

Tax Incentives in Turkey

Turkey aims to encourage production and export activities, fasten the entrance of foreign capital and technology in Turkey and develop the international trading activities through the grant of incentives to the investors.

In the light of that, the local and foreign investors have equal access to the investment incentives system in Turkey. The investment incentives system has been comprised of four different schemes.

- General Investment Incentives Scheme
- Regional Investment Incentives Scheme
- Large-Scale Investment Incentives Scheme
- Strategic Investment Incentives Scheme

New businesses established in less developed 39 provinces are granted tax incentives given that they generate new employment for at least 10 people. Such investments are held exempt from withholding tax and employer's social security contribution up to 100%. The provision of land as well as 20% relief on electricity costs for certain sectors in least developed regions is another incentive program of the treasury.

Incentive type	For companies in OIZs	Others
Income tax relief	100%	80%
Compensation for the employers social security contribution	100%	80%
Energy support	20% – 50%	20% – 40%
Free land allocation	Available	Available

Free Trade Zones

Free Trade Zones (FTZ) in Turkey provide infrastructure, open and covered warehousing and ready-to-use factory sites to investors.

Free Trade Zones are outside customs territory and hence, neither tariffs nor duties apply to goods that are imported into Free Trade Zones. Companies registered at Free Trade Zones can stock their goods for unlimited period of time. Manufacturing companies operating in free trade zones enjoy exemption from the corporate tax, VAT, employee income tax and stamp tax. Sales from free trade zones to the domestic market are permitted.

There are 20 free zones in Turkey operating close to the EU and Middle East markets adjacent to major Turkish ports on the Mediterranean, Aegean and Black Seas, with easy access to international trade routes.

The following incentives are granted to investors investing into Free Trade Zones;

- The income derived from the sale of goods manufactured by the license holders in the Free Trade Zones is exempted from corporate income tax.

The corporate income tax exemption does not cover the dividend distributions. The dividends of a company in Free Trade Zones are subject to the dividend withholding tax at the standard rate of 15% at source when they are paid to an individual shareholder (resident or non-resident) or to non-resident corporations.

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Where international or bilateral treaties are in place between Turkey and the investor's country of origin, the related terms of that treaty will principally be applied, to the extent possible.

- The salary payments made by taxpayers operating in Free Trade Zones to employees are exempted from the income tax, provided that the taxpayers export at least 85% FOB values of annually produced goods. It should be noted that the Council of Ministers is authorized to decrease this rate down to 50%.
- Documents and transactions regarding the operations in Free Trade Zones are exempted from the stamp tax and charges.
- In addition to the above incentives, the delivery of goods and performance of services in Free Trade Zones are excluded from VAT without any time limitation.

Organized Industrial Zones

Organized Industrial Zones are designed to allow companies providing goods and services to operate within approved boundaries with the necessary infrastructure, techno parks, and social facilities. The infrastructure provided in the zones includes roads, water, natural gas, electricity, communications, waste treatment, and other services.

There are 251 Organized Industrial Zones in 81 provinces throughout Turkey. The government provides following incentives to support the companies operating in organized industrial zones:

- 100 % exemption from income tax for employed workers
- 100 % exemption from the employer's share of social security costs
- Up to 50 % support for electricity costs
- Exemption from real estate tax, waste-water charges, building construction duties, and the use-of-building

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