



## THE FRAMEWORK OF INVESTMENT INCENTIVES PROGRAM IN TURKEY

The investment incentives program, which will be effective from the 1<sup>st</sup> January 2012 comprises 4 different schemes:

- 1- General Investment Incentive Scheme
- 2- Regional Investment Incentive Scheme
- 3- Priority Investment Incentive Scheme
- 4- 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	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/Profit Share Support **		✓	✓	✓
Land Allocation		✓	✓	✓
VAT Refund***				✓

\* Provided that the investment is made in the Region 6 and the strategic investments supported within the Technology Focused Industry Movement Program (TFIMP).

\*\* 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. Building-construction expenditures for all investments with incentive certificates to be made in the manufacturing sector in 2017-2021 can also benefit from VAT refund.



## 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 incentive 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 and the strategic investments supported under the TFIMP within the scope of an investment incentive 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 and the strategic investments supported under the TFIMP within the scope of an investment incentive certificate.

### Interest/Profit Share Support:

Interest/Profit share 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:<sup>1</sup>

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<sup>1</sup> For 2017-2021, VAT collected on the building & construction expenses of manufacturing sector investments with incentive certificate will be rebated.



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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.

**Effective from 1 January 2021 ,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	Aydın	Adana	Afyonkarahisar	Bayburt	Adıyaman
Antalya	Balıkesir	Burdur	Aksaray	Çankırı	Ağrı
Bursa	Bilecik	Düzce	Amasya	Erzurum	Ardahan
Eskişehir	Bolu	Gaziantep	Artvin	Giresun	Batman
İstanbul	Çanakkale	Karaman	Bartın	Gümüşhane	Bingöl
İzmir	Denizli	Kırıkkale	Çorum	Kahramanmaraş	Bitlis
Kocaeli	Edirne	Kütahya	Elâzığ	Kilis	Diyarbakır
Muğla	Isparta	Mersin	Erzincan	Niğde	Hakkâri
Tekirdağ	Karabük	Samsun	Hatay	Ordu	Iğdır
	Kayseri	Trabzon	Kastamonu	Osmaniye	Kars
	Kırklareli	Rize	Kırşehir	Sinop	Mardin
	Konya	Uşak	Malatya	Tokat	Muş
	Manisa	Zonguldak	Nevşehir	Tunceli	Siirt
	Sakarya		Sivas	Yozgat	Şanlıurfa
	Yalova				Şırnak
					Van
9 PROVINCES	15 PROVINCES	13 PROVINCES	14 PROVINCES	14 PROVINCES	16 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.

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.

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
<b>VAT Exemption</b>			YES	YES	YES	YES	YES	YES
<b>Customs Duty Exemption</b>			YES	YES	YES	YES	YES	YES
<b>Tax Deduction*</b>	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
<b>Social Security Premium Support (Employer's Share)**</b>	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
<b>Land Allocation</b>			YES	YES	YES	YES	YES	YES
<b>Interest/ Profit Share Support</b>	Local Loans				3 Points	4 Points	5 Points	7 Points
	Foreign Exchange/ FX denominated loans		-	-	1 Point	1 Point	2 Points	2 Points
<b>Social Security Premium Support (Employee's Share)</b>			-	-	-	-	-	10 years
<b>Income Tax Withholding Support</b>			-	-	-	-	-	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 31/12/2022.

\*\* If requested during the application phase regarding the issuance of incentive certificates, the ratio of the support to the fixed investment amount is increased by half of the investment contribution rate, provided that the tax reduction is not utilized.



## 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 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).Nursery, Preschool, Primary, Middle and High School and education investments for the use, repair and maintenance of air vehicles
- ✓ 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,
- ✓ 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,
- ✓ 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



- ✓ Greenhouse investments based on automation with a minimum of 5 million TL, 25 decars and domestic spare parts
- ✓ Investments subject to Environmental License within the scope of Environmental Permit and License Regulation. Elderly and Disabled care centers and wellness investments
- ✓ Medium-high technology investments amounting to a minimum 500 million TL
- ✓ Investments in the production of software and information products to be made in specialized free zones without requiring a minimum investment amount.
- ✓ R&D and environmental investments
- ✓ Manufacturing electric or hydrogen-powered transportation vehicles

### 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/ Profit Share 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 additionaly 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 31/12/2022.

### STRATEGIC INVESTMENT INCENTIVE SCHEME

The Goals:

- ✓ 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.



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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)

**The investments approved by the Ministry within the Technology Focused Industry Movement Program (TFIMP) also be supported within the context of strategic investments.**

### 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/Profit Share Support	Local Loans	5 points (under the TFIMP 10 points for high-tech products, 8 points for others)					
	Foreign Exchange/FX denominated loans	2 points					
Social Security Premium Support (Employee's Share)		10 years (only for investments in the Region 6 and strategic investments supported under TFIMP)					
Income Tax Withholding Support **		10 years (only for investments in the Region 6 and in other regions under the TFIMP: 7 years in high-tech products, others for 5 years)					
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 31/12/2022.

\*\*Strategically supported investments under TFIMP, if the product is high-tech, it can be applied for a maximum of 500 employees and for others up to 300 employees.



## 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. However, in the organized industrial zones or industrial zones in Istanbul Province, the regional supports in the 1st region are applied to the investments amounting to a minimum of 5 million TL, excluding completely new investments.
- Investments to be made in the districts of the provinces of the 1st, 2nd, 3rd and 4th regions included in Annex-7 of the Decision;
  - ✓ From the regional supports provided to the sub-region of the province where the district is located;
  - ✓ Investments to be made in the OIZ / EZ of these districts benefit from the regional supports provided to the two sub-regions of the province where they are located.
- 5 th region provinces;
  - ✓ Regional supports provided to the 6th region for the investments to be made in the districts included in ANNEX-7,
  - ✓ For the investments to be made in the OIZ / EZ of these districts, Social Security Premium Support (Employee's Share), is applied by adding two years to the period valid in the 6<sup>th</sup> region; tax deduction support is applied by adding five points to the investment contribution rate valid in 6<sup>th</sup> region.
- Within the scope of these applications, income tax withholding support and Social Security Premium Support (Employee's Share) are not applied.
- Effective from January 1, 2021, supplement to the Decision for the districts that will benefit from sub-regional supports, ANNEX-7:

<b>Ankara</b>	Çamlıdere
	Bala
	Haymana
<b>Adana</b>	Yumurtalık
	İmamoğlu
	Karataş
	Karaisalı
	Tufanbeyli



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	Aladağ
	Feke
	Saimbeyli
<b>Afyonkarahisar</b>	Kızılören
	İhsaniye
	Bayat
	Sinanpaşa
	Hocalar
	Çobanlar
<b>Aksaray</b>	Sarıyahşi
	Eskil
	Ağaçören
	Güzelyurt
	Gülağaç
<b>Amasya</b>	Göynücek
	Hamamözü
<b>Antalya</b>	Gündoğmuş
<b>Aydın</b>	Kuyucak
	Germencik
	Karacasu
	Sultanhisar
	Köşk
	Buharkent
	Yenipazar
	İncirliova
	Bozdoğan
	Koçarlı
	Karpuzlu
<b>Balıkesir</b>	Savaştepe
	Dursunbey
	Sındırgı
	Havran
	Kepsut
	İvrindi
	Balya
<b>Bartın</b>	Kurucaşile
<b>Bilecik</b>	Gölpazarı
	İnhisar
	Yenipazar
<b>Bolu</b>	Yeniçağa



	Mudurnu
	Göynük
	Seben
	Kıbrısçık
	Dörtdivan
<b>Burdur</b>	Kemer
	Ağlasun
	Cavdır
	Çeltikçi
	Yeşilova
	Altınyayla
<b>Bursa</b>	Harmancık
	Keles
	Büyükorhan
<b>Çanakkale</b>	Bayramiç
	Yenice
<b>Çankırı</b>	Bayramören
<b>Çorum</b>	Ortaköy
	Boğazkale
	Uğurludağ
	Mecitözü
	Bayat
	Laçın
<b>Denizli</b>	Babadağ
	Kale
	Beyağaç
	Baklan
	Güney
	Çameli
<b>Düzce</b>	Çilimli
	Kaynaşlı
	Cumayeri
	Gölyaka
	Yığılca
<b>Edirne</b>	Enez
	İpsala
	Meriç
	Lalapaşa
<b>Elazığ</b>	Kovancılar
	Karakocan
	Alacakaya



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	Maden
	Palu
	Baskil
	Sivrice
	Arıcak
<b>Erzincan</b>	Otlukbeli
	Tercan
	Çayırli
<b>Erzurum</b>	Horasan
	Hınıs
	Şenkaya
	Çat
	Köprüköy
	Tekman
	Karaçoban
	Karayazı
<b>Eskişehir</b>	Alpu
	Günyüzü
	Han
<b>Gaziantep</b>	Nizip
	İslahiye
	Oğuzeli
	Nurdağı
	Karkamış
	Araban
	Yavuzeli
<b>Hatay</b>	Arsuz
	Reyhanlı
	Yayladağı
	Hassa
	Kumlu
	Altınözü
<b>Isparta</b>	Şarkikaraağaç
	Aksu
	Gelendost
	Sütçüler
<b>İzmir</b>	Bayındır
	Beydağ
	Kiraz
<b>Karabük</b>	Eskipazar
	Yenice



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	Ovacık
	Eflani
<b>Karaman</b>	Kazımkarabekir
	Başyayla
	Sarıveliler
	Ayrancı
	Daday
<b>Kastamonu</b>	Cide
	İhsangazi
	Hanönü
	Azdavay
	Pınarbaşı
	Şenpazar
	Doğanyurt
	İncesu
<b>Kayseri</b>	Felahiye
	Yahyalı
	Bunyan
	Yeşilhisar
	Pınarbaşı
	Sarıoğlan
	Tomarza
	Sarız
	Akkışla
	Karakeçili
<b>Kırkkale</b>	Delice
	Keskin
	Sulakyurt
	Balışeyh
	Celebi
	Demirköy
<b>Kırklareli</b>	Pehlivanköy
	Koçaz
	Akpınar
<b>Kırşehir</b>	Çiçekdağı
	Boztepe
	Akçakent
	Musabeyli
<b>Kilis</b>	Polateli
	Kulu
<b>Konya</b>	Sarayönü



	Hadim
	Taşkent
	Güneysınır
	Hüyük
	Kadınhanı
	Doğanhisar
	Tuzlukçu
	Yalnhüyük
	Bozkır
	Derebucak
	Altınekin
	Çeltik
	Yunak
	Derbent
	Halkapınar
	Emirgazi
	Ahırlı
<b>Kütahya</b>	Domaniç
	Hisarcık
	Şaphane
	Pazarlar
	Dumlupınar
	Altıntaş
	Çavdarhisar
	Aslanapa
<b>Malatya</b>	Hekimhan
	Doğanşehir
	Akçadağ
	Yazıhan
	Doğanyol
	Arguvan
	Kuluncak
	Kale
	Pütürge
<b>Manisa</b>	Saruhanlı
	Köprübaşı
	Ahmetli
	Gölmarmara
	Selendi
<b>Mersin</b>	Aydıncık
	Mut



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	Gölnar
<b>Muğla</b>	Seydikemer
<b>Nevşehir</b>	Derinkuyu
	Acıgöl
<b>Niğde</b>	Altunhisar
	Çiftlik
<b>Osmaniye</b>	Sumbas
<b>Rize</b>	Hemşin
	Güneysu
	İyidere
	Derepazarı
	İkizdere
	Kalkandere
	Çamlıhemşin
<b>Sakarya</b>	Kaynarca
	Ferizli
	Karapürçek
	Taraklı
<b>Samsun</b>	Kavak
	Havza
	Alacam
	Yakakent
	Vezirköprü
	Salıpazarı
	Asarcık
	Ayvacık
<b>Sinop</b>	Dikmen
<b>Sivas</b>	Akıncılar
	Zara
	Gölova
	Kangal
	Ulaş
	Altınyayla
	Hafik
	Yıldızeli
	Koyulhisar
<b>Trabzon</b>	Çarşıbaşı
	Araklı
	Şalpazarı
	Dernekpazarı
	Tonya



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	Köprübaşı
	Hayrat
	Düzköy
<b>Uşak</b>	Banaz
	Karahallı
	Sivaslı
<b>Yozgat</b>	Aydıncık
<b>Zonguldak</b>	Kilimli
	Gökçebey