

## *Taxing Energy Use 2019: Country Note – Turkey*

*This note explains how Turkey taxes energy use. The note shows the distribution of effective energy tax rates – the sum of fuel excise taxes, explicit carbon taxes, and electricity excise taxes, net of applicable exemptions, rate reductions, and refunds – across all domestic energy use. It also details the country-specific assumptions made when calculating effective energy tax rates and matching tax rates to the corresponding energy base.*

*The note complements the Taxing Energy Use 2019 report that is available at <http://oe.cd/TEU2019>. The report analyses where OECD and G20 countries stand in deploying energy and carbon taxes, tracks progress made, and makes actionable recommendations on how governments could do better to use taxes to reach environmental and climate goals.*

*The general methodology employed to calculate effective energy tax rates and assign tax rates to the energy base is explained in Chapter 1 of the report. The official energy tax profile for Turkey can be found in Chapter 2 of the report. Chapter 3 additionally shows effective carbon tax rates per tonne of CO<sub>2</sub>, and presents the corresponding carbon tax profiles for all countries. The report also contains StatLinks to the official data.*

### **Structure of energy taxation in Turkey**

As at 1 July 2018, the main taxes on energy use in Turkey are the following:

- The Special Consumption Tax (SCT) (*Özel Tüketim Vergisi – ÖTV*) applies to solid, liquid, and gaseous fuels.
- The Electricity Consumption Tax (*Elektrik Tüketim Vergisi*) applies to electricity consumption as an ad-valorem rate of 1% for industry and transport users, and at an ad-valorem rate of 5% for all other users.<sup>1</sup>

Turkey does not have a carbon tax and does not operate an emissions trading system for CO<sub>2</sub> (OECD, 2018<sub>[1]</sub>).

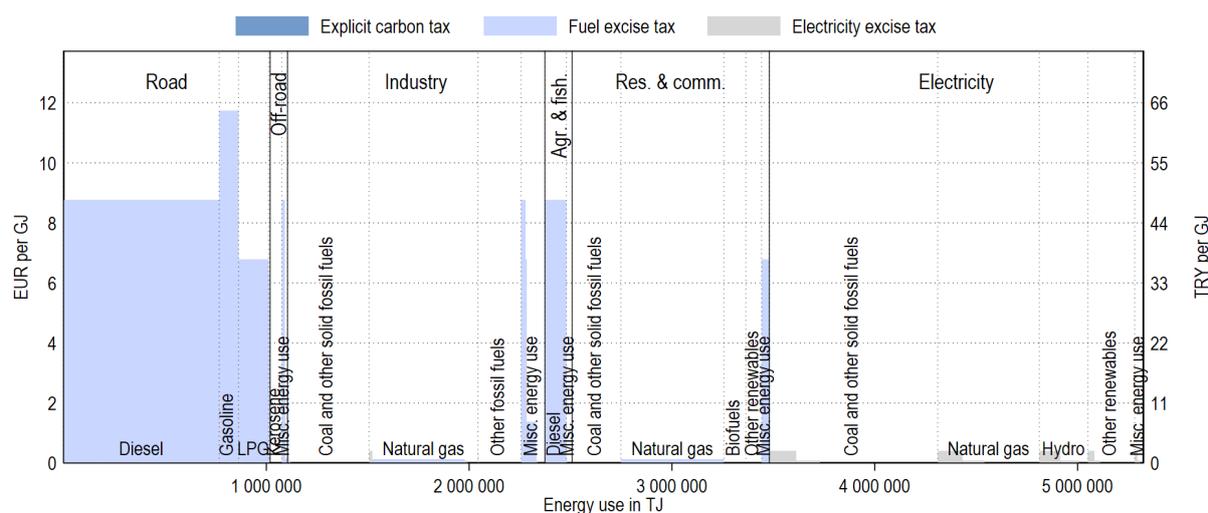
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<sup>1</sup> The tax is collected by the municipalities. The law also contains an (additional) Coal Gas Consumption Tax (*Havagazı Tüketim Vergisi*), but as Turkey does not use coal gas anymore, it is no longer relevant in practice.

## Effective tax rates on energy use in Turkey

Tax rates can differ across energy products and users, as described below. Figure 1 provides an overview of how energy taxes apply to different energy categories across the economy. The remainder of this document discusses details on tax rates and tax bases for each of the six economic sectors.

**Figure 1. Effective tax rates on energy use by sector and energy category**

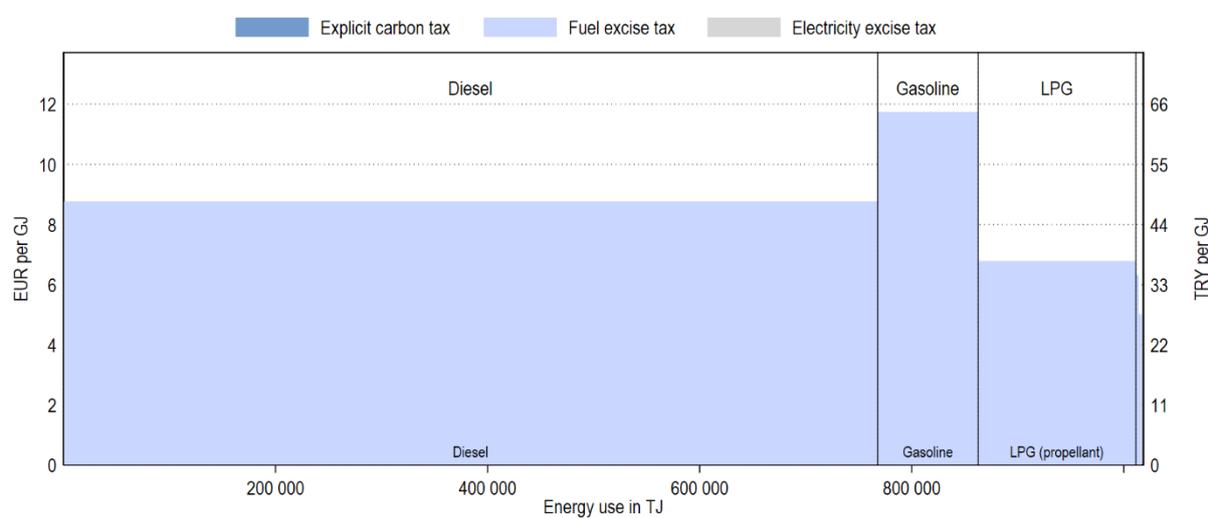


*Note:* Tax rates applicable on 1 July 2018. Energy use data is for 2016 and adapted from IEA (2018<sup>[2]</sup>), *World Energy Statistics and Balances*. Energy categories (labelled at the bottom) that represent less than 1% of a country's energy consumption are grouped into "misc. energy use" and may not be labelled.

## Road

Figure 2 shows that within the road sector, gasoline is taxed at a higher effective tax rate than diesel. LPG is also taxed.

**Figure 2. Effective tax rates on energy use in the road sector**

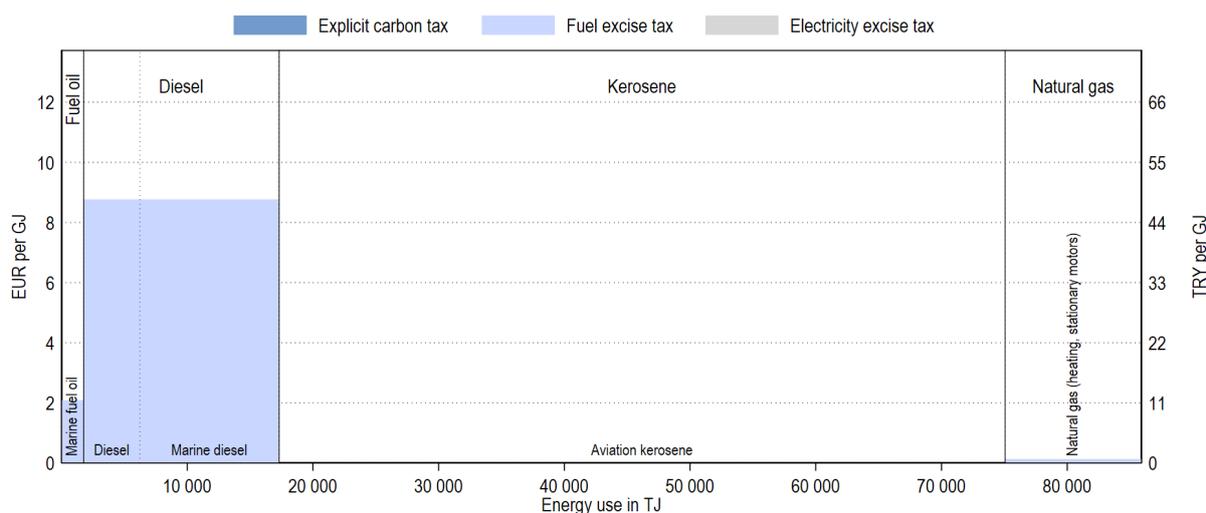


*Note:* Tax rates applicable on 1 July 2018. Energy use data is for 2016 and adapted from IEA (2018<sup>[2]</sup>), *World Energy Statistics and Balances*. Energy categories (labelled at the top) that represent less than 1% of a sector's energy consumption are grouped into "misc. energy use" and may not be labelled. Similarly, rate labels (shown at the bottom) are grouped into "misc. rates" using the same threshold.

### Off-road

In the off-road sector (Figure 3), fossil fuels are taxed when used for commercial navigation (“marine”), but is assumed to be untaxed when used for commercial aviation. Diesel used for railway transport is taxed. Natural gas used in pipeline transport is assumed to be taxed.

**Figure 3. Effective tax rates on energy use in the off-road sector**



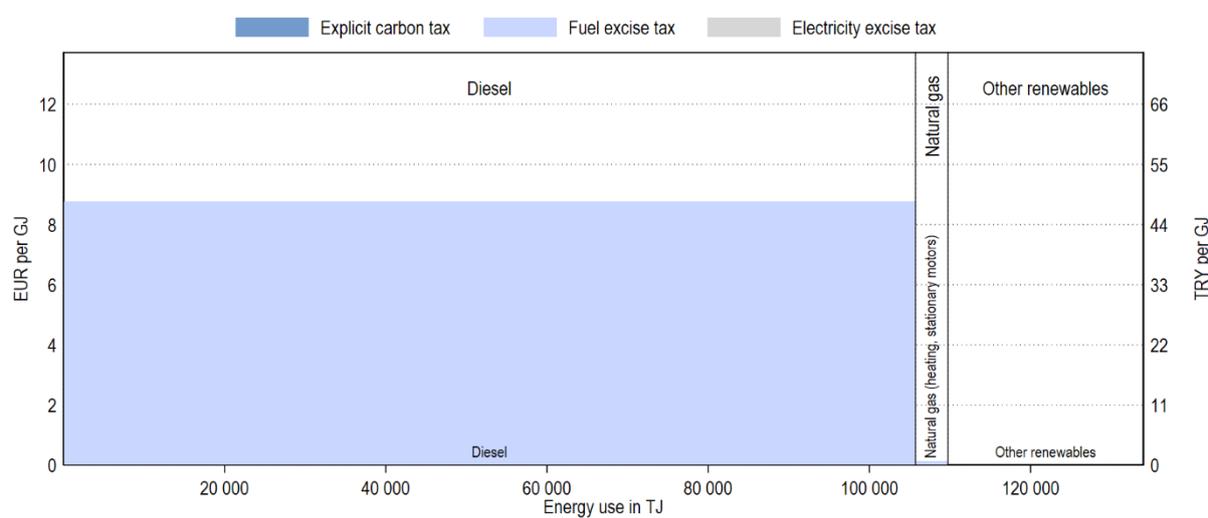
*Note:* Tax rates applicable on 1 July 2018. Energy use data is for 2016 and adapted from IEA (2018<sup>[2]</sup>), *World Energy Statistics and Balances*. Energy categories (labelled at the top) that represent less than 1% of a sector’s energy consumption are grouped into “misc. energy use” and may not be labelled. Similarly, rate labels (shown at the bottom) are grouped into “misc. rates” using the same threshold.



### *Agriculture and fisheries*

Fossil fuels used in the agriculture and fisheries sector are taxed (Figure 5). Renewables are not taxed.

**Figure 5. Effective tax rates on energy use in the agriculture & fisheries sector**



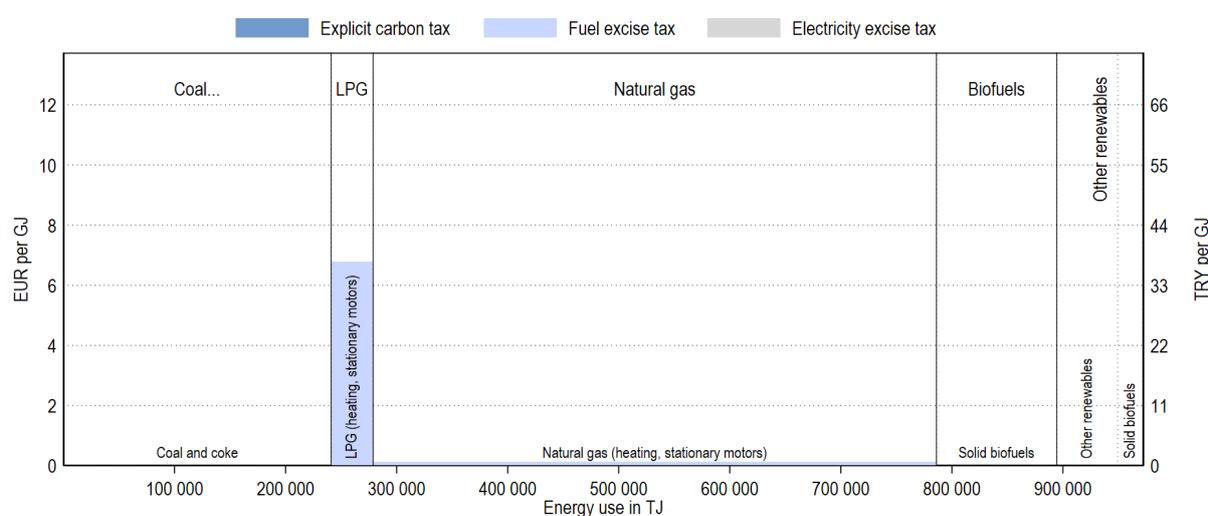
*Note:* Tax rates applicable on 1 July 2018. Energy use data is for 2016 and adapted from IEA (2018<sup>[2]</sup>), *World Energy Statistics and Balances*. Energy categories (labelled at the top) that represent less than 1% of a sector's energy consumption are grouped into "misc. energy use" and may not be labelled. Similarly, rate labels (shown at the bottom) are grouped into "misc. rates" using the same threshold.

### *Residential and commercial*

In the residential and commercial sector (Figure 6), coal and coke is not taxed, as in the other sectors. LPG and natural gas are taxed. Biofuels are not taxed, and neither are other renewables.

Notice that TEU reports the energy use associated with electricity and district heating consumption in the industry and electricity sector as that is where the primary energy consumption occurs.

**Figure 6. Effective tax rates on energy use in the residential & commercial sector**

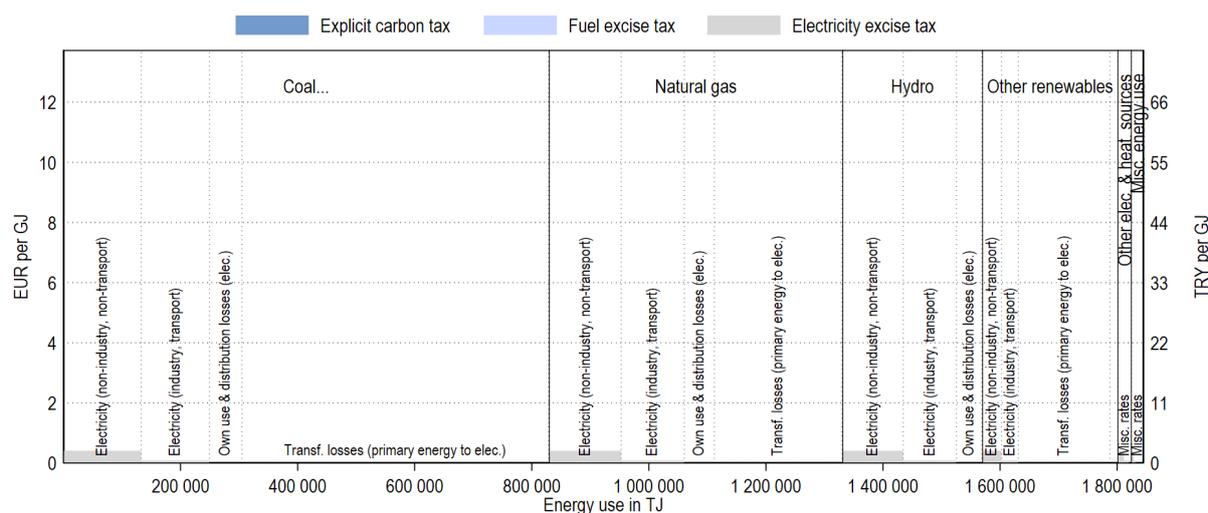


*Note:* Tax rates applicable on 1 July 2018. Energy use data is for 2016 and adapted from IEA (2018<sup>[2]</sup>), *World Energy Statistics and Balances*. Energy categories (labelled at the top) that represent less than 1% of a sector's energy consumption are grouped into "misc. energy use" and may not be labelled. Similarly, rate labels (shown at the bottom) are grouped into "misc. rates" using the same threshold.

## Electricity

Figure 7 shows how the electricity sector, as defined in TEU, is taxed in Turkey. The fuels used to generate electricity are not taxed. The final consumption of electricity, on the other hand, is taxed.

**Figure 7. Effective tax rates on energy use in the electricity sector**



Note: Tax rates applicable on 1 July 2018. Energy use data is for 2016 and adapted from IEA (2018<sup>[2]</sup>), *World Energy Statistics and Balances*. Energy categories (labelled at the top) that represent less than 1% of a sector's energy consumption are grouped into "misc. energy use" and may not be labelled. Similarly, rate labels (shown at the bottom) are grouped into "misc. rates" using the same threshold.

## References

- IEA (2018), "Extended world energy balances", *IEA World Energy Statistics and Balances* (database), <http://dx.doi.org/10.1787/data-00513-en> (accessed on 16 October 2018). [2]
- OECD (2018), *Effective Carbon Rates 2018: Pricing Carbon Emissions Through Taxes and Emissions Trading*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264305304-en>. [1]