
Establishment of the Rebar Monitoring System: New Obligations for Rebar Producers, Importers and Taxpayers Operating in the Construction Sector?

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Introduction

On 16 March 2023, the Ministry of Treasury and Finance (Turkish Revenue Administration) published the General Communiqué on Application of Rebar Monitoring System.[\[1\]](#) After emphasizing the importance of monitoring and analysing certain inputs of the construction industry for the prevention of tax evasion and the building safety, the Communiqué sets out the main procedures and principles for the monitoring of all stages and laboratory testing processes of rebars to be used in construction from production or importation to delivery, including the construction contractor specified in the Law No. 4708 on Building Inspection.

The General Directorate of Mint and Security Printing (the “**General Directorate**”) will establish the Rebar Monitoring System (“**IDIS**”) which involves using of security labels and/or signs on rebar, which will enable to monitoring of production process and transferring of data to the central system. The system will also track delivery transactions and transfer of the relevant data to various ministries.

Accordingly, this note aims to provide a brief explanation on (i) the establishment and the main structure of the IDIS System, (ii) the significant provisions that will highlight the core of the rebar monitoring system with several definitions from the Communiqué and (iii) fines and consequences for non-compliance with the regulation will be emphasized.

Establishment and Main Structure of the IDIS System

The IDIS will be established by the General Directorate and will include the application of security labels and/or signs to rebar, which will enable the monitoring of basic data related to production activities and transferring of the data to the central system. The system will also be able to monitor and track delivery transactions including all the data relating to producer, exporter, importer, wholesaler, dealer, and trader. Furthermore, the data relating to these transactions will be transferred by the General Directorate to the Ministry of Environment, Urbanisation and Climate

Change, the Ministry of Trade, and the Revenue Administration.

In light of the information given above, the Communiqué imposes an obligation on all taxpayers operating in the construction sector to use IDIS, and taxpayers producing or importing rebar are required to apply a security label and/or security marking to the rebar. Therefore, the components of the system shall be installed in the production facilities for companies producing rebar domestically and in the locations determined by the General Directorate for companies importing rebar. Accordingly, the system will ensure data continuity in the entire process from the production and import of rebar (including each intermediate delivery stage) to the completion of the work by the construction contractor.

The Core of the IDIS System

The Communiqué brings requirements to all taxpayers producing or importing rebar to apply a security label and/or security sign and mandates the use of IDIS System for all rebar-related activities. The obligations to be fulfilled and the amounts to be paid by the stakeholders have also been regulated. Furthermore, the payment and determination of the costs required for the security labels and/or signs to be placed on the rebar is also included within the scope of the Communiqué.

First, IDIS System is defined as the whole set of operations established or commissioned by the General Directorate in order to ensure tax security, based on the identification of the produced and imported rebar with a special label or sign and monitoring of all delivery stages from import to production, including the construction contractor included in the Law No. 4708, including laboratory testing processes, transferring data to the relevant information systems and enabling field inspection with inspection devices.

The respective special label or sign corresponds to the term security label and/or security sign in the Communiqué. In Article 3(1)(c), **the security label and/or security sign** is explained as the material in the form of a precious stamp with special labels and signs such as heat, water, and impact-resistant banderols, postmarks, barcodes, signs, codes, coupons, stamps, symbols, etc. to be attached or applied on each rebar and each rebar tie. According to Article 4(4), within the scope of IDIS, security labels and/or security marks containing the features determined by the General Directorate shall be used.

Another crucial aspect is that the production, export, import, purchase, sale, and using of rebar shall not be carried out outside of the IDIS System. Therefore, it is indicated that **the system stakeholders**, who will be identified in the system manual by the General Directorate, are responsible for procuring the software and hardware described in the system manual from the General Directorate and integrating them into their systems. The pricing for the required software, hardware, consumables, and similar system elements will be published on the General Directorate's website.

Those who sell or purchase rebar, other than the producer and importer companies, will enter

information on delivery, purchase, and sales documents into the system with the username and password to be given to them. The system stakeholders will share the relevant data with the General Directorate through hardware and software interfaces to be established by the General Directorate within the framework of the procedures and principles specified in the guidelines to be published on the General Directorate's website (*i.e.* www.darphane.gov.tr).

Further, the General Directorate shall be responsible for the operation and supervision of IDIS, and the costs of security labels and/or security signs to be delivered to producers and importers shall be paid by depositing to the General Directorate's account opened at any public bank or via IDIS after the approval of the requests. Upon the deposit of the fee, the requests of producers and importers for security labels and/or security signs will be delivered within 15 days.

Additionally, the costs of security labels and/or security signs will be determined by the General Directorate, taking into account the cost factors, and the determined prices will be increased by the annual D-PPI rate determined by the Turkish Statistical Institute for the previous year in the years following the commissioning of the system and will be applied for one year. The annual price increase will be effective as of 1 January of the relevant year.

Fines and Other Consequences

Fines are specified in case of an incompliance with the obligations deriving from this Communiqué. Furthermore, a deadline is set to complete to transition to IDIS. Moreover, consequences are pointed out for those who have rebar in their stocks as of the publication date of the Communiqué and do not put security label and/or security sign on these rebars until the indicated deadlines.

In Article 7, the Communiqué regulates the fines that will be imposed on those who fail to comply with the obligations imposed by the Communiqué, which shall be subject to the relevant penalty provisions of the Tax Procedure Law No. 213. In this regard, stakeholders may face administrative fines, that will be determined in accordance with the Tax Procedure Law No. 213, where they fail to fulfil their obligation arising from the Communiqué.

Pursuant to Temporary Article 1 of the Communiqué, it is obligatory for those who currently produce or import rebar, exporters, wholesalers, dealers, traders, and construction contractors to make transition to IDIS before 1 January 2024. Furthermore, producers and importers who have rebar in their stocks without security labels and/or security signs as of the publication date of this Communiqué, cannot subject their stocks to sale as of 1 January 2024 and all that remains cannot subject these stocks to sale after 31 January 2024.

As explained above, the Communiqué requires the transition to IDIS for stakeholders operating in the construction sector and imposes certain obligations to procure and enter the relevant data to the IDIS under the Communiqué. For producers and importers, it is another obligation to get the security labels and/or signs and put them on the rebar. If the obligations specified in the Communiqué are not met, concerned stakeholders may be subject to an administrative fine.

Moreover, the Communiqué rules that producers, importers and the other concerned parties will not be able to sell the products that they have as of the Communiqué's publication date, if they do not replace security labels and/or security signs on rebars in question until the deadline stated in Temporary Article 1 of the Communiqué.

Conclusion

The General Communiqué on the Application of the Rebar Monitoring System is a significant regulation, which will be effective from 1 January 2024. The regulation aims to combat the shadow economy (informal activity), monitor certain inputs in the construction sector, and contribute to ensuring construction safety and tax security. Furthermore, the IDIS will be established to monitor the production, importation, delivery, and laboratory testing processes of rebar to be used in construction. The General Directorate will be responsible for implementing the system, including the application process of security labels and/or signs to rebar, and the data obtained will be transferred to relevant authorities. Overall, it is foreseen that this regulation will provide greater transparency, safety, and security in the construction industry in Turkey.

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[1] Please see the following link for the relevant communiqué:
<https://www.resmigazete.gov.tr/eskiler/2023/03/20230316-13.htm>