

The Republic of Turkey offers a set of investment incentives to Turkish and foreign investors. This document is a brief summary of these incentives.

### WHAT INCENTIVE MEASURES ARE AVAILABLE?

The following incentive measures are available to investments depending on their sectors, region, scale and start date.

- **VAT Exemption:** VAT can be exempted for imported and domestically procured machinery and equipment.
- **Customs Duty Exemption:** Customs duty can be exempted for imported machinery and equipment.
- **Reduced Tax Rate:**

A reduced corporate or income tax rate is applied until the cumulative reduction is reached to a certain percentage of the investment. This percentage, which is called the percentage of support for the investment, changes according to region, scale and start date of the investment. To give an example, if a 100.000.000 TL investment is qualified for 25 % tax reduction, and has 10% percentage of support for investment, the tax rate to be used in calculating the corporate tax will be 25 % lower than the normal tax rate, and this new reduced tax rate will be applied until the total reduced amount reaches to the percentage of support for the investment, which is 10.000.000 TL (10 % of the investment for this example).

### Support for Employer's Contribution for Social Security

Employer's share for social security contribution for those extra employment created by the investment is paid by the Treasury. The wage base for the amount to be paid by the Treasury per worker is the minimum wage. The concept of "extra employment provided" is explained in the Communiqué.

### Interest Rate Support:

A certain amount of the interest rate of the investment loans for qualified projects may be paid by the Treasury. To give an example, if a project is given an interest rate support of 5 points for a Turkish Lira loan with an interest rate of 25%, the investor will pay an interest rate of 20% and the Treasury will pay the remaining 5% to the bank.

### Land Allocation:

Large Scale Investments and investments qualified for regional incentives may be allocated government land free of charge.

### HOW THE SYSTEM WORKS ?

In order to enjoy these investment incentives an Investment Incentive Certificate should be allocated by the General Directorate of Foreign Investment, Undersecretariat of Treasury.

Incentive measures are applied in the following three legged system. Those investments starting before 31 December 2010 will receive better treatment as can be seen in the following sections. The concept of "starting of an investment" in this context means that certain expenditures such as purchasing of land, building of infrastructure, starting of construction

or purchasing of equipment is made. However, if minimum 10 % of fixed investment in the incentive certificate for regional incentives or minimum 5 million TL for Large Scale Investments is realized, the investment is deemed to have started.

### 1. General Incentives

General incentives will be given to all investments, except those listed in the Decree, which cannot be classified as Large Scale Investments or cannot be supported under regional incentives. Investments to be supported under this heading will receive exemption of customs duty and VAT exemption on imported or domestically procured machinery and equipment. In order to qualify for general incentives the minimum investment should be 1 million TL in Zones I and II, and 500 000 TL for Zones III and IV.

### 2. Large Scale Investments

Investments in sectors listed in the Decree, and above certain minimum investment amounts are considered Large Scale Investments and may enjoy the following incentives in addition to the General Incentives.

*Reduced Tax Rate:* A reduced tax rate for projects qualified as large projects is applied according to the following Table:

Regions	Starting before 31/10/2010		Starting after 31/10/2010	
	% of Support	Reduction Rate (%)	% of Support	Reduction Rate (%)
I	30	50	25	25
II	40	60	30	40
III	50	80	40	60
IV	70	90	45	80

*Support for Employer's Contribution for Social Security:* Employer's share for social security contribution for projects qualified as Large Scale Investments may be paid for the following durations:

Regions	Starting before 31/10/2010	Starting after 31/10/2010
I	2 years	-
II	3 years	-
III	5 years	3 years
IV	7 years	5 years

*Land Allocation:*

Government land may be allocated for projects qualified as Large projects.

### 3. Regional Incentives:

Investments in certain sectors in certain regions may enjoy Reduced Tax Rate, Support for Employer's Contribution for Social Security and Land Allocation in addition to the General Incentives. The list of regions and sectors qualified in each region is listed in the Decree. The specific conditions for regional incentives are set forth in the Decree.

*Reduced Tax Rate:* The Reduced Tax Rate for projects qualified under regional incentives is applied according to the following Table:

Regions	Starting before 31/10/2010		Starting after 31/10/2010	
	% of Support	Reduction Rate (%)	% of Support	Reduction Rate (%)
I	20	50	10	25
II	30	60	15	40
III	40	80	20	60
IV	60	90	25	80

*Support for Employer's Contribution for Social Security:*  
Employer's share for social security contribution for projects qualified under regional incentives may be paid for the following durations:

	Starting before 31/10/2010	Starting after 31/10/2010
Regions		
I	2 years	-
II	3 years	-
III	5 years	3 years
IV	7 years	5 years

*Interest Rate Support:* This is applied to investment loans received from banks and with a minimum term of one year. The maximum amount of loan eligible for this incentive is 70 % of the total fixed investment on the Incentive Certificate. The support is applied as follows:

-For investments in the III rd Region, 3 points for Turkish Lira denominated loans, 1 points for loans denominated in or indexed to a foreign currency,

-For investments in the IV th Region, 5 points for Turkish Lira denominated loans, 2 points for loans denominated in or indexed to a foreign currency.

The maximum duration for this incentive is five year.

*Land Allocation:* Government land may be allocated for projects qualified under regional incentives.

### INVESTMENTS ELIGIBLE FOR INCENTIVES UNDER LARGE SCALE INVESTMENTS

Sector	Minimum Investment Million TL
Production of basic chemicals	1000
Production of other chemicals	300
Production of refined petroleum products	1000
Pipeline trasport investmentss	50
Production of motor vehicles	250
Railroad-tram locomotive and/or stock	50
Port and port services	250
Production of LCD/Plasma	1000
Production of module panels	150
Production of Lazer TV, 3D TV, OLED TV and simiar TV's.	50
Other electronics sector investments	50
Production of medical, precision and optical equipment	50
Production of pharmaceuticals	100
Production of aircraft and space vehicles	50
Production of machinery	50
Mining investments	

### Further Information:

The information given above consists only the main points of the investment incentive system. Detailed information can be found in the Council of Ministers Decree No. 2009/15199 of 14 July 2009 and the Communiqué no 2009/1 of 28 July 2009, and also be received from:

General Directorate of Foreign Investment  
Undersecretariat of the Treasury

Tel: +90 312 212 89 14  
+90 312 212 58 76  
+90 312 212 58 77  
+90 312 212 89 15  
Fax: +90 312 212 8916  
www.treasury.gov.tr

Republic of Turkey  
Prime Ministry  
Undersecretariat of Treasury

İnönü Bulvarı No:36 06510 Emek/ANKARA

## The New Incentive System in TURKEY



Prime Ministry  
Undersecretariat of Treasury