

## THE INVESTMENT INCENTIVE PROGRAM OF TURKEY

- The support measures of the Investment Incentives Program are applicable to investment projects which started as of January 1, 2012.
- Favorable support rates and terms in this brochure will be available for investment projects started prior to December 31, 2013.
- As a new and unique feature, the Strategic Investment Incentive Scheme is put into effect.

### SUPPORT MEASURES AND SCHEMES OF THE INVESTMENT INCENTIVES PROGRAM

Supports	Regional Scheme	Large Scale Scheme	Strategic Scheme	General Scheme
VAT Exemption	✓	✓	✓	✓
Customs Duty Exemption	✓	✓	✓	✓
Tax Deduction	✓	✓	✓	
SSP Support (Employer's Share)*	✓	✓	✓	
Income Tax Withholding Support**	✓	✓	✓	✓
SSP Support (Employee's Share)**	✓	✓	✓	
Interest Rate Support***	✓		✓	
Land Allocation	✓	✓	✓	
VAT Refund****			✓	

\* SSP: Social Security Premium

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

\*\*\* Provided that the investment is made in 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.

## SUPPORTS

**Value Added Tax (VAT) Exemption:** Investment machinery and equipment imported and/or locally provided within the scope of the incentive certificate will be VAT exempt.

**Customs Duty Exemption:** Investment machinery and equipment imported within the scope of the incentive certificate will be customs duty exempt.

**Tax Deduction:** The investor's income will be taxed at reduced rates until the total value reaches the amount calculated on the basis of government's contribution rate determined for that specific investment.

**Social Security Premium (SSP) Support (Employer's Share):** The Ministry of Economy will assume the costs associated with the social security premium, to be paid by the Employer for the new staff, in the amount corresponding to the legal minimum wage.

**Income Tax Withholding Exemption:** The withholding tax imposed on the income tax of employees will not be levied for new staff employed within the scope of the investment. This support will be available for the investments in Region 6 only.

**Social Security Premium (SSP) Support (Employee's Share):** The Ministry of Economy will assume the costs associated with the social security premium, to be paid by the Employee recruited for the new investment, in the amount corresponding to the legal minimum wage. This support will be available for the investments in Region 6 only.

**Interest Rate Support:** This support will be available for investment loans which were borrowed to finance the investment with a term of at least one year and which shall not exceed 70% of the fixed investment amount registered on the certificate. The Ministry of Economy will pay a portion of the interest/profit share of the loan up to certain maximum limits.

**Land Allocation:** Government land will be allocated for the investments in accordance with the rules and principles of the Ministry of Finance, depending on availability of such land at the locations preferred by the investor.

**VAT Refund:** VAT collected on the building & construction expenses made for the strategic investments will be rebated provided that the fixed investment amount is over 500 million TL. This support will be available for the investments which are eligible for the Strategic Investment Incentive Scheme.

## REGIONAL INVESTMENT INCENTIVE SCHEME

In each province, the industries to be supported through incentives are determined based on the competitive potential of that specific province. There is a minimum fixed investment amount for each industry and region. While the lowest amount in Regions 1 and 2 is 1 million TL, in the remaining 4 regions it is 500 thousand TL.

### TERMS AND RATES OF SUPPORTS IN REGIONAL INVESTMENT INCENTIVES

INCENTIVES	REGIONS						
	I	II	III	IV	V	VI	
VAT Exemption	✓	✓	✓	✓	✓	✓	
Customs Duty Exemption	✓	✓	✓	✓	✓	✓	
Tax Deduction Rate of Contribution to Investment (%)	Out of OIZ*	15	20	25	30	40	50
	Within OIZ	20	25	30	40	50	55
SSP Support (Employer's Share) (Years)	Out of OIZ	2	3	5	6	7	10
	Within OIZ	3	5	6	7	10	12
Land Allocation	✓	✓	✓	✓	✓	✓	
Interest Rate Support (Points)	TL Denominated Loans	X	X	3	4	5	7
	FX Loans			1	1	2	2
SSP Support (Employee's Share) (Years)	X	X	X	X	X	10	
Income Tax Withholding Support (Years)	X	X	X	X	X	10	

\* OIZ: Organized Industrial Zone

## LARGE SCALE INVESTMENT INCENTIVE SCHEME

This scheme supports 12 investment categories:

Investment Subject	Minimum Investment (Million TL)
o Production of Refined Petroleum Products	1000
o Production of Chemical Products, o Harbors and Harbor Services, o Automotive OEM Investments	200
o Automotive Supply Industries Investments, o Railway and Tram Locomotives and/or Railway and Tram Cars, o Transit Pipe Line Transportation Services, o Electronics, o Medical, High Precision and Optical Equipment, o Pharmaceuticals, o Aircraft and Space Vehicles and/or Parts, o Machinery, o Integrated Metal Production	50

### TERMS AND RATES OF SUPPORTS IN LARGE SCALE INVESTMENT INCENTIVES

INCENTIVES	REGIONS						
	I	II	III	IV	V	VI	
VAT Exemption	✓	✓	✓	✓	✓	✓	
Customs Duty Exemption	✓	✓	✓	✓	✓	✓	
Tax Deduction Rate of Contribution to Investment (%)	Out of OIZ*	25	30	35	40	50	60
	Within OIZ	30	35	40	50	60	65
SSP Support (Employer's Share) (Years)	Out of OIZ	2	3	5	6	7	10
	Within OIZ	3	5	6	7	10	12
Land Allocation	✓	✓	✓	✓	✓	✓	
SSP Support (Employee's Share) (Years)	X	X	X	X	X	10	
Income Tax Withholding Support (Years)	X	X	X	X	X	10	

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## PRIORITY INVESTMENTS

Specific priority investments to be supported by incentives extended to Region 5 even when made in Regions 1, 2, 3 & 4.

- ✓ Tourism investments in the Cultural and Touristic Preservation and Development Regions
- ✓ Mining investments
- ✓ Railroad and maritime transportation investments
- ✓ Biotechnology and oncology pharmaceutical, blood product and defense industry investments with minimum investment amount of 20 million TL
- ✓ 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 m<sup>2</sup>
- ✓ Pre-school, Primary, Secondary and High School investments by private sector
- ✓ 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

## NEXT BETTER REGION'S SUPPORTS

Following investments benefit from next better region's supports in terms of Tax Deduction and SSP Support (Employer's Share)

- ✓ Investments in Organized Industrial Zones
- ✓ Joint Investments by multiple companies operating in the same sector

## STRATEGIC INVESTMENT INCENTIVE SCHEME

This scheme supports the investments which satisfy the following criteria:

- ✓ Production of largely imported intermediate and final goods, of which domestic production capacity is less than the imports
- ✓ Minimum fixed investment amount of 50 million TL
- ✓ Generation of a minimum 40% value added, unless the investment is in refined petroleum or petrochemicals production

- ✓ The total import value of the goods to be manufactured shall be at least \$50 million in the past one year period (This condition is not applicable to goods with no domestic production)

## TERMS AND RATES OF SUPPORTS IN STRATEGIC INVESTMENT INCENTIVE SCHEME

INCENTIVES		ALL REGIONS
VAT Exemption		✓
Customs Duty Exemption		✓
Tax Deduction Rate of Contribution to Investment (%)		50
SSP (Employer's Share)		7 Years (10 years for Region 6)
Land Allocation		✓
Interest Rate Support	Local Loans	5 Points
	FX loans	2 Points
Social Security Premium Support (Employee's Share)		10 years (only for Region 6)
Income Tax Withholding Support		10 years (only for Region 6)
VAT Refund (only for building expenditures of the investments over 500 million TL)		✓

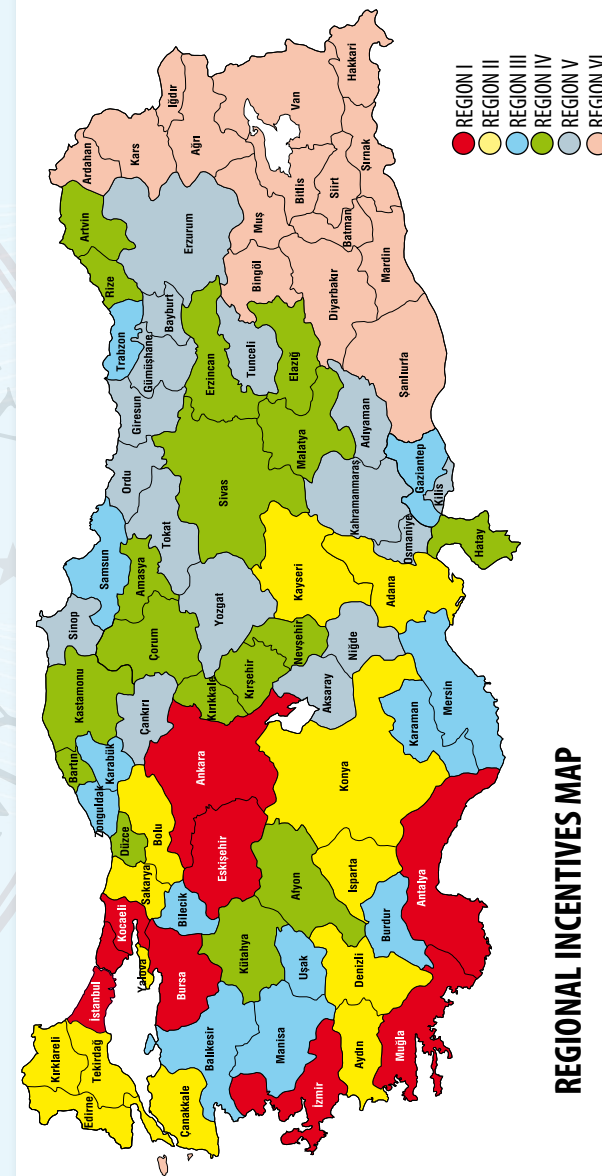
## GENERAL INVESTMENT INCENTIVE SCHEME

This scheme supports all investments fulfilling conditions on specific level of capacity and minimum fixed investment amounts regardless of the regions. The minimum fixed investment amount is 1 million TL in Region 1 and 2 and 500 thousand TL in the remaining 4 regions. Investments failing to fulfill the required criteria cannot benefit from this scheme.

## FOR FURTHER INFORMATION

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## REGIONAL MAP



REGIONAL INCENTIVES MAP



## THE INVESTMENT INCENTIVE PROGRAM OF TURKEY

REPUBLIC OF TURKEY  
 MINISTRY OF ECONOMY

GENERAL DIRECTORATE OF INCENTIVE  
 IMPLEMENTATION AND FOREIGN INVESTMENT