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**Turkey's Project-Based
Incentive Scheme**

December 4th, 2017

Turkey's Project-Based Incentive Scheme

Executive Summary

Turkey has introduced a new system on September 26, 2016, which grants government incentives for eligible investments on project basis. **Project-Based Incentive Scheme**, also referred as “super incentive”, was designed to provide government incentives to the qualified projects with a minimum fixed investment value of USD \$100 million.

The scheme is executed by the **Ministry of Economy**. Based on each project's qualification, the Ministry offers relevant and distinctive incentives.

Stratejico. Public Affairs & Government Relations practice can help you position your investment in Turkey and deliver the right messages to the decision-makers.

Scope

With the aim of attracting investors and enhancing investments made in Turkey, Turkish Parliament introduced Law No. 6745 “The Law on Supporting Investments on a Project Basis and Amending Certain Laws and Decree Laws” on September 7, 2016. The law grants authority to the **Council of Ministry** to supply incentives and support to the eligible investments.

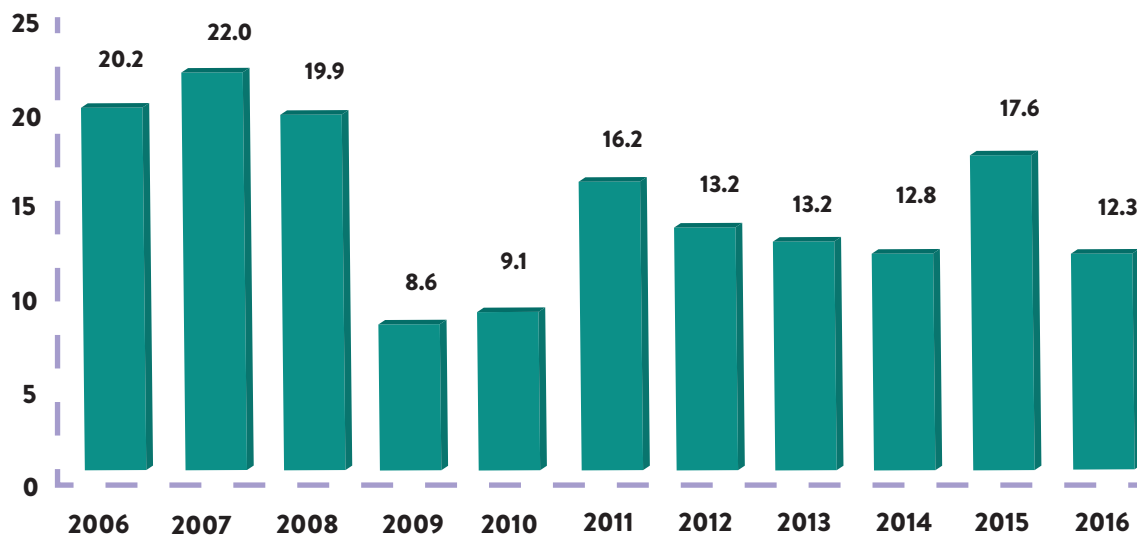
Following Law No.6745, The Council of Ministers Decree No. 2016/9495 “Granting Project-Based Government Support for the Investment Decision” was promulgated on September 26, 2016. The Decree was published as clarification of the law, specifying framework of the requirements.

Under Project-Based Incentive Scheme, Ministry of Economy offers exclusive incentives **considering the requirements of each investment**. The extent of the incentives is not determined by the location or by the sector, which provides the possibility of treating the investments equally. Ministry of Economy's budget will be used to provide financial support to the eligible projects.

Objectives & Content

The system was put into force by the Ministry of Economy in order to meet the potential critical needs of the country, provide supply security, reduce external dependency, implement the technological transform of the country, to support innovative, R&D intensive and high-added value investments on a project basis.

FDI Inflow to Turkey (USD billion)



Source: Central Bank of the Republic Turkey

Incentives

- **Tax-related incentives:**
 - o Customs tax exemption
 - o VAT exemption
 - o VAT refund
 - o Tax reduction or exemption on corporate taxes
 - o Income tax withholding support
- **Employee-related incentives:**
 - o Employee social security premium support
 - o Qualified employee support
- **Finance-related incentives:**
 - o Interest support/ grant support
 - o Capital contribution
 - o Public procurement guarantee
- **Other incentives:**
 - o Energy support
 - o Land allocation
 - o Infrastructure support
 - o Facilitated arrangements regarding permission, license, registration etc.

Application & Required Documents

The Ministry of Economy may invite company or companies in order to invest in the project-based investment in accordance with the specified purpose, or make an announcement call. Regarding the invitation or the announcement call, the investors must apply to the Ministry with the required documents to benefit from the incentives.

Information of investor and project, investment feasibility, impact analysis, requested incentives with reasons, (for more: see Annex-1 of Decree No. 2016/9495), signed letter of application and other related documents are required. The Ministry may request additional information or documents which aren't specified in the decree.

Evaluation & Implementation

In order for investment projects to be evaluated under this system; they must have a minimum fixed investment value of US \$100 million. Other requirements:

- Being able to meet the critical needs of the country,
- Providing supply security,
- Improving technological capacity,
- Reducing import dependency,
- Having high-added value,
- Ensuring production using new technologies,
- Accelerating technological transformation and creating positive externality,
- Bringing competitiveness in various sectors,
- Being R&D intensive and innovative,
- Concerning the production of high-added value manufactured goods,
- Concerning integrated production.

Ministry of Economy will present the eligible investment projects to the Council of Ministers. In case of further approval; Support Decision will be issued by the Council of Ministers confirming the start and end date of the investment.

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The investment must be completed within the time period stated in Support Decision. If the investor fails to fulfil the conditions of the Support Decision, taxes that haven't been collected in due time due to the discounted corporate tax, tax exemption and income tax withholding support will be collected under The Law on Collection Procedure of Public Assets.

Investment expenditures which benefits from the government incentives under this system cannot benefit from other incentives that are provided by other public institution and organisation.

How can StratejiCo. Help You?

As a leading public and corporate affairs consultancy in Turkey and in the broader region since 1987, we offer strategic guidance, trust-based relationships, and actionable intelligence to ensure that businesses thrive even under the most challenging situations. We work as your trusted advisor and support you against any obstacle or challenge the world throws at you.

Our Public Affairs & Government Relations practice can help you engage the decision-makers and deliver the right messages.

For further information:

- The Council of Ministers Decree No. 2016/9495 "Granting Project-Based Government Support for the Investment Decision (available in Turkish)
<http://www.resmigazete.gov.tr/eskiler/2016/09/20160907-1.pdf>
- Law No.6745 The Law on Supporting Investments on Project Basis and Amending Certain Laws and Decree Laws (available in Turkish)
<http://www.resmigazete.gov.tr/eskiler/2016/09/20160907-1.htm>