



REPUBLIC OF TURKEY
MINISTRY OF ECONOMY

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GENERAL DIRECTORATE OF
INCENTIVES IMPLEMENTATION AND FOREIGN INVESTMENT

THE NEW INVESTMENT INCENTIVE PROGRAM IN TURKEY

March, 2013



The New Investment Incentives Program

Regional Investment Incentive Scheme

- Customs Duty Exemption
- VAT Exemption
- Tax Deduction
- Social Security Premium Support (Employer's Share)
- Land Allocation
- Interest Support
- Income Tax Withholding Allowance Support (In Region 6)
- Social Security Premium Support (Employee's Share) (In Region 6)

Large Scale Investment Incentive Scheme

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- VAT Exemption
- Tax Deduction
- Social Security Premium Support (Employer's Share)
- Land Allocation
- Income Tax Withholding Allowance Support (In Region 6)
- Social Security Premium Support (Employee's Share) (In Region 6)

Strategic Investment Incentive Scheme

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- VAT Exemption
- Tax Deduction
- Social Security Premium Support (Employer's Share)
- Land Allocation
- Interest Support
- VAT Refund
- Income Tax Withholding Allowance Support (In Region 6)
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General Investment Incentive Scheme

- Customs Duty Exemption
- VAT Exemption
- Income Tax Withholding Allowance Support (In Region 6)



Support Measures	General Investment	Regional Investment	Large Scale Investment	Strategic Investment
VAT Exemption	✓	✓	✓	✓
Customs Duty Exemption	✓	✓	✓	✓
Tax Deduction		✓	✓	✓
Social Security Premium Support (Employer's Share)		✓	✓	✓
Interest Support		✓		✓
Land Allocation		✓	✓	✓
VAT Refund				✓
Only For Region 6 (The Least Developed Region)				
Income Tax Withholding Support	✓	✓	✓	✓
Social Security Premium Support (Employee's Share)		✓	✓	✓





- ❑ **VAT Exemption:** Investment machinery and equipment imported and/or locally provided within the scope of the incentive certificate will be VAT exempt. (~18%)
- ❑ **Customs Duty Exemption:** Investment machinery and equipment imported within the scope of the incentive certificate will be customs duty exempt. (~2%)
- ❑ **Tax Deduction:** Reduced tax rates for investor's income (50-90 %) until the total deduction reaches to the rate of contribution. (15-65 %)

**TAX DEDUCTION EXAMPLE**

Investment Amount	\$5.000.000
Tax Rate	%20
Tax Reduction	%70
Corporate/income tax rate to be applied until the investor makes full use of support measure's contribution to investment amount	%6
Rate of Contribution to Investment	%30
Tax Deductable Amount	\$1.500.000



- ❑ **Interest Rate Support:** For investment loans, a certain portion of the interest share will be covered by the Ministry. (3-7 percentage points for TL credits, 1-2 percentage points for foreign currency credits) (TL 500K-900K ~ \$ 279K-502K)
- ❑ **Land Allocation:** Government land will be allocated for the investments
- ❑ **VAT Refund:** VAT collected on the building & construction expenses will be rebated. (only for strategic investment projects whit a fixed investment cost of least TL 500 Million ~ \$ 279 Million)



For the additional employment created by the investment

- ❑ **Social Security Premium Employer's Share**, on portions of labor wages corresponding to amount of legal minimum wage, will be covered by the Ministry.
(~ \$102 per employee per month)
- ❑ **Social Security Premium Employee's Share**, on portions of labor wages corresponding to amount of legal minimum wage, will be covered by the Ministry.
(only for Region 6) (~ \$73 per employee per month)
- ❑ **Income Tax Withholding exemption** will provide exemption from income tax withholding. (only for Region 6) (~ \$30 per employee per month)
- * **A special note for Region VI:** The minimum wage will be ~34% less by decreasing from ~\$609 to ~\$404 with the effect of this new investment incentive program.



The New Investment Incentives Program

**Regional
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Regional Investment Incentive Scheme

The aim of the Scheme:

- ✓ Regional system aims to eliminate inter-regional imbalances.

The supported sectors:

- ✓ Supported sectors are determined according to the economic potentials of provinces and scales of economies.
- ✓ For each provinces, there is a supported sectors list with a different minimum investment amount or capacity requirement.

The support rates and terms:

- ✓ Rates and terms of support measures are differentiated according to development level of the regions.



**REGIONAL INVESTMENT INCENTIVE SCHEME**

Incentives		Region 1	Region 2	Region 3	Region 4	Region 5	Region 6
VAT Exemption		✓	✓	✓	✓	✓	✓
Customs Duty Exemption		✓	✓	✓	✓	✓	✓
<u>Tax Reduction</u> Rate of Contribution to Investment (%)	out of OIZ	15	20	25	30	40	50
	in OIZ	20	25	30	40	50	55
Social Security Premium Support (Employer's Share)	out of OIZ	2 years	3 years	5 years	6 years	7 years	10 years
	in OIZ	3 years	5 years	6 years	7 years	10 years	12 years
Land Allocation		✓	✓	✓	✓	✓	✓
Interest Support		N/A	N/A	✓	✓	✓	✓
Income Tax Withholding		N/A	N/A	N/A	N/A	N/A	10 years
Social Security Premium Support (Employee's Share)		N/A	N/A	N/A	N/A	N/A	10 years

PRIORITY INVESTMENTS

Following priority investments will benefit from terms and rates of the support measures of Region 5 even they are made in Regions 1, 2, 3, 4.

- Tourism investments in Cultural and Touristic Preservation and Development Regions determined by the Council of Ministers Decree.



- Mining Investments

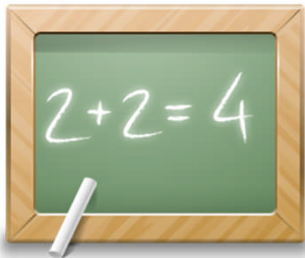
- Specific pharmaceutical investments (bio-technologic and oncology pharma, blood products) and Defense Industry investments with a minimum investment amount of TL 20 Million (~ \$11 Million)

- Railroad and maritime transportation investments



PRIORITY INVESTMENTS

- Test facilities, wind tunnel and similar investments made for automotive, space or defense industries
- International fairground investments with a minimum covered area of 50.000 m²



- Pre-school, Primary, Middle and High School investments by private sector
- Investments made to produce products developed by an R&D Project which is supported by Ministry of Science, Industry and Technology, TUBITAK and KOSGEB

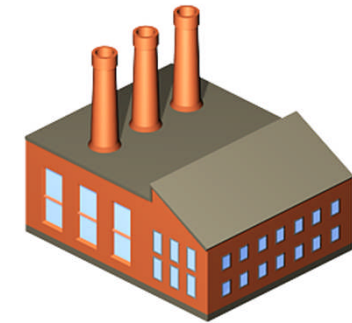


PRIORITY INVESTMENTS

- Automotive OEM investments with a with a minimum investment amount of TL 300 Million (~ \$170 Million)
- Engine production investments with a with a minimum investment amount of TL 75 Million (~ \$42 Million)



- Engine parts, transmission and parts and/or automotive electronics production with a minimum investment amount of TL 20 Million (~ \$11 Million)



- Electric energy production which uses specific mines (i.e. lignite, hard coal, anthracite) as inputs.



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SUPPORT MEASURES FOR PRIORITY INVESTMENTS

Incentives	Terms and Rates
VAT Exemption	✓
Customs Duty Exemption	✓
<u>Tax Reduction</u> Rate of Contribution to Investment (%)	40
Social Security Premium Support (Employer's Share)	7 years
Land Allocation	✓
Interest Support	✓



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Large Scale Investment Incentive Scheme

Goals of the Scheme:

- ✓ Improvement of Technology and R&D Capacity
- ✓ Provide a competitive advantage in the international arena

#	Investment Subjects	Min. Inv. Amount	
		Million TL	Million USD
1	Refined Petroleum Products	1.000	555
2	Chemical Products	200	111
3	Harbours and Harbour Services	200	111
4	Automotive OEM and Side Suppliers	200-50	111 -28
5	Railway and Tram Locomotives and/or Railway Cars	50	28
6	Transit Pipe Line Transportation Services	50	28
7	Electronics	50	28
8	Medical, High Precision and Optical Equipment	50	28
9	Pharmaceuticals	50	28
10	Aircraft and Space Vehicles and/or Parts	50	28
11	Machinery (including Electrical Machines And Equipments)	50	28
12	Integrated Metal Production	50	28

For further inquiries: incentives@economy.gov.tr



Large Scale Investment Incentive Scheme

Incentives		Region 1	Region 2	Region 3	Region 4	Region 5	Region 6
VAT Exemption		✓	✓	✓	✓	✓	✓
Customs Duty Exemption		✓	✓	✓	✓	✓	✓
Tax Reduction Rate of Contribution to Investment (%)	out of OIZ	25	30	35	40	50	60
	in OIZ	30	35	40	50	60	65
Social Security Premium Support (Employer's Share) (Year)	out of OIZ	2	3	5	6	7	10
	in OIZ	3	5	6	7	10	12
Land Allocation		✓	✓	✓	✓	✓	✓
Interest Support		N/A	N/A	N/A	N/A	N/A	N/A
Income Tax Withholding		N/A	N/A	N/A	N/A	N/A	10
Social Security Premium Support (Employee's Share) (Year)		N/A	N/A	N/A	N/A	N/A	10



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Strategic Investment Incentive Scheme

Goals of the scheme:

- ✓ This scheme aims at supporting production of intermediate and final products with high import dependence with a view to reduce current account deficit.
- ✓ It also targets encouraging high-tech and high value added investments with a potential to strengthen Turkey's international competitiveness.



Strategic Investment Incentive Scheme

Eligibility Criteria for Strategic Investment:

- ✓ Production of import dependent intermediate goods and final products (more than 50% supplied by imports)
- ✓ 50 Million TL (\$28 M) minimum investment amount
- ✓ A minimum 40% value addition
- ✓ Import in the last year should be at least \$ 50M (This condition is not necessary for goods with no domestic production)



Strategic Investment Incentive Scheme

Incentives		All Regions
VAT Exemption		✓
Customs Duty Exemption		✓
Tax Reduction	Rate of Contribution to Investment (%)	50%
Social Security Premium Support (Employer's Share)		7 Years (10 years for Region 6)
Land Allocation		✓
VAT Refund		The building and construction costs of investments of more than 500 Million TL (\$277M)
Interest Payment Support		Limited to 5% of total investment amount and with a cap of 50 Million TL (\$27M)
Income Tax Withholding Exemption		10 years only for Region 6
Social Security Premium Support (Employee's Share)		10 years only for Region 6



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General Investment Incentive Scheme

- ✓ Regardless of region where investment is made, the scheme is available for all investment projects provided that:
 - Investment subject is not excluded from the investment incentives programs.
 - Requirement of minimum fixed investment amount is met
 - 1 Million TL. (\$555K) in Regions I and II,
 - 500 Thousand TL.(\$277K) in Regions III, IV, V and VI respectively.
- ✓ The investment projects that are supported from the General Investment Incentives Scheme will benefit only from **Customs Duty** and **VAT exemptions** on their machinery and equipment expenditures.



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Regions	Tax Deduction Rate of Contribution to Investment (%)			
	Regional Scheme		Large Scale Scheme	
	For investment projects to be started till Dec. 31th 2013	For investment projects to be started after Jan. 1st 2014	For investment projects to be started till Dec. 31th 2013	For investment projects to be started after Jan. 1st 2014
Region 1	15	10	25	20
Region 2	20	15	30	25
Region 3	25	20	35	30
Region 4	30	25	40	35
Region 5	40	30	50	40
Region 6	50	35	60	45



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SOCIAL SECURITY PREMIUM SUPPORT (Employer's Share)

REGIONS	For investment projects to be started till Dec. 31th 2013	For investment projects to be started after Jan. 1st 2014
Region 1	2 years	N/A
Region 2	3 years	N/A
Region 3	5 years	3 years
Region 4	6 years	5 years
Region 5	7 years	6 years
Region 6*	10 years	7 years

* In OIZs in Region 6, Social Security Premium-Employer's Share support will last 12 years.

** For Strategic Investments, Social Security Premium-Employer's Share support will last 10 years in Region 6 and 7 years in the remaining five regions.



TÜRKİYE CUMHURİYETİ
EKONOMİ BAKANLIĞI

For More Information

Investment Incentive Information Center

Phone : + 90 312 444 43 63

E-mail : incentives@economy.gov.tr

Web : www.economy.gov.tr