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REGULATION

From the Tobacco and Alcohol Market Regulation Board:

THE REGULATION ON PROCEDURES AND PRINCIPLES ON THE PRODUCTION AND COMMERCE OF
TOBACCO PRODUCTS

SECTION ONE

Purpose, Scope, Basis and Definitions

Purpose

ARTICLE 1 – The purpose of this Regulation is to organize the establishment and operation of tobacco product manufacturing facilities, project amendments, all transfer processes, relocation, closure, production of tobacco products, domestic and foreign commerce, pricing, destruction and all the procedures and principles concerning these processes taking into account all hazardous effects including public, social, medical or environment effects.

Scope

ARTICLE 2 – (1) This regulation covers the procedures and principles for establishment and operation of tobacco product manufacturing facilities, project amendments, all transfer processes, relocation, closure and the market supply conditions of tobacco products, domestic and foreign commerce, pricing, destruction and permit monitoring and regulation within the legislation in force.

Basis

ARTICLE 3 – This Regulation has been prepared based on the provisions of article 9 in the Law on the Organization and Duties of the Tobacco and Alcohol Regulation Agency no. 4733 dated 3/1/2002.

Definitions

ARTICLE 4 – (1) The following definitions shall apply in this Regulation;

a) Commenced process: The definition of “commenced process” in the Export Regulation in force for export procedures and for import procedures it shall mean the state of a transport permit having been issued for the purpose of export in the departure country of products or these products having been presented to customs administrations per customs regulation,

b) Deposition: The components like tar, nicotine and carbon monoxide drawn into the system when a cigarette is smoked by a machine,

c) Unit package: Packaging made of any material outside of the added transparent package used in the retail sale of tobacco products,

ç) Trial production: The production that is conducted under the supervision of the Agency before being issued a Production and Operation Approval Certificate to determine whether a facility is suitable for the project and to produce the tobacco product planned for production,

d) Other tobacco products: Tobacco product other than cigarettes like cigars, cigarillos, hookah tobacco products, rolling tobacco, snuff, chewing tobacco and pipe tobacco,

e) Additional transparent package: The transparent outer wrap of the packet and grouping of tobacco products presented for retail sale, which does not obstruct all labeling visibility and legibility,

f) Company: Real individuals and legal entities who have obtained a Facility Establishment Approval Certificate and Operation Approval Certificate for the production of tobacco products,

g) Ingredient: All of the materials used in the production or preparation of tobacco products, other than the tobacco leave and natural or unprocessed tobacco plant pieces, and all substances and elements including the paper, filter, ink and adhesives even if they are in changed form in the finished product,

ğ) Grouping: A package made of any material in which the unit package of the same brand and variety of tobacco products are grouped together outside of the added transparent wrap to be presented for sale,

h) Law: The Law on the Organization and Duties of the Tobacco and Alcohol Regulation Agency no. 4733 dated 3/1/2002,

ı) Board: The Tobacco and Alcohol Regulation Board,

i) Agency: The Tobacco and Alcohol Regulation Agency,

j) Machine: The whole of each apparatus that is comprised of elements like pneumatics, hydraulics, electricity, electronics and control with a main body, fixed and movable parts,

k) Product type: Each variety of tobacco product in different categories like cigarette, cigar, cigarillo, hookah tobacco product, pipe tobacco and rolling tobacco that is produced under the same or different brand but differs in terms of physical property, tobacco use rate, ingredients, deposition amounts if any or unit package type or design,

l) Brand: The symbol that is used to differentiate the tobacco products produced and/or sold by the company and registered by relevant associations,

m) Tobacco product: All products for smoking, inhaling, sucking or chewing that are produced completely or partially using tobacco leaves and/or tobacco plant pieces as raw material,

n) Authorized company: The company that holds a certificate of authority issued by the Revenue Administration Directorate concerning the product tracking system.

SECTION TWO

The Conditions Sought in Establishing a Production Facility, Form of Application and Inspection

The Conditions Sought in Establishing a Production Facility

ARTICLE 5 – (1) The following conditions are sought in the establishment of a production facility:

a) Those who wish to produce tobacco products in Turkey must establish a facility that has a yearly production capacity, theoretically in a single shift, of no less than two billion items of cigarettes and five tons for other tobacco products, containing tobacco preparation sections with complete and new technology unused machines and equipment.

b) The raw material, materials other than tobacco and product warehouses will be separate, the product warehouse will be located within the facility site,

c) The project planning for the production flow and the machines and equipment will be done according to the production form of the planned tobacco product.

ç) There will be no facility next to the production facility that could have an adverse effect on the tobacco quality.

d) Before starting production at the facility an application must be made to the concerning departments of the Ministry of Environment and Forestry within the scope of relevant legislation and all manner of measures and permits to prevent environmental pollution from the operations of the facility will be obtained in the scope of the Environmental Law and it will be stipulated that the obligations in these regulations are not to be violated.

Form of Application and Inspection

ARTICLE 6 – (1) The real individuals and legal entities who wish to establish a production facility for tobacco products will submit their permit applications with a file including the following information and documents to the Agency in person or through authorized representatives.

- a) The company articles of association published in the Turkish Commercial Registry Gazette and the signature circulars of authorized individuals.
 - b) A certificate of operation obtained from a chamber of commerce and/or industry within the last six months and a private declaration describing the company's operation history and the targeted operation.
 - c) For real individuals the applicant and for legal entities the board of directors chairman and members and individuals authorized to represent the legal entity must submit their T.R. Identification Number and a declaration stating that they have not been convicted of violating the Law no. 4250 dated 8/6/1942 on the Spirits and Alcoholic Beverages Monopoly and the Anti-Smuggling Law no. 5607 dated 21/3/2007 and there are no cases filed against them or ongoing based on violating these laws and investigation that was concluded or public case that was dismissed concerning violation of these laws by means of making prepayments more than twice.
 - ç) A feasibility report in a format according to the Agency standard, a facility and machine layout plan, a production flow chart, explanation of the production process and a list of the machine and equipment technical information copied in electronic form.
 - d) A document showing the zoning status in the framework of zoning regulation in force for the site of the facility to be established.
 - e) A commitment stating that the documents showing that the legal permits necessary for the establishment of the facility by law have been applied for and any missing documents will be completed before the Production and Operation Approval Certificate is applied for.
 - f) Document confirming that the fee specified in article 23 has been deposited in the Agency account.
- (2) The application file is reviewed within thirty days at the latest. If any deficiencies are determined these must be completed within ninety days at the latest as of the notification date. If the information and documents that are determined to be missing are not completed in the specified period or the project is retracted the application will not be processed and the application fee will not be refunded.

SECTION THREE

Establishment of the Facility, Production and Operation Permit and Project Amendment

Facility establishment permit

ARTICLE 7 – (1) Completed applications are reviewed in terms of relevant regulations, the environmental effects and applicability of the project, the layout of facility units, machines and equipment, production flow chart and the appropriateness of the project to the tobacco product planned for production and will be decided on within sixty days at the latest. On the condition of the Facility Establishment Approval Certificate fee calculated according to article 23 for those permitted by the Agency is documented to have been deposited in the Agency account within ninety days at the latest as of the permit notification date, a Facility Establishment Approval Certificate based on the content and form of the document will be issued by the Agency. If the document fee is not deposited in the allowed period the permit is cancelled without refunding the application fee.

(2) After the Facility Establishment Approval Certificate is obtained, if there are any project revisions deemed necessary that have been generated by facility needs based on economic or technical reasons in the period up to obtaining the Facility Establishment Approval Certificate, the Agency is applied to with the information and documents explaining the content and scope of the revision. Applications are decided on within sixty days at the latest. If a capacity increase is included in the approved project revision the Facility Establishment Approval Certificate is updated on the condition that the difference in the Facility Establishment Approval Certificate fee calculated by the Agency is documented to have been paid.

(3) An approved report must be obtained from the Agency for the establishment of a facility in which cigarettes and other tobacco products may be produced together in the same facility. This report is prepared by assessing whether the same or different machines and equipment can be utilized in the same facility, the suitability of these in terms of the tobacco product planned for production, the separate traceability of categories and whether or not this creates a risk in the market. If it is decided that the project is applicable by this report the presence of other conditions required for each tobacco product will be sought separately. In this case a Facility Establishment Approval Certificate is obtained individually for each category.

Production and operation permit

ARTICLE 8 – Those who obtain a Facility Establishment Approval Certificate to realize their project and complete the other permits required by law to prepare their facility for operation will notify the Agency that they are ready for production in writing. Upon receipt of the notification a technical delegation assigned by the Agency will inspect the facility for the conditions specified in article 5 and the issues declared in article 6, observe the trial production and prepare a report concerning the application within thirty days at the latest. A decision will be issued within sixty days at the latest upon submitting this report to the Agency. Those that are approved will be issued a Production and Operation Approval Certificate for which the Agency will determine the content and form, on the condition of the Production and Operation Approval Certificate fee calculated according to article 23 is documented to have been deposited in the Agency account within ninety days as of the date that the permit is notified. If the fee is not paid in the allowed time the issued permit is cancelled.

(2) During the trial production the tobacco usage rates are controlled and sufficient samples of the produced products are taken and analyses are done or commissioned to be done on these samples by independent and accredited laboratories. The analysis results on the products produced during the trial production can be evaluated in the Application for Supply to Market Approval for this product type.

(3) The Agency may issue a Supply to Market Approval Certificate if the conditions that are sought in products allowed to be supplied to the market are present in the trial production.

(4) In order for cigarettes and other tobacco products to be produced in the same facility an individual Production and Operation Approval Certificate must be obtained for each category in the framework of the procedures and principles set forth in article 7 clause three.

(5) Changes concerning the issues specified in article 6 clauses (a), (c), and (ç) must be notified to the Agency within thirty days at the latest.

(6) Companies may establish additional product warehouses outside of the facility site on the condition of obtaining permission from the Agency and additional raw materials and supplies warehouses by giving notice within fifteen days at the latest.

(7) The Production and Operation Approval Certificate is valid for five years. Companies that wish to extend their permit will apply to the Agency at least thirty days before their permit has expired. The same conditions that are sought in the Production and Operation Approval Certificate are also sought in the extension of the permit.

Project amendment

ARTICLE 9 – (1) Permission is obtained from the Agency for projects amendments concerning any of the machines used directly in the production of tobacco products being added to the facility and these machines being partially or completely transferred to an old or new facility of the same company within the country, being transferred to another company, being taken outside of the country, being destroyed by scrapping or being sold as scrap.

(2) The Agency must be notified of revisions in the project concerning any of the machines and equipment other than those used directly in the production of tobacco products being added to the facility and these machines being partially or completely transferred to an old or new facility of the same company within the country, being taken outside of the country, being destroyed by scrapping or being sold as scrap, being transferred to or sold to another company in the country or being utilized by transferring or selling to real individuals and/or legal entities operating in different sectors.

(3) The Agency must be notified of revisions in the project concerning changes in the placement of existing machines and equipment in the facility, being taken out of production, being included again in the production line or being revised to allow production of another type of product before starting the process.

(4) In work that is conducted with the permission of the Agency the Agency is applied to voluntarily with the machine technical specifications list, pre-amendment and post-amendment plans, proforma invoice and a commitment for which the content and document is determined by the Agency. Completed applications will be decided on within forty days at the latest. For the project amendment applications approved by the Agency that include increased production capacity, the Project Amendment Approval Certificate is issued if the approval certificate fee as calculated in article 23 clause four is deposited in the Agency account within sixty days at the latest upon notification of the permit, and in approvals for applications not including capacity increase the certificate is issued without obtaining a fee. If the approval certificate fee is not paid in the allowed period the permit is cancelled.

(5) The company that will be making a project revision in the scope of an obtained permit applies to the Agency by the process start date at the latest for inspection.

In the inspection to be conducted onsite by the process completion date, after the report stating that the machines have the declared specifications is presented to the Agency, if it is determined by the Agency that the process conforms to the issued permit the Agency notifies the company that the project amendment is complete. If it is determined that the machines involved in machine additions do not have the declared specifications, the company is asked to return imported machines outside of the country and the relevant agencies and institutions are notified. Machines obtained domestically are disassembled by the company and taken out of the facility site.

(6) In project amendment procedures subject to notification per clauses two and three, depending on the nature of the work the machine technical information list, pre and post revision layout plans, statement of commitment, proforma invoice and start and finish of work are notified to the Agency before commencing. If necessary the Agency will do a technical inspection.

(7) The machine and equipment that is added to the production facility in the scope of this article must be new technology and unused. This condition is not sought for machine and/or equipment transfers between facilities established in the country with Production and Operation Approval Certificates.

(8) No project amendment that removes the annual minimum production capacity of a facility may be requested.

(9) Machines used directly in the production of tobacco products are acquired with the Facility Establishment Approval Certificate in the facility establishment stage and with the Project Amendment Approval Certificate or permit letter after the production and operation permit has been obtained.

SECTION FOUR

Tobacco and Filter Procurement, Supply of Tobacco Products to the Market, Tax Labels with Export and Import

The procurement of tobacco and filters by companies

ARTICLE 10 – (1) Companies that obtain Production and Operation Approval Certificates may, on the condition that they obtain a Tobacco Commerce Authorization Certificate from the Agency, procure the leaf tobacco they need from auctions, real individuals and legal entities with tobacco commerce authorization permits and producers based on contracted production and from importation by obtaining a Tobacco Import Approval Certificate from the Agency.

(2) After processing, even if it is for exporting purposes, tobacco can only be imported by tobacco product producer companies limited to whatever is needed for production.

(3) The amount of tobacco needed for production;

a) Is determined based on three times the amount calculated by multiplying the total theoretical capacity of cigarette producing machines in a cigarette production facility per hour with the weekly work hours set forth by current law being expressed in yearly terms.

b) In cigar and cigarillo production this is determined based on three times the amount calculated by multiplying the total theoretical capacity of cigar and cigarillo producing machines and cigar and cigarillo weight in grams per hour with the weekly work hours set forth by current law being expressed in yearly terms.

c) In pipe, hookah and rolling crushed tobacco production this is determined based on three times the amount calculated by multiplying the total theoretical capacity of tobacco crushing machines and with the weekly work hours set forth by current law being expressed in yearly terms.

ç) The amount of tobacco needed for other tobacco product productions not included in this clause are determined by the Agency according to the specifications of the production.

(4) On the condition of being the same type, blended tobacco, homogenized tobacco, tobacco stems, expanded tobacco, expanded tobacco stems and scrap tobacco can be imported if it is in amounts compatible with blend recipes and a Tobacco Import Approval Certificate is obtained from the Agency.

(5) Real individuals and legal entities that obtain a Facility Establishment Approval Certificate may obtain blended leaf tobacco, homogenized tobacco, tobacco stems, expanded tobacco, expanded tobacco stems and scrap tobacco from the domestic and foreign market to be used in machine operation tests and trial production before obtaining a Production and Operation Approval Certificate. Scrap tobacco cannot be procured under any other condition.

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(6) Obtaining a Tobacco Import Approval Certificate from the Agency per this article shall not remove the requirement of fulfilling the other conditions specified in regulations concerning importation.

(7) Tobacco is imported according to the provisions of the Regulation on Procedures and Principles Concerning the Production, Processing and Domestic and Foreign Commerce of Tobacco published in Official Gazette no. 276 dated 10/7/2010.

(8) Filters are acquired with the Facility Establishment Approval Certificate in the facility establishment stage and with the Production and Operation Approval Certificate after the production and operation permit has been obtained.

(9) If real individuals and legal entities and companies that have obtained a Facility Establishment may be issued a Tobacco Commerce Authorization Certificate by the Tobacco Market Department Directorate for an approval certificate fee without requiring any information or document.

Supply of Tobacco Products to the Market

ARTICLE 11 – (1) Companies may freely price the tobacco products they have produced or imported and sell them directly to wholesalers on the condition of obtaining a Supply to Market Approval Certificate or sell to retailers by obtaining a wholesaler permit from the Agency.

Supply to market permit

ARTICLE 12 – (1) Once it is determined that products produced by companies that have Production and Operation Approval Certificates are in accordance with technical regulations to be freely sold, priced and distributed a Supply to Market Approval Certificate is issued with the content and form to be determined by the Agency, for each product type.

(2) The following information and documents are submitted to the Agency in applications for Supply to Market Approval Certificates.

- a) Physical and chemical properties and depositions amounts, if any.
- b) Tobacco Use Rates Table with the form and content to be determined by the Agency.
- c) Ingredients Notification and Toxicological Data Tables.
- d) Unit package and grouping designs including measurements, design of the label on the transparent packaging if transparent packaging is to be used.
- e) The unit package's opening strip, inner package, information on the tobacco product inside and information about the grouping opening strip.
- f) Health warnings application plan.
- g) Production coding and similar markings information.
- g) Brand copyright document.
- ğ) If the brand is registered to another real individual or legal entity, the license contract transferring user rights along with the brand copyright document.

(3) The presence of the information and documents presented to the Agency per clause two are checked concerning the product type planned to be produced and supplied to the market.

(4) After the check per clause three is made a sample is obtained from the facility within fifteen days at the latest through individuals or organizations assigned or deemed suitable by the Agency. The application is considered complete when the sample and analysis results on the sample reach the Agency.

(5) The conformity of the product types planned to be supplied to the market, to technical regulations is determined by means of comparing the declared physical and chemical properties of the product type and the deposition amounts set forth by regulations with the results of the laboratory results and by inspecting the package for supplying to the market in the framework of regulations.

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(6) Applications are decided on within sixty days at the latest as of the completion date. One each of the unit package and group packages produced in the scope of the permit are sent to the Agency within ninety days at the latest. If the samples are approved a Supply to Market Approval Certificate is issued with the content and form to be determined by the Agency. This permit is not valid for companies that do not send samples in the allowed period.

(7) Changes in the Brand copyright and/or license contract are notified to the Agency within thirty days.

(8) Changes in the supply date, retail sales price and price of tobacco products supplied to the market must be notified to the agency within thirty days at the latest.

Renewing a supply to market permit

ARTICLE 13 – (1) When companies want to make a change in the tobacco and raw material obtained from tobacco use rate, physical property, ingredients, deposition amounts or the supply to market packaging for a product type that they have a Supply to Market Approval Certificate for, they are required to obtain the necessary permission in the scope of an update from the Agency before supplying the product to the market.

Export of tobacco products

ARTICLE 14 – (1) The export of crushed tobacco and tobacco products is allowed in Turkey. However, a tobacco use rate table and coding information in the content and form determined by the Agency for the crushed tobacco and tobacco product must be submitted to the Agency before production. If deemed necessary by the Agency the accuracy of this declaration may be checked at any stage of the production or before export. In the export of crushed tobacco and tobacco products, the Agency is notified by the Company before each export party's exit procedures are completed.

(2) The Company must apply to the Agency and obtain a conformity permit by specifying the amount or portion of foreign and domestic tobacco, tobacco stems, homogenized tobacco, expanded tobacco, expanded tobacco stems and scrap tobacco used in tobacco and tobacco products to be exported within the scope of Internal Processing Regime and declaring and committing to the accuracy of the information. The permit application is made with a copy each of the import and export list, raw material consumption table concerning the products to be exported and the Internal Processing Permit necessary per the communiqués on Internal Processing Regime. The application is evaluated taking into account the production capacity of the production facility, the machine park, production method and market risks and issued a permit if approved. Production planning is notified to the Agency before production is commenced.

(3) The Agency is authorized to conduct all manner of technical inspections and analyses at the import stage or before production for each of the raw materials declared on the import list, export products and on the raw material consumption table; and for the products on the export list at the production and/or export stage by taking a sample.

(4) An application made to the relevant agency/institution concerning the closure of an Internal Processing Permit is notified to the Agency within thirty days at the latest as of the application date. Within thirty days at the latest as of the date that the Closure process is completed, a copy of each of the closure documents and the closure statement is presented by the company to the Agency.

(5) The phrase “produced for export purposes” and the name of the export country must be included in Turkish and the language of the export company on the unit and group packaging of tobacco products supplied to the foreign market that will be produced in unit and group packaging and exported abroad.

Import of tobacco products

ARTICLE 15 – (1) If companies that have obtained a Production and Operation Approval Certificate produce at least two billion cigarettes based on brand and at least five tons for other tobacco products in a year, they may freely import, price and sell the same brand.

(2) Companies that earn the right to import cigarettes or other tobacco products by brand must obtain a

Tobacco Products Import Approval Certificate, for which the content and form is determined by the Agency, to be submitted to the relevant customs administration for each import party. Obtaining a Tobacco Products Import Approval Certificate from the Agency does not remove the company's obligation to fulfill the other conditions set forth by regulations concerning import.

(3) The right of company to import by brand is valid for the calendar year in question.

<http://www.resmigazete.gov.tr/eskiler/2010/11/20101104-1.htm>

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(4) The procedures and principles for import of cigarettes and other tobacco products by companies that cannot meet the conditions concerning production amounts for import by brand, determining the price for imported tobacco products and supplying them to the market is decided by the Council of Ministers by recommendation of the Agency.

(5) Those who wish to obtain a Tobacco Products Import Approval Certificate must submit the following documents and information to the Agency before production,

- a) Information about the company producing the tobacco products to be imported.
- b) Physical and chemical properties and depositions amounts, if any.
- c) Tobacco Use Rates Table with the form and content to be determined by the Agency.
- ç) Ingredients Notification and Toxicological Data Tables.
- d) Unit package and grouping designs including measurements, design of the label on the transparent packaging if transparent packaging is to be used.
- e) The unit package's opening strip, inner package, information on the tobacco product inside and information about the grouping opening strip.
- f) The proforma invoice of the product to be imported, the origin, amount, customs tariff statistical position and information about the customs administration it will be entering.
- g) Samples taken accordingly from the tobacco products to be imported by an international oversight association by brand and type.
- ğ) Health warnings application plan.
- h) Production coding and similar markings information.
- i) Brand copyright document.
- i) If the brand is registered to another real individual or legal entity, the license contract transferring user rights along with the brand copyright document.

(6) Applications completed once the results of the test and analysis conducted by independent and accredited laboratories on the product type intended to be imported have reached the Agency, are evaluated according to the provisions of clause five, article 12 and concluded with a decision within sixty days at the latest. Companies approved by the Agency are notified. The company then applies with the Tobacco Products Import Application Form, for which the content and form is determined by the Agency, and samples of the unit and group package of the product intended for import for a Tobacco Products Import Approval Certificate. If the samples of the approved product type are in accordance with the expert report the Tobacco Products Import Approval Certificate, for which the content and form is determined by the Agency, is issued by the Agency.

(7) Before starting production on the tobacco product to be imported, information about the production location and time must be submitted to the Agency. The Agency may appoint an expert to monitor production stages and take samples at the facility broad if deemed necessary.

(8) The phrase "Imported with the permission of the TAPDK" will be written on the unit and group packages of the imported tobacco products.

(9) The conditions specified in this article shall not apply for import of tobacco products that companies will import with the permission of the agency for testing and sampling purposes.

(10) The actual production amount mentioned in clause one is comprised of the total supplied to the domestic market and produced for export.

(11) A Supply to Market Approval Certificate is issued limited to the amount imported for the product type a Tobacco Products Import Approval Certificate has been issued.

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(12) Tobacco products that are not permitted to be imported by the Agency or customs are returned to their origin by the company or to a third country or if accepted by the customs administration, they are abandoned to customs to be classified according to the regulations in force with all expenses to be covered by the importer.

Tax label application and sales service fee

ARTICLE 16 – (1) Produced and imported tobacco products are supplied to the market with tax labels that have been assigned on the Products with Tax Labels Tracking System.

(2) The tax label requests of real individuals and legal entities with a Facility Establishment Approval Certificate and companies are provided for within the procedures and principles determined by the Products with Tax Labels Tracking System general communiqués.

(3) The sales service fee to be taken in the scope of article 23 per tax label concerning the tax labels used on the unit package of produced tobacco products; will be deposited in the Agency accounts by the company, based on the production amounts specified on the monthly reports to be prepared per article 20 and sent to the Agency within the fifteenth day of the next month, within fifteen days as of the final notification date. Sales service fees that are not paid in time will be collected with legal interest. The sales service fee to be collected per tax label to be used on imported tobacco products will be deposited in the Agency account before the expert inspection is conducted on the imported product in customs. The expert inspection is done after the fee is deposited.

(4) The sales service fee to be collected per tax label is a fee comprised of the total of expenses for laboratory analyses of the imported or produced product, the services involved in issuing the import approval certificate for imported tobacco used in products and imported products, market oversight and inspection activities, production control and oversight services, all manner of control and oversight services during production and supply to market activities, consumer informing and education services, informing services addressing companies in the sector, research and development services concerning the sector and the sector's portion of Agency general expenses.

SECTION FIVE

Change in Establishment Location, Transfer and Closure

Change in the establishment location of facility

ARTICLE 17 - (1) Changing the establishment location of a facility is subject to Agency permission.

(2) The authorized organ of the company will apply to the Agency with the decision to change the location of the facility and documents meeting the conditions of sub-clauses (b), (c), (ç) and (d) of clause one under article 5 as well as the documents specified in sub-clauses (ç), (d) and (e) of clause one under article 6 before the relocation. Complete applications are decided on within sixty days at the latest.

(3) Companies for which the relocation of the facility has been approved and the facility has been made ready for production will apply to the Agency with the documents required per sub-clause (e) of clause one under article 6 and request the renewal of their Production and Operation Approval Certificate. After a technical inspection and check is conducted at the site approved companies have their Production and Operation Approval Certificate renewed within sixty days at the latest.

Transfer

ARTICLE 18 – (1) The transfer of a production facility is subject to Agency permission.

(2) The authorized organ of the company will apply to the Agency with the decision to transfer the facility and documents specified in sub-clauses (a), (b) and (c) of clause one under article 6 for the real individual or legal entity transferee prior to the transfer permit. Complete applications are decided on within sixty days at the latest.

(3) Once the transfer contract is signed after the permit is issued, the real individual or legal entity transferee will apply to the Agency within thirty days at the latest for renewal of the Production and Operation Approval Certificate and Supply to Market Approval Certificate. These certificates are updated and issued to the transferee.

(4) If the transfer also involves relocation the relocation is subject to the provisions of article 17.

Ceasing of operations at facility and closure

ARTICLE 19 – (1) The authorized organ of the company will notify the Agency with the decision to cease operations and close the facility. After notification the Agency will assign a technical delegation to determine the machines, equipment, raw materials, semi finished products and product stocks and the obligations towards the Agency which will then be evaluated by the Agency and the closure procedure will be concluded within sixty days at the latest.

(2) The transfer, sending out of the country, destruction, sales and refund procedures for the machines, equipment, raw materials, semi finished products and product stocks determined to be at the facility are done under the supervision or inspection of the Agency.

(3) The processes of submitting, detecting and destroying Tax Label Product Tracking System components and unused and wastage tax labels will be carried out according to the procedures and principles set forth in the general communiqués of the Tax Label Product Tracking System.

(4) The processes carried out by the Agency in response to notification per this article shall not remove the company's requirement to fulfill other obligations.

SECTION SIX

Records, Duration of Maintaining Documents, Inspection, Approval Certificate and Sales Service Fees and the Destruction of Tobacco Products

Records

ARTICLE 20 – (1) Companies report raw material stock movements, production amounts, amounts of products moved from production to the product warehouse and from here to other warehouses in the country, sales, returns and tax label movements to the Agency in approved reports.

(2) The principles for the content and organization of reports, form of reporting and deadlines are notified to companies within sixty days at the latest as of publication of this regulation by means of announcement on the Agency website.

(3) Companies are required to maintain the records specified below.

- a) Records by type, origin or genus concerning tobacco that is imported, procured domestically, used in tobacco product production, not used in production but transferred elsewhere, destroyed, spoiled or dispensed otherwise.
- b) Records for processed products like crushed tobacco, homogenized or recombined tobacco, expanded tobacco and expanded stems.
- c) Records by brand and type concerning tobacco products that are imported, supplied to the market, returned from the market, exported, destroyed, spoiled or dispensed otherwise.
- ç) Records concerning tax labels that are procured, used in production, not used, removed as scrap, destroyed and returned.

Duration of maintaining records

ARTICLE 21 – (1) Unless a longer duration for maintaining records is specified in the relevant regulation, the records required to be kept per article 20 must be maintained for a period of five years as of the date they are issued by the company, including all copies of electronically sent documents.

Inspection

ARTICLE 22 – (1) Production facility establishment, production and operation permit, project amendment, facility relocation, end of operations, closure, all transfer processes, tobacco products production and domestic and foreign commerce processes of real individuals and legal entities that will be operating in the tobacco products sector are subject to Agency inspection.

(2) The production facilities of companies with a Production and Operation Approval Certificate are subject to technical inspection by the Agency.

(3) Companies may not deny requests for information, documents and samples, inspections and observations by the Agency per Law or regulations, even if they have industrial or commercial confidentiality considerations.

(4) All information and documents requested by the Agency per Law or regulations must be provided and facilities and workplaces must be opened to inspection and observation within fifteen days at the latest.

Determination of application, approval certificate and tax label sales service fees

ARTICLE 23 – (1) For an application to obtain a permit for establishing a cigarette production facility in the scope of article 6, a fee of fifteen thousand Turkish Lira is collected and a fee of one thousand Turkish Lira is collected for an application to obtain a permit for establishing other tobacco product production facilities. These fees are deducted from the cost that is to be calculated for the Facility Establishment Approval Certificate in the scope of clause two.

(2) Eight thousand Turkish Lira per each one hundred million cigarette production capacity is collected as a Facility Establishment Approval Certificate fee to be issued in the scope of article 7. One hundred Turkish Lira is collected per one ton production capacity for other tobacco production.

(3) The fee collected for Production and Operation Approval Certificates to be issued in the scope of article 8 is two times the Facility Establishment Approval Certificate fee for cigarette and other tobacco products separately.

(4) The fee collected for Project Amendment Approval Certificates to be issued in the scope of article 9 is one thousand five hundred Turkish Lira for project changes that cause an increase in each one hundred million cigarette capacity at cigarette production facilities and twenty five Turkish Lira for project changes that cause an increase in each one ton capacity for other tobacco product facilities.

(5) The fee calculation for amounts less than one hundred million cigarette production capacity and one ton for other tobacco products specified in clauses two and four is done according to the principle of per diem deduction.

(6) A sales fee of one Turkish Lira and fifty three Kuruş is collected per one thousand items of tax labels on the unit package of tobacco products produced per article 16.

(7) The fees to be collected per approval certificate specified in clause two, four and six and the tax label sales service fee is valid for 2010. In the preceding years these fees are determined by the Agency again not to exceed the revaluation rate determined per Tax Procedure Law No. 213 dated 4/1/1961 for the previous year.

(8) The capacity that the fees per Approval Certificate are based on is calculated by expressing in one year the total theoretical capacity of cigarette producing machines in a cigarette production facility, cigar and cigarillo producing machines in a cigar and cigarillo production facility and tobacco crushing machines in a hookah and rolling quality tobacco production facility per hour multiplied with the weekly work hours set forth by current law. The capacity for tobacco products that are not specified in this article is determined by the Agency based on the production feature.

Destruction of tobacco products

ARTICLE 24 – (1) The destruction of tobacco and tobacco products that are not the subject of commerce and considered waste shall be done by companies with the permission of the Agency according to the Environmental Law and other relevant regulations.

SECTION SEVEN

Penalty Provisions

Judicial and administrative penalties

ARTICLE 25 – (1) Judicial penalties

a) The provisions of article 8 clause one of the Law will be applied to those, other than individuals that use the tobacco they produce to acquire rolling tobacco no more than fifty kilos not for commercial purposes, that establish and operate a factory, facility or workshop and are involved in categories other than what has been permitted for their facility.

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b) The provisions of article 8 clause two of the Law will be applied to those who distribute tobacco products for free or for a price without using the tax label, label, hologram, stamp, seal or similar mark applied by public agencies on tobacco products despite having obtained them per article 16 and other relevant articles, those who obtain these by misleading relevant agencies and institutions with fraudulent papers and documents or by other means even though they do not have the right to obtain or use them and those who use these by imitating or tampering or removing them from products they are attached to and changing them.

c) The provisions of article 8, clause three of the Law will be applied to those who manufacture or bring into the country imitations of the tax label, label, hologram, stamp, seal or similar mark specified in clause (b) and those who have, transport, sell or use these.

ç) The provisions of article 8, clause four of the Law will be applied to those who have, transport, supply or sell tobacco products without tax label, label, hologram, stamp, seal or similar marks or with imitations or noncompliant symbols of these for commercial purposes.

(2) The following administrative actions will be applied to the real individuals and legal entities that produce, import or export, market, buy and sell products and services in the tobacco products market in the scope of Law or this Regulation.

a) The provisions of article 8, clause five, sub clause (a) of the Law will be applied to those who do not submit commercial sales or operation reports showing commercial activity or information, documents and samples requested by the Agency per Law or relevant regulations within the allowed period despite being warned in writing, those who submit incorrect or misleading information and those who do not open their facilities and workplaces for inspection.

b) The provisions of article 8, clause five, sub clause (c) of the Law will be applied to those who make changes in their main ingredients or product packaging and supply the products to the market without obtaining permission or an update.

c) The provisions of article 8, clause five, sub clause (d) of the Law will be applied to those who carry out the processes in the scope of project amendment in production facilities without getting permission from the Agency, those who transfer their machines in the country to a newly established or old factory that is completely or partially established by the same company or those transfer them outside of the country or stop operations without notification.

ç) The provisions of article 8, clause five, sub clause (i) of the Law will be applied to those who produce snuff, chewing and hookah tobacco or leaf tobacco paper or tubes, sell or supply for sale, produce, sell or supply for sale rolling tobacco for commercial purposes without an approval certificate from the Agency.

d) The provisions of article 8, clause five, sub clause (f) of the Law will be applied to companies that sell tobacco products to people who have not obtained a sales certificate from the Agency.

(3) Other than the actions specified above, if it is determined that the Law or regulations in force according to Law or conditions in the documents provided by the Agency have not been complied with, the relevant real individual and legal entity will be warned and a suitable period will be given for the violation to be rectified. The period allowed for each process is determined by the Agency. If the violation continues after the period has expired or it is impossible to rectify the violation, the Agency will cancel all issued permits.

(4) Administrative fines will be doubled if the action is repeated. If the actions specified in clause two sub-clause (b) are repeated, the supply of the product that is the subject of the violation is suspended for one year, if the actions specified in sub-clauses (a), (c) and (d) are repeated a third time in the five years after the first action, the permits are cancelled.

(5) Those whose judicial proceedings are continuing or who have been sentenced for violating the Law, Law no. 4250 or Law no. 5607, or who do not have public suits filed against them or have had such cases dismissed because of paying settlements more than twice for violating the same laws are not issued approval permits and the permit that have been issued are cancelled.

(6) Local civil service authorities are authorized to issue a decision to apply the administrative action against the actions specified in sub-clauses (ç) and (d) of clause two and to transfer to public ownership all properties that comprise the

subject of this violation. The Agency is authorized to issue administrative fines concerning the actions specified in all other clauses. The administrative actions applied by local civil service authorities are notified to the Agency within fifteen days.

(7) The provisions of the Law of Misdemeanors no. 5326 dated 30/3/2005 shall apply in all administrative action without provisions in the Law or this regulation.

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SECTION EIGHT

Various and Final Provisions

Forms that are broadcasted on the Agency website

ARTICLE 26 – (1) In accordance with the provisions of this Regulation the following are announced on the Agency website with the form and content to be determined by the Agency;

a) Facility Establishment Approval Certificate, Production and Operation Approval Certificate, Project Amendment Approval Certificate, Supply to Market Approval Certificate, Tobacco Products Import Approval Certificate, Tobacco Products Import Application Form,

b) The feasibility report requested per article 6, clause one, sub-clause (ç),

c) The declaration and commitment statements requested per article 6, clause one, sub-clause (c) and (e) and clauses four and six of article 9,

ç) The legal permits list requested per article 6, clause one, sub-clause (e),

d) The Tobacco use Rate Table requested per article 12, clause two, sub-clause (b), article 14 clause one and article 15 clause five sub-clause (c),

e) The Ingredient Notification and Toxicology Data Tables requested per article 12, clause two, sub-clause (c) article 15 clause five sub-clause (ç),

Abrogated regulation

ARTICLE 27 – (1) The Regulation on the Procedures and Principles Concerning the Establishment of Factories for Tobacco Products, the Production of these Products, Domestic and Foreign Commerce and Inspection published in Official Gazette no. 25075 dated 10/4/2003 has been abrogated.

Application of present regulation

TEMPORARY ARTICLE 1 – (1) The provisions of article 8 and 23 shall be applied to those who have obtained a Factory Establishment Approval Permit by the date that this Regulation goes into effect but have not obtained a Production Approval Permit.

(2) The provisions of this Regulation shall not apply to export and import processes that were started before this Regulation was published. However the favorable provisions of this Regulation shall apply to the processes in question.

(3) The approval and permit documents that are obtained before this Regulation goes into effect are valid and will be renewed within six months as of the enforcement date.

(4) The procedures and principles concerning the evaluation of data on the Ingredient Notification and Toxicology Data Tables will be determined by the Agency within one year at the latest as of the date that this Regulation is published.

The maximum period for the forms to be broadcasted on the website

TEMPORARY ARTICLE 2 – (1) The forms that are specified in article 26 are announced on the Agency website within sixty days at the latest as of the date that this Regulation goes into force.

Broadcasting of physical and chemical properties

TEMPORARY ARTICLE 3- (1) In accordance with article 12, clause two, sub-clause (a) the physical and chemical properties requested for cigarettes and other tobacco products are determined by Board decision within sixty days at the latest as of the date that this Regulation is published.

Enforcement

ARTICLE 28 – (1) This Regulation goes into force as of the date that it is published.

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Execution

ARTICLE 29 – (1) This Regulation is executed by the President of the Tobacco and Alcohol Market Regulation Agency.