



REPUBLIC OF TURKEY
MINISTRY OF ECONOMY

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GENERAL DIRECTORATE OF INCENTIVE IMPLEMENTATION AND FOREIGN
INVESTMENT

TURKEY'S NEW INVESTMENT INCENTIVE PROGRAM

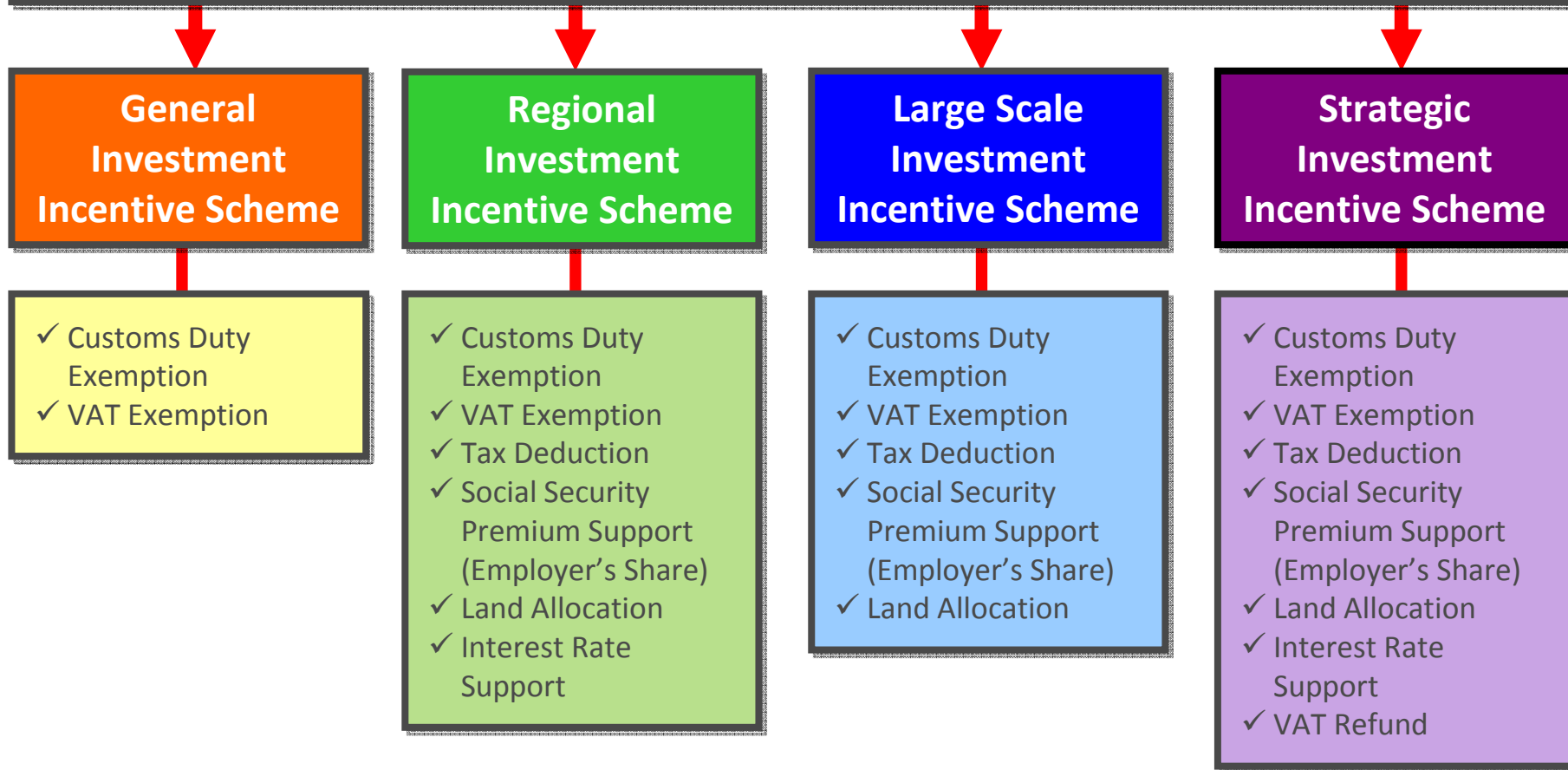
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For further inquiries: incentives@economy.gov.tr



New Investment Incentive Program

The New Investment Incentive Program



In addition to above support measures, all investment projects in **Region 6** will be eligible for **Income Tax Withholding Exemption** and **Social Security Premium- Employee's Share Support**.

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The New Investment Incentive Program

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**REGIONAL
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LARGE SCALE
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New investment incentive : Diversified regional opportunities





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 %)

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 ~ € 215K-386K)

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 with a fixed investment cost of least TL 500 Million ~ €215 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. (~ €79 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) (~ €58 per employee per month)

Income Tax Withholding exemption will provide exemption from income tax withholding. (only for Region 6) (~ €23 per employee per month)

* **A special note for Region VI:** The minimum wage will be ~34% less by decreasing from ~€470 to ~€312 with the effect of this new investment incentive program.



PRIORITY INVESTMENTS

Following priority investments will benefit from terms and rates of the support measures of Region 5 even they take place in Regions 1 to 4.

- Tourism investments in Cultural and Touristic Preservation and Development Regions determined by the Council of Ministers Decree.
- Mining investments
- Railroad and maritime transportation investments
- Specific pharmaceutical investments and Defense Industry investments with minimum investment amount of TL20 Million (~ €8,6 Million)
- 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



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Goals of the Scheme:

- ✓ To improve technology and R&D capacity
- ✓ To provide a global competitive advantage

Incentive measures available for Large Scale Investments:

- ✓ **VAT Exemption,**
- ✓ **Customs Duty Exemption,**
- ✓ **Tax Deduction,**
- ✓ **Social Security Premium Support (Employer's Share)**
- ✓ **Land Allocation**



Large Scale Investments

	Investment Subjects	Minimum Investment Amount (Million TL / ~ €)
1	Refined Petroleum Products	1000 / ~ 430
2	Chemical Products	200 / ~ 86
3	Harbours and Harbour Services	200 / ~ 86
4	Automotive OEM and Autoparts	
4-a	Automotive OEM Investments	200 / ~ 86
4-b	Autoparts	50 / ~ 22
5	Railway and Tram Locomotives and/or Railway Cars	50 / ~ 22
6	Transit Pipe Line Transportation Services	50 / ~ 22
7	Electronics	50 / ~ 22
8	Medical, High Precision and Optical Equipment	50 / ~ 22
9	Pharmaceuticals	50 / ~ 22
10	Aircraft and Space Vehicles and/or Parts	50 / ~ 22
11	Machinery (including Electrical Machines And Equipments)	50 / ~ 22
12	Integrated Metal Production	50 / ~ 22

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Large Scale Investment Incentives

Support Measures	I	II	III	IV	V	VI
VAT Exemption	✓	✓	✓	✓	✓	✓
Customs Duty Exemption	✓	✓	✓	✓	✓	✓
Tax Deduction out of OIZ	25	30	35	40	50	60
Investment Contribution Rate (%) in OIZ	30	35	40	50	60	65
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 Rate Support	N/A	N/A	N/A	N/A	N/A	N/A
Income Tax Withholding Exemption	N/A	N/A	N/A	N/A	N/A	10 years
Social Security Premium Support (Employee Share)	N/A	N/A	N/A	N/A	N/A	10 years



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

TAX DEDUCTION

- As a general rule, the support regarding tax deduction will be applied exclusively to the revenues generated from the approved investment project.
- However, for investment projects in region 2 to region 6, a certain portion of the tax deduction amount can be put in effect for the earnings obtained from the company's operations before the investment project is completed.



TAX DEDUCTION IN REGIONAL AND LARGE SCALE INVESTMENT INCENTIVE SCHEMES

Regions	Rate of Contribution to Investment (%)	Tax Deduction Rate (%)	Applicable Rates of Tax Deduction Amount before and after completion of investment project	
			Before	After
Region 1	15	50	0	100
Region 2	20	55	10	90
Region 3	25	60	20	80
Region 4	30	70	30	70
Region 5	40	80	50	50
Region 6	50	90	80	20



Hypothetical Investment Project Calculations

Valid only with certain assumptions on project characteristics

TAX DEDUCTION

	REGION 2	REGION 3	REGION 4	REGION 5	REGION 6
Investment Amount (Thousands)	TL 5.000 ~ € 2.100	TL 5.000 ~ € 2.100	TL 5.000 ~ € 2.100	TL 5.000 ~ € 2.100	TL 5.000 ~ € 2.100
Tax Deduction :	55%	60%	70%	80%	90%
Investment Contribution Rate:	20%	25%	30%	40%	50%
Tax Deductible Amount (Thousands):	TL 1.000 ~ € 429	TL 1.250 ~ € 537	TL 1.500 ~ € 644	TL 2.000 ~ € 859	TL 2.500 ~ €1.073
- Investment Period: (Thousands TL)	(10%) 100	(20%) 250	(30%) 450	(50%) 1.000	(80%) 2.000
- Operation Period: (Thousands TL)	(90%) 900	(80%) 1.000	(70%) 1.050	(50%) 1.000	(20%) 500
Corporate/income tax rate until it reaches the amount of contribution to investment:	9% (reduced tax rate: 11%)	8% (reduced tax rate : 12%)	6% (reduced tax rate : 14%)	4% (reduced tax rate : 16%)	2% (reduced tax rate : 18%)

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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	Support Cap (Ratio to Fixed Investment- %)		
			Regional Scheme	Large Scale Scheme	Strategic Investments**
Region 1	2 years	N/A	10	3	15
Region 2	3 years	N/A	15	5	15
Region 3	5 years	3 years	20	8	15
Region 4	6 years	5 years	25	10	15
Region 5	7 years	6 years	35	11	15
Region 6*	10 years	7 years	Limitless		

* 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.



INTEREST RATE SUPPORT

Schemes		Support Rate		Maximum Amount of Support (Thousand TL /~ €)
		TL Loans	Loans in Foreign Currency	
R&D and Environmental Protection Investments		5 Points	2 Points	500 / ~215
Strategic Investments		5 Points	2 Points	5% of Investment maximum 50.000 /~21.500
Regional Scheme	Region 3	3 Points	1 Points	500 / ~215
	Region 4	4 Points	1 Points	600 / ~258
	Region 5	5 Points	2 Points	700 / ~ 300
	Region 6	7 Points	2 Points	900 / ~386



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Strategic Investments

An investment for the production of intermediate or final products for which imports exceed domestic market production capacity.

Eligibility Criteria

- ✓ Imports of product to be produced should be more than domestic market production capacity for this product.
- ✓ Minimum investment amount should be no less than TL 50 Million (~ € 21,5 Million)
- ✓ Projects should generate a minimum 40% local value added.
- ✓ For the product to be produced, imports the previous year should be at least \$50 Million (~ € 38,4 Million) (This condition will not be required for goods with no domestic production)



Strategic Investment Incentive Scheme

Incentives		All Regions
VAT Exemption		✓
Customs Duty Exemption		✓
Tax Deduction	Rate of Contribution to Investment (%)	50% (50% of Tax Deduction can be used before the investment is completed)
Social Security Premium Support (Employer's Share)		7 Years (10 years for Region 6)
Land Allocation		✓
VAT Refund		For the building and construction expenditures of investment projects of at least 500 Million TL (~€214,6 Million)
Interest Rate Support		Limited to 5% of total investment amount and support cap is 50 Million TL (~ € 21,5 Million)
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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