

Practical Tax Turkey 2020



INTRODUCTION

Welcome to the Crowe “TAX GUIDE Turkey”

This guide forms a part of the “Taxation System” of Turkey and provides a quick reference for those interested in investing in Turkey. While it is not exhaustive, this guide aims to explain key tax factors for efficient cross-border business and investment involving Turkey.

«Information is not knowledge.»

Albert Einstein

1. Investing to Turkey

1. Top reasons to invest in Turkey

1. **Large Domestic and Regional Market**
2. **Bridge between both the East-West and the North-South axes**, thus creating an efficient and cost-effective hub to major markets.
3. **Close proximity to major markets** ; Turkey offers easy access to 1.5 billion people and a combined market worth of USD 24 trillion GDP in Europe, MENA, and Central Asia within a 4-hour flight radius.
4. **Hub for multinationals** ;Multinationals are increasingly choosing Turkey as a preferred hub for manufacturing, exports, as well as management.
5. **Skilled and Cost-competitive Labour Force** ;Turkey's overall labor force is around 32.7 million people, which makes the country the 3rd largest labor force in Europe.



1. Top Reasons to invest in Turkey

6. **Favorable Demographics** ; young and dynamic population with half under 32 years old
7. **Liberal Investment Climate**, no barriers for FDI, strong protection for investors
8. **Investment Incentives** ; for investing machinery equipment and plant into Turkey
9. **Perfect Hub for R&D Investments** ; with generous supports.
10. **Civil and Tax Laws** ; have been taken from Swiss and German laws and during the EU process have been continuously updated.



2. Legal Environment

2. Legal Environment

Republic of Turkey was established in 1923, as a democratic, secular, constitutional republic. With the adaptation to European Union, it has become increasingly integrated with West. Turkey began full membership negotiations with the European Union in 2005 and is an associate member of the European Economic Community since 1963 and signed customs union agreement in 1995.

Turkey has a welcoming approach to foreign investments. The legislation is being liberalized since early 1990's. Reforms have been introduced where necessary with a view to joining the European Union. Foreign nationals can, in principle, expect to benefit from an impartial trial in judicial matters.



2. Legal Environment

- The main source of the law is the constitution of 1982.
- The country's judicial system is based on a system of civil law derived from different systems in continental Europe:
 - Civil and company law close to the German model
 - Law of obligations inspired by the Swiss code
 - Penal law inspired by the Italian Penal Code
 - Administrative Law inspired by that of France

Turkey is a member of the European Court of Human Rights (ECHR).



3. Set-up Process

Important Points During the Company Set-ups

**CHOOSING THE
ENTITY TYPE**

TAX REGISTRY



TRADE REGISTRY

Important Points During the Company Set-ups

After it is decided to set up an entity in Turkey, the first thing is to determine what type of entity should be established in Turkey.

Most Common Company Types under Turkish Commercial Code are as follows:

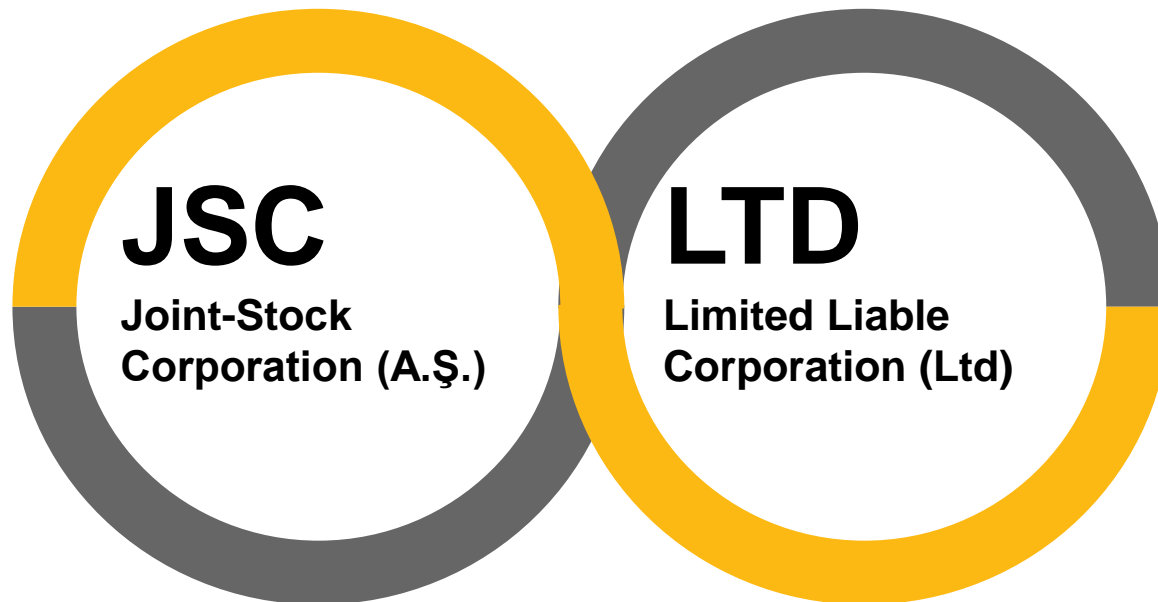
A. CORPORATIONS / SUBSIDIARIES

B. BRANCHES

C. LIASION OFFICES (Representative Offices)

A. Corporations / Subsidiaries

The two forms of Corporations that a foreign company can establish are ; Joint Stock (A.Ş.) and Limited Liable Companies (Ltd.)



COMMON TYPES OF COMPANIES and CAPITAL REQUIREMENT

THE JOINT STOCK COMPANY (JSC)

- MINIMUM SHARE CAPITAL = 50,000 TRY
- AT LEAST ONE SHAREHOLDER IN NEED TO INCORPORATE THIS COMPANY TYPE

THE LIMITED LIABILITY COMPANY (LLC)

- MINIMUM SHARE CAPITAL = 10,000 TRY
- AT LEAST ONE SHAREHOLDER IN NEED TO INCORPORATE THIS COMPANY TYPE

BRANCHES

- NO MINIMUM SHARE CAPITAL
- BRANCHES ARE REPRESENTED BY THE BRANCH MANAGER(S)

LIASION OFFICES

- NO COMMERCIAL ACTIVITY



DIFFERENCE IN TAXATION WISE BETWEEN JSC and LLC and Branch

4. Foreign Exchange Control

CURRENCY and FOREIGN EXCHANGE CONTROL

SAME RIGHTS WITH LOCAL INVESTORS

Upon enactment of the (FDI) Law No. 4875 in Turkey, international investors have gained the same rights and obligations with the local investors.

BUY AND SELL FOREIGN CURRENCIES THROUGH BANKS

Buy and sell foreign currencies through banks, other authorized institutions, and institutions authorized to sell foreign currency abroad.



MONEY TRANSFERS ABROAD IN ANY CURRENCY

International investors are also entitled to make money transfers abroad in any currency.

TRANSFER OF PROFITS

International investors are allowed to transfer abroad through the banks net profit, dividends, sales amounts, amounts arising from liquidation, and compensation arising in connection with their operations and transactions in Turkey,

5. Corporate Taxation

CORPORATE TAXATION

CORPORATE TAX RATE on BUSINESS PROFITS

22%

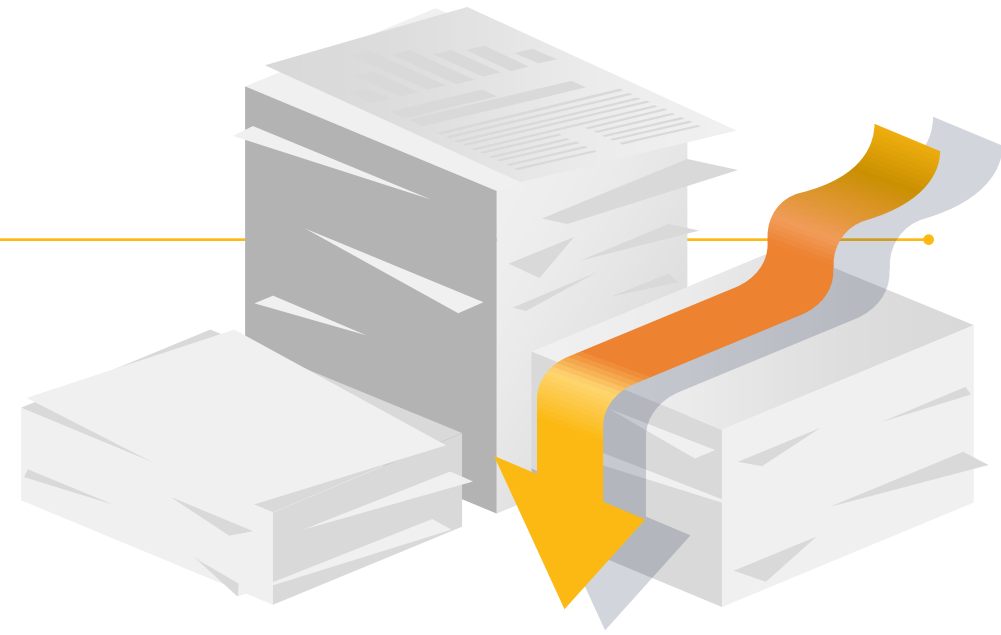


- Corporations (JSC , LLC and Branch) with legal or business centers located in Turkey are qualified as residents and are subjected to Corporate Income Tax on their income derived in Turkey.
- The corporate tax rate levied on business profits is **20%**. But The Corporate Income Tax rate was temporarily increased from 20% to 22% for 3 consecutive years between fiscal year 2108 – 2020.
- Corporate income tax is calculated over annual fiscal profits of the Company (JSC , LLC and Branch).
- The normal fiscal year-end is from 1 January to December 31st.
- Where the calendar year is not appropriate due to the nature of business, taxpayers may opt an alternative period to determine their fiscal year upon the permission to be obtained from the Ministry of Finance.
- Annual corporate income tax returns must be filed, until April following the end of the fiscal year

CORPORATE TAXATION

CORPORATE TAX RATE
on BUSINESS PROFITS

22%



EXEMPTIONS

75% of the profits arising from the sales of the participation stocks included in the assets of the corporations for at least two full years

50% of the profits arising from the sales of the immovables held in their assets of the corporations for at least two full years

%100 of Profits produced by corporations from their participation in the capital of another corporation

50% of the profits obtained from the services (architecture, engineering, design, software, medical reporting, accounting report keeping, call center, product testing, certification, data storage, data processing, and data analysis) which provided to companies abroad.

100% of Profit from arising from manufacturing companies in Free Zone Activities
Corporate Tax Exemption for Profit Made in Technology Development Zones.

6. Residence

Residence

Territoriality

Those taxpayers whose legal or business centers are in Turkey, are subject to taxes on their worldwide income. If both of the legal and business centers are not in Turkey, then the company is qualified as non-resident and is subject to tax only on income generated within Turkey. The legal center is shown in the Articles of Association and the business center is the place where business activities are concentrated.

According to Turkish tax legislation, income taxation differs significantly based on the taxpayer's place of residence. Resident entities are subject to tax on their worldwide income, whereas non-resident entities are taxed solely on the income derived from activities in Turkey.

7. Advance Corporate Tax

Advance Corporate Income Tax



Advanced Corporate Income Tax (ACIT)

All resident and non-resident companies, who earn commercial or Professional income and who are obliged to file annual corporate income tax return, are also required to file Advance Corporate Income Tax (ACIT) return at 22% on the basis of the actual quarterly profits. ACIT is not a requirement for the multi-year construction works being subject to taxation on the basis of completed project basis. ACIT paid during the year is offset against the final taxes calculated on the annual corporate income tax return. Any excess payment may be offset against other tax liabilities, and in the absence of such liabilities it is refundable upon the claim within one year.

8. Dividends Paid to Non-Resident Companies

Dividends Paid to Non-Resident Co.



Withholding Tax on Dividends

When dividends are paid out, the company is required to make a withholding from the dividends. The rate of withholding tax is 15%. Dividends paid to a Turkish resident entity (i.e. Turkish holding company) or a Turkish branch of a foreign company is not subject to the withholding tax. A share capital increase by the company using the retained earnings would not be considered as. The bilateral income tax treaties provide special tax rates, therefore, the above rates needs to be confirmed with the signed bilateral treaties.

Withholding Tax on Branch Profits

There would be a withholding tax on the branch profits of non-resident companies upon remittance of such profits to the headquarters. The rate of withholding tax is 15% effective which is applied on the amount after the deduction of corporate income tax from taxable branch profits. The bilateral income tax treaties provide special tax rates, therefore, the above rates needs to be confirmed with the signed bilateral treaties.

9. Withholding Tax

Withholding Tax Rates

DIVIDEND DISTRIBUTION

Rate for Divident Holding Tax

15%

WITHOLDING TAX

Professional fees

Managmenet Fee

Royalties

Sales proceeds of copyrights, patents, trademarks etc.

Dividends and interests

Interest

10%

15%

Construction in progress

3%

20%



10. Capital gains tax

Capital Gains Tax



Subject to tax at 20 percent. 22 percent for the years 2018, 2019 and 2020. Exemption (75 percent) of capital gains derived from disposal of shares and 50 percent exemption for capital gains derived from immovable property held for two full years, subject to certain conditions. Specific exemption (100 percent) related to sale of shares in foreign subsidiaries (10 percent minimum shareholding) held for two full years subject to certain conditions.

11. Major Indirect Taxes

INDIRECT TAXES

Value Added Tax and Special Consumption Tax

- » **The standard VAT** rate applies to all supplies of goods or services, unless a specific measure provides for a reduced rate or exemption.
- » **Special Consumption Tax** is an excise tax and it is imposed on the import, manufacture and first acquisition of a range of goods.

VAT

18%

Reduced rates 1%
and 8%

INDIRECT TAXES

Stamp Duties and Real Estate Taxes

- » Agreements are normally subject to stamp tax at 0.948 percent (capped at TRY 3.239.556,40 for 2020) but there are certain exemptions depending on conditions
- » **Real estate tax** ; for buildings 0.1 percent, 0.2 percent and 0.4 percent of the value calculated by using the value per square meters set by Authorities.

Stamp tax
0.948

12. Tax Declaration due dates

TAX DECLARATIONS AND DUE DEADLINES

Filings Required	Name of Filing Required	Official Declaration-Payment Deadlines
Annually	* Corporate Income Tax Return (Final)	Declaration: April 30 of the next year Payment: April 30 of the next year
Quarterly	* Withholding Tax Return (If there are fewer than 10 employees)	Last week of April, July, October and January
	* Provisional Corporate Income Tax Return (always year-to-date)	Second week of May, August, November and February
Monthly	* VAT Return	Declaration: 26 of next month
	* Reverse Charge on VAT (If any related invoice is available)	Payment: 26 of next month
	* SSI Declaration	Declaration: 23 of next month Payment: At the end of the next month
	* Withholding Tax Return (If there are 10 or more than 10 employees)	Declaration: 26 of next month
	* Stamp Tax Declaration (If any related agreement is available)	Payment: 26 of the next month
	* BA & BS Declarations	Filing: At the end of the next month No payment is required.



13. Salary

Salary

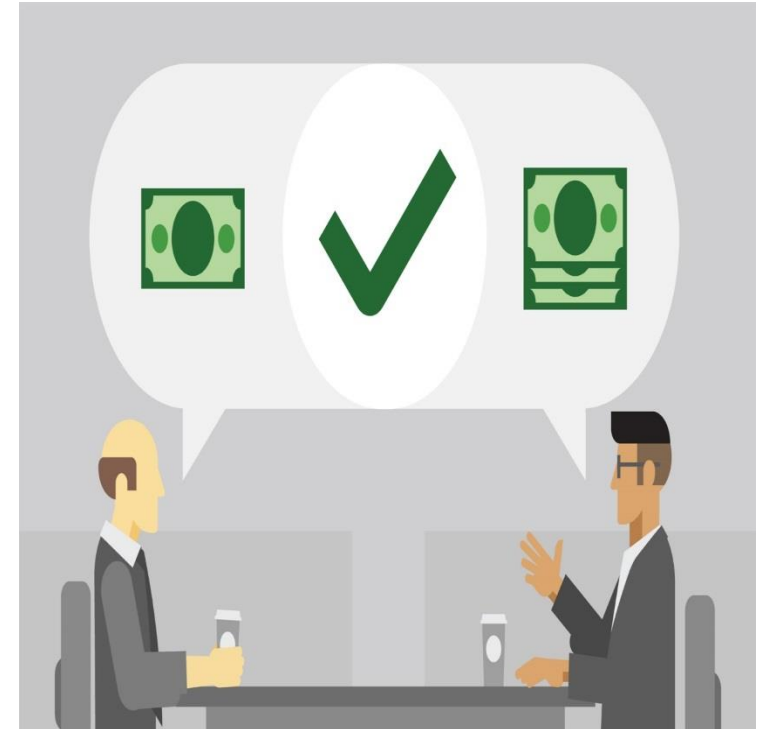
A certain amount of money that is subject to the employer and paid to employees in return for their service ; and an interest provided by money. Any payments considered as wage under the Income Tax law are subject to the income tax. In addition the wage, and other related income such as allowances, premiums, annual free gifts, gifts, indemnities and other incentive premiums is also subject to income tax.

Minimum Salary

TRY 2.943,00

Validity

01-01-2020 – 31.12.2020



SALARY INCOME TAX and STAMP TAX STRUCTURE

Any payments considered as a wage under the Income Tax law are subject to the income tax.

Yearly Cumulative Income Scales (TL) (Employment Income)	Rate (%)
Up to 22,000	15
22,001-49,000	20
49,001-180,000	27
180,001-600,000	35
600,001 and over	40



Salary Social Security Premiums

- A total of social security premiums is **37.5%** of Earnings subject to Premium (including unemployment insurance)
- **15%** of total is deducted from the gross salary as allowance of employee,
- And **22.5%** of earnings subject to premium is additionally calculated as the employer's allowance.



Net Salary and Total Cost for Company

Net Salary : Gross Salary – (Social Security Employee Premium + Income Tax + Stamp Tax)

Total Employee Cost For Company: Gross Salary + Social Security Employer Share+Unemployment Employer Share



Salary

Employer's Cost :

In addition to gross salary, the employer is obliged to pay the employer's social security contribution and unemployment insurance premiums.

Total cost of the employee to the employer = gross salary+employer's social security premium (including unemployment insurance)



PERIOD	LOWER LIMIT	UPPER LIMIT
01.01.2020-31.12.2020	2.943,00 TL	22.072,50 TL
01.01.2019 – 31.12.2019	2.558,40 TL	19.188,00 TL

14. Income Tax Rates

Income Tax Tariff (I.T.L. Article 103)



Rates to be applied to all incomes beside salaries for year 2020;

Up to TRY 22.000 TL	15%
For 22.000 TL out of 49.000 TL – 3.300 TL, and above	20%
For 49.000 TL out of 120.000 TL - 8.700 TL, and above	27%
Above 120.000 TL out of 600.000 TL – 22.870 TL and above	35%
Above 600.000 TL, for 600.000 TL – 195.870 TL	40%

Rates to be applied to only salaries for year 2020;

Up to TRY 22.000 TL	15%
For 22.000 TL out of 49.000 TL - 3.300 TL, and above	20%
For 49.000 TL out of 180.000 TL – 8.700 TL and above	27%
For 180.000 TL, out of 600.000 TL – 44.070 TL and above	35%
Above 600.000 TL, for 600.000 TL – 191.070 TL	40%

15. Social Security

Minimum and Maximum Limits of Social Security Premium Base

Maximum Limit

TRY 22.072,50

Minimum Limit

TRY 2.943,00

Period

01.01.2020 – 31.12.2020



Social Security Premium Rates

Rates for Employees Working within The Scope of 4/a (SGK)

INSURANCE TYPE	EMPLOYEE SHARE(%)	EMPLOYER SHARE (%)	TOTAL(%)
Short Term Insurance Premium	-	2	2
Disability, Old Age and Death Insurance Premium	9	11	20
General Health Insurance Premium	5	7,5	12,5
Unemployment insurance premium	1	2	20
TOTAL	15	22.50	37.50

Rates for Retires Working within the Scope of 4/a (SGK)

INSURANCE TYPE	EMPLOYEE SHARE(%)	EMPLOYER SHARE (%)	TOTAL(%)
Social Security Support Premium	7.5	22,5	30
Short Term Insurance Premium	-	2	2
TOTAL	7.5	24.50	32

16. Severance and Notice Payments

Statutory Cap for Severance Payment

Statutory Cap

TRY 6.730,15

Period

01.01.2020 – 30.06.2020

Statutory Cap

TRY 6.730,15 TL



Notice Payment



SERVICE LENGTH	NOTICE	AMOUNT
Less than 6 months	2 weeks	14 days salary
Between 6 months- 1,5 years	4 weeks	28 days salary 4 weeks salary
Between 1,5 years - 3 years	6 weeks	42 days salary 6 weeks salary
More than 3 years	8 weeks	56 days salary 8 weeks salary

17. Transfer Pricing

TRANSFER PRICING

In cases where entities engage in goods or service procurements or sales from or to related party at such costs and prices set contrary to the arm's length principle*, earnings shall be considered to have been partially or totally distributed in a concealed manner via the **transfer pricing method**.



In Turkey, transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of “disguised profit distribution via transfer pricing”.

18. Other Taxations

Tax Over Internet Advertisement Services

According to the 19th December 2018 dated and the 476 numbered Presidential announcement, declared on the 30630 numbered official journal, concerning providing or intermediating advertisement services online;

%15 from payments made to real person whether or not the person is tax liable or not,
%15 from payments made to limited taxpayer corporations
%0 from corporations that are obliged to corporate tax

Withholding tax payment is obligated as of 01.01.2019

Provisions that stand out from the rescript

- This regulation, is applied for payments made as of the date 01/01/2019 and for services given as of the law's declaration date (19/12/2018), including this date.
- In the regard of the tax cut mentioned, if a businesses that gives or intermediates online ad services, has received payment before 01/01/2019, no additional tax cuts will be applied after 01/01/2019 on payments that concerns the main subject of these payments.
- The mentioned tax cut is required to be made for companies that give or intermediate online advertisement services, with no regard to whether or not they are tax obligant.



19. Country by Country Report

Country by Country Report

TAX NEWS

NO: 2020/89-09 October 2020

Subject: Transfer Pricing (TP) General Communiqué no. 4 providing further guidance on the new transfer pricing documentation obligations (Country-by Country Reporting and its notification) was announced in the Official Gazette.

TP General Communiqué no. 4 (the Communiqué), which is revising the TP General Communiqué no. 1 governing Disguised Profit Distribution through transfer pricing, was announced in the Official Gazette (**No 21231**).

Country-by-Country Report

Additional explanations have been provided in TP General Communiqué No. 4 with respect to the format, completion and electronic submission/transmission of the Country-by-Country Report (CbCR) (introduced based on the Presidential Decree no. 2151 announced on 25 February 2020) to be prepared by corporate income taxpayers beginning from the fiscal year of 2019, and by those corporate income that have a special accounting period, beginning from their special accounting periods that start after 1 January 2019 (e.g. for fiscal periods ending on 31 March 2020, 30 June 2020 and the similar).

Country by Country Report

Content and Format of CbCR

The format of the CbCR is provided in “Annex 6” which is attached to TP General Communiqué No. 4. Accordingly, CbCR consists of three tables:

Table 1 – Breakdown of Revenues, Taxes and Business Activities by Country (considering all the countries in which the MNE operates)

Table 2- List of the names of the MNE group entities in each country in which the MNE operates

Table 3 – Additional explanations (e.g. further short explanations that would help clarify the information provided in the Tables 1 and 2)

Country by Country Report

Threshold for CbCR Preparation and Submission Obligation and Deadlines

CbC reporting requirement applies to the Constituent Entity (in Turkey) of an MNE Group whose total consolidated Group Revenues for the year 2018 is EUR 750 million or more. If this threshold is met or exceeded for 2018, the first CbCR shall be prepared by those corporate income taxpayers having calendar year based fiscal period, for the year 2019 and submitted electronically to the Turkish Revenue Authority (TRA) by the end of the following year (i.e. until 31 December 2020).

For those corporate income taxpayers having special accounting period; the first CbCR shall be prepared for the special accounting period that starts after 1 January 2019 and submitted electronically to the TRA by the end of the following special accounting period. For example, a corporate taxpayer with a special accounting period ending on March 31st shall prepare and submit electronically to the TRA, its first CbCR for its fiscal period ending on 31 March 2020 until by 31 March 2021.

20. Audit

Conditions of Being Subject to Independent Audit

The conditions of identifying the companies subject to independent audit are determined with Council of Ministers Decision numbered 2018/11597 which changes the Council of Ministers Decision numbered 2016/8549 and published in the Official Gazette dated 26/5/2018

According to Council of Ministers Decision;

- a) Net Assets - TRY 35 Million and above
- b) Net Sales Revenue – TRY 70 Million and above
- c) Employee – 175 and above

Companies subject to independent audit at following fiscal year in case of 2 years continuously exceeded minimum 2 criteria out of 3 stated in the decision.



21. Invoicing

Invoicing

Invoicing

Delivery of goods or performance of services should be invoiced within 7 days. Moreover, recipients of the supplies must retain copies of the invoices. The limit to issue an invoice is TRY 1.400 for the year 2020.

Foreign-currency invoices

An invoice issued for a domestic sale must be issued in Turkish lira (TRY). The invoice may also show the invoiced amount in a foreign currency if the TRY equivalents are stated. However, an invoice issued for an export sale may be issued in a foreign currency.



The image shows a sample invoice form for Dopigo, titled "ÖRNEK FATURA". The form includes a header with the company logo and name, a tax identification number field, and a circular stamp. Below the header is a table with columns for "Kod", "Açıklama", "Miktar", "Fiyat", and "Tutar". The table contains several rows of data, some of which are highlighted in yellow. At the bottom of the table, there are fields for "Tutar", "KDV", and "Toplam".

Invoicing

E-invoicing

The taxpayer groups mentioned below are obligated to switch to the application of e-invoicing.

- Taxpayers with gross sales revenues of more than 5 Million TL and above in 2018 and following financial periods.(Taxpayers that have yielded a gross sales revenue of 5 Million TL and above in the years 2018 or 2019, have to switch to E-invoicing as of 01/07/2020 and taxpayers that yield a gross sales revenue of 5 Million and above in 2020 or the successive financial periods are required to switch to E-invoicing on the 7th month following the related financial period.)
- Taxpayers that have taken a license from the Energy Market Regulatory Authority concerning the operation of goods on the (I) numbered list of the 4760 numbered Special Consumption Tax Law. (Taxpayers that have taken the license in 2019 are required to switch to E-Invoicing as of 01/07/2020 and those that have taken a license in 2020 or in the following financial periods are required to switch to E-Invoicing on the 4th month of the successive related financial period.)

22. VAT Filing for Specific Electronic Service Providers

VAT Taxpayer Status Specific for Electronic Service Providers

Those service providers who offer, against a fee, their services online to real persons who are not VAT taxpayers in Turkey and who do not have any residence, principal place of business, or statutory place in Turkey shall file a return for VAT for these services electronically by means of a VAT Return no. 3 and by way of establishing “VAT Taxpayer Status specific for Electronic Service Providers”. A real person or legal entity who hires services electronically and who is a resident taxpayer in Turkey shall file a VAT Return no. 2 and pay that VAT for these services by itself.

Those who are have the duty to demand a fee from the customer against electronic services and who are authorized to define general terms of, or under an obligation to provide, such services shall be deemed as electronic service providers.

23. Payment of Taxes

Payment of taxes through government banks

An announcement, regarding the tax collections to be made through banks as of 1.1.2020, has been released through the web page of the Revenue Administration (www.gib.gov.tr). Through the announcement, it is indicated that amendments have been made to the tax collection protocols signed with the Ministry of Treasury and Finance and banks, effective from 01.01.2020.

Accordingly; taxes, fees, penalties and other receivables, which are being monitored and collected by the tax offices, will continue to be collected through the following public banks:

- T.C. Ziraat Bankası A.Ş.
- Türkiye Halk Bankası A.Ş.
- Türkiye Vakıflar Bankası T.A.O.
- Ziraat Katılım Bankası A.Ş.
- Vakıf Katılım Bankası A.Ş.
- Türkiye Emlak Katılım Bankası A.Ş.
- Posta ve Telgraf Teşkilatı A.Ş. (PTT)

No collection will be made by cash, account, check, debit card, wire transfer and EFT by other banks other than these banks.

Payment of Taxes through government banks

However, collections that are acceptable by credit card; which are income tax (income tax on real estate/securities capital,

fees, other income and revenues), motor vehicle tax, traffic penalties and some other penalties and fees may be paid through

the following banks:

- T.C. Ziraat Bankası A.Ş.
- Türkiye Halk Bankası A.Ş.
- Türkiye Vakıflar Bankası T.A.O.
- Türk Ekonomi Bankası A.Ş.
- Akbank T.A.Ş.
- Şekerbank T.A.Ş.
- Türkiye Garanti Bankası A.Ş.
- Türkiye İş Bankası A.Ş.
- Yapı ve Kredi Bankası A.Ş.
- ING Bank A.Ş.
- QNB Finansbank A.Ş.
- HSBC Bank A.Ş.
- Alternatifbank A.Ş.
- Denizbank A.Ş.
- Aktif Yatırım Bankası A.Ş.
- Odea Bank A.Ş.
- Albaraka Türk Katılım Bankası A.Ş.
- Kuveyt Türk Katılım Bankası A.Ş.
- Türkiye Finans Katılım Bankası A.Ş.

24. Incentives to Investments

Investment Incentives Schemes

Since January 1, 2012, a new **investment incentive** system is in effect aiming to boost development in Turkey. The main goals of the incentive system are to increase production and employment, to steer investments to large scale, to minimize regional development discrepancies and to reduce dependency on import of intermediate goods.

In order to benefit from the incentives granted to foreign investors, you need to obtain the Investment Incentive Certificate (IIC).



Investment Incentives Schemes

Investment incentives system comprised of five different schemes:



1 - General Investment Incentives Scheme



2 - Regional Investment Incentives Scheme



3 - Strategic Investment Incentives Scheme



4 - Large-Scale Investment Incentives Scheme



5 – Project Based Investment Incentives Scheme





➤ General Investment Incentives



Generally fixed investment amount should at least be; • TL 1,000,000 for the investments made in Region 1 and 2 • TL 500,000 for the investments made in Region 3, 4, 5 and 6.

All investments over minimum fixed investment amount stated above may benefit from customs duty exemption and VAT exemption regardless of the location of the investment.

Customs Duty Exemption: Customs Duty Exemption: Machinery and equipment which are imported from foreign countries for investment and approved within the framework of Investment Incentive. Certificate are exempt from Customs Duties and fund payments. Second hand used assets, raw materials, intermediate goods, operation supplies and construction materials should not qualify for this exemption.

VAT Exemption: VAT Exemption: Machinery and equipment imported or locally purchased within the scope of an investment incentive certificate benefit from VAT exemption. Thus, taxpayers importing the machinery and equipment will not pay VAT at the custom. In addition, taxable persons in Turkey supplying machinery and equipment within the scope of the incentive certificate are eligible for getting VAT refund for the input tax.

➤ Regional Investment Incentives

The Council of Ministers determined specific sectors on a regional basis to be supported by the Treasury within the framework of the investment incentive regime. The list and map below show the Socio – Economic Development of Turkey in which provinces have been grouped into six regions with respect to their development level.

- Customs Duty Exemption
- VAT Exemption
- Corporate Tax Reduction
- Social Security Premium Support (Employer's Share)
- Land Allocation
- Interest Rate Support
- Social Security Premium Support (Employee's Share)
- Income Tax Withholding Support





➤ Strategic Investment Incentives

Investments which are aimed to reduce import dependency can also benefit from the incentives if all of the requirements listed below are covered.

- a) Minimum fixed investment amount should be over TL 50 million
- b) Domestic production capacity of the goods to be produced by the investment should be less than import of such goods
- c) Value -added provided by the investment should at least be 40%.
- d) Last year's import value of the goods targeted to be produced with new investment should be over \$50 million

- Customs Duty Exemption
- VAT Exemption
- Corporate Tax Reduction
- Social Security Premium Support (Employer's Share)
- Land Allocation
- Interest Rate Support
- VAT Refund



➤ Large-Scale Investment Incentives Scheme



12 investment subjects, which will potentially foster Turkey's technology, R&D capacity and competitiveness, are supported by Large-Scale Investment Incentives Scheme instruments.

- Production of Refined Petroleum Products
- Production of Chemical Products,
- Harbors and Harbor Services,
- Automotive OEM Investments
- Automotive Supply Industries Investments,
- Railway and Tram Locomotives and/or
- Railway and Tram Cars,
- Transit Pipe Line Transportation Services,
- Electronics,
- Medical, High Precision and Optical
- Equipment,
- Pharmaceuticals,
- Aircraft and Space Vehicles and/or Parts,
- Machinery,
- Integrated Metal Production



➤ Project Based Investment Incentives

- Cash Support
- VAT Exemption
- Customs Duty Exemption
- Corporate tax reduction up to 200% of investment expenditures
- Social security premium support for up to 10 years (employer's share)
- Income tax withholding support for 10 years
- Qualified personnel support for up to 5 years
- Energy support for up to 50% of energy expenditures for up to 10 years
- 10 years Interest rate support for up to 10 years
- Capital contribution up to 49% of the investment amount
- Land allocation for 49 years
- Infrastructure support
- Purchasing guarantee
- Facilitation of authorization-permit-license procedures
- VAT refund for building-construction expenditures

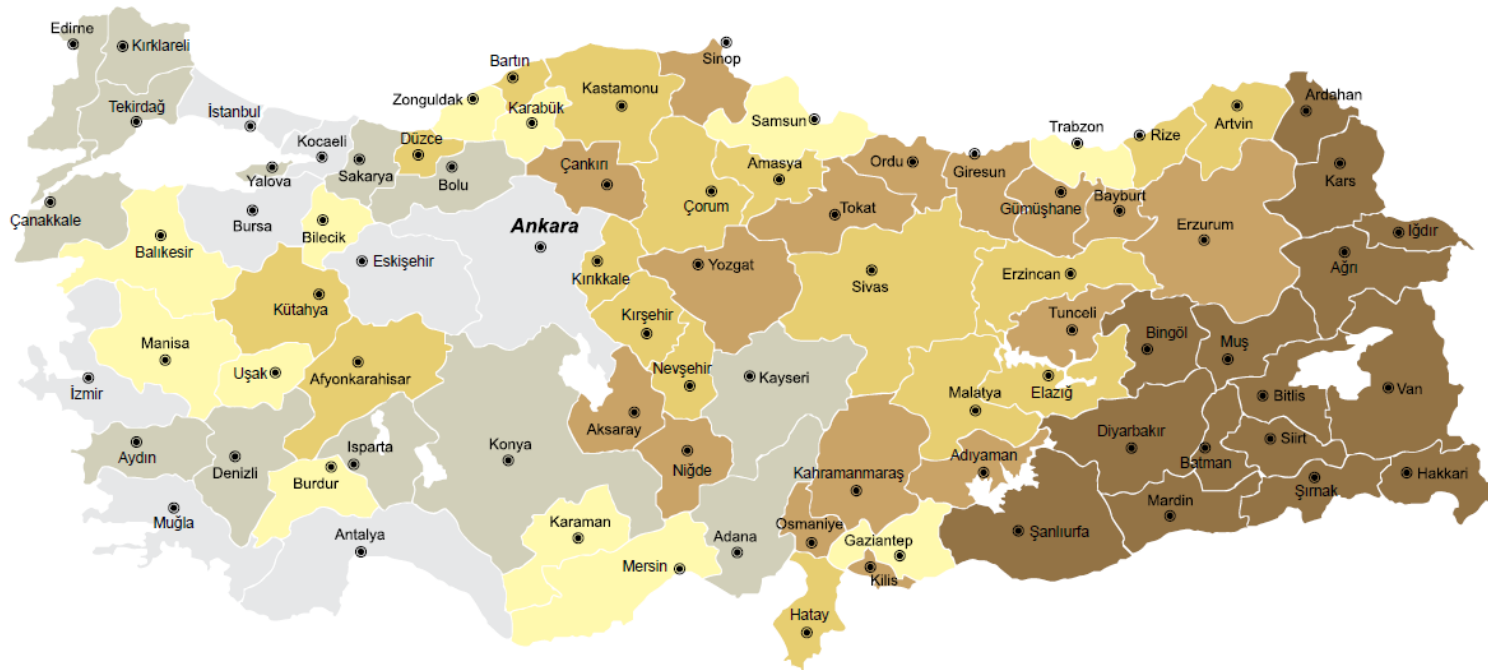


➤ Support Instruments

Support Instruments	General Investment Incentives Scheme	Regional Investment Incentives Scheme	Large-Scale Investment Incentives Scheme	Strategic Investment Incentives Scheme
VAT Exemption (%18)	+	+	+	+
Customs Duty Exemption	+	+	+	+
Corporate Tax Reduction (%22)		+	+	+
Social Security Premium Support (Employer's Share)		+	+	+
Income Tax Withholding Allowance (%15-%35)		+	+	+
Social Security Premium Support (Employee's Share)		+	+	+
Interest Rate Support **		+		+
Land Allocation		+	+	+
VAT Refund***				+

➤ Incentive Regions Breakdown

Developed regions are provided with fewer support options than lesser developed regions.



Region 1
Ankara, Antalya, Bursa, Eskişehir, İstanbul, İzmir, Kocaeli, Muğla

Region 2
Adana, Aydın, Bolu, Çanakkale, Denizli, Edirne, Isparta, Kayseri, Kırklareli, Konya, Sakarya, Tekirdağ, Yalova

Region 3
Balıkesir, Bilecik, Burdur, Gaziantep, Karabük, Karaman, Manisa, Mersin, Samsun, Trabzon, Uşak, Zonguldak

Region 4
Afyonkarahisar, Amasya, Artvin, Bartın, Çorum, Düzce, Elazığ, Erzincan, Hatay, Kastamonu, Kırıkkale, Kırşehir, Kütahya, Malatya, Nevşehir, Rize, Sivas

Region 5
Adıyaman, Aksaray, Bayburt, Çankırı, Erzurum, Giresun, Gümüşhane, Kahramanmaraş, Kilis, Niğde, Ordu, Osmaniye, Sinop, Tokat, Tunceli, Yozgat

Region 6
Ağrı, Ardahan, Batman, Bingöl, Bitlis, Diyarbakır, Hakkari, Iğdır, Kars, Mardin, Muş, Siirt, Şanlıurfa, Şırnak, Van



Thank You

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