

Free Trade Zones in Turkey

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.

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.

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