



THE FRAMEWORK OF INVESTMENT INCENTIVES PROGRAM IN TURKEY

The investment incentives program, which will be effective from the 1st January 2012 comprises 5 different schemes:

- 1- General Investment Incentive Scheme
- 2- Regional Investment Incentive Scheme
- 3- Priority Investment Incentive Scheme
- 4- Large Scale Investment Incentive Scheme
- 5- Strategic Investment Incentive Scheme

The support measures to be provided within the frame of those schemes are summarized in the table below:

Support Measures	General Investment Incentive Scheme	Regional Investment Incentive Scheme	Priority Investment Incentive Scheme	Large Scale Investment Incentive Scheme	Strategic Investment Incentive Scheme
VAT Exemption	✓	✓	✓	✓	✓
Customs Duty Exemption	✓	✓	✓	✓	✓
Tax Deduction		✓	✓	✓	✓
Social Security Premium Support (Employer's Share)		✓	✓	✓	✓
Income Tax Withholding Support *	✓	✓	✓	✓	✓
Social Security Premium Support (Employee's Share) *		✓	✓	✓	✓
Interest Support **		✓	✓		✓
Land Allocation		✓	✓	✓	✓
VAT Refund ***					✓

* Provided that the investment is made in the Region 6.

** Provided that the investment is made in the Regions 3, 4, 5 or 6 within the frame of the Regional Investment Incentive Scheme.

*** For Strategic Investments with a minimum fixed investment amount of 500 million TL.



THE SUPPORT MEASURES

VAT Exemption:

In accordance with the measure, VAT is not paid for imported and/or locally provided investment machinery and equipment as well as selling and renting of intangible rights and software within the scope of the investment encouragement certificate.

Customs Duty Exemption:

Customs duty is not paid for the machinery and equipment provided from abroad (imported) within the scope of the investment encouragement certificate.

Tax Deduction:

Calculation of income or corporate tax with reduced rates until the total value reaches to the amount of contribution to the investment according to envisaged rate of contribution.

Social Security Premium Support (Employer's Share):

The measure stipulates that for the additional employment created by the investment, employer's share of social security premium on portions of labor wages corresponding to amount of legal minimum wage, will be covered by the Ministry.

Income Tax Withholding Allowance:

The measure stipulates that the income tax regarding the additional employment generated by the investment within the scope of the investment encouragement certificate will not be liable to withholding. The measure is applicable only for the investments to be made in Region 6 within the scope of an investment encouragement certificate.

Social Security Premium Support (Employee's Share):

The measure stipulates that for the additional employment created by the investment, employee's share of social security premium on portions of labor wages corresponding to amount of legal minimum wage, will be covered by the Ministry. The measure is applicable only for the investments to be made in Region 6 within the scope of an investment encouragement certificate.

Interest Support:

Interest support, is a financial support instrument, provided for the loans with a term of at least one year obtained within the frame of the investment encouragement certificate. The measure stipulates that a certain portion of the interest/profit share regarding the loan equivalent of at most 70% of the fixed investment amount registered in the certificate will be covered by the Ministry.

Land Allocation:

Refers to allocation of land to the investments with Investment Incentive Certificates, if any in that province in accordance with the rules and principles determined by the Ministry of Finance.

VAT Refund:¹

VAT collected on the building & construction expenses made within the frame of strategic investments with a fixed investment amount of 500 million TL will be rebated.

¹ For 2017-2018, VAT collected on the building & construction expenses of manufacturing sector investments with incentive certificate will be rebated.



The following Regional Map and Table of Provinces show classification of provinces for the implementation purpose of the Investment Incentives Program



Region 1 Provinces	Region 2 Provinces	Region 3 Provinces	Region 4 Provinces	Region 5 Provinces	Region 6 Provinces
Ankara Antalya Bursa Eskişehir İstanbul İzmir Kocaeli Muğla	Adana Aydın Bolu Bursa Çanakkale Denizli Edirne Isparta Kayseri Kırklareli Konya Sakarya Tekirdağ Yalova	Balıkesir Bilecik Burdur Gaziantep Karabük Karaman Manisa Mersin Samsun Trabzon Uşak Zonguldak	Afyonkarahisar Amasya Artvin Bartın Çorum Düzce Elazığ Erzincan Hatay Kastamonu Kırkkale Kırşehir Kütahya Malatya Nevşehir Rize Sivas	Adıyaman Aksaray Bayburt Çankırı Erzurum Giresun Gümüşhane Kahramanmaraş Kilis Niğde Ordu Osmaniye Sinop Tokat Tunceli Yozgat	Ağrı Ardahan Batman Bingöl Bitlis Diyarbakır Hakkari Iğdır Kars Mardin Muş Siirt Şanlıurfa Şırnak Van
8 PROVINCES	13 PROVINCES	12 PROVINCES	17 PROVINCES	16 PROVINCES	15 PROVINCES

GENERAL INVESTMENT INCENTIVES SCHEME

Regardless of in which Region an investment is made all projects which meet conditions of specific capacity and the following minimum fixed investment amount will be supported within the frame of the General Investment Incentives Scheme. Investment subjects which are excluded from the investment incentives program can not benefit from this scheme.



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The amount of minimum fixed investment is 1 million TL in Region 1 and 2 and 500 thousand TL in Regions 3, 4, 5 and 6.

REGIONAL INVESTMENT INCENTIVES SCHEME

The sectors to be supported in each province are determined in accordance with potentials of the provinces and the economies of scale and the intensity of the supports are differentiated in line with the development level of the regions.

The amount of minimum fixed investment is defined separately for each sector and each region, the lowest amount being 1 million TL in Regions 1 and 2, and 500 thousand TL in the remaining Regions.

Call and Data Centers that has been built in the cities covered by the Attraction Centers Program, shall benefit from the constructed region's incentives regardless of the condition of any minimum fixed amount.

The terms and rates of supports within the Regional Investment Incentives Scheme are summarized in the Table below:

REGIONAL INVESTMENTS INCENTIVE SCHEME MEASURES

INCENTIVE MEASURES			REGIONS					
			I	II	III	IV	V	VI
VAT Exemption			YES	YES	YES	YES	YES	YES
Customs Duty Exemption			YES	YES	YES	YES	YES	YES
Tax Deduction*	Rate of Contribution to Investment* (%)	Out of OIZ or IZ	15	20	25	30	40	50
		Within OIZ or IZ	20	25	30	40	50	55
Social Security Premium Support (Employer's Share)	Support Period	Out of OIZ or IZ	2 years	3 years	5 years	6 years	7 years	10 years
		Within OIZ or IZ	3 years	5 years	6 years	7 years	10 years	12 years
Land Allocation			YES	YES	YES	YES	YES	YES
Interest Support	Local Loans				3 Points	4 Points	5 Points	7 Points
	Foreign Exchange/ FX denominated loans		-	-	1 Point	1 Point	2 Points	2 Points
Social Security Premium Support (Employee's Share)			-	-	-	-	-	10 years
Income Tax Withholding Support			-	-	-	-	-	10 years

OIZ: Organized Industrial Zones

IZ: Manufacturing Investments in Specialized Industrial Zones

Within the scope of incentive certificates issued for manufacturing sector (US-97 Code: 15-37); Rate of contribution to investment for each region shall get 15 points additionaly and tax deduction rate for each region shall be applied as 100 per cent for the investment expenditures that would be realized between the dates of 1/1/2017 and 31/12/2018.



PRIORITY INVESTMENTS INCENTIVE SCHEME

The following investment subjects have been designated as priority investments within the framework of our country's requirements and these investments are supported by measures of Region 5 even if they are made in Regions 1, 2, 3 and 4.

- ✓ Tourism investments in Cultural and Touristic Preservation and Development Regions and thermal tourism investments,
- ✓ Mining investments,
- ✓ Railroad, maritime and airline transportation investments,
- ✓ Defense industry investments,
- ✓ Test facilities, wind tunnel and similar investments made for automotive, space or defense industries,
- ✓ Nursery, Preschool, Primary, Middle and High School investments,
- ✓ Investments made to manufacture the products and parts designed and developed as an outcome of the R&D Projects supported by the Ministry of Science, Industry and Technology, TUBITAK and KOSGEB,
- ✓ International fairground investments with a minimum covered area of 50.000 m²,
- ✓ Motorized land vehicles key industry investments with a minimum investment amount of 300 million TL, automotive engine manufacturing investments with a minimum amount of 75 million TL and transmission components/parts and automotive electronics manufacturing investments with a minimum amount of 20 million TL,
- ✓ Investments made to generate electricity from coal,
- ✓ Investments made to generate electricity through waste heat recovery in a facility,
- ✓ Energy efficiency investments made in existing manufacturing facilities,
- ✓ Liquefied natural gas (LNG) investments and underground gas storage investments with a minimum amount of 50 million TL,
- ✓ Investments of carbon fiber or the composite materials made from carbon fiber provided that along with carbon fiber production.
- ✓ Investments made to manufacture high-technology products classified according to OECD technology intensive definition.
- ✓ Investments made to explore mines in the permitted fields for the investors holding Mining License and Certificate.
- ✓ Investments made to manufacture turbines and generators for renewable energy and wind turbine wings for wind power.
- ✓ Integrated investments for aluminium flat products using direct chill slab casting and hot rolling methods.
- ✓ Licensed warehousing investments.
- ✓ Nuclear power plant investments.
- ✓ Qualified laboratory investments



PRIORITY INVESTMENTS INCENTIVE SCHEME MEASURES

INCENTIVE MEASURES		Terms and Rates of Supports*
VAT Exemption		YES
Customs Duty Exemption		YES
Tax Deduction	Rate of Contribution to Investment (%)	40**
	Tax Deduction (%)	80**
Social Security Premium Support (Employer's Share)		7 years
Land Allocation		YES
Interest Support	Local Loans	5 points
	Foreign Exchange/ FX denominated loans	2 points

* Supports of Region 5 for the Investments that are made in Regions 1-5
Supports of Region 6 for the Investments that are made in Region 6

**Within the scope of incentive certificates issued for manufacturing sector (US-97 Code: 15-37); Rate of contribution to investment shall get 15 points additionally and tax deduction rate shall be applied as 100 per cent for the investment expenditures that would be realized between the dates of 1/1/2017 and 31/12/2018.

LARGE SCALE INVESTMENT INCENTIVE SCHEME

12 investment categories in the table below are supported by the measures of the Large Scale Investment Incentive Scheme:

No	Investment Subject	Minimum Investment Amount (Million TL)
1	Production of Refined Petroleum Products	1000
2	Production of Chemical Products	200
3	Harbours and Harbour Services, Airport and Airport Ground Services	200
4	Automotive OEM and Supply Industries	200
4-a	Automotive OEM Investments	
4-b	Automotive Supply Industries Investments	
5	Railway and Tram Locomotives and/or Railway and Tram Cars	50
6	Transit Pipe Line Transportation Services	
7	Electronics	
8	Medical, High Precision and Optical Equipment	
9	Pharmaceuticals	
10	Aircraft and Space Vehicles and/or Parts	
11	Machinery (Including Electrical Machinery and Equipment)	
12	Integrated Metal Production	



The terms and rates of supports provided within the Scheme are summarized in the Table below:

LARGE SCALE INVESTMENTS INCENTIVE SCHEME MEASURES

INCENTIVE MEASURES			REGIONS					
			I	II	III	IV	V	VI
VAT Exemption			YES	YES	YES	YES	YES	YES
Customs Duty Exemption			YES	YES	YES	YES	YES	YES
Tax Deduction*	Rate of Contribution to Investment (%)	Out of OIZ or IZ	25	30	35	40	50	60
		Within OIZ or IZ	30	35	40	50	60	65
Social Security Premium Support (Employer's Share)	Support Period	Out of OIZ or IZ	2 years	3 years	5 years	6 years	7 years	10 years
		Within OIZ or IZ	3 years	5 years	6 years	7 years	10 years	12 years
Land Allocation			YES	YES	YES	YES	YES	YES
Social Security Premium (Employee's Share)			-	-	-	-	-	10 years
Income Tax Withholding Support			-	-	-	-	-	10 years

OIZ: Organized Industrial Zones

IZ: Manufacturing Investments in Specialized Industrial Zones

*Within the scope of incentive certificates issued for manufacturing sector (US-97 Code: 15-37); Rate of contribution to investment for each region shall get 15 points additionally and tax deduction rate for each region shall be applied as 100 per cent for the investment expenditures that would be realized between the dates of 1/1/2017 and 31/12/2018.

- **The following categories of investments within the Regional and Large Scale Investment Incentives Schemes will be supported by more beneficial one level up regional rates and terms of tax deduction and social security premium support (employer's share):**

- ✓ Investments in Organized Industrial Zones or manufacture Investments in Specialized Industrial Zones
- ✓ Joint investments to be made by at least 5 companies operating in the same sector with the purpose of integrating these companies to this joint investment
- ✓ Certain investment fields chosen from medium high technology industries can benefit from terms and rates of 4th Region measures even if the investment is realized in 1st (except Istanbul), 2nd or 3rd region.

STRATEGIC INVESTMENT INCENTIVE SCHEME

The Goals:



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✓ On the basis of the “Input Supply Strategy”, 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 of strengthening Turkey’s international competitiveness.

Investments meeting the criteria below are supported within the frame of the Strategic Investment Incentive Scheme:

- ✓ to be made for production of intermediate and final goods with high import dependence of which more than 50% of these goods are supplied by imports,
- ✓ to have a minimum investment amount of 50 million TL,
- ✓ to create minimum 40% value added (This condition is not applicable to refined petroleum production investments and petrochemicals production investments),
- ✓ to have an import amount of at least \$50 million for goods to be produced in the last one year period (This condition is not applicable to goods with no domestic production)

Besides, priority investments over the minimum fixed investment amount of 3 billion TL are considered as strategic investment. However, interest support for those investments shall not exceed 700 thousands TL.

STRATEGIC INVESTMENTS INCENTIVE SCHEME MEASURES

INCENTIVE MEASURES		REGIONS					
		I	II	III	IV	V	VI
VAT Exemption		YES					
Customs Duty Exemption		YES					
Tax Deduction*	Rate of Contribution to Investment* (%)	50					
Social Security Premium Support (Employer’s Share)	Support Period	7 Years (10 years for 6th region)					
Land Allocation		YES					
Interest Support	Local Loans	5 points					
	Foreign Exchange/ FX denominated loans	2 points					
Social Security Premium Support (Employee’s Share)		10 years (only for investments in the Region 6)					
Income Tax Withholding Support		10 years (only for investments in the Region 6)					
VAT Refund		YES (only for the expenditures of building for investments over 500 million TL)					

*Within the scope of incentive certificates issued for manufacturing sector (US-97 Code: 15-37); Rate of contribution to investment shall get 15 points additionally and tax deduction rate shall be applied as 100 per cent for the investment expenditures that would be realized between the dates of 1/1/2017 and 31/12/2018.



SUB-REGIONAL INCENTIVES

Following investments will benefit from more beneficial sub-regional rates and terms for Tax Deduction and support to employer's share of social security premium in any region:

- Investments in Organized Industrial Zones and Manufacturing Investments in Specialized Industrial Zones,
- Joint Investments by multiple (at least 5) companies operating in the same sector which establish integration to their activities.
- Selected medium-high-technology industries will benefit from terms and rates of the support measures of Region 4 even if they are made in Regions 1 (except Istanbul), 2, 3.
- The investments to be made in the organized industrial zones of 4th and 5th regions under the Attraction Centers Program and in the organized industrial zones of Kilis, shall benefit from 6th region's incentive rates, amounts and durations under the conditions of region 6.