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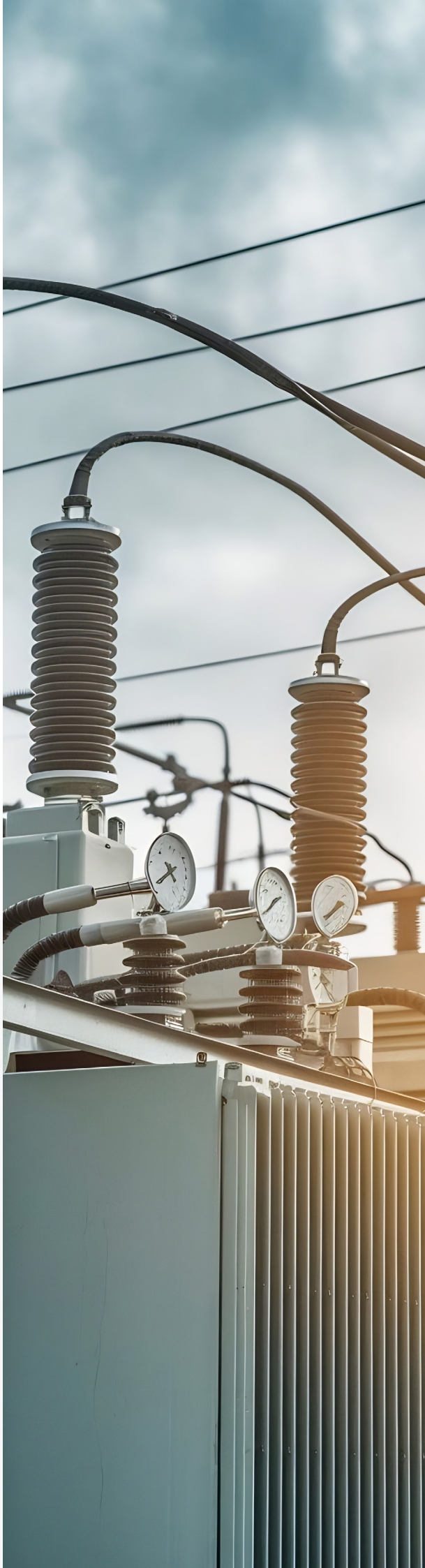

↗ **LEGAL** BULLETIN

One week later: The MAE repeals Agreement 0118 and reduces the list of electrical goods eligible for 0% VAT and ISD rates

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Ministerial Agreement No. MAE-MAE-2026-0121-AM | November 18, 2026 | Seventh Supplement to Official Gazette No. 415, November 24, 2026

Seven days after issuing the initial lists of goods in the electricity sector eligible for 0% Value Added Tax (VAT) and Currency Outflow Tax (ISD) rates (Agreement 0118), the Ministry of Environment and Energy (MAE) signed Agreement 0121, repealing and replacing the previous agreement with shorter lists. The tax benefit established under Executive Decree No. 530 remains in place; however, the list of eligible goods has been reduced.

Why was a new Agreement issued?

According to the recitals of Agreement 0121, on November 12, FEDIMETAL warned that finished goods imported at a 0% tax rate would have a competitive advantage over domestically manufactured goods produced using taxable inputs. The Ministry reviewed the lists, taking domestic production into consideration and excluding goods intended for general use.

Why was a new Agreement issued?

Its application is not immediate. The Sole Repealing Provision of Agreement 0121 states:

> *"Ministerial Agreement No. MAE-MAE-2026-0118-AM, dated November 11, 2026, published in the Seventh Supplement to Official Gazette No. 407 on the same date, including its annexes, is hereby repealed as of the entry into force of this Ministerial Agreement."*

Under the Third Final Provision, Agreement 0121 enters into force on the day following its full publication in the Official Gazette, "without retroactive effect." Having been published in the Seventh Supplement to Official Gazette No. 415 on November 24, 2026, the new lists apply as of November 25, 2026. Agreement 0118 remained applicable through November 24, and transactions carried out under its provisions remain valid.

Who is affected?

Those involved in the development, operation, or maintenance of electricity generation, transmission, distribution, storage, and commercialization projects, including Autonomous Energy Districts, as well as importers and local suppliers of equipment for such projects.

What changes under the new Agreement?

	Agreement 0118 (repealed)	Agreement 0121 (new)	Legal basis (MA 0121)
Imports (Annex 1)	104 tariff subheadings	**77 tariff subheadings**	Article 1 and Annex 1
Local purchases (Annex 2)	55 goods	**25 goods**	Article 2 and Annex 2
VAT on imports	Article 1 only referred to the 0% ISD rate	Annex 1 applies to both VAT on imports and ISD	Article 1, second paragraph
Invoices, contracts, and kits	No express provision	These do not extend the tax benefit; each item must be identified and valued separately	Fourth General Provision

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What should companies consider?

- Review the new annexes: Goods no longer included in the lists cease to qualify for the 0% tax rate upon the entry into force of Agreement 0121, including in relation to outstanding payments abroad (Article 2 of Executive Decree No. 530).

- Adjust invoices and contracts: Separately identify goods subject to different tax rates in supporting tax documents (Fourth General Provision) and review contracts agreed on a "plus VAT" basis.

- VAT paid in 2026: Before the end of the fiscal year, determine whether to recognize VAT paid as a deductible expense for Income Tax purposes, an irrevocable option provided for under the Sole Transitional Provision of Executive Decree No. 530.

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