

LEXOLOGY®

Latest Update for Turkish Investment Incentive Scheme: Technology-Focused Industry Move

Cerrahoğlu Law Firm

Turkey August 28 2019

Recently, Turkish Government has made very important changes in investment incentive decree numbered 2012/3305 within the context of Technology-Focused Industry Move Program by the Presidential Decree numbered 1402 published in the Official Gazette numbered 30855 and dated 7 August 2019.

Technology-Focused Industry Move Program is one of the very significant subject matters of 11th Development Plan covering the years 2019-2023. The main purpose of this program is to produce high value-added, medium-high or advanced technology products with domestic capabilities and to prevent imports of such products in the amount of USD 30 billion.

In order to benefit from incentives for technology-focused industry investments, products that will be produced in Turkey should be in the "Priority Product List" to be determined by the Ministry of Industry and Technology. Currently, this priority product list has not been published by the Ministry of Industry and Technology. The Ministry of Industry and Technology will announce medium-high or advance technology products and their intermediate goods in the "Priority Product List" taking into account different economic and commercial criteria.

Other conditions for benefiting from incentives for technology-focused industry investments are as follows;

- a) At least TRY 50 Million (USD 8,5 Million) fixed investment amount should be made,
- b) The total domestic production capacity of relevant product should be less than the importation amount,
- c) Minimum 40% of the added value should be provided by the investment,
- d) Importation of the product realized in the last year should be more than USD 50 million.

Application for the investment incentive certificate for technology-focused industry investments will be examined by the program evaluation committee established by the Ministry of Industry and Technology. Approved investments are to be supported under the scheme of "Strategic Investment". Incentives provided for "Large Scale Investment Scheme" are removed by the same Presidential Decree numbered 1402.

Investments decided to be supported by the Government can benefit from the following supporting instruments in whole or in part depending on the decision of the Program Evaluation Committee;

1. VAT and Custom Duty exemptions will be applied for importation or domestic delivery of machinery and equipment related to the investment project supported.
2. The corporate tax rate to be applied to the profits of the investment is 2% instead of 20%. In this way, 50% of the investment amount is financed by the government through corporate tax rate reduction.
3. 10 points of interest in TL denominated loans and 2 points of interest in foreign currency denominated loans used for investments are financed by the government. In non-high-tech product investments, TL denominated interest support is 8 points. The amount of interest support cannot exceed TRY 50 Million (USD 8,5 Million), provided that it does not exceed 20% of the fixed investment amount.
4. Social security premiums of employees paid by employers are compensated by the government for 7 years. Depending on the region where the investment is made, relevant social security premium in the amount of at least 15% up to 35% of the investment amount is compensated by the government.
5. Following the completion of the investment, the employees' social security premium to be deducted from their wage is paid by the government for 7 years. For non-high-tech investments, this period is 5 years.
6. Following the completion of the investment, the withholding tax on wages of a maximum of 500 employees will not be paid to the tax office for a period of 10 years. In non-high-tech investments, support for withholding tax on wages will be applied to a maximum of 300 employees.
7. Deferred VAT incurred due to building-construction expenditures in investments with an investment amount of at least TRY 500 Million (85 Million USD) can be refunded.
8. Investment place may be allocated to investors. Within this framework, 49 years of independent and permanent easement right may be established on the land or plots belonging to the government or municipalities. Annual easement fee to be collected from investors is 3% of the real estate tax value of the property.

In addition, such Presidential Decree also provides that investments benefiting from the Technology-Focused Industrial Investment Incentives can also benefit from the supporting instruments provided by TÜBİTAK, KOSGEB or other Turkish public institutions and organizations. In the past, it was not possible to benefit from other supporting instruments provided by Turkish public institutions if an investment took advantage of general investment incentive scheme.

Cerrahoğlu Law Firm - Selman Koc

Powered by

LEXOLOGY