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KPMG TURKEY

Investment Incentive System

Supports Provided Within The Scope
Of Decree No. 2012/3305 On State
Incentives In Investments

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SUPPORTS PROVIDED WITHIN THE SCOPE OF DECREE NO. 2012/3305 ON STATE INCENTIVES IN INVESTMENTS

(For the investments made until 31.12.2013) (Includes the changes by Decree numbered 2012/3802)

	General Incentives		Regional Investments						Primary Investments	
	Regions 1-5	Region 6	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	Regions 1-5	Region 6
Customs Duty Exemption	•	•	•	•	•	•	•	•	•	•
VAT Exemption	•	•	•	•	•	•	•	•	•	•
Contribution to Investment Rate			15%	20%	25%	30%	40%	50%	40%	50%
Tax Reduction Rate			50%	55%	60%	70%	80%	90%	80%	90%
Investment / Operation (1)			0%/100%	10%/90%	20%/80%	30%/70%	50%/50%	80%/20%	50%/50%	80%/20%
SSI Employer Support	Shipyards ship building investments (18 months)		2 Years	3 Years	5 Years	6 Years	7 Years	10 Years	7 Years	10 Years
SSI Empl. Supp. Limit (Investment Amount x %)			10	15	20	25	35	No Limitation	35	No Limitation
Interest Support (TL/FE)					3 / 1	4 / 1	5 / 2	7 / 2	5 / 2	7 / 2
Int. Supp. Upper Limit (TL)					500.000	600.000	700.000	900.000	700.000	900.000
Investment Land Allocation			•	•	•	•	•	•	•	•
Income Tax Withholding Support		10 Years						10 Years		10 Years
SSI Employee Support								10 Years		10 Years

	Investments To Benefit From Sub-Region Support (Regional)						Investments To Benefit From Sub-Region Support (Large-Scale)					
	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6
Customs Duty Exemption	•	•	•	•	•	•	•	•	•	•	•	•
VAT Exemption	•	•	•	•	•	•	•	•	•	•	•	•
Contribution to Investment Rate	20%	25%	30%	40%	50%	55%	30%	35%	40%	50%	60%	65%
Tax Reduction Rate	55%	60%	70%	80%	90%	90%	55%	60%	70%	80%	90%	90%
Investment / Operation (1)	10%/90%	20%/80%	30%/70%	50%/50%	80%/20%	80%/20%	10%/90%	20%/80%	30%/70%	50%/50%	80%/20%	80%/20%
SSI Employer Support	3 Years	5 Years	6 Years	7 Years	10 Years	12 Years	3 Years	5 Years	6 Years	7 Years	10 Years	12 Years
SSI Empl. Supp. Limit (Investment Amount x %)	15	20	25	35	No Limitation	No Limitation	5	8	10	11	No Limitation	No Limitation
Interest Support (TL/FE)			3 / 1	4 / 1	5 / 2	7 / 2						
Int. Supp. Upper Limit (TL)			500.000	600.000	700.000	900.000						
Investment Land Allocation	•	•	•	•	•	•	•	•	•	•	•	•
Income Tax Withholding Support												10 Years
SSI Employee Support												10 Years

	Strategic Investments		Large-Scale Investments					
	Regions 1-5	Region 6	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6
Customs Duty Exemption	•	•	•	•	•	•	•	•
VAT Exemption	•	•	•	•	•	•	•	•
Contribution to Investment Rate	50%	50%	25%	30%	35%	40%	50%	60%
Tax Reduction Rate	90%	90%	50%	55%	60%	70%	80%	90%
Investment / Operation (1)	50%/50%	80%/20%	0%/100%	10%/90%	20%/80%	30%/70%	50%/50%	80%/20%
SSI Employer Support	7 Years	10 Years	2 Years	3 Years	5 Years	6 Years	7 Years	10 Years
SSI Empl. Supp. Limit (Investment Amount x %)	15	No Limitation	3	5	8	10	11	No Limitation
Interest Support (TL/FE)	5 / 2							
Int. Supp. Upper Limit (TL)	TL 50 M providing that it does exceed 5% of investment amount							
Investment Land Allocation	•	•	•	•	•	•	•	•
VAT Refund	Construction expenses in investments amounting to TL 500 M and above							
Income Tax Withholding Support		10 Years						10 Years
SSI Employee Support		10 Years						10 Years

(1) Reduced corporate tax can be applied at the specified rates to investors' gain derived from their other activities in the investment period, to be deducted from the investment contribution amount.

Primary Investments may benefit from regional supports which are in Region 5. However, if these investments are located in Region 6, they are subject to the regional supports in the Region they are located. (Changes by Decree 2013/4288 have also been included)

- Investments for cargo and/or passenger transportation by seaway
- Railway investments of the private sector for intercity cargo and/or passenger transportation and railway investments for urban cargo transportation.
- Tourism accommodation investments to be realized in Culture and Tourism Protection and Development Regions and eligible for regional supports
- International fair investments which have minimum 50 thous and m² indoor sp ace (excluding accommodation and shopping center units)
- Investments in the fields of defense, aviation and space which are to be realized after the project approval of the Ministry of Defense and with a minimum amount of twenty million Turkish Lira.
- Preschool, primary, secondary and high school education investments of the private sector.
- Test centers, wind tunnels and similar in vestments (automotive, space and defense industry)
- Biotechnological pharmaceuticals, oncology pharmaceuticals and blood products production investments which are to be realized after the project approval of the Ministry of Health and with a minimum amount of twenty million Turkish Lira.
- Investments regarding the manufacturing of products and parts that are developed as a result of R&D projects supported by the Ministry of Science, Industry and Technology, TÜBİTAK and KOSGEB.
- Mine extraction investments and/or processing investments (excluding group I minerals as stated in the Mining Law No. 3213 dated 4/6/1985 and crushed stones and extraction and/or processing investments in Istanbul)
- Motor vehicle industry investments at “the main industry investments” amounting at least 300 Million TL; the “investment in engines” amounting at least 75 millionTL; “investments in engine parts, transmission components and their parts, as well as investments related to automotive electronics amounting at least 20 million TL.
- “Electricity Generation Investments” where metals which have a valid mining license and permit issued by Ministry of Energy and Natural Resources under the Mining Act No. 2 of 3213 Article 4-b group are used as an input.

Investments to benefit from sub-region support

- Investments to be realized in Organized Industrial Zones (OIZ).
- Investments realized by an investor who has at least five real person or legal entity partners in the same sector and the investment provides integration to the field of the common activity.

Strategic investment criteria

Minimum Fixed Investment Amount is TL 50 million.

The total import amount of the subject product to be invested in is above fifty million US Dollars within the last year.

The added value to be provided by the investment contained in the certificate is minimum forty percent.

The total domestic production capacity for the product subject to the investment is less than the importation.

For strategic investments, the “Value Added Calculation” is to be made as below:
$$\frac{(\text{The sale price of the product-input cost}) * 100}{\text{Input cost}}$$

Regions	Provinces and districts designated within the scope of regional classification
Region 1	Ankara, Antalya, Bursa, Eskişehir, İstanbul, İzmir, Kocaeli, Muğla
Region 2	Adana, Aydın, Bolu, Çanakkale (Gökçeada, Bozcaada excluded), 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, Gökçeada, Bozcaada

General and Regional Investment Amounts

According to the General Incentive Regime, the minimum investment amount is 1 million TL for Region I and Region II, while it is 500 thousand TL for Region IV, V, VI and VII.

The minimum fixed investment amount according to the regional incentive regime has been determined separately depending on the investment type in Decree Addendum-2.

In Decree Addendum-4, investments which cannot be supported or investments which can only be supported depending on certain criteria have been listed.

Large Scaled Investments

Number	Investment Subjects	Minimum Fixed Investment Amounts
1	Refined Petroleum Products Manufacturing	1000
2	Chemicals and Chemical Products Manufacturing	200
3	Port and Harbor Services Investments	200
4	Motor Vehicle Manufacturing Investments a) Motor Vehicle Main Industry Investments b) Motor Vehicle Sub-Industry Investments	200 50
5	Railway and Tramway Locomotives and/or Wagon Manufacturing Investments	50
6	Transport Services Investments with Transit Pipeline	
7	Electronics Industry Investments	
8	Medical Instrument, Precision and Optical Instruments Manufacturing Investments	
9	Medicine Production Investments	
10	Air and Space vehicles and/or Parts Manufacturing Investments	
11	Machine (Electrical machinery and equipment included) Manufacturing Investment	
12	Metal production investments (IV/c Group Metallic Ore's and /or concentrate's investments for the production of the final metal stated in the Mining Law)	

KPMG can deliver;

- Planned investment - Incentive system related advisory services
- Incentives application process management
- Investment process management
- Completion of investment and incentive document closure services

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