

GUIDE TO STATE INCENTIVES FOR INVESTMENTS IN **TÜRKİYE**



PRESIDENCY OF
THE REPUBLIC OF TÜRKİYE
**INVESTMENT
OFFICE**

DISCLAIMER

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All information in this guide is up to date as of **June, 2024**.

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INCENTIVE GLOSSARY

VAT Exemption for Machinery: Machinery and equipment to be purchased are exempt from Value Added Tax.

VAT Exemption for Construction: VAT exemption is provided for building and construction expenditures.

Customs Duty Exemption: Machinery and equipment to be purchased from abroad are exempt from Customs Duty.

Corporate Tax Exemption / Reduction: Corporate tax is exempted or paid with reduction.

Social Security Premium Support (Employer's Share): The employer's share of the social security premium calculated for employment will be covered by the government.

Social Security Premium Support (Employee's Share): The employee's share of the social security premium calculated on the basis of the legal minimum wage for employment will be covered by the government.

Interest Rate Support: A certain portion of the interest to be paid for loans obtained will be covered by the government.

Cashback Support: Eligible expenditures are partially reimbursed by the Government.

Income Tax Withholding Support: The income tax determined for employment will be exempt.

Infrastructure Support: Investor's infrastructural needs such as electricity, natural gas, etc. can be facilitated.

Capital Contribution: Government can make capital contribution of up to 49% of the investment amount.

Qualified Personnel Support: Gross wages of qualified personnel to be employed for up to 5 years will be covered (up to 20 times the gross minimum wage)

Purchasing Guarantee: Public purchase guarantee can be provided for products to be produced within the scope of the investment.

Facilitation of Authorization / Permit / License Procedures: An exception may be introduced by virtue of a presidential decree for authorizations, allocation, permits, licenses and registrations among other restrictive provisions. Alternatively, an arrangement may be made in terms of legal and administrative processes to accelerate and facilitate investments.

Land Allocation: Land is allocated for investment based on the availability, in accordance with the principles and procedures set by the Ministry of Environment and Urbanization.

Training Support: Daily expenses and eligible training costs will be covered by Turkish Employment Agency.

R&D / Design Discount: R&D and design expenditures can be reduced from the corporate tax base.

Stamp Duty Exemption: Stamp duty exemption can be granted for applicable documents.

Property Tax Exemption: Property tax exemption can be granted for land and buildings.

Special Consumption Tax Exemption: Enterprises in free zones are exempt from special consumption tax.

Energy Support: Energy expenditures are partially reimbursed to the investor.



INVESTMENT INCENTIVE SCHEMES

FUNDAMENTALS OF THE INCENTIVE SYSTEM IN TÜRKİYE



REGIONAL PERSPECTIVE

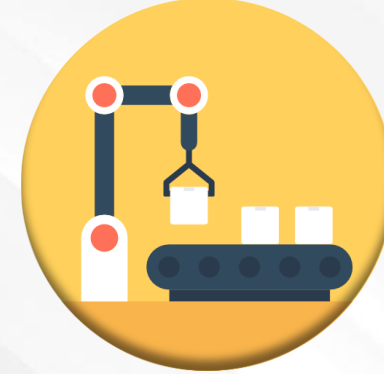
Türkiye is divided into 6 regions according to the industrialization level. Region 1 consists of the most developed cities, and Region 6 includes least developed cities. The aim of this perspective is to contribute to the development of less developed regions by encouraging investment.

REGION 1



REGION 6

The rate of incentive items increases gradually from Region 1 to 6.



PRODUCT PERSPECTIVE

On the other hand, there are a few exceptions to the regional perspective. For example, while medium-high tech products can benefit from Region 4 incentives, high tech products can benefit from Region 5 incentives independent of the investment region. There is an also incentive program called “Project Based Incentives” which is a tailored scheme to attract investments having high importance for Türkiye.

INCENTIVES PROVIDED BY THE MINISTRY OF INDUSTRY AND TECHNOLOGY

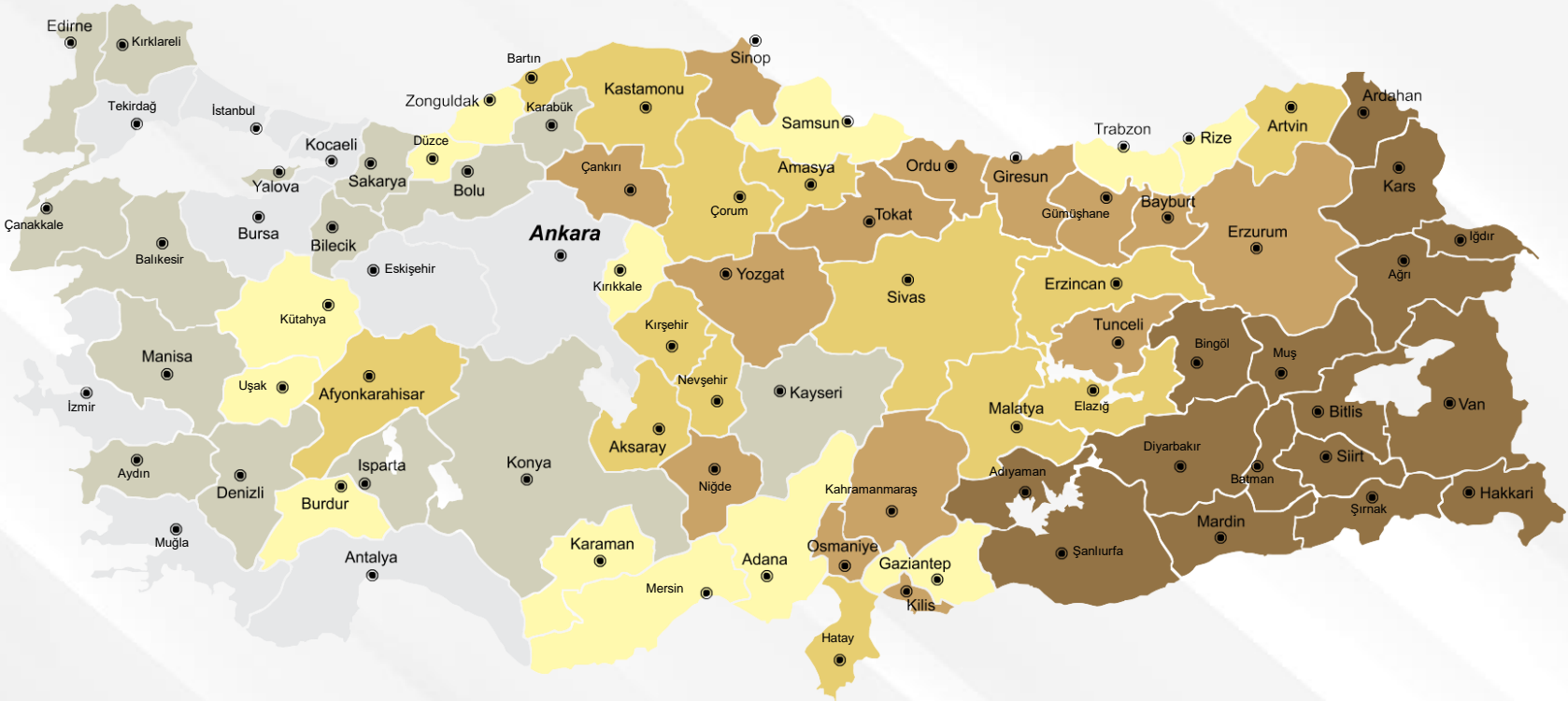


INCENTIVE REGIONS & PROVINCES OF TÜRKİYE

The scope of the support instruments varies depending on the **development levels of the regions.**

In Türkiye's Incentive Scheme, investments in **less developed regions** are able to receive higher incentives.

Since the districts of some provinces are considered as a **sub-region**, investments in these districts can benefit from the incentives of the **upper region.**



| Region 1 | Region 2 | Region 3 | Region 4 | Region 5 | Region 6 |
|--|--|--|--|---|---|
| Ankara, Antalya, Bursa, Eskişehir, İstanbul, İzmir, Kocaeli, Muğla, Tekirdağ | Aydın, Balıkesir, Bilecik, Bolu, Çanakkale, Denizli, Edirne, Isparta, Karabük, Kayseri, Kırklareli, Konya, Manisa, Sakarya, Yalova | Adana, Burdur, Düzce, Gaziantep, Karaman, Kırıkkale, Kütahya, Mersin, Rize, Samsun, Trabzon, Uşak, Zonguldak | Afyonkarahisar, Aksaray, Amasya, Artvin, Bartın, Çorum, Elazığ, Erzincan, Hatay, Kastamonu, Kırşehir, Malatya, Nevşehir, Sivas | Bayburt, Çankırı, Erzurum, Giresun, Gümüşhane, Kahramanmaraş, Kilis, Niğde, Ordu, Osmaniye, Sinop, Tokat, Tunceli, Yozgat | Adıyaman, Ağrı, Ardahan, Batman, Bingöl, Bitlis, Diyarbakır, Hakkari, Iğdır, Kars, Mardin, Muş, Siirt, Şanlıurfa, Şırnak, Van |

GENERAL INVESTMENT INCENTIVES

| Incentive | Eligibility Criteria | Supports |
|-------------------------------|--|--|
| General Investment Incentives | Minimum fixed investment amount between TRY 1,500,000-TRY 3,000,000 depending on the investment location | <ul style="list-style-type: none">VAT Exemption for MachineryCustoms Duty Exemption |

SIMULATION DETAILS

- Total Investment Amount: TRY 100M
- Imported Machinery & Equipment: TRY 50M
- Domestic Machinery & Equipment: TRY 30M
- Construction Cost: TRY 20M
- Employment: 100 People
- Investment Location: No Significance

VAT Exemption for Machinery: TRY 80M (Total amount of the machinery and equipment) x 0.20 (VAT rate) = TRY 16,000,000 is exempt from VAT.

Customs Duty Exemption: TRY 50M (Imported machinery and equipment cost) x 0,02 (Customs duty) = TRY 1M is exempt from customs duty.

| Investment Inputs | Scenario (TRY) |
|--------------------------------|----------------|
| Investment Amount | 100,000,000 |
| Imported Machinery & Equipment | 50,000,000 |
| Domestic Machinery & Equipment | 30,000,000 |
| Construction Cost | 20,000,000 |
| Incentives | |
| VAT Exemption for Machinery | 16,000,000 |
| Customs Duty Exemption | 1,000,000 |
| Total Support | 17,000,000 |
| Total Support Rate | 17% |

REGIONAL INVESTMENT INCENTIVES

| Incentive | Eligibility Criteria | Supports |
|--------------------------------|---|---|
| Regional Investment Incentives | Minimum fixed investment amount between TRY 1,500,000-TRY 4,000,000 depending on the investment location and industry | <ul style="list-style-type: none">VAT Exemption for MachineryVAT Exemption for Construction*Customs Duty ExemptionCorporate Tax Reduction of 15-55% of investment expenditures depending on the investment locationSocial Security Premium Support (Employer's Share) for 2-12 years depending on the investment locationLand Allocation |
| | | <ul style="list-style-type: none">Interest Rate Support** in the amount of TRY 1 to 1.8M depending on the investment location |

*VAT collected for the construction expenses made until December 31, 2024, will be exempted only for the manufacturing investments.

**This support is not applicable to investments in Region 1 and 2.

SIMULATION DETAILS

- Total Investment Amount: TRY 100M
- Imported Machinery & Equipment: TRY 60M
- Domestic Machinery & Equipment: TRY 20M
- Construction Cost: TRY 20M
- Employment: 100 People
- Investment Location: Region 3 (Outside OIZ)

VAT Exemption for Machinery: TRY 80M (Total amount of the machinery and equipment) x 0.20 (VAT rate) = TRY 16,000,000 is exempt from VAT.

VAT Exemption for Construction: TRY 20M (Construction expenses) x 0.20 (VAT rate) = TRY 4,000,000 will be exempted.

Customs Duty Exemption: TRY 60M (Imported machinery and equipment cost) x 0,02 (Customs duty) = TRY 1,200,000 is exempt from customs duty.

Corporate Tax Reduction: TRY 100M (Total investment amount) x 0.25 (Support rate for Region 3 / Outside OIZ) = TRY 25M will be the upper limit for the total corporate tax reduction support.

Social Security Premium Support (Employer's Share): Social security premium support that can be used for the employment of 100 individuals = 100 x 60 (Montly period of support in Region 3 Outside OIZ) x 3100 (Employer's share) = TRY 18,600,000 of employer's share is exempted.

Interest Rate Support: The Ministry provides interest rate support with the upper limit of TRY 1,000,000 for Region 3. (3 points for TRY - denominated loans, 1 point for loans in foreign currency)

| Investment Inputs | Scenario (TRY) |
|--|----------------|
| Investment Amount | 100,000,000 |
| Imported Machinery & Equipment | 60,000,000 |
| Domestic Machinery & Equipment | 20,000,000 |
| Construction Cost | 20,000,000 |
| Incentives | |
| VAT Exemption for Machinery | 16,000,000 |
| VAT Exemption for Construction | 4,000,000 |
| Customs Duty Exemption | 1,200,000 |
| Corporate Tax Reduction | 25,000,000 |
| Social Security Premium Support (Employer's Share) | 18,600,000 |
| Interest Rate Support | 1,000,000 |
| Total Support | 65,800,000 |
| Total Support Rate | 65.8% |

MEDIUM HIGH-TECH INVESTMENT INCENTIVES

| Incentive | Eligibility Criteria | Supports |
|---|---|--|
| Medium High-Tech Investment Incentives (Region 4) | Minimum fixed investment amount between TRY 1,500,000-TRY 4,000,000 depending on the investment location and industry | <ul style="list-style-type: none">VAT Exemption for MachineryVAT Exemption for Construction*<ul style="list-style-type: none">Customs Duty ExemptionCorporate Tax Reduction of 30-55% of investment expenditures depending on the investment locationSocial Security Premium Support (Employer's Share) for 6-12 years depending on the investment location<ul style="list-style-type: none">Land AllocationInterest Rate Support between TRY 1,200,000 – 1,800,000 depending on the investment location |
| | The investment subject is among the "medium high technology investments" | |

*VAT collected for the construction expenses made until December 31, 2024, will be exempted only for the manufacturing investments.

| US-97 Code | OECD's Medium High-Tech Investment Areas |
|------------------|--|
| 24 (except 2423) | Production of Chemical Materials and Products (Except production of chemical and herbal products used in pharmaceuticals and medicine) |
| 29 | Manufacture of Machinery and Equipment |
| 31 | Manufacture of Electrical Machinery and Equipment |
| 34 | Manufacture of Motor Land Vehicles |
| 352 | Manufacture of Railway and Tramway Locomotives and Wagons |
| 359 | Manufacture of Transportation Vehicles |

SIMULATION DETAILS

- Total Investment Amount: TRY 100M
- Imported Machinery & Equipment: TRY 60M
- Domestic Machinery & Equipment: TRY 20M
- Construction Cost: TRY 20M
- Employment: 100 People
- Investment Location: All Cities (Except İstanbul)

VAT Exemption for Machinery: TRY 80M (Total amount of the machinery and equipment) x 0.20 (VAT rate) = TRY 16,000,000 is exempt from VAT.

VAT Exemption for Construction: TRY 20M (Construction expenses) x 0.20 (VAT rate) = 4,000,000 will be exempted.

Customs Duty Exemption: TRY 60M (Imported machinery and equipment cost) x 0,02 (Customs duty) = TRY 1,200,000 is exempt from customs duty.

Corporate Tax Reduction: TRY 100M (Total investment amount) x 0.30 (Support rate for Region 4) = TRY 30M will be the upper limit for the total corporate tax reduction support.

Social Security Premium Support (Employer's Share): Social security premium support that can be used for the employment of 100 individuals = 100 x 72 (Monthly period of support in Region 4) x 3100 (Employer's share) = TRY 22,320,000 of employer's share is exempted.

Interest Rate Support: The Ministry provides interest rate support with the upper limit of TRY 1,200,000 for Region 4. (4 points for TRY - denominated loans, 1 point for loans in foreign currency)

| Investment Inputs | Scenario (TRY) |
|--|----------------|
| Investment Amount | 100,000,000 |
| Imported Machinery & Equipment | 60,000,000 |
| Domestic Machinery & Equipment | 20,000,000 |
| Construction Cost | 20,000,000 |
| Incentives | |
| VAT Exemption for Machinery | 16,000,000 |
| VAT Exemption for Construction | 4,000,000 |
| Customs Duty Exemption | 1,200,000 |
| Corporate Tax Reduction | 30,000,000 |
| Social Security Premium Support (Employer's Share) | 22,320,000 |
| Interest Rate Support | 1,200,000 |
| Total Support | 74,720,000 |
| Total Support Rate | 74.7% |

PRIORITY INVESTMENT INCENTIVES

| Incentive | Eligibility Criteria | Supports |
|---|---|--|
| Priority Investment Incentives (Region 5) | Minimum fixed investment amount between TRY 1,500,000-TRY 4,000,000 depending on the investment location and industry | <ul style="list-style-type: none">VAT Exemption for MachineryVAT Exemption for Construction*<ul style="list-style-type: none">Customs Duty ExemptionCorporate Tax Reduction of 40-55% of investment expenditures depending on the investment locationSocial Security Premium Support (Employer's Share) for 7-12 years depending on the investment location<ul style="list-style-type: none">Land AllocationInterest Rate Support between TRY 1,400,000 – 1,800,000 depending on the investment location |
| | The investment subject is among the “priority investments” determined by the Ministry. | |

*VAT collected for the construction expenses made until December 31, 2024, will be exempted only for the manufacturing investments.

SIMULATION DETAILS

- Total Investment Amount: TRY 100M
- Imported Machinery & Equipment: TRY 60M
- Domestic Machinery & Equipment: TRY 20M
- Construction Cost: TRY 20M
- Employment: 100 People
- Investment Location: All Cities

VAT Exemption for Machinery: TRY 80M (Total amount of the machinery and equipment) x 0.20 (VAT rate) = TRY 16,000,000 is exempt from VAT.

VAT Exemption for Construction: TRY 20M (Construction expenses) x 0.20 (VAT rate) = 4,000,000 will be exempted.

Customs Duty Exemption: TRY 60M (Imported machinery and equipment cost) x 0,02 (Customs duty) = TRY 1,200,000 is exempt from customs duty.

Corporate Tax Reduction: TRY 100M (Total investment amount) x 0.40 (Support rate for Region 5) = TRY 40M will be the upper limit for the total corporate tax reduction support.

Social Security Premium Support (Employer's Share): Social security premium support that can be used for the employment of 100 individuals = 100 x 84 (Monthly period of support in Region 5) x 3100 (Employer's share) = TRY 26,040,000 of employer's share is exempted.

Interest Rate Support: The Ministry provides interest rate support with the upper limit of TRY 1,400,000 for Region 5. (5 points for TRY - denominated loans, 2 point for loans in foreign currency)

| Investment Inputs | Scenario (TRY) |
|--|----------------|
| Investment Amount | 100,000,000 |
| Imported Machinery & Equipment | 60,000,000 |
| Domestic Machinery & Equipment | 20,000,000 |
| Construction Cost | 20,000,000 |
| Incentives | |
| VAT Exemption for Machinery | 16,000,000 |
| VAT Exemption for Construction | 4,000,000 |
| Customs Duty Exemption | 1,200,000 |
| Corporate Tax Reduction | 40,000,000 |
| Social Security Premium Support (Employer's Share) | 26,040,000 |
| Interest Rate Support | 1,400,000 |
| Total Support | 88,640,000 |
| Total Support Rate | 88.6% |

PRIORITY INVESTMENT AREAS



| | | |
|---|---|--|
| Transportation investments by sea, airway or railway. | Energy efficiency investments, realized in existing industry facilities with a minimum annual energy consumption of 500 tons of oil equivalent. | Laboratory complex investments with research and control units. |
| Test center investments for products in the middle-high and high-tech industry class according to OECD's technology density definition. (US-97 Code: 2423, 30, 32, 33 and 353) | Manufacturing investments in the high-tech industry class according to OECD's technology density definition. (US-97 Code: 2423, 30, 32, 33 and 353). | Greenhouse investments of min. TRY 5 Million of 25 decares including domestically produced greenhouse technologies, based on automation. |
| Tourism investments in Tourism Protection and Development Regions. | Liquefied natural gas (LNG) investments and underground natural gas storage investments of min. TRY 50 Million. | Investments subject to Environmental License within the scope of Environmental Permit and License Regulation. |
| Defense industry investments approved by the Presidency of Defense Industry Agency. | Investments in carbon fiber production or in the production of composite materials made of carbon fiber together with carbon fiber production. | Nuclear power plant investments. |
| Mine extraction and processing investments. | Electricity generation investments by recovery from waste heat in a facility originating from waste heat. | Investments amounting to a minimum of TRY 500 Million to be made in the medium-high technology investment areas of the OECD. |
| Training investments for the use, repair and maintenance of aircrafts. | Mineral exploration investments in licensed areas. | Manufacturing of software and IT products realized in free zones. |
| Manufacturing investments developed through R&D projects supported by the Ministry, TÜBİTAK and KOSGEB. | Renewable energy investments (Manufacturing of turbines, generators, solar panels and wind blades) | Industrial facility investments including the manufacturing of electricity or hydrogen-powered transportation vehicles of min. TRY 50 Million. |
| Motor parts investments of min. TRY 20 Million; motor investments of min. TRY 75 Million and motor land vehicles of min. TRY 300 Million. | Integrated investments for the aluminum flat products with direct cooling slab casting and hot rolling method. | R&D and environmental investments. |
| Electricity generation investments with coal-based minerals. | Licensed warehousing investments. | Data center investments compatible with international technical standards and minimum white space requirement of 5,000 m2. |

REGION 6 INVESTMENT INCENTIVES

| Incentive | Eligibility Criteria | Supports |
|---------------------|--|---|
| Region 6 Incentives | | <ul style="list-style-type: none">VAT Exemption for MachineryVAT Exemption for Construction*Customs Duty ExemptionCorporate Tax Reduction of 55% of investment expendituresSocial Security Premium Support (Employer's Share) for 12 yearsLand AllocationInterest Rate Support of TRY 1,800,000 MillionSocial Security Premium Support for 10 years (Employee's share)Income Tax Withholding Support** for 10 years |
| | Minimum fixed investment amount of TRY 1,500,000 Investment should be made in the Region 6 cities | |

*VAT collected for the construction expenses made until December 31, 2024, will be exempted only for the manufacturing investments.

**Due to changes in legislation, income tax will no longer be applied to minimum wage. As such, income tax withholding support is halted until further notice.

SIMULATION DETAILS

- Total Investment Amount: TRY 100M
- Imported Machinery & Equipment: TRY 60M
- Domestic Machinery & Equipment: TRY 20M
- Construction Cost: TRY 20M
- Employment: 100 People
- Investment Location: Region 6 cities (Inside OIZ)

VAT Exemption for Machinery: TRY 80M (Total amount of the machinery and equipment) x 0.20 (VAT rate) = TRY 16,000,000 is exempt from VAT.

VAT Exemption for Construction: TRY 20M (Construction expenses) x 0.20 (VAT rate) = 4,000,000 will be exempted.

Customs Duty Exemption: TRY 60M (Imported machinery and equipment) x 0,02 (Customs duty) = TRY 1,200,000 TRY is exempt from customs duty.

Corporate Tax Reduction: TRY 100M (Total investment amount) x 0.55 (Support rate for Region 6) = TRY 55M will be the upper limit for the total corporate tax reduction support.

Social Security Premium Support (Employer's Share): Social security premium support that can be used for the employment of 100 individuals = 100 x 144 (Montly period of support in Region 6) x 3100 (Employer's share) = TRY 44,640,000 of employer's share is exempted.

Interest Rate Support: The Ministry provides interest rate support with the upper limit of TRY 1,800,000 for Region 6 (7 points for TRY - denominated loans, 2 point for loans in foreign currency).

Social Security Premium Support (Employee's Share): Social security premium support that can be used for the employment of 100 individuals = 100 x 120 (Montly period of support in Region 6) x 2800 (Employer's share)] = TRY 33,600,000 of employee's share will not be paid.

| Investment Inputs | Scenario (TRY) |
|--|----------------|
| Investment Amount | 100,000,000 |
| Imported Machinery & Equipment | 60,000,000 |
| Domestic Machinery & Equipment | 20,000,000 |
| Construction Cost | 20,000,000 |
| Incentives | |
| VAT Exemption for Machinery | 16,000,000 |
| VAT Exemption for Construction | 4,000,000 |
| Customs Duty Exemption | 1,200,000 |
| Corporate Tax Reduction | 55,000,000 |
| Social Security Premium Support (Employer's Share) | 44,640,000 |
| Interest Rate Support | 1,800,000 |
| Social Security Premium Support (Employee's Share) | 33,600,000 |
| Total Support | 156,240,000 |
| Total Support Rate | 156.2% |

STRATEGIC INVESTMENT INCENTIVES

| Incentive | Eligibility Criteria | Supports |
|---------------------------------|--|---|
| Strategic Investment Incentives | Minimum investment amount of TRY 50 Million | <ul style="list-style-type: none">VAT Exemption for Machinery |
| | The product's domestic production capacity being less than its import volume | <ul style="list-style-type: none">VAT Exemption for Construction*<ul style="list-style-type: none">Customs Duty Exemption |
| | 40% domestic added value in production | <ul style="list-style-type: none">Corporate Tax Reduction of 50% of investment expenditures |
| | The product having an import value of at least USD 50M in the past year | <ul style="list-style-type: none">Social Security Premium Support (Employer's Share) for 7 years<ul style="list-style-type: none">Land Allocation |
| | | <ul style="list-style-type: none">Interest Rate Support of TRY 75 Million (Max. 10% of the investment amount) |

*VAT collected for the construction expenses made until December 31, 2024, will be exempted only for the manufacturing investments.

SIMULATION DETAILS

- Total Investment Amount: TRY 100M
- Imported Machinery & Equipment: TRY 60M
- Domestic Machinery & Equipment: TRY 20M
- Construction Cost: TRY 20M
- Employment: 100 People
- Investment Location: All cities (Except İstanbul)

VAT Exemption for Machinery: TRY 80M (Total amount of the machinery and equipment) x 0.20 (VAT rate) = TRY 16,000,000 is exempt from VAT.

VAT Exemption for Construction: TRY 20M (Construction expenses) x 0.20 (VAT rate) = 4,000,000 will be exempted.

Customs Duty Exemption: TRY 60M (Imported machinery and equipment x 0,02 (Customs duty) = TRY 1,200,000 TRY is exempt from customs duty.

Corporate Tax Reduction: TRY 100M (Total investment amount) x 0.50 (Support rate for Strategic Investments) = TRY 50M will be the upper limit for the total corporate tax reduction support.

Social Security Premium Support (Employer's Share): Social security premium support that can be used for the employment of 100 individuals = 100 x 84 (Monthly period of support) x 3100 (Employer's share) = TRY 26,040,000 of employer's share is exempted.

Interest Rate Support: The Ministry provides interest rate support in the amount of TRY 50M or up to 5% of the investment amount for strategic investments (5 points for TRY- denominated loans, 2 points for loans in foreign currency). TRY 100M (Total investment amount) x 0.05 (Upper limit for interest support) = TRY 5M of interest support can be used.

| Investment Inputs | Scenario (TRY) |
|--|----------------|
| Investment Amount | 100,000,000 |
| Imported Machinery & Equipment | 60,000,000 |
| Domestic Machinery & Equipment | 20,000,000 |
| Construction Cost | 20,000,000 |
| Incentives | |
| VAT Exemption for Machinery | 16,000,000 |
| VAT Exemption for Construction | 4,000,000 |
| Customs Duty Exemption | 1,200,000 |
| Corporate Tax Reduction | 50,000,000 |
| Social Security Premium Support (Employer's Share) | 26,040,000 |
| Interest Rate Support | 5,000,000 |
| Total Support | 102,240,000 |
| Total Support Rate | 102.2% |

PROJECT BASED INVESTMENT INCENTIVES

| Incentive | Eligibility Criteria | Supports |
|-------------------------------------|--|--|
| Project Based Investment Incentives | | <ul style="list-style-type: none">▪ Cashback Support▪ VAT Exemption for Machinery▪ VAT Exemption for Construction▪ Customs Duty Exemption |
| | Minimum fixed investment amount of TRY 1 Billion (~31 Million USD) | <ul style="list-style-type: none">▪ Corporate Tax Reduction up to 200% of investment expenditures |
| | Technology intensive and strategic products should be produced | <ul style="list-style-type: none">▪ Social Security Premium Support (Employer's Share) for up to 10 years▪ Income Tax Withholding Support* for 10 years▪ Qualified Personnel Support for up to 5 years |
| | High added-value in investment and manufacturing | <ul style="list-style-type: none">▪ Energy Support for up to 50% of energy expenditures for up to 10 years▪ Interest Rate Support for up to 10 years▪ Capital Contribution up to 49% of the investment amount<ul style="list-style-type: none">▪ Land Allocation▪ Infrastructure Support▪ Purchasing Guarantee▪ Facilitation of Authorization / Permit / License Procedures |
| | Manufacturing focusing on import-dependent products (non-locally produced or locally produced at small quantities) | |

*Due to changes in legislation, income tax will no longer be applied to minimum wage. As such, income tax withholding support is halted until further notice.



TAILOR-MADE INCENTIVE MECHANISMS ARE AVAILABLE FOR SELECTED INVESTORS

PROJECT BASED INVESTMENT INCENTIVE EXAMPLES

| | | | | | | | | | |
|---|---------------------------|------------------------|------------------------------|---|---|---|--|---|----------------------------------|
| Ford's Commercial Vehicle and Battery Production Investment (TRY 20.5 Billion) | VAT Exemption (Machinery) | Customs Duty Exemption | VAT Exemption (Construction) | Corporate Tax Reduction (Support Rate 100%) | Social Security Premium Support - Employer's Share (10 years) | Income Tax Withholding Support (10 years) | Qualified PersonnelSupport (TRY 250 Million) | Energy Support (TRY 200 Million) | Land Allocation |
| RB Karesi's Polymer & Chips, POY, FDY, Synthetic Fibre Production Investment (TRY 5.7 Billion) | VAT Exemption (Machinery) | Customs Duty Exemption | VAT Exemption (Construction) | Corporate Tax Reduction (Support Rate 85%) | Social Security Premium Support - Employer's Share (10 years) | Income Tax Withholding Support (10 years) | Qualified PersonnelSupport (TRY 30 Million) | Energy Support (TRY 100 Million) | Land Allocation |
| Kalyon's Photovoltaic Solar Panel Production Investment (TRY 3.7 Billion) | VAT Exemption (Machinery) | Customs Duty Exemption | VAT Exemption (Construction) | Corporate Tax Reduction (Support Rate 70%) | Social Security Premium Support - Employer's Share (10 years) | Income Tax Withholding Support (10 years) | Qualified PersonnelSupport (TRY 100 Million) | Interest Rate Support (TRY 300 Million) | Energy Support (TRY 240 Million) |
| Valeo's Electric Drive Compressor Production Investment (TRY 4.3 Billion) | VAT Exemption (Machinery) | Customs Duty Exemption | VAT Exemption (Construction) | Corporate Tax Reduction (Support Rate 95%) | Social Security Premium Support - Employer's Share (10 years) | Income Tax Withholding Support* | Qualified PersonnelSupport (TRY 30 Million) | Energy Support (TRY 50 Million) | |
| TN Maleik's Maleic Anhydride Production Investment (TRY 3.3 Billion) | VAT Exemption (Machinery) | Customs Duty Exemption | VAT Exemption (Construction) | Corporate Tax Reduction (Support Rate 85%) | Social Security Premium Support - Employer's Share (10 years) | Income Tax Withholding Support* | Qualified PersonnelSupport (TRY 80 Million) | Energy Support (TRY 100 Million) | |
| Smart's Photovoltaic Solar Panel Production Investment (TRY 7.7 Billion) | VAT Exemption (Machinery) | Customs Duty Exemption | VAT Exemption (Construction) | Corporate Tax Reduction (Support Rate 80%) | Social Security Premium Support - Employer's Share (10 years) | Income Tax Withholding Support* | Qualified PersonnelSupport (TRY 120 Million) | Energy Support (TRY 100 Million) | Land Allocation |

*Due to changes in legislation, income tax will no longer be applied to minimum wage. Although "Income Tax Withholding" is not specified as a support item after this legislation, this withholding tax is covered by the government for all companies until the further notice.

TECHNOLOGY FOCUSED INDUSTRIAL MOVEMENT PROGRAM

| Eligibility Criteria | Incentive |
|--|--|
| <ul style="list-style-type: none">▪ The product planned to be produced should be on the priority product list determined by the Ministry.▪ At least TRY 10 Million investment amount (may be different for each call) | <div>Strategic Incentives</div> <div>+</div> <div><ul style="list-style-type: none">▪ Social Security Premium Support (Employee's Share)<ul style="list-style-type: none">▪ Income Tax Withholding Support▪ Support up to 75% of R&D expenditures<ul style="list-style-type: none">▪ KOSGEB Support for SME's</div> <div>+</div> <div><ul style="list-style-type: none">▪ The product planned to be produced should be on the priority product list determined by the Ministry.▪ At least TRY 50 Million investment amount</div> <div><ul style="list-style-type: none">▪ Qualified Employee Support<ul style="list-style-type: none">▪ Capital Contribution▪ Energy Support▪ Purchasing Guarantee</div> |

Technology Focused Industrial Movement Program (**HAMLE**) provides a **call-based incentive scheme** designed to support the production of high value-added, medium-high and high-tech products with domestic opportunities and capabilities.



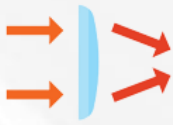
Machinery



Computer Science



Electronics



Optics



Electrical Equipments



Pharmaceuticals



Chemicals



Transportation Vehicles

For detailed information about the HAMLE program and the priority product list, please visit the site of the Ministry.

<https://www.hamle.gov.tr/>

TECHNOLOGY FOCUSED INDUSTRIAL MOVEMENT PROGRAM

| Support Items | Incentives | |
|--|---|---|
| | Strategic Incentives | Project Based Incentives |
| VAT Exemption for Machinery & Equipment | ✓ | ✓ |
| VAT Exemption for Construction | ✓ | ✓ |
| Customs Duty Exemption | ✓ | ✓ |
| Corporate Tax Reduction | Rate of Contribution: 50% - Tax Reduction Rate: 90% | Rate of Contribution: Up to 200% - Tax Reduction Rate: 100% |
| Social Security Premium Support (Employer's Share) | Region 6: 10 Years - Other Regions: 7 Years | 10 Years (Gross Minimum Wage) |
| Social Security Premium Support (Employee's Share) | High Tech: 7 Years - Medium-High Tech: 5 Years | N/A |
| Income Tax Withholding Support | 10 Years High Tech: 500 People Medium-High Tech: 300 People | 10 Years No Limit on Number of People |
| Interest Rate Support | FX Loans: 2 Points High Tech (TRY Loans): 10 Points Medium-High Tech (TRY Loans): 8 Points Upper Limit: TRY 75 Million (Max. 10% of the Investment Amount) | 10 Years No Limit |
| Land Allocation | ✓ | ✓ |
| Energy Support | N/A | 10 Years (50% of the Energy Expenditures) |
| Qualified Personnel Support | N/A | 20 x Gross Minimum Wage (5 Years) |
| Capital Contribution Support | N/A | ✓ |
| Purchasing Guarantee | N/A | ✓ |



EMPLOYMENT INCENTIVES

TURKISH EMPLOYMENT AGENCY (İŞKUR) INCENTIVES

| Incentive | Eligibility Criteria | Supports |
|---|--|--|
| Technical and Vocational Training Program | <ul style="list-style-type: none"> 50% of the trainees must be employed at the end of the program The training venue and the materials to be used in training should be supplied by the company Trainees must be unemployed individuals registered to the Turkish Employment Agency | <ul style="list-style-type: none"> Expenses of the trainer (Salary + SGK Premium + Income Tax Withholding) are covered by İŞKUR. İŞKUR makes a daily payment of up to TRY 425 to the employees during the course period. Work accident, occupational disease and general health insurance premiums of the trainees are paid by İŞKUR. |
| Incentives for the Employment of Women, Youths and Individuals with Professional Competence Certificate | <ul style="list-style-type: none"> The individuals who have been unemployed for the last 6 months can be hired within the scope of the program. | <ul style="list-style-type: none"> All social security premium employer's shares payable per personnel employed are supported for up to 54 months, depending on the gender and age. |
| On-the-Job Training Program | <ul style="list-style-type: none"> 50% of the trainees must be employed at the end of the program The total number of trainees can be at maximum 30% of total employment Trainees must be unemployed individuals registered at the Turkish Employment Agency | <ul style="list-style-type: none"> Companies can train employees on the job, without incurring any costs. İŞKUR makes a daily payment of up to TRY 720 for 6 months to the employees. Work accident, occupational disease and general health insurance premiums of the trainees are paid by İŞKUR. |

The Turkish Employment Agency (İŞKUR) is an institution established to help protect, develop and expand employment in Türkiye and to prevent unemployment, and to carry out unemployment insurance services.



For further detailed information please contact with İŞKUR.
<https://www.iskur.gov.tr/en/contact/>

DEVELOPMENT AGENCIES & KOSGEB INCENTIVES



Development Agency Supports

26 Development Agencies operating in different regions of Türkiye may provide grant supports for certain investment areas, to boost their regional development and competitiveness.

Small and Medium Enterprises Development Organization (KOSGEB)

Small and Medium Enterprises Development Organization is a public institution established to support small and medium-sized enterprises in Türkiye and to increase their efficiency and competitiveness.



R&D AND DESIGN INCENTIVES

R&D AND DESIGN CENTER INCENTIVES



| Incentive Instruments for R&D and Design Centers | | Exemption Rate |
|--|--|-------------------------------------|
| R&D and Design Discount | Reduction of the R&D expenditures from the corporate tax base. | 100% |
| Income Tax Withholding Support | Income tax withholding support on employees' wages. This support is a discount shaped according to the education level of the employee. | 80% (BSc) 90% (MSc) 95% (PhD) |
| Social Security Premium Support (Employer's Share) | Social security premium support (employer's share) is exempted. Employer's share of social security premium is normally 15.5% of the gross wage. | 50% |
| Stamp Duty Exemption | Stamp duty exemption for applicable documents. | 100% |
| Customs Duty Exemption | Customs duty exemption for imported products. | 100% |
| Fundamental Sciences Employment Support | Two-year gross wage support for R&D personnel having BSc degree (mathematics, physics, chemistry, biology). | Up to gross minimum wage per month |

TECHNOLOGY DEVELOPMENT ZONE INCENTIVES



Companies may also prefer technoparks for R&D activities. There are 92 technoparks providing incentive opportunities to investors in Türkiye.

| Incentive Instruments for Technoparks | | Exemption Rate |
|--|---|------------------------------------|
| Corporate Tax Exemption | Profits derived from software development, R&D, and design activities are exempt from income and corporate taxes. | 100% |
| VAT Exemption | Sales of application software produced exclusively in TDZs are exempt from VAT. (Ex: software for system management, data management, business applications, and different business domains, the internet, mobile phones and military command and control systems). For the products procured on project basis, there will also be VAT exemption. | 100% |
| Income Tax Withholding Support | Remuneration for R&D, design and support personnel employed in the zone is exempt from all taxes. The number of support personnel covered by the exemption may not exceed 10 percent of the total number of those involved in R&D, though. | 100% |
| Social Security Premium Support (Employer's Share) | Social security premium support (employer's share) is exempted. Employer's share of social security premium is normally 15.5% of the gross wage. | 50% |
| Stamp Duty Exemption | Stamp duty exemption for applicable documents. | 100% |
| Customs Duty Exemption | Customs duty exemption for imported products. | 100% |
| Fundamental Sciences Employment Support | Two-year gross wage support for R&D personnel having BSc degree (mathematics, physics, chemistry, biology). | Up to gross minimum wage per month |

TUBITAK R&D AND INNOVATION INCENTIVES

| Private Sector R&D and Innovation Projects | | Developing Entrepreneurship and Innovative Capacity | |
|--|---|---|--------------------------|
| 1501 – Industrial R&D Program | 1511 – R&D and Innovation Projects Program | 1503 – R&D Project Brokerage Support Program | 1601 – Capacity Building |
| 1505 - University Industry Collaboration Support Program | 1515 - Frontier R&D Laboratory Program | 1513 - Technology Transfer Offices Support Program | 1602 – Patent Support |
| 1507 – SME Research Development and Innovation Program | 1707 – Order-Based R&D Program | 1514 - Venture Capital Support Program | 1702 – Patent License |
| 1509 – International-Industrial R&D Projects Program | SAYEM – Industrial Innovation Network Program | | |
| 1512 – Techno-Entrepreneurship Support Program | | | |



TÜBİTAK

"1515 Support Program" has been commissioned to make Türkiye a **global attraction center** in certain scientific and technological areas.

| Incentive | Eligibility Criteria | Supports |
|--|--|--|
| TUBITAK 1515 Frontier R&D Laboratory Support Program | <ul style="list-style-type: none"> At least TRY 15 Million of R&D expenditures in any year within the last three years. | <ul style="list-style-type: none"> The support amount corresponds to 75% of the R&D budget and may not exceed TRY 10 Million. |



OTHER LOANS AND INCENTIVES

ADVANCE LOANS AGAINST INVESTMENT COMMITMENT (ALAIC)

| Incentive | Eligibility Criteria | Supports |
|---|--|--|
| Advance Loans Against Investment Commitment | <ul style="list-style-type: none">▪ A total investment amount of at least TRY 1 Billion▪ Possession of an Investment Incentive Certificate and Technology/Strategy Score*▪ Minimum 20% equity contribution▪ Excluding manufacturing industry, at least 50% of the domestic input amount | <ul style="list-style-type: none">• On a company basis, the credit/financing usage limit is limited to a maximum of 70% of the total amount of the investment subject to credit/financing, provided that it does not exceed TRY 5 Billion.• The interest rate for loans, which will be extended with a maximum maturity of 10 years, will be set between 30% and 15%. |

* Competitiveness and technological capacity, use of domestic machinery, domestic input and domestic added value potential in production, export potential, contribution to price stability by ensuring supply continuity and security, contribution of the project to green production performance and sustainability etc.

** ALAIC program has been allocated an annual limit of TRY 100 Billion. The program envisages a total limit allocation of TRY 300 Billion over three years.

Investment projects may be eligible for allocation of ALAIC via intermediary banks.



For further detailed information please contact with TCMB (Central Bank of Türkiye).
<https://www.tcmb.gov.tr/>

AGRICULTURAL & RURAL GRANTS

| Incentive | Eligibility Criteria | Supports |
|---|---|---|
| Agricultural and Rural Development Support Institution (IPARD / TKDK) | <ul style="list-style-type: none"> • Specific eligibility criterias (per sector) • Cash Support Limit: 5,000 - 3,000,000 EUR* • Provides grants to agricultural investments in 42 provinces of Türkiye | <ul style="list-style-type: none"> • Meat products • Milk and dairy products • Diversifying of plant production • Aquaculture production • Rural development projects • Machinery parks • Renewable energy investments |

* The cash support covers up to 75% of the investment budget.

Part of the instrument for pre-accession assistance (IPA), designed to support reforms in Türkiye in the process of joining the EU.



For further detailed information please contact with TKDK.
<https://www.tkd.gov.tr/iletisim>

EXPORT INCENTIVES

| Incentive | Supports |
|---|--|
| Inward Processing Regime | <p>For the domestically purchased or imported inputs/components to be used for exported production:</p> <ul style="list-style-type: none"> ▪ Customs Duty Exemption ▪ VAT Refund ▪ Special Consumption Tax Refund ▪ Resource Utilization Support Fund Refund ▪ Stamp Duty Refund ▪ Exemption from quotas and surveillance measures |
| Support for Participation in Domestic and International Fairs | <ul style="list-style-type: none"> ▪ Up to 75% of the participation cost is supported for domestic and international fairs. |
| Support of Foreign Units, Brands and Promotion Activities | <ul style="list-style-type: none"> ▪ Up to 60% support is provided for the rents of stores to be established abroad and promotion expenditures and brand registration activities to be carried out abroad. |
| TURQUALITY® | <ul style="list-style-type: none"> ▪ 50% support is provided for many expenditures such as promotion/advertisement, store rents, advisory expenditures, etc. which will be incurred by Turkish companies to build their brands abroad. ▪ Executive development programs are organized for companies' medium and high-level executives. ▪ Vision seminars are given to the employees of the company benefiting from the support, by marketing and brand theorists, in order to prepare companies for global competition. |

| Incentive | Supports |
|--|--|
| Market Research and Market Entry Support | <ul style="list-style-type: none"> ▪ Support at the rate of 70% is provided for expenses relating to international market research trips ▪ 60% for report and foreign company acquisitions ▪ 75% for acquisitions of foreign companies with advanced technology ▪ 80% for costs of subscription to e-commerce sites. |
| Support for the Development of International Competitiveness (UR-GE) | <p>The companies can benefit from these supports through cooperation institutions such as Trade/Exporters Unions, Organized Industrial Zones etc.</p> <p>Support will be provided in the following amounts, for the following expenditures to be incurred by cooperation institutions:</p> <ul style="list-style-type: none"> ▪ Up to USD 400,000 for expenditures relating to requirement analysis, training, advisory and promotion activities ▪ Up to USD 150,000 for expenditures relating to foreign marketing activities ▪ Up to USD 100,000 for expenditures to be incurred for procurement committees' organization ▪ The employment expenses of maximum 2 specialized personnel to be assigned to the UR-GE project are supported at the maximum rate of 75%. |

EXPORT INCENTIVES

| Incentive | Supports |
|--------------------------------|---|
| Incentives for Service Exports | <p>For health tourism, informatics, education, film/series, management consultancy, logistics, publishing and real estate sectors, support is provided at the rate of:</p> <ul style="list-style-type: none"> 50% for brand registration expenditures 60% for expenditures relating to report and foreign company acquisitions 50% for document/certification expenditures 50% for consultancy expenses 50% for commission payments made to agencies 50% for fair participation expenditures Up to 80% for advertisement, promotion and marketing expenditures Up to 80% for foreign department rents Up to 50% for translation expenditures. <p>Supports to be provided vary depending on the sectors. However, different supports are offered in addition to the supports above for certain sectors.</p> |

| Incentive | Supports |
|--------------------------------------|--|
| Design Supports | The promotion, advertisement, marketing, employment, and advisory expenditures to be incurred by design companies and cooperation institutions, expenses pertaining to the departments they will set up abroad, and expenditures to be incurred by companies to develop products with high added-value for foreign markets are supported at the rate of 50%. |
| Support of Market Entry Certificates | Expenditures pertaining to country-specific or sector-specific market entry certificates such as ISO, CE and GOST-R are supported at the rate of 50%. |
| Global Supply Chain Support | Machinery/equipment purchases, foreign office expenditures, software purchases, training and advisory costs, certification and test expenditures which will be incurred by companies that intend to become a supplier for a global company for this purpose are supported at the rate of 50% for up to 2 years and USD 1M. |

For further detailed information please contact with Ministry of Trade.
<https://kolaydestek.gov.tr/>

FREE TRADE ZONE INCENTIVES

Free Trade Zones are defined as special sites within the country that are deemed to be outside of the customs territory.

With the aim of increasing and promoting export-oriented investment and production, **18 Free Trade Zones** have become operational.



FREE TRADE ZONE INCENTIVES

Basic objectives of establishment of Free Trade Zones:

- Promoting export-oriented investment and production
- Accelerating FDI and technology access
- Directing enterprises towards export
- Developing international trade

Following activities can be performed in Free Trade Zones:

- ✓ Manufacturing
- ✓ Research and development (R&D)
- ✓ Software
- ✓ General trading
- ✓ Storing
- ✓ Packing
- ✓ Banking and insurance,
- ✓ Assembly and disassembly
- ✓ Maintenance services



Income Tax Exemption for companies that **export at least 85%** of the FOB value of the products produced in the free zones.

| Incentive | Supports |
|----------------------|--|
| Free Zone Incentives | <ul style="list-style-type: none">▪ VAT Exemption▪ Customs Duty Exemption▪ Special Consumption Tax Exemption▪ Corporate Tax Exemption (For Manufacturing Industry)▪ Income Tax Exemption on Employees' Salaries▪ Stamp Duty Exemption▪ Property Tax Exemption▪ Permission to Bring Second Hand/Used Machinery |



ANNEX

| Regional Incentive Measures | | | | Regions | | | | | |
|--|--------------------------------|-------------------------|---------|-----------|---------|----------|----------|----------|----------|
| | | | | I | II | III | IV | V | VI |
| VAT Exemption for Machinery and Construction | | | | AVAILABLE | | | | | |
| Customs Duty Exemption | | | | AVAILABLE | | | | | |
| Corporate Tax Reduction** | Tax Reduction Rate (%) | | | 50 | 55 | 60 | 70 | 80 | 90 |
| | Reduced Tax Rate (%) | | | 12.5 | 11.25 | 10 | 7.5 | 5 | 2.5 |
| Investment Contribution Rate (%) | Outside OIZ* | | | 15 | 20 | 25 | 30 | 40 | 50 |
| | Inside OIZ* | | | 20 | 25 | 30 | 40 | 50 | 55 |
| Social Security Premium Support (Employer's Share) | Support Period | Outside OIZ* | | 2 years | 3 years | 5 years | 6 years | 7 years | 10 years |
| | | Inside OIZ* | | 3 years | 5 years | 6 years | 7 years | 10 years | 12 years |
| | | Support Upper Limit (%) | 10 | 15 | 20 | 25 | 35 | No limit | |
| | | | In OIZ* | 15 | 20 | 25 | 35 | No limit | No limit |
| Land Allocation | | | | AVAILABLE | | | | | |
| Interest Rate Support | TRY Denominated Loans (points) | | | NA | NA | 3 points | 4 points | 5 points | 7 points |
| | FX Loans (points) | | | | | 1 point | 1 point | 2 points | 2 points |
| Social Security Premium Support (Employee's Share) | | | | NA | NA | NA | NA | NA | 10 years |
| Income Tax Withholding Support | | | | NA | NA | NA | NA | NA | 10 years |

| Strategic Incentive Measures | | Regions | | | | | |
|--|--|--|----|-----|----|---|----|
| | | I | II | III | IV | V | VI |
| VAT Exemption for Machinery | | AVAILABLE | | | | | |
| Customs Duty Exemption | | AVAILABLE | | | | | |
| Corporate Tax Reduction | Tax Reduction Rate (%) | 90 | | | | | |
| | Reduced Tax Rate (%) | 2.2 | | | | | |
| Investment Contribution Rate (%) | | 50 | | | | | |
| Social Security Premium Support (Employer's Share) | Support Period | 7 years (10 years for Region 6) | | | | | |
| | Support Upper Limit (%) | 15 (No limit for Region 6) | | | | | |
| Land Allocation | | AVAILABLE | | | | | |
| Interest Rate Support | Loans Indexed to Turkish Lira (points) | 5 | | | | | |
| | Loans Indexed to Foreign Currency (points) | 2 | | | | | |
| | Maximum Support Rate (*) | TRY 75M (Max. 10% of the investment amount) | | | | | |
| Social Security Premium Support (Employee's Share) | | 10 years (For investments in Region 6) | | | | | |
| Income Tax Withholding Support*** | | 10 years (For investments in Region 6) | | | | | |
| VAT Exemption for Construction | | AVAILABLE (For construction costs of investments with an investment amount of TRY 500 Million and above) | | | | | |

| Minimum Monthly Wage (Gross and Net) | Amount (TRY) |
|--|--------------|
| ▪ Net Minimum Wage | 17,002.12 |
| ▪ Gross Minimum Wage | 20,002.50 |
| ▪ Social Security Premium Payment (14%) (Employee's Share) | 2,800.35 |
| ▪ Payment For Unemployment Insurance Fund (1%) | 200.03 |
| Total Deduction | 3,000.38 |
| Employer Cost | |
| ▪ Gross Minimum Wage | 20,002.50 |
| ▪ Employer's Share Of Social Security Premium (15.5%) | 3,100.39 |
| ▪ Employer's Payment For Unemployment Insurance Fund (2%) | 400.05 |
| Total Employer Cost | 23,502.94 |

FAQ: How Does the Corporate Tax Reduction Support Work?

Investment expenditures could be subject to corporate tax reduction = TRY 50,000,000

Investment Location = Region 4

Tax Reduction Rate for Region 4 = 70%

Reduced Tax Rate = 6.6%

Investment Contribution Rate for Region 4 = 30%
50,000,000 x 0.30 = TRY 30,000,000* (upper limit of the corporate tax reduction support)

*The value will be increased based on reevaluation every year.

Assuming that the investor will generate profits in the amount of TRY 10,000,000 per year.

Corporate Tax = 10,000,000 x 0.25 = TRY 2,500,000

2,500,000 x 0.70 (tax reduction rate) = TRY 1,750,000 of corporate tax can be subject to tax reduction; the remaining TRY 750,000 will be paid.

Unpaid taxes: 1,750,000 + 1,750,000 + 1,750,000 + ... + ... + ... + 1,750,000 = TRY 30,000,000

The tax reduction support will end once the total amount of taxes not paid reaches the upper limit.



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