



STATE SUPPORTS FOR INVESTMENTS

KONYA INVESTMENT SUPPORT OFFICE

KONYA, 2017

Turkey



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KONYA**
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STATE SUPPORTS FOR INVESTMENTS

**INVESTMENT INCENTIVE
SYSTEM**

**PROJECT BASED SUPPORT
SYSTEM**

INVESTMENT INCENTIVE REGULATIONS

- **15th June 2012 date and 2012/3305 numbered "Decision on State Supports on Investments"**
(the Official Gazette with 19th June 2012),
- **2012/1 Numbered Declaration of Execution**
(the Official Gazette with 20th June 2012),

The current version can be found in the following web address;

<http://www.ekonomi.gov.tr>

GENERAL INVESTMENT

Includes all topics that are not covered by others

Min. 1 million TL

REGIONAL INVESTMENT

Aims the reduction of development disparities between provinces and increase of production and development potentials

Min. 1 million TL

PRIORITY INVESTMENT

Covers certain investment topics (mining, education, hi-tech etc.). Benefits from 5th region incentives

Min. 1 million TL

LARGE SCALE INVESTMENT

Covers investments in 12 topics that will increase technology level and R&D capacity and competitive advantages

Min. 50 million TL

STRATEGIC INVESTMENT

Cover high value-added investments that will aid the reduction of current deficit.

Min. 50 million TL

GENERAL INVESTMENTS

Customs Duty
Exemption

VAT Exemption

REGIONAL INVESTMENTS

Customs Duty
Exemption

VAT Exemption

Tax Deduction

Social Security
Premium Support
(Employer's Share)

Land Allocation

PRIORITY INVESTMENTS

Customs Duty
Exemption

VAT Exemption

Tax Deduction

Social Security
Premium Support
(Employer's Share)

Land Allocation

Interest Support

LARGE SCALE INVESTMENTS

Customs Duty
Exemption

VAT Exemption

Tax Deduction

Social Security
Premium Support
(Employer's Share)

Land Allocation

STRATEGIC INVESTMENTS

Customs Duty
Exemption

VAT Exemption

Tax Deduction

Social Security
Premium Support
(Employer's Share)

Land Allocation

Interest Support

VAT Refund

SUPPORT ELEMENTS

Support Elements	General Incentive Practices	Regional Incentives and Prioritized Investments	Supporting Large-Scale Investments	Supporting Strategic Investments
V.A.T. Exemption	✓	✓	✓	✓
Customs Duty Exemption	✓	✓	✓	✓
Tax Deduction		✓	✓	✓
Social Security Premium Support (Employer's Share)		✓	✓	✓
Land Allocation		✓	✓	✓
Interest support		✓		✓
VAT Refund				✓

SUPPORT ELEMENTS 1

VAT Exemption

- This incentive is applied by not collecting value added tax for machines and equipment related with the investment which will be supplied domestically or internationally within the scope of an Investment Incentive Certificate.

As the transactions has been conducted within the scope of item no.18 of the domestic global list of 26.07.2011 dated and 102107 numbered investment incentive certificate, the taxpayer has been exempt from VAT in accordance with the 59th article of the 4369 numbered law and clause d. added in the 13th article of the 3065 numbered law.

SUPPORT ELEMENTS 2

Exemption from Customs Duty

- This incentive is applied by not collecting value added tax for machines and equipment related with the investment which will be supplied internationally within the scope of an Investment Incentive Certificate.

SUPPORT ELEMENTS 3

Tax Reduction

- This is applying income or corporate tax with reduction until the reduced amount reaches up to the contribution amount determined for the investment.

Regions	TAX REDUCTION			
	Regional Incentive Practices		Supporting Large-Scale Investments	
	Investment Incentive Rate (%)	Reduction Rate in Corporate Tax or Income Tax (%)	Investment Incentive Rate (%)	Reduction in Corporate Tax or Income Tax (%)
I	30	100	40	100
II	35	100	45	100
III	40	100	50	100
IV	45	100	55	100
V	55	100	65	100
VI	65	100	75	100

- NOTE: These rates will be reduced beginning from 01/01/2018.

SUPPORT ELEMENTS 4

Interest-Profit Share Support

- This is compensating the interest or profit share of the interest or profit share of the credit used up to 70% of the fixed investment amount registered in the incentive certificate

Practices		Support Rate		Maximum Support Rate (Thousand of TRY)
		TRY Credit	Foreign Currency Credit	
Regional Incentive	III	3 Points	1 Point	500
	IV	4 Points	1 Point	600
	V	5 Points	2 Points	700
	VI	7 Points	2 Points	900
R&D PROJECTS		5 Points	2 Points	500
Strategic Investments		5 Points	2 Points	5% of the Investment Maximum 50.000

SUPPORT ELEMENTS 5

Allocating Investment Place

- A place for investment may be allocated for the investments with Investment Incentive Certificate in accordance with the procedures and guidelines determined by the Ministry of Finance.

[The Guidelines and Provisions Related with Allocating Entailed Public Lands in Investments](#)

(the Official Gazette with 03.09.2009 date)

SUPPORT ELEMENTS 6

Support for Employer's Share in Insurance Premium

- This is compensation of the part of the employer's share in insurance premium in the amount corresponding to the minimum wage by the Ministry for the additional employment provided by the investment within the scope of the Investment Incentive Certificate.

Social Security Agency Premium 15.5% (Employer's Share)

275.51 TRY

Regions	Term	Maximum Support (Rate to Fixed Investment - %)	
		Regional Incentive Practices	Supporting Large-Scale Investments
I	2 years	10	3
II	3 years	15	5
III	5 years	20	8
IV	6 years	25	10
V	7 years	35	11
VI	10 years	No Limit	No Limit

Amount of Social Security Premium Support (Employer's Share) = (Additional Employment) x (Term) x (Employer's Share in Social Security Premium)
= 50 employees x 120 months x 275,51TRY

= 1.653.060 TRY

SUPPORT ELEMENTS 7

VAT Return

- This is returning the VAT collected for building-construction expenses with higher than 500 millions of Turkish Liras fixed investment amount implemented within the scope of Strategic Investments.

Investment Incentive System

**GENERAL
INCENTIVES**

**REGIONAL
INCENTIVES**

**PRIORITIZED
INVESTMENT
ISSUES**

**LARGE SCALE
INVESTMENTS**

**STRATEGIC
INVESTMENTS**

GENERAL INCENTIVE PRACTICES

Without any Regional Discrimination;

- These are the investments which will not be supported and are not within the scope of other support practices ([Decision Attachment 4](#)) and
- ensure the minimum fixed investment conditions determined for such investments.

SUPPORTS:

- V.A.T. Exemption
- Customs Duty Exemption
- Income Tax Withholding Support (6th Region)

Investment Incentive System

**GENERAL
INCENTIVES**

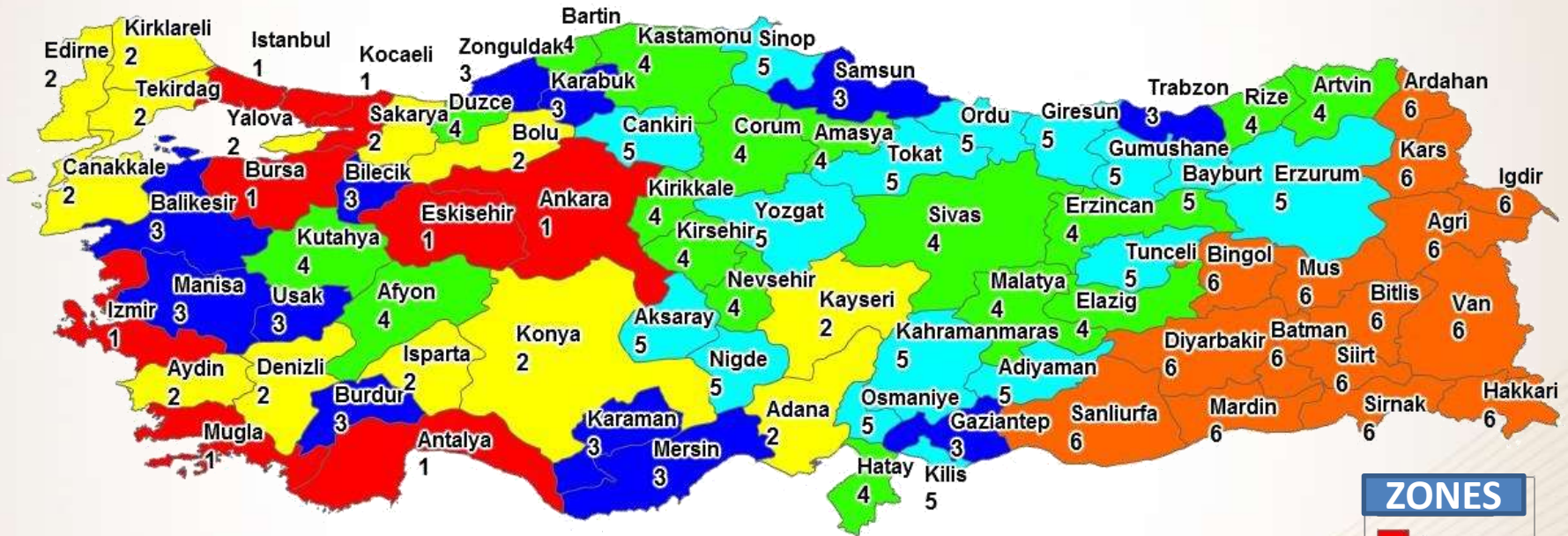
**REGIONAL
INCENTIVES**

**PRIORITIZED
INVESTMENT
ISSUES**

**LARGE SCALE
INVESTMENTS**

**STRATEGIC
INVESTMENTS**

REGIONAL INCENTIVE PRACTICES



- Konya is in the 2nd Zone according to the Investment Incentive System.
- For the investments in OIZ's, investors can take advantage of 3rd Zone incentives.

REGIONAL INCENTIVE PRACTICES

- These practices aim decrease of development disparities between provinces and increase of production and export potentials of them.
- The support density has been diversified in accordance with the development levels of provinces.
- Sectors to be supported have been determined by considering their potentials and economic scales. (Decision Attachment 2A/2B)
- Provinces have been divided into 6 Regions in accordance with the SEGE 2011 study.

SUPPORT ELEMENTS OF REGIONAL INCENTIVE PRACTICES

- V.A.T. Exemption
- Customs Duty Exemption
- Tax Reduction
- Social Security Premium Support (Employer's Share)
- Land Allocation
- Interest Support
- Social Security Premium Support (Employer's Share)(6th Region)
- Income Tax Withholding Support (6th Region)

SUB-REGION APPLICATION

- Investments to be made for the Organized Industrial Zones,
- Production-oriented investments to be done for Industrial Zones,
- Investments made by investors with at least five real or corporate entities from the same sector are partners which will provide integration in the common field of activity,

Take Advantage from the Supports Provided in a Sub-Region with regards to Tax Deduction and Social Security Premium Support (Employer's Share).

In addition to this, according to technological density definition of the OECD, if, the investments directed to manufacturing products in middle-high technology industry class are performed in the 1st, 2nd and 3rd regions instead of Istanbul, they take advantage of the supports/incentives provided for the 4th region and if they are performed in the 4th, 5th and 6th regions, they take advantage from regional supports/incentives provided for their own regions.

SUPPORTS PROVIDED WITHIN THE SCOPE OF REGIONAL INCENTIVES

Support Elements			REGIONS					
			I	II	III	IV	V	VI
V.A.T. Exemption			AVAILA BLE	AVAIL ABLE	AVAILA BLE	AVAILAB LE	AVAILA BLE	AVAILA BLE
Customs duty exemption			AVAILA BLE	AVAIL ABLE	AVAILA BLE	AVAILAB LE	AVAILA BLE	AVAILA BLE
Tax Deduction	Investment Incentive Rate (%)	Out of OIZ	30	35	40	45	55	65
		In OIZ	35	40	45	55	65	70
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			AVAILA BLE	AVAIL ABLE	AVAILA BLE	AVAILAB LE	AVAILA BLE	AVAILA BLE
Interest support	Internal Loan		NONE	NONE	3 Points	4 Points	5 Points	7 Points
	Foreign Exchange / Exchange Rate Based Loans				1 Point	1 Point	2 Points	2 Points
The Support for Employee's Share in Insurance Premium			NONE	NONE	NONE	NONE	NONE	10 years
Income Tax Withholding Support			NONE	NONE	NONE	NONE	NONE	10 years

- NOTE: These rates will be reduced beginning from 01/01/2018.

Investment Incentive System

**GENERAL
INCENTIVES**

**REGIONAL
INCENTIVES**

**PRIORITIZED
INVESTMENT
ISSUES**

**LARGE-
SCALE
INVESTMENTS**

**STRATEGIC
INVESTMENTS**

PRIORITIZED INVESTMENTS



Mining and Mineral Exploration Investments



Investments directed to load and passenger transportation by railroads and maritime lines



Test centers, wind tunnels and similar kinds of investments



Tourism accommodation investments in Regions for Preserving Culture and Tourism and Development Zones or the investments which can take advantage from regional supports provided for thermal tourism.

PRIORITIZED INVESTMENTS



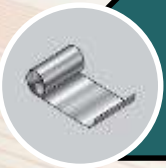
Kindergartens and daycare centers, pre-school education, primary school, secondary school and high-school education investments to be implemented by private sector



International expo investments with minimum 50.000 m2 area



Investments in defense industry

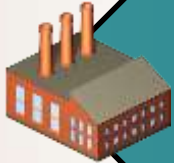


Integrated investments for manufacturing aluminum flat products by means of direct cooling slab casting and hot rolling methods.

PRIORITIZED INVESTMENTS



Minimum 300 millions TRY of investments which will be made in the main industry of motorized land vehicles and motor investments which will be minimum 75 millions of TRY and motor mechanisms, drive organs/mechanisms and automotive electronics investments which will be minimum 20 millions of TRY.



Electric generation investments where the minerals in the 4-b group of the 2nd article of the Mining Law are used as main inputs.



Minimum 50 millions TRY of investments which will be made in liquefied natural gas (LNG) and underground natural gas storage investments.

PRIORITIZED INVESTMENTS



The investments for generating electricity through recycling of after heat (except the natural gas electricity generation facilities)



The investments intended for energy efficiency to be made in existing facilities of the manufacturing industry.



The investments directed to production of carbon fiber or composite material from carbon fiber including carbon fiber production.

PRIORITIZED INVESTMENTS



The investments directed to the products within the **advance technology** industry class in accordance with the technological density definition of the Organization for European Economic Cooperation (OECD)



The investments for manufacturing **turbines and generators** for renewable energy generation and manufacturing blades used in wind power



The investments made for producing the products acquired as a result of the **R&D projects** supported by the Ministry of Science, Industry and Technology.



The Nuclear Power Plant investments



The Liciensed Warehousing investments

SUPPORTS PROVIDED FOR PRIORITIZED INVESTMENTS

Support Elements		REGIONS				
		I	II	III	IV	V
V.A.T. Exemption		AVAILABLE				
Customs duty Exemption		AVAILABLE				
Tax Deduction	Investment Incentive Rate (%)	40				
	Tax Deduction (%)	80				
Social Security Premium Support (Employer's Share)		7 years				
Land Allocation		AVAILABLE				
Interest support	Internal Loan	5 Points				
	Foreign Exchange / Exchange Rate Based Loans	2 Points				

Investment Incentive System

**GENERAL
INCENTIVES**

**REGIONAL
INCENTIVES**

**PRIORITIZED
INVESTMENT
ISSUES**

**LARGE-
SCALE
INVESTMENTS**

**STRATEGIC
INVESTMENTS**

LARGE-SCALE INVESTMENTS

No.	Investment Subjects	Minimum Fixed Investment Amounts (Millions of TRY)
1	Production of Refined Petroleum Products	1000
2	Production of Chemicals and Products	200
3	Investments for Harbor and Harbor Services and Airport Investments	200
4	Investments for Manufacturing Motorized Land Vehicles	200
4-a	Key Industry Investments for Motorized Land Vehicles	200
4-b	Sub-Industry Investments for Motorized Land Vehicles	50
5	Investments for Manufacturing Locomotives and/or Railway Cars for Railroads and Street Cars	50
6	Investments for Shipment Services through Transit Pipelines	
7	Investments for Electronic Industry	
8	Investments for Producing Medical Tools, Precision and Optic Devices	
9	Investments for Medicine Production	
10	Investments for Manufacturing Air and Space Vehicles and/or Parts	
11	Investments for Manufacturing Machinery (including Electric Machinery and Devices)	
12	Investments for Metal Production: The investments intended for producing final metals from IV/c group metallic minerals, ores and/or concentrates indicated in the Mining Law (including mining investments integrated into these facilities)	

SUPPORTS PROVIDED FOR LARGE-SCALE INVESTMENTS

Support Elements			REGIONS					
			I	II	III	IV	V	VI
V.A.T. Exemption			Available	Available	Available	Available	Available	Available
Customs duty Exemption			Available	Available	Available	Available	Available	Available
Tax Deduction	Investment Incentive Rate (%)	Out of OIZ	40	45	50	55	65	75
		In OIZ	45	50	55	65	75	80
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			Available	Available	Available	Available	Available	Available
Social Security Premium Support (Employer’s Share)			NONE	NONE	NONE	NONE	NONE	10 years
Income Tax Withholding Support			NONE	NONE	NONE	NONE	NONE	10 years

Investment Incentive System

General
Incentive

Regional
Incentive

Prioritized
Investment
Issues

Large-Scale
Investments

Strategic
Investments

SUPPORTING STRATEGIC INVESTMENTS

This incentive aims to support the investments with high-added value which will provide contribution in decreasing current account deficit.

EVALUATION CRITERIA FOR STRATEGIC INVESTMENTS

- Minimum fixed investment amount should be higher than 50 Millions of Turkish Liras,
- Domestic production Capacity should be lower than imports,
- Added value should be minimum 40%,
- Total imports for the last year should be higher than 50 millions USD.

SUPPORTING STRATEGIC INVESTMENTS

TH		REGIONS					
		I	II	III	IV	V	VI
V.A.T. Exemption		AVAILABLE					
Customs duty Exemption		AVAILABLE					
Tax Deduction	Investment Incentive Rate (%)	65					
Social Security Premium Support (Employer's Share)		7 years (10 years in the 6th Region)					
Land Allocation		AVAILABLE					
Interest support	Internal Loan	5 Points					
	Foreign Exchange / Exchange Rate Based Loans	2 Points					
Social Security Premium Support (Employer's Share)		10 years (Only for the Investments to be Made in the 6th Region)					
Income Tax Withholding Support		10 years (Only for the Investments to be Made in the 6th Region)					
VAT Refund		PROVIDED (only for the investments higher than 500 Millions of Turkish Liras)					

SUPPORT ELEMENTS		INCENTIVE SYSTEM							
		GENERAL	REGIONAL (2nd)		PRIORITIZED (5th)		LARGE-SCALE (2nd)		STRATEGIC
			Out of OIZ	Inside OIZ	Out of OIZ	Inside OIZ	Out of OIZ	Inside OIZ	
VAT EXEMPTION		✓	✓	✓	✓	✓	✓	✓	✓
CUSTOMS DUTY EXEMPTION		✓	✓	✓	✓	✓	✓	✓	✓
TAX DEDUCTION	Investment Incentive Rate (%)	X	35	40	55	65	45	50	65
	Deduction Rate (%)		100	100	100	100	100	100	100
SOCIAL SECURITY INSURANCE PREMIUM SUPPORT (EMPLOYER'S SHARE)	Support Term	X	3 years	5 years	7 years	10 years	3 years	5 years	7 years
	Investment Incentive Rate (%)		15	20	35	-	5	8	-
LAND ALLOCATION		X	✓	X	✓	X	✓	X	✓
INTEREST SUPPORT		X	X	X	✓	✓	X	X	✓
VAT REFUND		X	X	X	X	X	X	X	✓

STATE SUPPORTS FOR INVESTMENTS

**INVESTMENT INCENTIVE
SYSTEM**

**PROJECT BASED SUPPORT
SYSTEM**

Reason

Why has the Project Based Support System been Needed?

- As the current incentive system is a broad-based practice, it is not possible to diversify or stretch incentives and supports needed by investors through project-based evaluation. This does not allow making some investments which are critical for our country more attractive.
- In addition to this, current incentive and support system enables making positive discrimination for the investments in same product groups which become forefront with their aspects such as the production technology, research and development capacity, created eco-system and etc. aspects.

Reason

Why has the Project Based Support System been Needed?

- In order to implement the investments where the security of supply can be established and advance technological products can be produced, our country should be preferred as a base of production and export and in order to achieve this, other than traditional ones a different approach is needed.
- For the investments which are critically important for our country; beyond fixed capital investments, the investments which can establish an eco-system with Research and Development, Supply Chain and Marketing and create difference not only in production but also with other sectors which they interact are extremely important.

Legal Basis

Regulations

- In addition to the effective incentive system, related with supporting specific investments on project basis; the 6745 numbered Law on Supporting Investments on Project Basis and Amending Some Laws and Delegated Legislations has been put into force in 7th September 2016.
- The 2016/9495 Numbered Decision related with Providing Project Based State Support for Investments has been put into force in 26th November 2016.

Purpose

Purpose

- The purpose is to support the Innovative and R&D Oriented investment projects with high Added Value which can provide current and future critical needs of our country,
- Provide security of supply,
- Decrease dependence on foreign sources and
- Implement technological transformation through special support mechanisms.

Support Elements

Tax Supports

VAT Exemption

Customs Duty
Exemption

Tax Reduction or
Exemption

VAT Return

Employment Supports

Support for
Insurance
Premium
Employer's
Share

Support for
Income Tax
Withholding

Qualified
Personnel
Support

Financing Supports

Energy Support

Interest Support
or Grant
Support

Capital Support

Supports Related with Investment Place

Infrastructure
Support

Allocating
Investment
Place

Other Supports

Facility or
Exemption from
Permits,
Allocations,
Registration,
Licenses and
Warrants

Public
Procurement
Guarantee

Support Elements

- -Customs Duty Exemption
- -VAT Exemption
- -VAT Return for building construction expenses
- -Corporate Tax Reduction up to 2 folds of the investment amount or exemption from Corporate Tax up to 10 years

Tax Supports



- Support for Insurance Premium Employer's Share up to 1* years
- Qualified Personnel Support up to 20 folds of the monthly gross minimum wage provided that the term does not exceed 5 years
- Support for Income Tax Withholding for 10 years

Employment Supports



Support Elements

- Energy Support maximum for 10 years up to 50% of energy consumption expenses
- Interest or Profit Share Support up to 10 years for the credit used in financing the investment or Grant Support
- Capital Support provided that 49% investment amount is not exceeded and obtained shares will be offered to public or sold to the investor

Financial Supports



Support Elements

- Allocating a free investment place for 49 years and transferring the related property to the investor provided that the employment stipulated to be provided upon completing the investment is maintained for 5 years.
- Infrastructure Support if it is required for the project

Yatırım Yeri
İle İlgili
Destekler



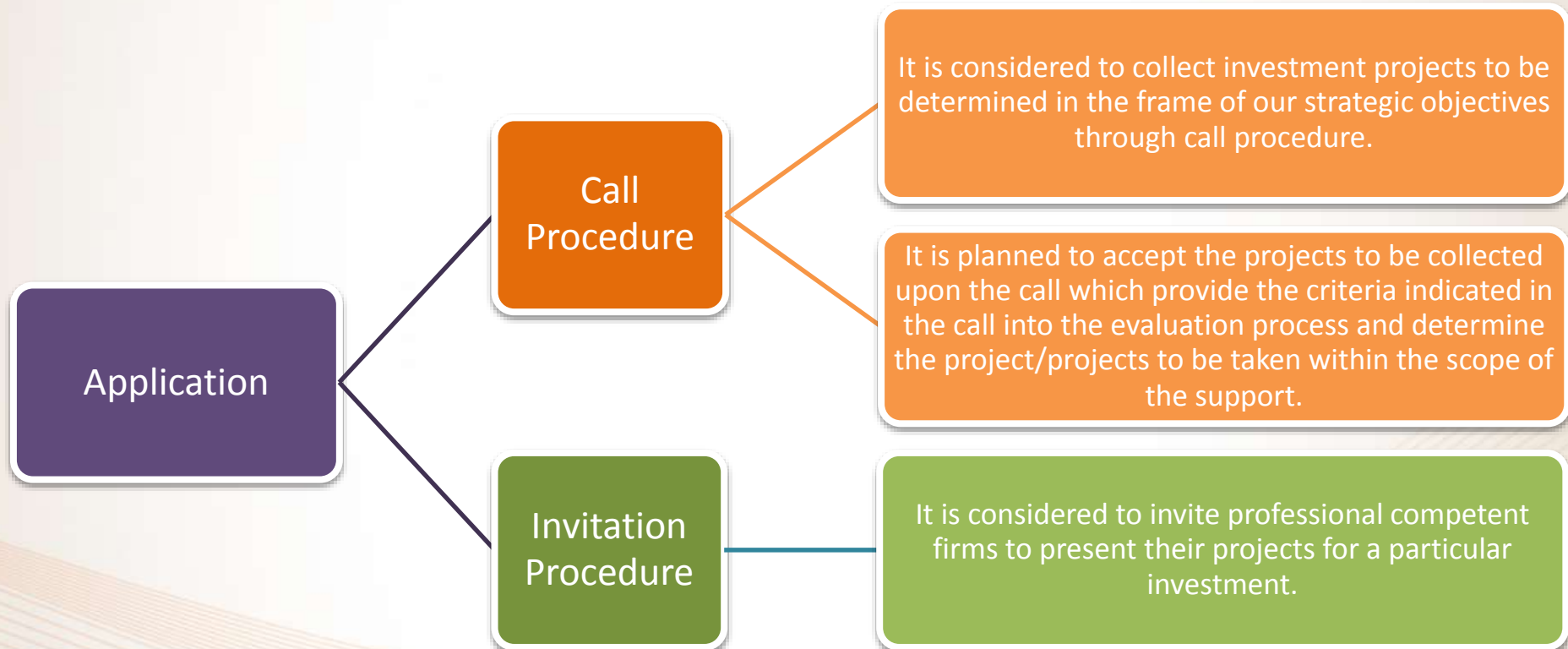
- Public Procurement Guarantee for specific terms or amounts
- Exemption or providing facility for permits, warrants, allocations, licenses and registrations.

Other Supports



Application

Collecting Applications



Application

Procedures and Guidelines for Applications

- The investment projects from the applications to be made upon invitations or calls which have fixed investment amounts higher than 100 millions USD are evaluated within this scope.
- For the applications to be made to the Ministry of Economy, the investment feasibility, impact analysis, supports requested for the investment and related reasons and commitments of the concerned firm will be included.
- Investment projects will be subjected to a preliminary evaluation by the Ministry of Economy.

Process



1. The Ministry of Finance collects the applications through call or invitation procedure.

1

2. The Ministry of Finance evaluates the projects to be supported, determines the projects and the support elements to be provided for these projects.

2

4. The Ministry of Finance issues an Investment Incentive Certificate for the projects decided to be supported.

4

3. The Council of Ministers takes a Support Decision for each of the project decided to be supported.

3



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the potential

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