do in case of change?

If you have carried out the VAT exemption procedure on a particular invoice, but then the conditions have changed, you can apply the following procedure:

- If you have decided not to purchase the goods or services, you have no obligation to do so. A VAT exemption does not bind you to carry out the transaction. You can simply return the approved VAT exemption certificate to the EU Delegation for cancellation, with a cover note explaining the reason for cancellation.
- If the price of the goods or services has changed, you also return the approved VAT exemption certificate to the EU Delegation for cancellation, and re-submit the request for the new invoices with a cover note explaining the reason for correction.

Other information

Since Montenegro has become candidate country for EU membership, all contracting procedures including VAT exemption procedure are to be transferred to the appointed institutions in Montenegro.

The above explained procedure for VAT exemption remains until further notice.

¹ The obligations of suppliers with regard to issuing invoices are laid down by the Law on Value Added Tax, Section X, Articles 31 and 32

COMPANY LOGO

Project Title:

Project Number:

Attn: Operations Section

----- (Project Manager's Name - Mr)

TAX EXEMPTION REQUEST

Dear Sir / Madam,

Please provide us with the certificates for the tax exemptions (Customs + VAT) for the attached Invoice.

| Supplier | Invoice No. | Invoice Date | Description | Amount (net) | VAT | Customs | Total amount |
|----------|-------------|--------------|-------------|--------------|-----|---------|--------------|
| | | | | | | | |

Podgorica, _____ (date)

Signature and stamp



Project title
An EU-funded project managed by the Delegation of the European Union to Montenegro

VI. Serbia

Legislation

(In which legislative acts are the VAT exemption regulations laid out? Is there clear legislation on the VAT exemption for EU funded projects? Are there official Guidelines for VAT exemption of EU funded projects?)

- Annex II – General Conditions Applicable to European Union-Financed Grant Contracts for External Actions, Article 14.2 – *Costs not considered eligible.*
- Law on VAT of the Republic of Serbia, Article 24, Paragraph 1, Subparagraph 16a.
- A Guide for the Application of the VAT Law can be found on the [Tax Administration](#) and parts relevant to VAT exemption for EU-funded projects can be found on page 118.

Who is eligible?

(Which legal entity can use the privilege of VAT exemption for a Project? Is VAT exemption carried out through the Applicant CSO, or through the Project? Are both Applicant CSOs and Partner CSOs eligible to use VAT exemption?)

VAT exemption is carried out based on the Project Contract, signed between the Lead Applicant/Beneficiary and the Contracting Authority. The Project Contract should reference the relevant bilateral or multilateral agreement based on which the Project is eligible for VAT exemption. In the case of EU-funded projects, the relevant agreement is the Framework Agreement between the EU and SR Yugoslavia, signed on 25.11.2000 and ratified on 21.03.2003.

Both National and Multibeneficiary IPA-funded Projects are eligible for VAT exemption.

Both Lead Applicants and project Partners are eligible for VAT exemption for EU-funded projects, but project Partners will only be eligible for VAT exemption if they can provide this additional documentation:

- A copy of the Project contract (it would be best if the Project contract between the Lead Applicant and the Contracting Authority specifically mentions the project Partner, and states the budget defined for the Partner's project activities)
- A copy of the Project budget, which clearly shows which part of the budget will be used by the Partner, or a statement from the Lead Applicant stating which part of the Project budget will be used by the Partner
- A contract signed with the Lead Applicant regarding joint Project implementation

How many types of VAT exemption exist in the country?

There are two types of VAT exemption, one applicable for legal entities with diplomatic status, and one for non-diplomatic legal entities, including EU-funded Projects. The VAT exemption procedure in the second case is carried out at the Tax Administration for each individual invoice.

Initial set-up of the VAT exemption procedure

The initial setup of the VAT exemption procedure for a new EU funded Project requires the following steps:

1. Contact the EU Delegation in Serbia and ask them to forward your Project Contract to the Tax Administration, so that it can be registered for VAT exemption. You can forward your request, along with a scanned copy of your Project Contract and a statement naming the Authorised Person who will be responsible for signing the VAT exemption forms for the Project, to Ms. Zorana Stepanov, Operations Department, Delegation of the European Union to the Republic of Serbia – zorana.stepanov@eeas.europa.eu
2. Create a list of names and provide photocopies of personal identification cards of all persons who will be responsible for submitting the VAT exemption requests to the Tax Administration.
3. Create a Specimen of Signatures of the Project team members who are responsible for signing VAT exemption forms.
4. The copy of the Project Contract, the list of names of persons responsible for submitting the VAT documentation, and the Specimen of Signatures of persons responsible for signing the VAT exemption forms should only be provided the first time you visit the Tax Administration. The copy of the Project Contract will be sent on your behalf by the EU Delegation. The list of persons responsible for submitting the VAT documentation to the Tax Administration should be submitted to the reception desk at the Tax Administration headquarters building, address: Save Maskovica 3-5, 11000 Belgrade. The Specimen of Signatures should be submitted to office 446 in the same building.

After all these steps have been carried out, you can go ahead with your first VAT exemptions.

Regular VAT exemption for goods and services

VAT exemption for goods and services is obtained based on the Pro Forma Invoice. The regular procedure goes as follows:

1. Request a Pro Forma invoice from the provider of goods and services. (The Pro Forma invoice needs to adhere to a specific format which will be outlined later)
2. Download the [VAT exemption form](#) available on the Tax Administration Web site. You can recreate your own version of the form, as long as it contains all the required fields.
3. Using the information from your contract, fill out the header part of the VAT exemption form. This part of the form will not change for the duration of your Project. It contains the following information:
 - a. Name, address and Tax ID no. of legal entity implementing the Project
 - b. Name, number and date of signing of the international contract based on which the Project is VAT exempted
 - c. Name, number and total value of the individual Project

4. Fill out the VAT exemption form in line with the information in the Pro Forma invoice. The date of the Pro-Forma invoice must match the date of the VAT exemption form, and the net amount listed on both documents must be identical.
5. Print out the filled out VAT exemption form in three copies. Each of the three identical originals must be signed by the Authorised Person and stamped, if the legal entity has a stamp. (If the legal entity does not have a stamp, it provides the Tax Administration with a statement saying it has no stamp, and puts only the Authorised Person's signature on the VAT exemption form)
6. If the value of the individual Pro Forma invoice is higher than 700 euros, it must be taken to the EUD for approval. The approval is obtained in the following way:
 - a. The value of the Pro Forma invoice is established in accordance with the Inforeuro exchange rate
 - b. If the value exceeds 700 euros, the VAT exemption form will be prepared in three copies as usual, and all three copies, along with one copy of the relevant Pro-Forma invoice, will be submitted in person to the EU Delegation in Belgrade – address:

Delegation of the European Union to the Republic of Serbia
Vladimira Popovica 40,
GTC Avenue block 19 a,
11070 New Belgrade.

The documents can be left at the reception desk on the 5th floor, stating the name of the person responsible for your Project.

- c. When the documents have been approved by the EUD, you will be informed by e-mail or telephone. You may then come to collect your documents and take them to the Tax Administration.
 - d. If the value is below 700 euros, skip this step.
7. One copy of the Pro Forma invoice and three identical originals of the VAT exemption form are taken to the central office of the Tax Administration, section for VAT control (Save Maskovica 3-5, 4th floor, office 446)
8. The Tax Administration officials will enter the VAT exemption form into the Registry and validate all three originals. One original is kept by the Tax Administration, and two are returned.
9. Once the VAT exemption form has been approved by the Tax Administration, you may pay the net cost of the goods or services, without VAT.
10. File your copy of the VAT exemption form in your archive.
11. Send the third copy of the VAT exemption form to the seller/ provider of goods and services. They will use this form along with the invoice to receive a refraction for the VAT they have not charged you. You are obliged to send this form to the seller no later than the 10th of the month following the month when the VAT exemption was issued.
12. The seller can now provide you with the receipt/ invoice for the goods or services, which shows the net value paid, without VAT.

How should the Pro Forma invoice look?

There are a number of rules that the Pro Forma invoice needs to adhere to in order to be acceptable for VAT exemption:

- It must clearly state that it is a Pro Forma invoice, and not an actual invoice
- Its date should be as close as possible to the date on which you take it to the Tax Administration
- Its date must match exactly the date in the header of your VAT exemption form
- It must clearly show the name, address and Tax ID no. of the provider of services
- It must clearly show the name, address and Tax ID no. of the organisation implementing the Project – identical to those stated in the Project Contract. If the organisation does not have a Tax ID number, it submits a statement to the Tax Administration saying that it does not use a Tax ID number.
- It must clearly show net value, VAT rate, VAT amount, and total cost of goods/ services
- The net value on the Pro Forma invoice must exactly match the value listed on the VAT exemption form. *(Note – in case of goods or services which are not subject to VAT or are subject to a 0% rate of VAT, this sum is NOT included in the value listed on the VAT exemption form. The value on the VAT exemption form must match exactly the total value of the tax base of all the articles on the Pro Forma invoice which are subject to any rate of VAT other than 0%. See example in Annex)*
- The Pro Forma invoice does not need to be an original – it can be a copy, a scan, or a faxed version.
- If the Pro Forma invoice is not signed and stamped by the trader, it needs to carry a note stating that it is valid without a signature or stamp.
- If the Pro Forma invoice is issued for services, the exact date of the carrying out of these services needs to be stated on the Pro Forma invoice. The date needs to be after the date on which the documentation is being submitted to the Tax Administration. This is important because VAT exemption cannot be performed for goods or services which have already been paid for, or received.

What to do in case of a change?

If you have carried out the VAT exemption procedure on a particular invoice, but then the conditions have changed, you can apply the following procedure:

- If you have decided to not purchase the goods or services, you have no obligation to do so. A VAT exemption does not bind you to carry out the transaction. You can simply return the two copies of the VAT exemption form to the Tax Administration for cancellation.
- If the price of the goods or services has changed, you can make a written request to the Tax Administration for a correction. You will need to submit:
 - A signed and stamped written request explaining what is being corrected
 - A new Pro Forma invoice, identical to the old one in all ways except for the information being corrected (most often the price)
 - The two copies of the old VAT exemption form
 - Three copies of the new VAT exemption form, identical to the old one in all details except the information being corrected.

The correction can be carried out even if the goods have been already paid for. If goods/ services are paid in advance and not all of the payment is spent, you can carry out the procedure outlined above and then ask the trader to refund you for the difference.

ANNEX I: Example of a Pro Forma Invoice

HOTEL D.O.O.
 Address and Street no.
 11000 Beograd
 Their Tax ID No.
 Their Registration No.

1

Your Organisation's name
 Your address
 Your Tax ID No.

2

Date: 01.01.2011
Place: Beograd

3

| Service | Qty | VAT Rate | Net cost | VAT | Total cost |
|--|-----|----------|-----------|----------|------------|
| Accommodation from 10. to 12. jan 2011 | 1 | 8% | 10.000,00 | 800,00 | 10.800,00 |
| Tax | 1 | 0% | 100,00 | 0,00 | 100,00 |
| Training facilities | 1 | 18% | 10.000,00 | 1.800,00 | 11.800,00 |
| Total | | | 20.100,00 | 2.600,00 | 22.700,00 |

4

RSD

Payments can be made to the following bank account: *Bank account details*

This Pro Forma invoice is valid without a signature or stamp

5

1. The Pro Forma invoice must contain full details of the seller, including name, address and Tax ID No.
2. The Pro Forma invoice must contain your full details, including name, address and Tax ID No, if you have one
3. The date of the Pro Forma invoice must be identical to the date of the VAT exemption form
4. The value of goods and services which are not subject to VAT or which have a VAT rate of 0% is not included in the final net value which is written in the VAT exemption form - so in this case, the net value of goods and services being requested for VAT exemption would be NOT 20,100 rsd, but 20.000 rsd. If this is not correctly calculated, your VAT exemption form will not be accepted by the Tax Administration.
5. The Pro Forma invoice does not need to be submitted in original - you can submit a copy, faxed or scanned version, but it does have to be signed and stamped. If it isn't signed and stamped, it must carry a statement saying it is valid without a signature or stamp.

VII. Turkey

Legislation

(In which legislative acts are the VAT exemption regulations laid out? Is there clear legislation on the VAT exemption for EU funded projects? Are there official Guidelines for VAT exemption of EU funded projects?)

The reference documents are:

- IPA Framework Agreement (**Article 26 Rules on taxes, customs and import duties and levies and/or taxes of equivalent effect**)
- [VAT exemption stipulated in IPA FWA that approved by the Law No: 5824](#)
- [Guide for the Application of the VAT Law Article 4.3.2.2](#)
- Annex II – General Conditions Applicable to European Union-Financed Grant Contracts for External Actions, Article 14.2 – *Costs not considered eligible.*

Who is eligible?

(Which legal entity can use the privilege of VAT exemption for a Project? Is VAT exemption carried out through the Applicant CSO, or through the Project? Are both Applicant CSOs and Partner CSOs eligible to use VAT exemption?)

Article 26: Rules on taxes, customs and import duties and levies and/or taxes of equivalent effect

(IPA FWA)

1. Save where otherwise provided for in a Sectoral Agreement or a Financing Agreement, taxes, customs and import duties and levies and/or taxes of equivalent effect are not eligible under IPA. This exemption also covers the co-financing provided by the Republic of Turkey.
2. The following detailed provisions shall apply:
 - a. EC contractors shall be exempted from VAT for any service rendered and/or goods supplied and/or works executed under the EC contract. Goods supplied or services rendered or works executed by a contractor to the EC contractor shall also be exempt from VAT. Such exemption shall only be applied to the goods supplied or services rendered or works executed which are connected with the goods supplied or services rendered or works executed by the EC contractor under the EC contract.
 - b. For the purposes of this agreement, the term "*EC contractor*" shall be construed as natural and legal persons, rendering services and/or supplying goods and/or executing works and/or executing a grant under an EC contract. The term "*EC contractor*" shall also cover partners in a consortium or joint venture, contractors and pre-accession advisors, also known as resident twinning advisors. The term "*EC contract*" means any legally binding document through which an activity is financed under IPA, including possible co-financing, and which is signed by the European Community or the Beneficiary or a grant beneficiary. 22

Therefore, both the Beneficiary and Project Partners are eligible for VAT exemption for EU-funded projects. They have to provide the below documentation:

- A copy of the Grant Contract (mentioning the project partners and the budget defined for the Partner's project activities) which must be endorsed (signed and sealed all pages of the entire

contract) by the authorized representative of the applying organization (the one applying for the VAT exemption)

- A copy of the Project budget, which clearly shows which part of the budget will be used by the Partners, or a statement from the Beneficiary stating which part of the Project budget will be used by the Partner. This should also be mentioned in the “information form” which is also to be signed by the Contracting Authority⁵.

Initial set-up of the VAT exemption procedure

The initial setup of the VAT exemption procedure for a new EU funded Project requires the following steps:

1. Contact the Revenue Administration or your Tax Office filling the [request form](#) “Annex 4a” or “Annex 4b” respectively to be registered for VAT exemption⁶.
2. You also have to submit your request, along with an information form “Annex 5” to be signed both by the Contracting Authority and the EC Contractor, partnership agreement (if the application is done by the partner) and the scanned copy of your Grant Contract including the budget and an authorization statement for the person who will be responsible for signing the VAT exemption forms for the Project.

After all these steps have been carried out, you can go ahead with your first VAT exemptions.

⁵ In the case of centrally managed contracts, there is no requirement of approvals by the CA of applications

⁶ In the case of foreign applicants, they have to apply with the Ministry HQ

ANNEX I: Example of a VAT exemption form

KDV İstisna Sertifikası Örneği

| | |
|--|--|
| T.C. MALİYE BAKANLIĞI GELİR İDARESİ BAŞKANLIĞI | |
| <i>Türkiye ile Avrupa Birliği arasında imzalanan ve 5824 Sayılı Kanun ile Onaylanması uygun bulunan IPA Çerçeve Anlaşması Çerçevesinde</i> | |
| KATMA DEĞER VERGİSİ İSTİSNA SERTİFİKASI | |
| Tarih : ... / ... / Sayı : | |
| AVRUPA TOPLULUĞU (AT) YÜKLENİCİSİNİN | |
| Adı/Unvanı | |
| Bağlı Olduğu Vergi Dairesi (Varsa) | |
| Vergi Kimlik veya T.C. Kimlik Numarası (Gerçek kişiler için) | |
| AT SÖZLEŞMESİNE KONU PROJE ADI | |
| AT SÖZLEŞMESİNİN | |
| Tarih ve Sayısı | |
| Başlangıç Tarihi, | |
| Süresi | |
| Bitiş Tarihi | |
| Bedeli | |
| Özelgenin Tarih ve Sayısı | |
| Hibe Yararlanıcısının Unvanı Adı/Unvanı | |

Yukarıda kimlik bilgileri yer alan AT Yüklenicisi'nin IPA Çerçeve Anlaşması'nın 26/2-b maddesi kapsamında; AT Sözleşmesi çerçevesinde ve Sözleşme süresi içinde, 2.000 TL'nin üstündeki alımlarında tedarikçi ile tedarik sözleşmesi yapması ve bu tedarik sözleşmesi konusu mal, hizmet ve işin AT Sözleşmesi kapsamında olduğunun 1 Sıra No'lu Türkiye - Avrupa Birliği Katılım Öncesi Yardım Aracı (IPA) Çerçeve Anlaşması Genel Tebliği'nde belirtilen usul ve esaslar dahilinde onaylanması halinde, bu tedarik sözleşmesinde yazılı mal, hizmet ve iş için katma değer vergisi tahsil edilmez. 2.000 TL'nin altında yapılan alımlarda ise, tedarikçi ile tedarik sözleşmesi yapma şartı aranmaksızın, doğrudan bu belgenin AT Yüklenicisi tarafından onaylı örneğinin ibrazı ile KDV istisnası uygulanacaktır. Bu KDV İstisna Sertifikası, yalnızca yukarıda kimlik bilgileri yazılı AT Yüklenicisi tarafından AT sözleşmesi süresi içinde kullanılır. Başkasına devredilemez.

Onaylayan

ANNEX II: Example of a VAT request for to the Revenue Administration

EK-4/a

Katma Değer Vergisi İstisna Sertifikası Talep Dilekçesi (Gelir İdaresi Başkanlığı'na Yapılacak Başvurular için)

GELİR İDARESİ BAŞKANLIĞI'NA (Avrupa Birliği ve Dış İlişkiler Daire Başkanlığı) ANKARA

Avrupa Birliği mali yardımları kapsamında isimli sözleşme makamı ile imzalanan tarih ve sayılı sözleşme ve isimli sözleşme ile ilgili olarak yapılacak mal alımları, hizmet ifaları ve yaptırılacak işlerde Katma Değer Vergisi istisnasından yararlanmak üzere, 5824 sayılı Kanunla onaylanması uygun bulunan IPA Çerçeve Anlaşması gereğince, tarafımıza KDV İstisna Sertifikası'nın düzenlenip verilmesini arz ederim.

...../...../200...

(Yetkili Kişi Adı-Soyadı ve Unvan,
Varsa kaşe)

İletişim Bilgileri:

Adres :

.....

.....

Tel. :

Faks :

E-mail :

ANNEX III: Example of a VAT request form to the Tax office

EK-4/b

Katma Değer Vergisi İstisna Sertifikası Talep Dilekçesi (Vergi Dairesi Başkanlığı'na Yapılacak Başvurular için)

..... VERGİ DAİRESİ BAŞKANLIĞI'NA

Avrupa Birliği mali yardımları kapsamında isimli sözleşme makamı ile imzalanan tarih ve sayılı sözleşme ve isimli sözleşme ile ilgili olarak yapılacak mal alımları, hizmet ifaları ve yaptırılacak işlerde Katma Değer Vergisi istisnasından yararlanmak üzere, 5824 sayılı Kanun'la onaylanması uygun bulunan IPA Çerçeve Anlaşması gereğince, tarafımıza KDV İstisna Sertifikası'nın düzenlenip verilmesini arz ederim.

...../...../200...

(Yetkili Kişi Adı-Unvan, Tarih, Kaşe/Mühür)

İletişim Bilgileri:

Adres :

.....

.....

Tel. :

Faks :

E-mail :

ANNEX IV: Example of an Information Form

EK-5

5824 Sayılı Kanun’la Onaylanması Uygun Bulunan IPA Çerçeve Anlaşması Kapsamındaki Katma Değer Vergisi İstisnası’ndan Yararlanmak İçin Avrupa Topluluğu (AT) Yüklenicisi ve Avrupa Topluluğu Sözleşmesi Hakkında -- BİLGİ FORMU

| | |
|---|---|
| Sözleşme Makamı | |
| Hibe Yararlanıcısının Adı/Unvanı | |
| AT Sözleşmesinin Dayandığı Finansman Anlaşması Tarih ve Sayısı | |
| AT Yüklenicisi (İsim veya Unvan) | |
| AT SÖZLEŞMESİNİN | |
| Tarih-Sayısı | |
| Uygulanacağı Yer/ler | |
| Bedeli | |
| Başlangıç Tarihi | |
| Süresi | |
| AT Sözleşmesine Konu Proje Adı (Türkçe ve İngilizce) | |
| AT YÜKLENİCİSİNİN | |
| Bağlı Olduğu Vergi Dairesi ve İli (varsa) | |
| Vergi Kimlik Numarası (Tüzel Kişiler İçin) | |
| Vergi Kimlik ve/veya T.C. Kimlik Numarası (Gerçek Kişiler İçin) | |
| İletişim Bilgileri (Adres, Telefon, Faks, Elektronik Posta) | |
| AT Yüklenicisi Adına Yetkili Kişi veya Kişilerin Adı ve Unvanı | |
| <i>Yukarıdaki bilgilerin doğruluğu onaylanır.</i> | <i>Yukarıdaki bilgilerin doğruluğu onaylanır.</i> |
| AT Yüklenicisi Yetkilisi (Adı, Unvanı, İmza, Kaşe/Mühür, Tarih) | Sözleşme Makamı Yetkilisi (Adı, Unvanı, İmza Kaşe/Mühür, Tarih) |

ANNEX V: Information form concerning the European Community (EC) contractors and EC contracts to benefit from the value added tax exemptions stipulated in the IPA Framework Agreement that is approved by Law NO: 5824

| | |
|---|---|
| <i>Name/Title of the Contracting Authority</i> | |
| Name/Title of the Beneficiary | |
| Date and Number of the Financing Agreement | |
| Name/Title of the EC Contractor | |
| EC Contract's | |
| <i>Date and Number</i> | |
| <i>Place/Venue of Implementation</i> | |
| Amount | |
| Contract Start Date | |
| <i>Duration of Contract</i> | |
| <i>Name of the Project (Turkish and English)</i> | |
| EC CONTRACTOR'S | |
| Tax Office (if any) | |
| Tax Number (for legal persons) | |
| Tax Number and/or ID Number (for natural persons) | |
| Contact Information's (Address/ Telephone/ Fax/ E-Mail) | |
| Name(s)/Title(s) of Authorised Person(s) of EC Contractor | |
| Accuracy of the information above is approved Authorised person of the EC Contractor (Name, Title, Signature, Stamp, Date) | Accuracy of the information above is approved Authorised person of the Contracting Authority (Name, Title, Signature, Stamp, Date) |

Contact details

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