



REPUBLIC OF TURKEY
MINISTRY OF ECONOMY

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MINISTRY OF ECONOMY**

**GENERAL DIRECTORATE OF
INCENTIVE IMPLEMENTATION AND FOREIGN INVESTMENT**

**INVESTING IN
TURKEY**

November, 2013

For further inquiries: incentives@economy.gov.tr

FDI Regime

- National treatment
- No pre-entry screening /minimum capital requirements
- Right to acquire real estate
- Guarantee to free transfer of proceeds, dividends and other financial assets.
- Right to employ key expatriate staff
- Right to access international dispute settlement

International Agreements

- Bilateral Investment Treaties with **75** countries
- Double Taxation Agreements with **77** countries
- Customs Union with the **EU**
- Free Trade Agreements with **17** countries

➤ ***Bilateral Investment Treaty with Belgium/Luxemburg: Signed on 27th of August, 1986; entered into force on 04th of May, 1990. The Avoidance of Double Taxation Agreement with Luxemburg is in force since 1st of January, 2006.***

Foreign Investor

- ✓ Foreign real persons
- ✓ Turkish nationals resident abroad
- ✓ Foreign legal entities established under the laws of foreign countries
- ✓ International institutions

Foreign Direct Investment

- ✓ Establishing a new company
- ✓ Establishing a branch of a foreign company,
- ✓ Share acquisitions from a company established in Turkey by a foreign investor

Improving investment climate : Moving target for the government since 2001



- ✓ Streamlining procedures for investments and eliminating administrative and bureaucratic hurdles in line with changing priorities and needs of business
- ✓ Political ownership
- ✓ Making full use of public-private dialogue through permanent platforms:
 - The Coordination Council for Improvement of Investment Climate
 - The Investment Advisory Council for Turkey

COUNCIL OF MINISTERS

Coordination Council
for the Improvement of Investment Environment
(YOIKK)

Investment Advisory
Council
(IAC)

Monitoring
(YOIKK
Secretariat)

Steering Committee

Working Groups for
Assesment and Evaluation

TECHNICAL COMMITTEES

Company registration and
corporate governance

Employment

Input Supply Strategy
(GITES) and Sectoral
Licensing

Land for investment,
environmental and
zoning permits

Taxes and
Incentives

Foreign Trade and Customs

Intellectual Property
Rights and R&D

Legislation of
Investment Climate

Access to Finance

Infrastructure

For more information: <http://www.yoikk.gov.tr/eng>

Improvement of the Investment Environment in Turkey

➔ Investment Advisory Council

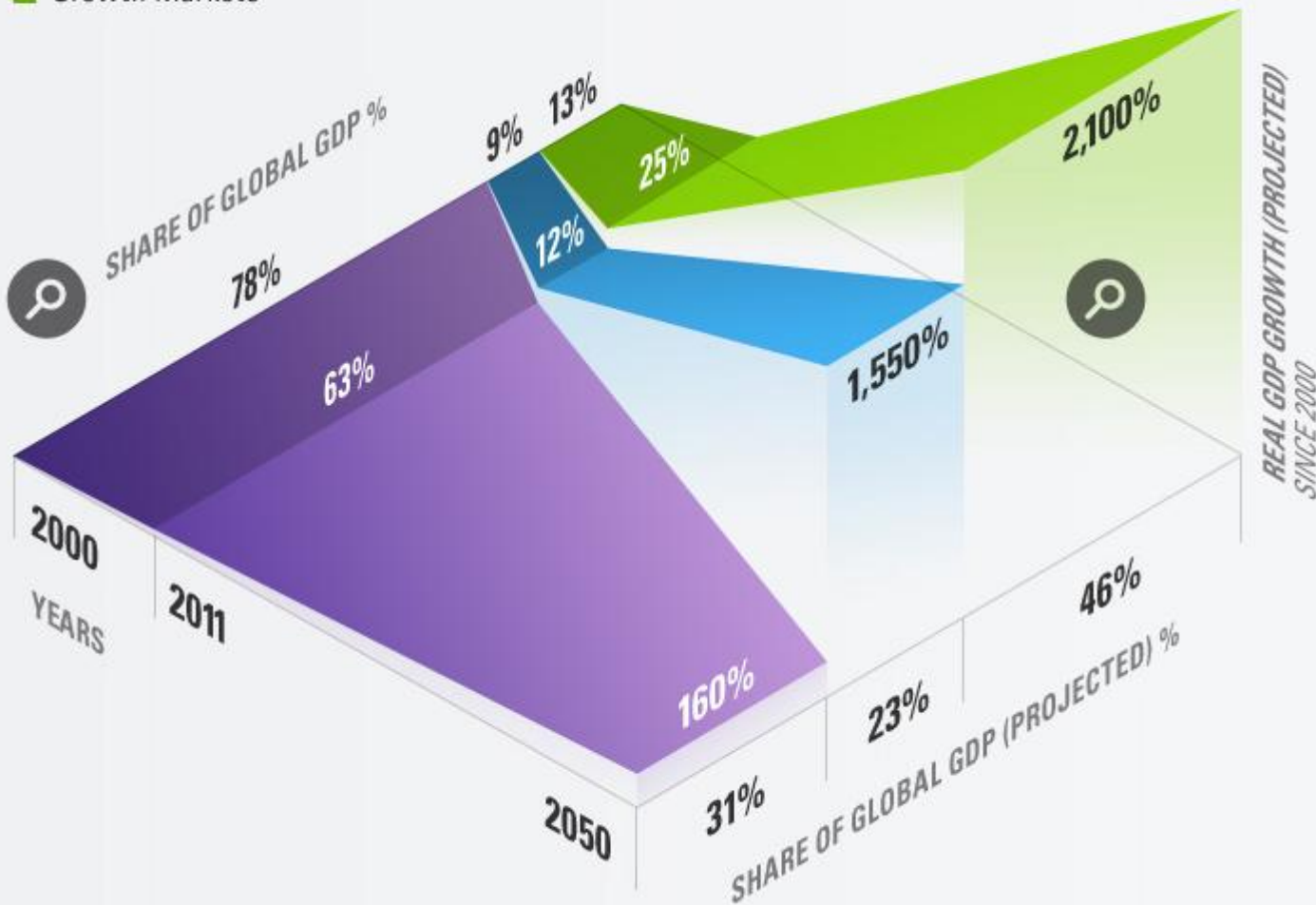
- Executives of leading multinational companies,
- Executives of international institutions (IMF, World Bank, European Investment Bank) and
- Relevant Turkish business associations such as TOBB, TUSIAD, YASED, TIM.



Investment Advisory Council of Turkey had 8 meetings since 2004.

Turkey: One of the Eight Growth Markets of Future

- Developed Markets
- Emerging & Other Markets
- Growth Markets



Growth Markets

Brazil

Russia

India

China

Mexico

S.Korea

Turkey

Indonesia

Source: Goldman Sachs Global Investment Research, March 2012

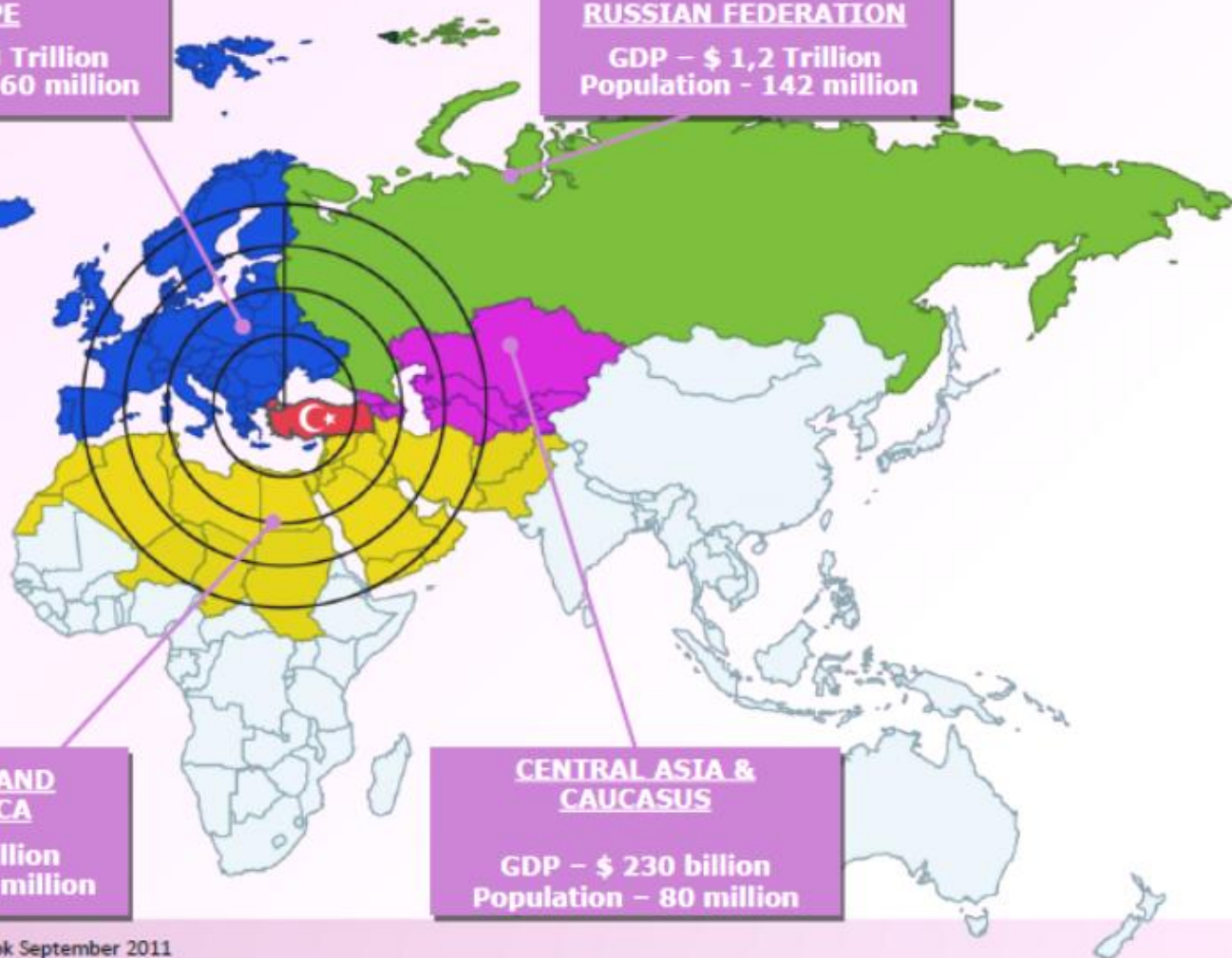
1,5 Billion People
US\$ 23 Trillion GDP
at a **4 - Hour** flight
distance

EUROPE
GDP – \$ 18.3 Trillion
Population – 660 million

RUSSIAN FEDERATION
GDP – \$ 1,2 Trillion
Population – 142 million

**MIDDLE EAST AND
NORTH AFRICA**
GDP – \$ 2,4 Trillion
Population – 602 million

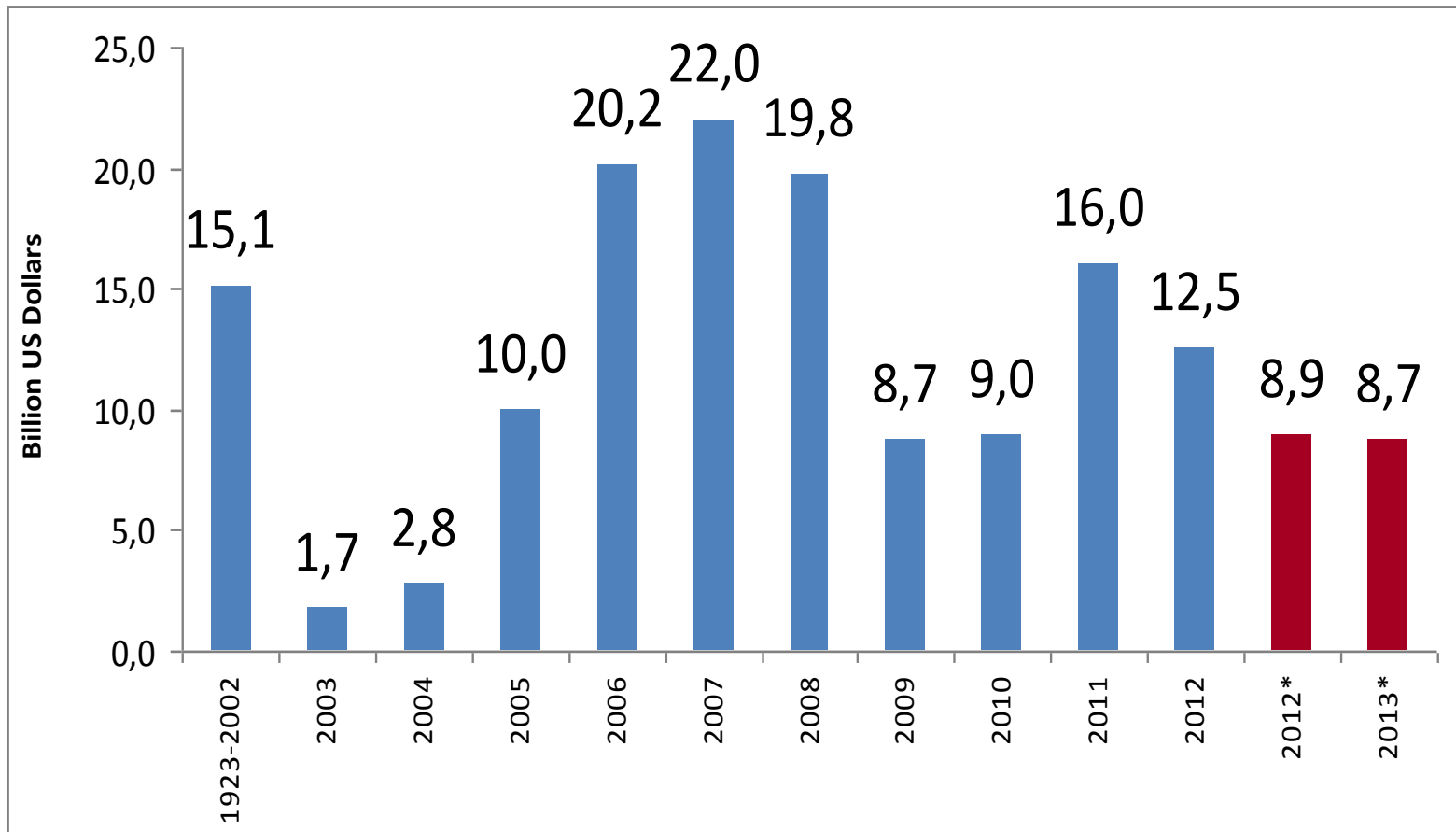
**CENTRAL ASIA &
CAUCASUS**
GDP – \$ 230 billion
Population – 80 million



Source: for GDP and population IMF World Economic Outlook September 2011

FDI INFLOWS

1923- 2002: 15,1 billion USD
2003-2013/September: 131,5 billion USD



* January - September

Policy Orientation

- The year 2023 would be the centenary of Turkish Republic's establishment. Therefore we set up a challenging vision for 2023. By year 2023, we do intend;
 - to take place among the **top 10 economies** in the world,
 - to achieve an annual **export level of 500 billion USD** and
 - to raise **per capita income to 25 thousand USD**.
- Medium Term Program aims to sustain economic growth, to decrease the current account deficit, and to preserve macroeconomic and financial stability.

	2013*	2014*	2015*
GDP (Billion \$, Current Prices)	858	919	998
GDP Per Capita (\$)	11,318	11,982	12,859
Real GDP Growth (%)	4.0	5.0	5.0
Current Account Balance / GDP (%)	-7.1	-6.9	-6.5

The New Investment Incentives Program

Regional Investment Incentive Scheme

- Customs Duty Exemption
- VAT Exemption
- Tax Deduction
- Social Security Premium Support (Employer's Share)
- Land Allocation
- Interest Support
- Income Tax Withholding Allowance Support (In Region 6)
- Social Security Premium Support (Employee's Share) (In Region 6)

Large Scale Investment Incentive Scheme

- Customs Duty Exemption
- VAT Exemption
- Tax Deduction
- Social Security Premium Support (Employer's Share)
- Land Allocation
- Income Tax Withholding Allowance Support (In Region 6)
- Social Security Premium Support (Employee's Share) (In Region 6)

Strategic Investment Incentive Scheme

- Customs Duty Exemption
- VAT Exemption
- Tax Deduction
- Social Security Premium Support (Employer's Share)
- Land Allocation
- Interest Support
- VAT Refund
- Income Tax Withholding Allowance Support (In Region 6)
- Social Security Premium Support (Employee's Share) (In Region 6)

General Investment Incentive Scheme

- Customs Duty Exemption
- VAT Exemption
- Income Tax Withholding Allowance Support (In Region 6)

The New Investment Incentives Program

**Regional
Investment
Incentive
Scheme**

Large Scale
Investment
Incentive
Scheme

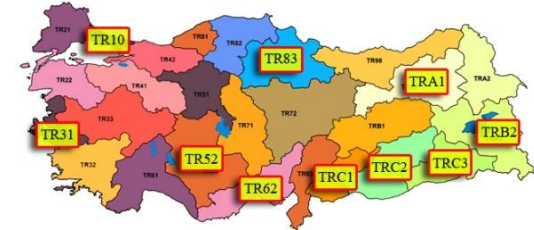
Strategic
Investment
Incentive
Scheme

General
Investment
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Regional Investment Incentive Scheme

The aim of the Scheme:

- ✓ Aims to eliminate inter-regional imbalances.



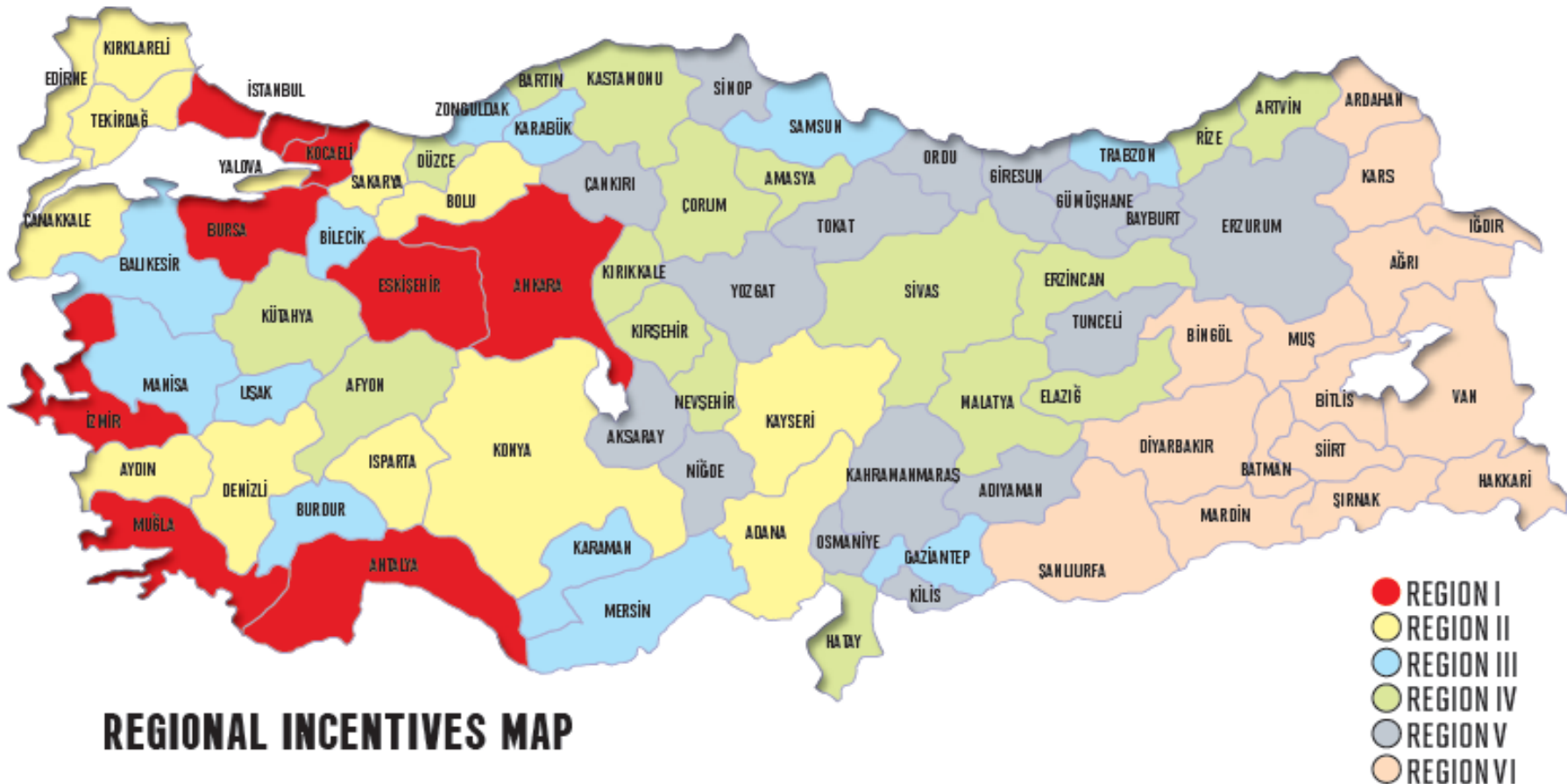
The supported sectors:

- ✓ Supported sectors determined according to the economic potentials of provinces and scales of economies.
- ✓ For each provinces, supported sectors list with a different minimum investment amount or capacity requirement.

The support rates and terms:

- ✓ Rates and terms of support measures differentiated according to development level of the regions.





REGIONAL INCENTIVES MAP

REGIONAL INVESTMENT INCENTIVE SCHEME

Incentives		Region 1	Region 2	Region 3	Region 4	Region 5	Region 6
VAT Exemption		✓	✓	✓	✓	✓	✓
Customs Duty Exemption		✓	✓	✓	✓	✓	✓
<u>Tax Reduction</u> Rate of Contribution to Investment (%)	out of OIZ	15	20	25	30	40	50
	in OIZ	20	25	30	40	50	55
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 Support		N/A	N/A	✓	✓	✓	✓
Income Tax Withholding		N/A	N/A	N/A	N/A	N/A	10 years
Social Security Premium Support (Employee's Share)		N/A	N/A	N/A	N/A	N/A	10 years

PRIORITY INVESTMENTS

Following priority investments will benefit from terms and rates of the support measures of Region 5 even they are made in Regions 1, 2, 3, 4.

- Tourism investments in Cultural and Touristic Preservation and Development Regions determined by the Council of Ministers Decree.



- Mining Investments

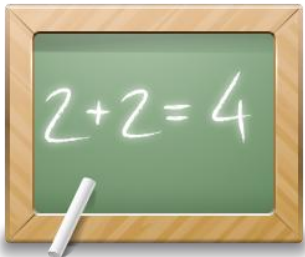
- Specific pharmaceutical investments (bio-technologic and oncology pharma, blood products) and Defense Industry investments with minimum investment amount of TL 20 Million (~ \$11 Million)

- Railroad and maritime transportation investments



PRIORITY INVESTMENTS

- 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



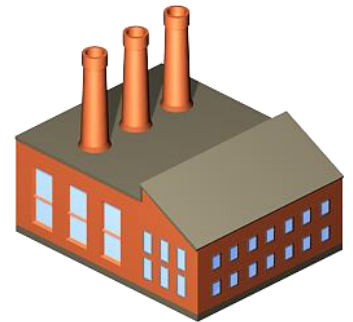
PRIORITY INVESTMENTS

- Automotive OEM investments with a minimum investment amount of TL 300 Million (~ \$170 Million)
- Engine production investments with a minimum investment amount of TL 75 Million (~ \$42 Million)



- Engine parts, transmission and parts and/or automotive electronics production with a minimum investment amount of TL 20 Million (~ \$11 Million)

- Electric energy production which uses specific mines (i.e. lignite, hard coal, anthracite) as inputs.



The New Investment Incentives Program

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**Large Scale
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Strategic
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General
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Large Scale Investment Incentive Scheme

Goals of the Scheme:

- ✓ Improvement of Technology and R&D Capacity
- ✓ Provide a competitive advantage in the international arena

#	Investment Subjects	Min. Inv. Amount	
		Million TL	Million USD
1	Refined Petroleum Products	1.000	555
2	Chemical Products	200	111
3	Harbours and Harbour Services	200	111
4	Automotive OEM and Side Suppliers	200-50	111 -28
5	Railway and Tram Locomotives and/or Railway Cars	50	28
6	Transit Pipe Line Transportation Services	50	28
7	Electronics	50	28
8	Medical, High Precision and Optical Equipment	50	28
9	Pharmaceuticals	50	28
10	Aircraft and Space Vehicles and/or Parts	50	28
11	Machinery (including Electrical Machines And Equipments)	50	28
12	Integrated Metal Production	50	28

Large Scale Investment Incentive Scheme

Incentives		Region 1	Region 2	Region 3	Region 4	Region 5	Region 6
VAT Exemption		✓	✓	✓	✓	✓	✓
Customs Duty Exemption		✓	✓	✓	✓	✓	✓
Tax Reduction Rate of Contribution to Investment (%)	out of OIZ	25	30	35	40	50	60
	in OIZ	30	35	40	50	60	65
Social Security Premium Support (Employer's Share) (Year)	out of OIZ	2	3	5	6	7	10
	in OIZ	3	5	6	7	10	12
Land Allocation		✓	✓	✓	✓	✓	✓
Interest Support		N/A	N/A	N/A	N/A	N/A	N/A
Income Tax Withholding		N/A	N/A	N/A	N/A	N/A	10
Social Security Premium Support (Employee's Share) (Year)		N/A	N/A	N/A	N/A	N/A	10

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Strategic Investment Incentive Scheme

Goals of the scheme:

- ✓ 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 to strengthen Turkey's international competitiveness.

Strategic Investment Incentive Scheme

Eligibility Criteria for Strategic Investment:

- ✓ Production of import dependent intermediate goods and final products (more than 50% supplied by imports)
- ✓ 50 Million TL (\$28 M) minimum investment amount
- ✓ A minimum 40% value addition
- ✓ Import in the last year should be at least \$ 50M (This condition is not necessary for goods with no domestic production)

Strategic Investment Incentive Scheme

Incentives		All Regions
VAT Exemption		✓
Customs Duty Exemption		✓
Tax Reduction	Rate of Contribution to Investment (%)	50%
Social Security Premium Support (Employer's Share)		7 Years (10 years for Region 6)
Land Allocation		✓
VAT Refund		The building and construction costs of investments of more than 500 Million TL (\$277M)
Interest Payment Support		Limited to 5% of total investment amount and with a cap of 50 Million TL (\$27M)
Income Tax Deduction Support		10 years only for Region 6
Social Security Premium Support (Employee's Share)		10 years only for Region 6

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General Investment Incentive Scheme

- ✓ Regardless of region where investment is made, the scheme is available for all investment projects provided that:
 - Investment subject is not excluded from the investment incentives programs.
 - Requirement of minimum fixed investment amount is met
 - 1 Million TL. (\$555K) in Regions I and II,
 - 500 Thousand TL.(\$277K) in Regions III, IV, V and VI respectively.
- ✓ The investment projects that are supported from the General Investment Incentives Scheme will benefit only from **Customs Duty** and **VAT exemptions** on their machinery and equipment expenditures.



For More Information

Investment Incentive Information Center

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