

## Regional Investments

05 September 2018

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The Regional Investment Incentive Scheme offers supports in 6 regions, grouped according to their socio-economic characteristics, for certain industries identified in line with the competitive potentials and economic scales of these regions. This scheme provides support at different rates and terms depending on the economic development level of the specific region. For instance, considering two investment projects of the same kind in an industry supported both in Region 1 and 6, the one in Region 6 will receive a higher contribution rate in terms of tax deduction, SSP Support for Employer's Share for a longer term and a higher rate and amount of interest rate support. Additionally, the same project will benefit from SSP Support for Employee's Share and Income Tax Withholding Support, which are not available for investment projects in other regions.

#### Support Measures of Regional Investment Incentive Scheme

Support Measures		REGIONS					
		1	2	3	4	5	6
VAT Exemption		•	•	•	•	•	•
Customs Duty Exemption		•	•	•	•	•	•
Tax Deduction	Tax Reduction Rate (%)	50	55	60	70	80	90
	Reduced Tax Rate (%)	10	9	8	6	4	2
	Rate of Contribution (%)	15	20	25	30	40	50
SSP Support (Employer's Share)	Term of Support (years)	2	3	5	6	7	10
	Cap for Support (Certain Portion of Investment Amount - %)	10	15	20	25	35	No Limit
Land Allocation		•	•	•	•	•	•
Interest Rate Support	TL Denominated Loans (points)	-	-	3	4	5	7
	FX Loans (points)	-	-	1	1	2	2
	Cap for Support(Thousand TL)	-	-	500	600	700	900
SSP Support (Employees Share) (years)		-	-	-	-	-	10
Income Tax Withholding Support (years)		-	-	-	-	-	10

If an investment project supported by the Regional Investment Incentive Scheme is made in an organized industrial zone in the respective province, it will benefit from the supports that are granted to the next better region\* in terms of tax deduction and SSP Support for Employer's Share.

Support Measures		REGIONS					
		1	2	3	4	5	6
VAT Exemption		•	•	•	•	•	•
Customs Duty Exemption		•	•	•	•	•	•
Tax Deduction	Tax Reduction Rate (%)	55	60	70	80	90	90
	Reduced Tax Rate (%)	9	8	6	4	2	2
	Rate of Contribution (%)	20	25	30	40	50	55
SSP Support (Employer`s Share)	Term of Support (years)	3	5	6	7	10	12
	Cap for Support (Certain Portion of Investment Amount - %)	15	20	25	35	No Limit	No Limit
Interest Rate Support	TL Denominated Loans (points)	-	-	3	4	5	7
	FX Loans (points)	-	-	1	1	2	2
	Cap for Support(Thousand TL)	-	-	500	600	700	900
SSP Support (Employees Share) (years)		-	-	-	-	-	10
Income Tax Withholding Support (years)		-	-	-	-	-	10

A certain portion of contribution to the investment, which is availed through tax deduction under the Regional Investment Incentive Scheme, can be made before the investment is completed or can apply to revenues generated from other activities of the investor, if any, at different rates in all regions except for Region 1. An investor can use a part of tax deduction provided at different rates according to regions as shown in the following table for income generated from all other activities during the investment period. For instance, 30% of the contribution rate granted to an investment made in Region 4 and benefiting from tax deduction can be applied to revenues this specific investor generates from other activities before investment is partially or completely operational.

Contribution Rate to Investment Applicable during Investment/Operating Periods under the Regional Investment Incentive Scheme		
Regions	Investment Period	Operating Period
1	0%	100%
2	10%	90%
3	20%	80%
4	30%	70%
5	50%	50%
6	80%	20%

In order to further encourage and accelerate investment decisions, the new Investment Incentive Program offers more advantageous rates and terms in terms of Tax Deduction and SSP Support for Employer`s Share to investments starting by December 31, 2013. In order for an Investment Project to be considered as started, an investor should spend at least 10% of the fixed investment determined in the incentive certificate (as of the first date of issue) on land, infrastructure, building-construction, machinery and equipment (advance and pre-payments included) and other expense items. This amount shall correspond to at least 5 million TL for investments with a fixed investment over 50 million TL. Within this framework, Tax Deduction and SSP Support for Employer`s Share will be available at the following rates and terms for projects launched as of January 1, 2014.

#### Supports For Investments Starting As Of January 1, 2014 Under The Regional Investment Incentive Scheme

Regions	Tax Deduction			SSP Support for Employer`s Share
	Contribution Rate to Investment	Tax Deduction Rate	Tax Rate Applicable	
1	10%	30%	14%	-

2	15%	40%	12%	-
3	20%	50%	10%	3 years
4	25%	60%	8%	5 years
5	30%	70%	6%	6 years
6	35%	90%	2%	7 years

Investment projects can benefit from supports offered by the Regional Investment Incentive Scheme, provided that they meet the minimum investment amount and capacity requirements for industries identified for each province.

Detailed information on the minimum investment amounts and/or capacities according to industries in 6 different Regions is given in the table "Minimum Investment Amounts or Capacities as per Industries and Regions to receive Supports under the Regional Investment Incentive Scheme".

The column titled "sector code" in the table enumerates each industry to be supported within the scope of the Regional Investment Incentive Scheme. The second column titled "US-97 Code" refers to the codes indicating the field of activity according to the National Classification of Activities and Products.


The table of "Numbered Sectors in Provinces to Receive Regional Incentives" refers to the sector code, as shown in the 1st column of the 1st table, given to any industry supported in each province provided that it satisfies the minimum fixed amount and/or capacity.

Investment projects in certain industries should meet specific conditions or be subject to some exceptions in order to receive support under the Regional Investment Incentive Scheme:


1. Investments made in a specialization area within Specialized Organized Industrial Zones as declared by the Ministry of Science, Industry and Technology, apart from those in Istanbul, can benefit from regional supports even if they are not in industries identified for that region.
2. Investments in maritime freight and/or passenger transport can receive supports granted to Region 1. Investments for air taxi services are not supported.
3. Investments in special facilities, mountain homes and boutique hotels with tourism investment/operation certificate are not supposed to have "3 and more stars".
4. Except for Region 6, investments in the manufacturing of integrated paper and paper products from pulp only can benefit from regional incentives.
5. Regarding investments in integrated animal husbandry;
  - o In Region 1 and 2: Investors should have the following minimum capacities to receive incentives: 500 cattle for integrated investments in dairy cattle, 700 cattle/period for integrated investments in beef cattle, 500 cattle for investments in breeding cattle, 2000 sheep and goats/ ovine for integrated investments in breeding sheep and goats, 2000 sheep and goats/period for investments in sheep and goats for milk and meat production, 200,000 poultry/period for investments in integrated poultry. No specific capacity is required for investments in integrated investments in poultry breeding.
  - o In Regions 3, 4 and 5: Investors should meet the following minimum capacities for receiving incentives: 300 cattle for integrated investments in dairy cattle, 500 cattle/period for integrated investments in beef cattle, 300 cattle for investments in breeding cattle, 1000 sheep and goats for integrated investments in breeding sheep and goats, 1000 sheep and goats/period for investments in sheep and goats for milk and meat production and 200000 poultry/period for investments in integrated poultry. No specific capacity is required for investments in integrated investments in poultry breeding.
6. Except for Region 6, investments in the manufacturing of food products and beverage, "manufacturing of pasta, semolina investments integrated with pasta, vermicelli, couscous, phyllo, shredded wheat, rice, pet food, fish flour, fish oil, fishmeal, bread, raki, beer, dried nuts and fruits, pickles, cotton linter, tea, cracked/roasted hazelnuts, instant soup and meat broth and their products along with cereal and pulse assortment and packaging" cannot receive regional incentives.
7. Investments in tannery are incentivized only in organized industrial zones.
8. Except for Region 6, only modernization investments in yarn and weaving (excluding wool yarn, smart and multi-function technical textile, carpet, tafting, nonwoven fabric and sack production) can receive regional supports.
9. Except for Region 6, group 1 mining and stone chip investments along with mine hoisting and/or mine processing investments cannot benefit from regional incentives. As per the Mining Law No. 3213, Group 1 mines are defined as natural sand, gravel, brick, clay tile, clay cement, marl, pozzolanic rock (Tras) used in construction and road construction along with rocks utilized in cement and ceramic industries and are not classified under other groups.
10. The following investment subjects can receive regional supports extended to their specific regions:
  - o Logistic investments excluding mobile vehicles.
  - o Residential heating/cooling investments using geothermal energy and/or waste heat from power plants.
  - o Except for Istanbul, investments worth of at least 2 million TL in "the production of railway and tram locomotives and wagons" and "the manufacturing of aircrafts and space vehicles" along with their accessories and parts.

- Harbor and port services investments of at least 5 Million TL (including marina investments).
  - 11. Regional investments made in more than one region shall benefit from supports extended to the region which is relatively more developed.
  - 12. Underground natural gas storage investments of at least 50 Million TL and drilling investments of at least 5 Million TL shall receive regional supports granted to Region 2.
- [List Industries to Receive Regional Supports And Minimum Investment Amounts or Capacities as per Regions](#)
  - [List of Sectors to Receive Regional Supports](#)



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