

THE INVESTMENT INCENTIVE PROGRAM IN KONYA

The Investment Incentive System of Turkey, has been enacted since June 15, 2012 with the Decree no. 2012/3305 and has been finalized with the revisions made in the areas needed since 2012. Investments in Konya are supported through 3 different incentive schemes and 7 different incentive instruments designed for Konya.

THE INVESTMENT INCENTIVE PROGRAM AND DEVELOPMENT AGENCIES

The Ministry of Industry and Technology, Directorate of Incentive Implementation and Foreign Investment is responsible for the implementation and coordination of investment incentive program at the national level. Mevlana Development Agency gives information for the investors about investment incentive system. DAs are also commissioned to monitor and report the progress of incentivised investments. In addition, if given by The Ministry of Industry and Technology, Development Agencies could make document closing process.

SUPPORT MEASURES AND SCHEMES OF THE INVESTMENT INCENTIVES PROGRAM

Supports	General Scheme	Regional Scheme	Strategic Scheme
VAT Exemption	✓	✓	✓
Customs Duty Exemption	✓	✓	✓
Tax Deduction		✓	✓
SSP* Support (Employer's share)		✓	✓
Interest or Profit Share Rate Support		✓	✓
Land Allocation		✓	✓
VAT Refund**			✓

* SSP: Social Security Premium

** Strategic investments with a minimum fixed investment amount of 500 million TRY and building-construction expenditures related to all investments with incentive certificate to be realized in the manufacturing sector in 2017-2024 can benefit from VAT refund.

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 3 million TRY in Konya. To be benefit from the program the investment subject;

- Should not be one of "Investment Subjects not Supported",
- Should meet specific criteria set for the "Conditionally Supported Investment Subjects"

REGIONAL INVESTMENT INCENTIVE SCHEME

Within the scope of the Investment Incentives Program, all provinces in Turkey have been grouped into 6 regions. According to this system, **Konya** is in the 2nd region.

Additionally 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 (OIZ)
- Joint investments by multiple companies operating in the same sector

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.

Also; the district-based incentive system has been started to implement on 01.01.2021. Within the scope of district-based incentive system, investments to be made in **Ahırlı, Akören, Altınekin, Bozkır, Çeltik, Çumra, Derbent, Derebucak, Doğanhisar, Emirgazi, Güneysınır, Hadim, Halkapınar, Hüyük, Kadınhanı, Kulu, Sarayönü, Taşkent, Tuzlukçu, Yalınhöyük** and **Yunak** districts benefit from 3rd region supports. Investments to be made in the organized industrial zones (OIZ) (like Çumra OIZ, Kulu OIZ and Sarayönü OIZ) or industrial zones of the mentioned districts benefit from the 4th zone supports.

FAVOURABLE SECTORS FOR KONYA

Code	Sector Descriptions	Minimum Eligible Amounts Konya (TRY)
1	Integrated Livestock Investments	3 Million
2	Fisheries Production	3 Million
3	Food And Beverage Production	3 Million
4	Textile Products Manufacturing*	10 Million
5	Garment Manufacturing	3 Million
8	Luggage, Handbags, Saddlery, Shoe Manufacturing, Etc.	3 Million
9	Wood And Cork Products (Except Furniture)	3 Million
10	Paper And Derivatives	10 Million
11	Chemicals **	3 Million
24	Manufacture Of Concrete Products For Construction	3 Million
27	Main Metal Industry, Except Iron And Steel and Investments in ferro-chrome production **	3 Million
28	Metallic Goods	3 Million
30	Machinery, Equipment Manufacturing **	3 Million
33	Electrical Appliances (Not Listed Under Other Categories)	3 Million
32	Office, accounting and data processing machinery manufacturing	3 Million
33	Electrical machinery and devices **	3 Million
34	Manufacture of radio, television, communication equipment and devices	3 Million
35	Medical instrument device manufacturing***	3 Million
36	Motor vehicle and motor vehicle supplier industry ****	3 Million
38	Motorcycle And Bicycle Manufacturing**	3 Million
39	Furniture manufacturing (except those made of metal and plastic only)	3 Million
41	Hotels	3* and higher
42	Dormitories	100 students
43	Cold Storage Services	1.000 m ²
44	Licensed warehousing ***	3 Million
45	Education***	3 Million
46	Hospital	3 Million
	Nurseries For The Elderly People	100 people
48	Waste Recovery And Elimination	3 Million
49	Production Of Coal Gas (Synthesis Gas)	50 Million
50	Greenhouse	20 decares

* For complete new investment in textile finishing 10 million TL, for expansion investments over TL 3 million

** Medium-High Technology investment subjects. Investments to be made in Konya will benefit from the 4th region supports and the minimum investment amount is 3 million TL.

*** Priority investment subjects. Investments to be made in Konya will benefit from 5th region supports.

**** Investments of main industry of motor vehicles at least 300 million TL, engine investments of at least 75 million TL and investments in engine parts, powertrain/components and automotive electronics with a minimum amount of 20 million TL are the priority investment subjects, and investments to be made in Konya will benefit from the 5th region support.

Note: Within the scope of unlicensed activity and limited by the contractual power in the connection agreement, investments in solar energy-based electricity production facility and wind energy-based electricity generation facility investments benefit from the supports in the 4th region without providing interest/profit share support.

PRIORITY INVESTMENTS

The investment incentives system defines certain investment areas as “priority” and offers them the regional support extended to Region 5 by the Regional Investment Incentives Scheme, regardless of the region of the investment. If the fixed investment amount in priority investments is TRY 1 billion or more, tax reduction will be applied by adding 10 points on top of the “rate of contribution to investment” available in Region 5. If priority investments are made in Region 6, the regional incentives available for this particular region shall apply. Specific priority investments to be supported by incentives extended to even when made in Konya:

PRIORITY INVESTMENTS SUBJECTS	
1	Railroad, airline and maritime freight and/or passenger transportation investments
2	Test center investments for products in the medium-high and high-tech industry class according to the technology density definition of the Organization for Economic Cooperation and Development (OECD)
3	Tourism investments in Cultural and Touristic Preservation and Development Regions and thermal tourism investments
4	Defense industry investments
5	Mining, mine extraction/exploration investments
6	Education Investments
7	Investments for the manufacturing of products or parts developed by an R&D project
8	Investments in the motor vehicles main industry min. TRY 300 million, engine investments min. TRY 75 million and investments for motor engine parts min. TRY 20 million
9	Investments for power generation where metals used as inputs stated in the 4-b group of Article 2 of the current Mining Law
10	Energy efficiency projects Investments
11	Investments for electricity generation through waste heat recovery in a facility (excluding natural gas-fired electricity generation plants)
12	Liquefied natural gas (LNG) investments and underground gas storage investments with a minimum amount of TRY 50 million
13	Investments for the production of carbon fiber or composite materials
14	Investments for the production of items in high-tech industry segment
15	Investments for the production of turbines and generators used in renewable energy generation, as well as investments for the production of blades used in wind energy generation
16	Integrated flat aluminum product manufacturing investments
17	Licensed warehousing investments
18	Nuclear power plant investments
19	Investments for research and reference laboratories, consumer safety and infectious diseases reference laboratories, pharmaceutical and medical device analysis and control laboratories, as well as laboratory complexes for in vivo testing and research centers
20	Greenhouse investments based on automation (including computer controlled air conditioning, irrigation, fertilization and spraying system) including domestic greenhouse technologies of 25 decares or more, with a minimum of TRY 5 million.
21	Investments subject to Environmental License within the scope of Environmental Permit and Licensing Regulation.
22	Elderly and / or disabled care villages within the scope of health tourism and Wellness investments with a minimum of TRY 5 million and 100 people.
23	Medium-High Technology Investment Subjects with a minimum amount of TRY 500 million.
24	Investments in the production of software and information products to be made in specialized free zones without requiring a minimum investment amount.
25	Investments in industrial facilities, including the manufacture of electric or hydrogen-powered transportation vehicles with a minimum amount of TRY 50 million.
26	R&D and Environmental Investments.
27	Data center investments that provide the international technical standards to be announced by the Ministry and provide the minimum white space requirement of 5,000 m ² .
28	Investments for the production of carrier columns and transmission columns made of vulcanized rubber with the US-97 code 2519.0.04 (seismic isolation device for earthquake damage prevention, epoxy coated prestressing rope, etc.).
29	Investments within the scope of the Digital Transformation Support Program.
30	Investments within the scope of the Green Transformation Support Program.

Note: Tax deduction support for priority investments with a fixed investment amount of 1 billion Turkish Liras or more is applied by adding 10 points to the investment contribution rate valid in the 5th region.

INVESTMENT SUBJECTS OF MEDIUM HIGH-TECH INDUSTRY

Investments for the production of items in medium high-tech industry segment stipulated in the Organization for Economic Cooperation and Development's (OECD) definition for technology intensity will be able to benefit from the instruments of Region 4 regardless of the location of the investment.

TERMS AND RATES OF SUPPORTS IN REGIONAL INVESTMENT INCENTIVES

INCENTIVES			KONYA	MEDIUM HIGH-TECH INVESTMENT	PRIORTIY
VAT Exemption			✓	✓	✓
Customs Duty Exemption			✓	✓	✓
Land Allocation			✓	✓	✓
Interest or Profit Share Rate Support		TRY Loans	X	4 Points	5 Points
		FX Loans	X	1 Points	2 Points
Tax Deduction	Rate of Contribution to Investment (%)	Out of OIZ*	20	30	40
		Within OIZ	25	30	40
	Deduction Rate (%)	Out of OIZ	55	70	80
		Within OIZ	60	70	80
SSP Support (Employer's Share)	Duration of support	Out of OIZ	3 Years	6 Years	7 Years
		Within OIZ	5 Years	6 Years	7 Years
	Rate of Contribution to Investment (%)**	Out of OIZ	15	25	35
		Within OIZ	20	25	35

Note: Within the scope of investment incentive certificates issued for the manufacturing industry (US-97 Code: 15-37), for investment expenditures to be realized between 1/1/2017 and 31/12/2022; Within the scope of regional and strategic incentive applications, the investment contribution rates to be applied in tax reduction support will be applied by adding 15 points to the investment contribution rate valid in each region, and the corporate tax or income tax reduction will be applied as 100% in all regions without any action on the incentive certificate.

Deliveries of goods and services related to construction works within the scope of the certificate to taxpayers holding investment incentive certificates for the manufacturing industry and tourism are exempt from value added tax until 31/12/2028.

* OIZ: Organized Industrial Zone

***If requested at the stage of application for incentive certificate , provided that the tax deduction is not utilized, the insurance premium employer's share support rates are applied by increasing the rate of contribution to the investment related to tax reduction by half. Related figures are given in the table below*

INCENTIVES			KONYA	MEDIUM HIGH-TECH INVESTMENT	PRIORTIY
SSP Support (Employer's Share)	Rate of Contribution to Investment (%)	Out of OIZ	25	40	55
		Within OIZ	32,5	40	55

PROJECT BASED INVESTMENT INCENTIVES PROGRAM

Ongoing investment incentive system in accordance with the Decision on Government Supports for Investments number 2012/3305, generally aims at promotion of investments for increasing production and employment, encouraging regional and strategic investments, increasing international direct investments, reducing regional development differences and supporting R&D activities.

Decree number 2016/9495 on Grant of Project-Based Government Support for Investments aims to support innovative, R&D intensive and high value-added investments that will meet the critical needs of our country in the present or future, ensure supply security, reduce dependence on foreign sources, realize technological transformation on a project basis.

In order for projects to be subject to evaluation under this Decree, the minimum fixed investment amount must be **one hundred million Turkish Liras** for investments that are intended for the production of products on the Priority Product List in line with the purpose and scope specified in this Decree and decided to be supported within the scope of the **Technology-Driven Industry Initiative Program**, and the minimum fixed investment amount or research and development activity (R&D) expenditure must be **two billion Turkish Liras for other investments**.

New project-based incentive system includes new support elements such as qualified personnel support, energy support, grant support, capital contribution, infrastructure support and allocation, permit, license, registration and permission given by law and exception for other restrictive provisions or facilitating regulation in legal and administrative processes and public purchase guarantee in addition to the existing incentive system.

Incentives	Description
VAR Exemption	VAT Exemption for Machinery - Equipment purchases and Software and Real Property Rights purchases and leases
Customs Duty Exemption	Customs duty exemption for imported machinery and equipment purchases
Tax Deduction	Corporate Tax Deduction up to 2 times the investment amount or Corporate Tax Exemption up to 10 years
Social Security Premium Support (Employee's Share)	Up to 10 years
Qualified Personnel Support	Up to 20 times the monthly gross minimum wage for up to 5 years
Energy Support	Until the maximum support amount is reached, provided that the rate and period determined in the Decision is not exceeded Interest or Dividend support

Interest or Dividend support	Upper limit of Interest/Dividend support: Maximum 80% of the Interest/Dividend rate Upper limit of the investment amount that can benefit from Interest/Dividend Support: Maximum 80% of the fixed investment amount Banks and Financial Leasing Institutions that signed the Interest Protocol: https://www.sanayi.gov.tr/destek-ve-tesvikler/yatirim-tesvik-sistemleri/md0803011615
Public Procurement Guarantee Land Allocation Infrastructure Support Grant Support	Specified in the Decree

TECHNOLOGY-DRIVEN INDUSTRY INITIATIVE PROGRAM

This program is a special program to give the focus of support and incentives provided by the Ministry of Industry and Technology and its affiliated institutions to the medium-high and high technology sectors in order to increase value added production. In the program, it is aimed to improve production capacity of the products that have critical importance for Turkey and high future potential within the country. Within this scope, it is anticipated to provide investment incentives given by the Ministry and project supports given by KOSGEB and TÜBİTAK for Priority Product List determined by considering various criteria such as reduction of import dependency by the Ministry, competition intensification, domestic production capabilities, development trend of global demand, future potential with single window mechanism. Within the scope of the Program, it is aimed to actualize investment projects that will contribute to technological development needed by our country with an end to end governance and support model.

You can visit www.hamle.gov.tr to access Priority Product List and program details.

SUPPORT INSTRUMENTS	STRATEGIC INVESTMENT	PROJECT BASED INVESTMENT
VAT Exemption	YES	YES
Custom Duty Exemption	YES	YES
Social Security Premium Support (Employee's Share)	High Tech: 7 Years Med-High Tech: 5 Years	NO
Income Tax Withholding Support	10 Years High Tech: 500 People Med-High Tech: 300 People	10 Years No Limit
Land Allocation	YES	YES
VAT Refund	YES	YES
Social Security Premium Support (Employer's Share)	Region 6: 10 Years Other Regions: 7 Years	10 Years (Gros Wage)
Interest Rate or Profit Share Rate Support	TRY Loans for High Tech: 10 Points TRY Loans for Med-High Tech: 8 Points FX Loans: 2 Points Max. Amount: %20 of Investment or 50 Million TL	No Limit up to 10 Years

Tax Deduction	Rate of Contribution to Investment: %50+%15 Tax Deduction Rate: %90	Rate of Contribution to Investment: Up to %200 Tax Deduction Rate: %100
Energy Support	NO	10 Years Up to the half of Energy Expenses
Qualified Personnel Support	NO	20 x Gros Min. Wage 5 Years
Capital SupportDesteži	NO	YES
State Guarantee of Purchase	NO	YES

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)
- Port and storage facility investments of at least 3 billion Turkish Liras to be realized in industrial zones

TERMS AND RATES OF SUPPORTS IN STRATEGIC INVESTMENT INCENTIVE SCHEME

INCENTIVES		ALL REGIONS
VAT Exemption		✓
Customs Duty Exemption		✓
Land Allocation		✓
SSP (Employer's Share)		7 Years
VAT Refund*		✓
Tax Deduction	Rate of Contribution to Investment (%)	50
	Deduction Rate (%)	90
Interest or Profit Share Rate Support	TRY Loans	5 Points
	FX loans	2 Points

* Only for building expenditures of the strategic investments over TRY 500 million

Note: Within the scope of investment incentive certificates issued for the manufacturing industry (US-97 Code: 15-37), for investment expenditures to be realized between 1/1/2017 and 31/12/2022; Within the scope of regional and strategic incentive applications, the investment contribution rates to be applied in tax reduction support will be applied by adding 15 points to the investment contribution rate valid in each region, and the corporate tax or income tax reduction will be applied as 100% in all regions without any action on the incentive certificate.

Deliveries of goods and services related to construction works within the scope of the certificate to taxpayers holding investment incentive certificates for the manufacturing industry and tourism are exempt from value added tax until 31/12/2028.

SUPPORT INSTRUMENTS

Value Added Tax (VAT) Exemption: VAT is exempt for imported and/or domestically delivered machinery and equipment within the scope of the investment incentive certificate.

Customs Duty Exemption: Customs duty is exempt for imported machinery and equipment within the scope of the investment incentive certificate.

Tax Deduction: The income or corporate tax is calculated on basis of reduced rates until the total amount of reduced tax reaches the amount of contribution to the investment. The rate of contribution to investment refers to the rate of the total fixed investment amount that is subject to tax reduction.

Social Security Premium (SSP) Support (Employer's Share): For additional employment created by the investment, the employer's share of the social security premium calculated on basis of the legal minimum wage will be covered by the government. If requested at the stage of application for incentive certificate , provided that the tax deduction is not utilized, the insurance premium employer's share support rates are applied by increasing the rate of contribution to the investment related to tax reduction by half.

Interest or Profit Share Rate Support: Interest or profit share rate support is a financial support instrument provided for investment loans with a term of at least one year obtained within the scope of an investment incentive certificate. A portion of the interest/profit share regarding the loan equivalent, at most 70 percent of the fixed investment amount registered in the investment incentive certificate, will be covered by the government.

Land Allocation: Government land will be allocated for the investments with incentive certificate under large scale, strategic and regional incentive schemes in accordance with the rules and principles defined by the Ministry of Environment and Urbanisation, depending on availability of such land at the locations referred by the investor.

VAT Refund: VAT collected on construction expenses, made within the scope of strategic investments with a minimum fixed investment amount of TRY 500 million, will be rebated.