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REPORT ON THE TURKISH STAMP DUTY
SUBMITTED IN ACCORDANCE WITH THE DECISION
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The most important characteristic of Turkey which should be taken into consideration in the context of its stamp duty application is the fact that it is a developing country which has, in the process of development, been tackling three fundamental problems:

- to generate a sufficient level of savings to meet the investment requirements for development;

- to maintain internal price stability so that the process of steady growth is not endangered by inflationary pressures;

- to maintain close surveillance over its balance of payments in view of the limited volume of available foreign exchange earnings.

In fact, the stamp duty legislation in Turkey should be viewed as an instrument which has been introduced and is preserved as an integral part of these policy considerations.

In this context, the stamp duty scheme,

- helps facilitate the implementation and increase the effectiveness of a selective import régime;

- provides the Government with some flexibility in the implementation of its policies in case it cannot easily and quickly revise and restructure its foreign trade régime as and when cyclical changes occur in its balance-of-payments situation;

- is a fiscal measure to generate budgetary revenues.

Therefore, the Turkish Stamp Duty should not necessarily be considered as an obstacle to increasing access by contracting parties to Turkey's domestic markets, but rather as an instrument for balanced economic development.

In conformity with the world economic conditions Turkey continued facing a serious slowdown in its economic activity and a deterioration in its balance-of-payments situation. A major problem has been to secure the necessary means to finance imports needed mostly for its development purposes. Exports could cover only part of the imports set forth in the annual programmes under the five-year development plans.

Although the measures which had been taken have had some positive effects on external trade, 1978 was a year when price increases were higher than in previous years and balance-of-payments difficulties exceedingly serious.

The total value of imports which was programmed as $20.3 billion for the Third Five-Year Development Plan period (1973-1977) reached the level of $22.5 billion. The average annual increase during the said period was approximately 30 per cent. The target set forth for exports of $10 billion in the Third Five-Year Plan could not be realized and the total value of exports of $8.5 billion attained during this five-year period was 14.6 per cent behind the programmed figures. As a result, the foreign deficit reached the level of $14 billion at the end the aforementioned period.

The new exchange rate adjustment in the beginning of 1978 has contributed to reduce foreign trade deficit. Therefore, the balance-of-payments deficit which had grown substantially during the previous years, narrowed somewhat in 1978.

In 1978, priority was continued to be given to the imports of raw materials and spare parts needed to keep the existing industries operating as close to full capacity as possible. The necessary measures were also taken to meet import requirements for capital goods, bearing in mind the investment priorities of the development plans.

Both the absolute amount of liberalized imports and their share in total imports have also been increasing over the years in Turkey. The total value of liberalized imports was 70 per cent of total imports in 1977. (Table III.) In view of the prevailing difficulties in the balance-of-payments situation, further steps to liberalize the import régime can only be expected after the existing imbalance is reduced.

As regards the budgetary policy, the Government of Turkey has been endeavouring to meet its financial requirements with revenue generated through non-inflationary resources in order to maintain price stability and to bring the value and volume of imports into conformity with the development strategy. During the recent years, however, budgetary revenue has tended to lag behind expenditure. Therefore, the stamp duty which contributes substantially to the Turkish budget could not easily be abandoned unless some other fiscal measures were introduced as a substitute. Revenue from the stamp duty is expected to amount to LT 14.300 million and LT 16.260 million respectively in the fiscal years 1978 and 1979. This accounts for about 6 per cent of total tax revenue, which corresponds to a significant amount in view of the Government's effort to reduce the public sector deficit. However, the Turkish Government is aware of the fact that the stamp duty is justified only on a temporary basis and believes that this measure should be substituted by alternative and more appropriate measures. The Government does presently aim at replacing the stamp duty as a fiscal measure by a system of value-added tax. The draft legislation for the value-added tax is practically ready and is likely to be submitted to Parliament in 1979. Nevertheless, until the draft legislation of the value-added tax is enacted into law and technical preparations for its implementation are finalized, the revenue raised through the existing stamp duty scheme is also needed for budgetary purposes.

It is also worth mentioning that:

- Turkey has been granting non-reciprocal tax exemptions and reductions to contracting parties, the impact of which is higher than the yield of the stamp duty.

- The stamp duty does not, practically, cause any increase in prices of imported goods, but rather has the effect of reducing the high profit margins of importers.

These very facts clearly show that Turkey's main purpose in maintaining the stamp duty is by no means to curb imports; it should rather be regarded as one of the instruments of balanced economic growth and part of a comprehensive fiscal effort directed towards achieving an overall stability in the economy.

As a result, the Turkish Government was not able, during the last twelve months, to substitute the existing scheme and the rate of the stamp duty which does not exceed 25 per cent of the value of imported goods by other appropriate measures and taking into account the prevailing budgetary and balance-of-payments difficulties it seems unlikely to have any substantial changes in the system during 1979.

TABLE I

BALANCE OF PAYMENTS

	1976	1977	Estimate 1978	Estimate 1979	Jan-Sept. 1977
I- Current Account					
A. Foreign trade					
1. Total imports (c.i.f.)	-5.128.6	1.753.0	2250	2750	1.191.7
2. Total exports (f.o.b.)	[illegible]	-5.796.3	-4500	-5000	-4.499.3
Trade Balance	-3.168.4	-4.043.3	-2250	-2250	-3.307.6
B. Invisibles					
1. Interest	- 217.3	- 320.3	- 375	- 795	- 228.3
2. Tourism and travel	- 27.4	- 63.6	140	200	- 38.5
3. Workers' remittances	982.7	982.0	975	1100	764.5
4. Profit transfers	- 82.5	- 115.8	- 58	- 75	- 80.7
5. Payments for services connected with project credits	- 15.0	- 60.0	- 45	- 45	- 45.0
6. Other invisible transactions (net)	212.8	224.0	310	350	165.0
Total invisibles (net)	853.3	646.3	947	735	537.0
C. Infrastructure and off-shore receipts	14.6	12.0	3	15	10.4
Current account balance	-2.300.5	-3.385.1	-1300	-1500	-2.760.2
II- Capital account					
1. External debt repayments	- 119.1	- 214.0	- 440	- 790	- 129.3
2. LT grain imports	-	-	-	-	-
3. Private foreign capital	27.4	67.1	175	80	46.5
4. Project credits	485.0	498.6	500	900	329.4
5. Imports with waiver and grants	135.5	102.4	100	100	73.9
6. Programme credits	5.7	3.4	360	300	2.6
7. Other capital movements		710.0	250	735	300.8
Capital transaction balance	534.5	1.167.5	945	1325	623.9
Overall balance	-1.766.0	-2.217.6	-355	-175	-2.136.3
III- Reserve movements	111.8	565.2	-		587.7
IV- Special drawing rights	149.0	-	233	175	
V- Short-term capital movements	1.520.0	-2.283.9	339		1.073.2
VI- Net errors and omissions	14.8	- 631.5	-		475.4

TABLE II

(In US$ million)

		1971	1972	1973	1974	1975	1976	1977	Jan-Sept 1978
I.	Imports from the free-exchange area	1,060.5	1,462.3	2,008.3	3,555.2	4,577.3	5,037.4	5,731.4	3,115.5
(a)	Normal imports	792.8	1,120.6	1,627.0	3,221.0	4,081.7	4,462.8	5,222.5	2,701.3
(i)	Liberalized imports	532.7	708.1	1,148.8	2,524.2	2,918.8	3,319.8	4,052.4	2,188.6
(ii)	Global quota imports	260.1	412.5	478.2	696.8	1,162.9	1,143.0	1,160.1	512.7
(b)	Self-financing imports	267.7	341.7	381.3	334.2	495.6	574.6	508.9	414.2
(i)	NATO infrastructure	6.9	9.9	20.9	23.4	38.4	16.0	39.0	10.7
(ii)	Project credits	147.3	248.8	295.3	235.9	215.7	398.4	309.7	299.9
(iii)	Foreign private capital	29.0	28.0	14.6	15.8	141.8	24.1	43.6	17.7
(iv)	Imports under waiver	82.6	56.7	50.1	52.3	98.1	135.5	102.4	82.6
(v)	Other	1.6	0.3	0.4	6.8	1.6	0.6	14.2	3.3
II.	Bilateral quota imports	110.3	100.3	78.0	222.3	161.3	91.2	64.9	37.4
III.	TOTAL	1,170.8	1,562.6	2,086.3	3,777.5	4,738.6	5,128.6	5,796.3	3,152.9

TABLE III

Percentage Rate of Liberalization[1/]

			1971	1972	1973	1974	1975	1976	1977	1978
1.	In total imports	$\frac{(a)\ (i)}{III}$	45.5	45.3	55.1	66.8	66.6	64.7	70.1	69.4
2.	In imports from the free-exchange area	$\frac{(i)}{I}$	50.2	48.4	57.2	71.0	63.8	65.9	70.9	70.2
3.	In normal imports	$\frac{(i)}{(a)}$	67.2	63.2	70.6	78.4	71.5	74.4	77.8	70.2

1/ This table is derived from Table I.

TABLE IV

Composition of Imports

(In US$ million)

Year	Investment goods		Spare parts and raw materials		Consumer goods		T o t a l	
1971	511.2	43.7%	600.7	51.3%	58.3	5.0%	1,171.0	100%
1972	782.7	50.1%	707.2	45.3%	72.8	4.6%	1,562.7	100%
1973	1,002.6	48.0%	993.2	47.7%	90.4	4.3%	2,086.2	100%
1974	1,021.8	36.0%	1,690.9	59.5%	127.5	4.5%	2,840.2	100%
1975	1,961.1	41.4%	2,524.3	54.3%	203.2	4.3%	4,738.6	100%
1976	2,239.3	43.6%	2,732.9	53.3%	156.4	3.1%	5,128.6	100%
1977	2,367.1	40.8%	3,251.1	56.1%	178.0	3.1%	5,796.3	100%
1978(Jan.Sep)	1,159.4	36.8%	1,922.1	60.9%	71.5	2.3%	3,153.0	100%

TABLE V

Trade Balance

(In US $ million)

	1971	1972	1973	1974	1975	1976	1977
Exports	676.6	885.0	1.317.1	1.532.2	1.401.0	1.960	1.753
Imports	1.170.8	1.562.6	2.086.3	3.777.5	4.739.0	5.129	5.796
Trade Balance	-494.2	-677.6	-769.2	-2.245.3	-3.338.0	-3.169	4.043

TABLE VI

Actual Imports Compared with Programmed Imports

(In US $ million)

	1971	1972	1973	1974	1975	1976	1977
Programme estimates	1.045	1.300	1.650	2.550	4.000	5.000	5.800
Actual imports	1.171	1.563	2.086	3.778	4.738	5.129	5.796
Balance	+126	+263	+436	+1.228	+739	+129	- 4
Per cent	(12.0)	(20.2)	(26.4)	(48.1)	(18.5)	(2.6)	(-0.06)