



# INVESTMENT INCENTIVES PROGRAM

**Ministry of Industry and Technology**

January 2021



# MINISTRY OF INDUSTRY AND TECHNOLOGY

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				✓

\* Investments in Region 6 and the strategic investments supported within the Technology Focused Industry Movement Program (TFIMP) are eligible for Income Tax Withholding Allowance and Social Security Premium Support (Employee's Share).





- ❑ **VAT Exemption:** VAT exemption 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 incentive certificate.



- ❑ **Customs Duty Exemption:** Custom duty exemption for investment machinery and equipment imported within the scope of the incentive certificate.



- ❑ **Tax Deduction:** In terms of tax deduction, contribution rates available from 15 % to 65 %.





- ❑ **Interest Rate/ Profit Share Support:** For investment loans, a certain portion of the interest share covered by the Ministry.
  - ❑ 3-10 percentage points for TL credits,
  - ❑ 1-2 percentage points for foreign currency credits.
- ❑ **Land Allocation:** Government land allocated for the investments.
- ❑ **VAT Refund:** VAT collected on the building & construction expenses will be rebated (only for strategic investment projects with a fixed investment cost of least TL 500 million).
  - For 2017-2021, VAT collected on the building & construction expenses of manufacturing sector investments with incentive certificate will be rebated.



## **For the additional employment created by the investment**

❑ **Social Security Premium Employer's Share**, certain portions of labor wages corresponding to amount of legal minimum wage covered by the Ministry.

**Available up to 12 years**

❑ **Social Security Premium Employee's Share**, certain portions of labor wages corresponding to amount of legal minimum wage covered by the Ministry (only for Region 6 and in other regions under the TFIMP: 7 years in high-tech products, others for 5 years). **Available up to 10 years**

❑ **Income Tax Withholding exemption**, exemption from income tax withholding. (only for Region 6 and in other regions under the TFIMP: 7 years in high-tech products, others for 5 years) **Available for 10 years**



# Investment Incentives Program

GENERAL  
INVESTMENT  
INCENTIVE SCHEME

REGIONAL  
INVESTMENT  
INCENTIVE SCHEME

PRIORITY  
INVESTMENT  
INCENTIVE SCHEME

STRATEGIC  
INVESTMENT  
INCENTIVE SCHEME



## 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.

**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.**

**As a novelty in the program,** additionally income tax withholding allowance will be available on portions of labor wages corresponding to amount of legal minimum wage if investment is made in Region 6.





# Investment Incentives Program

GENERAL  
INVESTMENT  
INCENTIVE SCHEME

REGIONAL  
INVESTMENT  
INCENTIVE SCHEME

PRIORITY  
INVESTMENT  
INCENTIVE SCHEME

STRATEGIC  
INVESTMENT  
INCENTIVE SCHEME



## REGIONAL INVESTMENT INCENTIVE SCHEME

- Regional system aims to eliminate inter-regional imbalances by means of encouragement of sectors determined. Rates of support measures have been differentiated according to the level of development of the regions.
- Investment subjects to be supported have been identified by taking into consideration of the economic potentials of provinces and scales of economies.
- Within the scope of regional investment encouragement, minimum investment amounts are determined for certain investment subjects in each region separately. If there is no defined minimum investment amount, it is;
  - 1 million TL in Regions I and II,
  - 500 thousand TL in Regions III, IV, V and VI.



## REGIONAL MAP

Effective from 1 January 2021





## REGIONAL MAP

**Effective from 1 January 2021**

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



## Rate of Contribution to Investment (%)

### Regions

### Regional Scheme

Rate of Contribution to Investment\* (%)

Tax Deduction Rate\*\* (%)

I

15

50

II

20

55

III

25

60

IV

30

70

V

40

80

VI

50

90

Within the scope of incentive certificates issued for manufacturing sector (US-97 Code: 15-37), for the investment expenditures that would be realized between the dates of 1/1/2017 and 31/12/2022;

\*Rate of contribution to investment for each region shall get 15 points additionally

\*\*Tax deduction rate for each region shall be applied as 100 per cent.



## TAX DEDUCTION

- Tax deduction can be applied up to 80 per cent of contribution to investment by investing companies to their earnings obtained from other operations before investment project is completed and starts generating revenue.
- 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 additionaly 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.



**TAX DEDUCTION IN REGIONAL INVESTMENT INCENTIVE SCHEME**

Regions	Rate of Contribution to Investment (%)	Tax Deduction Rate (%)	Investment Contribution Rate to be Applied <u>before</u> and <u>after</u> investment is completed	
			Before	After
Region 1	15	50	80	20
Region 2	20	55	80	20
Region 3	25	60	80	20
Region 4	30	70	80	20
Region 5	40	80	80	20
Region 6	50	90	80	20



## SOCIAL SECURITY PREMIUM SUPPORT (Employer's Share)

Regions	Duration	Support Cap (Ratio to Fixed Investment - %)	
		Regional Scheme	Strategic Scheme
Region 1	2 years	10	15
Region 2	3 years	15	15
Region 3	5 years	20	15
Region 4	6 years	25	15
Region 5	7 years	35	15
Region 6*	10 years	-	-

\* In OIZs and IZs in Region 6, the support will be implemented for 12 years.





## INTEREST/PROFIT SHARE SUPPORT

Uygulamalar		Support Rate		Maximum Amount of Support (Thousand TL)
		TL Loans	Loans in Foreign Currency	
R&D and environmental investments		5 Points	2 Points	10% of the investment amount and maximum 10,000
Strategic Investments		5 Points	2 Points	%5 of the investment amount and maximum 50.000
TFIMP		10 Points (High Technology) 8 Points (Others)	2 Points	%20 of the investment amount and maximum 50.000
Regional Incentives	Region 3	3 Points	1 Points	1.000
	Region 4	4 Points	1 Points	1.200
	Region 5	5 Points	2 Points	1.400
	Region 6	7 Points	2 Points	1.800

\*For Strategic, Priority and TFIMP investments, interest and profit sharing will be implemented support originated from the Central Bank of the Republic of Turkey in Turkish Lira 'Advance loans against investment commitment' was determined to be 5 points.



**REGIONAL INVESTMENT INCENTIVE SCHEME**

Incentives		Region 1	Region 2	Region 3	Region 4	Region 5	Region 6
<b>VAT Exemption</b>		✓	✓	✓	✓	✓	✓
<b>Customs Duty Exemption</b>		✓	✓	✓	✓	✓	✓
<b>Tax Deduction</b>	out of OIZ or IZ	15	20	25	30	40	50
<b>Rate of Contribution to Investment* (%)</b>	in OIZ or IZ	20	25	30	40	50	55
<b>Social Security Premium Support (Employer's Share)**</b>	out of OIZ or IZ	2 years	3 years	5 years	6 years	7 years	10years
	in OIZ or IZ	3 years	5 years	6 years	7 years	10years	12years
<b>Land Allocation</b>		✓	✓	✓	✓	✓	✓
<b>Interest/Profit Share Support</b>		-	-	✓	✓	✓	✓
<b>Income Tax Withholding</b>		-	-	-	-	-	10 years
<b>Social Security Premium Support (Employee's Share)</b>		-	-	-	-	-	10 years

\*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.

OIZ: Organized Industrial Zones IZ: Manufacturing Investments in Specialized Industrial Zones



# MINISTRY OF INDUSTRY AND TECHNOLOGY

## MINIMUM WAGE AND DEDUCTIONS (01.01.2021-31.12.2021)

	Components of Labor Cost (Legal Minimum Wage)	Deductible Amounts with Support Measures
Gross Wage	3.577,50 TL	-
<b>Worker's Share of Social Security Premium</b>	500,85 TL	500,85 TL
Worker's Share of Unemployment Insurance Premium	35,78 TL	-
<b>Income Tax Withholding</b>	187,82 TL	187,82 TL
Stamp Duty	27,15 TL	-
<b>Total Deductions</b>	751,60 TL	-
Net Wage	2.825,90 TL	-

## EMPLOYER'S SHARE IN MINIMUM WAGE (01.01.2021-31.12.2021)

<b>Employer's Share in Social Security Premium (% 20.5)</b>	554,51 TL	554,51 TL
Employer's Share of Unemployment Insurance Premium (% 2)	71,55 TL	
<b>LABOR COST TO EMPLOYER</b>	4.203,56 TL	1.243,18 TL



## IMPROVED SUPPORT TO INVESTMENT FINANCE IN REGION 6

**Interest/Profit Share Payment Support  
up to 1.800.000 TL**

**An opportunity to benefit from  
Tax Deduction support for  
the other operations of investing  
company during investment period**



## SUB-REGIONAL INCENTIVES

- ❑ Following investments will benefit from more beneficial one level up 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.



## SUB-REGIONAL INCENTIVES

- ❑ 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; benefit 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-region 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 (Employer's Share), is applied by adding two years to the period valid in the 6th region; tax deduction support is applied by adding five points to the investment contribution rate valid in 6th region.
  - Within the scope of these applications, income tax withholding support and Social Security Premium Support (Employee's Share) are not applied.



# Investment Incentives Program

GENERAL  
INVESTMENT  
INCENTIVE SCHEME

REGIONAL  
INVESTMENT  
INCENTIVE SCHEME

**PRIORITY  
INVESTMENT  
INCENTIVE SCHEME**

STRATEGIC  
INVESTMENT  
INCENTIVE SCHEME



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



### **Investments of manufacturing high-tech products**

- ❖ Pharmaceuticals,
- ❖ Office, accounting and computing machinery,
- ❖ Radio, TV and communications equipment,
- ❖ Medical, precision and optical instruments,
- ❖ Aircraft and spacecraft.





## Investment subjects to be benefited from **measures of Region 5**



**Investments to manufacture products as an outcome of the R&D**



**Defense Industry Investments**



**Test center investments for products in the medium-high and high-tech industry**



**Specific automotive and engine manufacturing investments**



**Mining and Mine-Exploring Investments**



**Education Investments**



## Investment subjects to be benefited from **measures of Region 5**



Energy efficiency  
investments



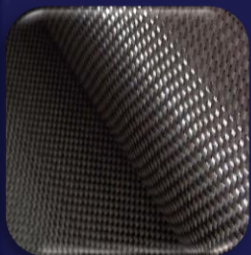
Investments made to generate  
electricity through waste heat  
recovery



Liquefied natural gas (LNG)  
investments and underground  
gas storage investments



Investments made to generate  
electricity from coal



Investments of carbon fiber or  
the composite materials  
made from carbon fiber



Railroad transportation  
investments



## Investment subjects to be benefited from **measures of Region 5**



**Maritime transportation investments**



**Tourism investments in Cultural and Touristic Preservation and Development Regions and thermal tourism investments**



**Licensed warehousing investments**



**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.**



**Medium-high technology investments amounting to a minimum 500 million TL**



## Investment subjects to be benefited from **measures of Region 5**



**Nuclear power plant  
Investments**



**Qualified laboratory  
investments**



**Airline transportation  
investments**



**Greenhouse investments  
based on automation  
with a minimum of  
5 million TL, 25 decares  
and domestic spare parts**



**Investments in the  
production of software and  
information products to be  
made in specialized free  
zones**



**Investments subject to  
Environmental License within the  
scope of Environmental Permit  
and License Regulation**



## Investment subjects to be benefited from **measures of Region 5**



**Elderly and Disabled  
care centers and  
wellness investments**



**R&D and  
environmental  
investments**



**Manufacturing  
electric or  
hydrogen-powered  
transportation  
vehicles**



# Investment Incentives Program

GENERAL  
INVESTMENT  
INCENTIVE SCHEME

REGIONAL  
INVESTMENT  
INCENTIVE SCHEME

PRIORITY  
INVESTMENT  
INCENTIVE SCHEME

STRATEGIC  
INVESTMENT  
INCENTIVE SCHEME



## What are the Strategic Investments?

- Investments to be made for production of intermediate or final products of which more than 50% are supplied by imports.
- Energy investments to be made for exclusive use of such strategic investments.
- The investments approved by the Ministry within the **Technology Focused Industry Movement Program (TFIMP)** are also be supported within the context of strategic investments regardless of the criteria listed below.



## What are the goals of the scheme?

- 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.





## Eligibility criteria for Strategic Investments

- ✓ to be made for production of intermediate and final products
  - ✓ with high import dependence
  - ✓ of which more than 50% are supplied by imports
- ✓ with a minimum investment amount of 50 million TL
- ✓ with a minimum 40% value added (This condition is not applicable to refined petroleum production investments and petrochemicals production investments)
- ✓ With an import of at least 50 million \$ in the last one year period (This condition is not necessary for goods with no domestic production)



## Strategic Investment Incentive Scheme

Incentives		All Regions
VAT Exemption		✓
Customs Duty Exemption		✓
Tax Deduction*	Rate of Contribution to Investment (%)	50% (50% of the contribution can be used before the investment is completed)
Social Security Premium Support (Employer's Share) (Term of Support)		7 Years (10 years for Region 6)
Land Allocation		✓
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
VAT Refund		The building and construction costs of investments of more than 500 million TL
Income Tax Deduction Support		10 years (only for Region 6; in other regions, under the TFIMP 7 years in high-tech products, 5 years for others)
Social Security Premium Support (Employee's Share) (Term Of Support)		10 years (only for Region 6 and strategic investments supported under TFIMP)

\*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 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.



# **INVESTMENT INCENTIVES PROGRAM**

**Ministry of Industry and Technology  
General Directorate of Incentives Implementation and  
Foreign Direct Investment**