

**FREE ZONES LAW**  
**Law No. 3218 Approved: June 6, 1985 Issued: June 15, 1985**

**SECTION ONE**  
***General Provisions***

**Objectives and Scope**

**Article 1** - This Law covers issues on establishment of free zones, determination of areas and borders and the scope of activities of the free zones, management and operation of free zones, establishment of buildings and facilities in the zones, with the aim of promoting export-oriented investment and production, accelerating foreign direct investment and technology entry, directing enterprises towards export and developing international trade.

**Authority**

**Article 2** - President has the authority to determine the location and boundaries of the free zones.

President grants permission for the establishment and operation of free zones to public institutions and agencies, resident or non-resident real persons or legal entities.

**Definitions**

**Article 3** - In the implementation of this Law:

**Operator** signifies the public institution and agency; the resident and non-resident real persons or legal entities operating the free zone.

**User** signifies the real and legal person bearing an Operating Licence and having a specific place of business within the free zone.

**Foreign exchange** refers to all currencies, or all types of accounts or bills, considered as being convertible by the Central Bank of the Republic of Turkey.

**Activities**

**Article 4** - Any kind of industrial, commercial and service activities approved by the Supreme Coordination Council of Economic Affairs can be carried out within free zones.

Except the demands from the manufacturer enterprises, any authority regarding prices, quality and standards granted to public institutions and agencies by laws or by other legislation is not valid in the free zones.

Free Zones Coordination Board is formed to evaluate the free zone activities, to determine the strategies and to offer recommendations for improving the free zones and for resolving occurring problems.

**SECTION TWO**  
***Organization of Free Zones***

**Principles Related to the Organization of the Zone**

**Article 5** - Land and facilities needed within the declared free zones may be acquired pursuant to the provisions of the Expropriation Law. President may decide to have these lands and facilities urgently expropriated. President may also decide that the remuneration for expropriation of these lands and facilities and other expenses during the expropriation process are to be compensated by the operator company which has requested the expropriation.

Domestic or foreign real persons or legal entities may operate in free zones provided that the Ministry of Trade grants them an operating licence. Land, building plots and buildings exclusively owned by the Treasury can be leased or granted easement on for 49 years to investor users of free zones. On the places under State dictum and disposition, right of usage can be given for the same period. For land and buildings assigned to be used by the Turkish Armed Forces, approval of the Ministry of National Defence is requested. Property owners who are not users in free zones established on private land are subject to the same financial obligations as the users in terms of contributions and other participation costs.

All other permits and licences regarding the use of land as well as the design, construction and utilization of buildings and installations within the free zone are issued and supervised by the zone directorate.

Security services for free zones are provided by the police.

### **Exceptions and Incentives**

**Article 6** – Free zones, location and boundaries of which are determined by the President, are parts of the Customs Territory of Turkey, however in which goods not in free circulation are considered, for the purposes of import duties, commercial policy measures, and foreign exchange regulations, as outside of the Customs Territory of Turkey, provided they are not released for free circulation or placed under any other customs procedure or used or consumed under conditions other than those stated in the customs legislation; and in which goods in free circulation, by virtue of being placed in a free zone, benefit from the opportunities normally related to the export of goods.

Legislative provisions pertaining to customs and foreign exchange obligations are not applicable in these zones.

Ministry of Finance is authorized to make necessary arrangements independent from the provisions of the Tax Procedures Law No. 213 dated 4.1.1961 regarding the account books that the users are obligated to keep and the documents that they will issue.

Users and operators whose earnings are exempted from income or corporate tax according to this Law are given benefit during the investment and production stages of non-tax incentives determined by the President. Users whose earnings are not exempted from income or corporate tax according to this Law are given benefit during the investment and production stages of tax and non-tax incentives under the conditions set forth in related legislation.

### **Revenues and Expenditures of the Free Zones**

**Article 7** - From the revenues obtained from the free zones;

- a) Fees to be collected for operating licences and permits,
- b) Fees to be paid in advance amount to 0.1 percent of the CIF value of goods entering the zone from abroad and fees to be paid in advance amount to 0.9 percent of the FOB value of goods leaving the zone towards Turkey,
- c) Payments specified in the contracts made with real persons and legal entities operating the free zones,
- d) Other revenues obtained from the zone activities

Are deposited in the Special Account to be opened with the Central Bank of the Republic of Turkey after deducting the income share transfers specified in the contracts made to the legal entities by the related administration. After deducting the rejections and returns, the rest of the amount collected in this account is deposited in the account of the Main Treasurer's Office in charge of the payments of the central administration of the Ministry of Trade. The amount deposited in the account of the

Main Treasurer's Office is registered as revenue to the budget.

Goods utilized during the investment and construction stages; goods brought into the zone for renovation and capacity building purposes; goods which are not owned by the users but brought into the zone for maintenance and repairing purposes; instruments, tools, and equipment which are temporarily brought into the zone; goods brought for the purpose of contract manufacturing; and goods brought into the zone from abroad and/or sent to Turkey by the non-producer users who obtained their operating licence after 6/2/2004 are not subject to the payments specified in sub-paragraph (b) of paragraph 1 of this Article. However, a fee is charged on the value-added created during the maintenance, repairing, and contract manufacturing, and on the goods brought into the zone from abroad and sold within the zone by the non-producer users who obtained their operating licence after 6/2/2004. A fee is charged in accordance with sub-paragraph (b) of paragraph 1 of this Article if goods brought into the zone from abroad being subject to a fee and goods manufactured by producer users are sold within the zone and then sent to Turkey.

President is authorised to reduce to zero, differentiate, or increase to the legal limit the rates stated in this Article for strategic, large-scale, or priority investments, and for any investment that has been decided to be supported on a project-based scheme due to its subject, sector, or quality.

Procedures and principles concerning the management of the Special Account opened with the Central Bank of the Republic of Turkey are determined by a regulation of the Ministry of Trade upon the approval of the Ministry of Finance. Revenues not deposited in due course are subject to the provisions of the Law No. 6183 on the Procedures on the Collection of Public Receivables.

### **SECTION THREE**

#### ***Goods and Services***

##### **Goods in Free Zones**

###### **Article 8-**

Trade conducted between a free zone and other regions of Turkey is subject to the foreign trade regime. Trade between a free zone and other countries or other free zones is not subject to the foreign trade regime.

Procedures and principles for the simplification of any transaction or process, except for the provisions regarding taxation, are to be jointly determined by the Ministry of Trade and the Ministry of Customs and Trade in cases of temporary release for maintenance purposes of machinery or other equipment which has been used for investment purposes by the users, removal of waste and scrap resulting from the activities in the zones, and temporary release of film production equipment to be used elsewhere in Turkey.

Upon request, goods of Turkish origin in value less than 5000 USD or its equivalent in Turkish Lira can be exempted from export procedures.

##### **Foreign Exchange and Services**

**Article 9 -** All payments related to free zone activities are made in the form of foreign exchange. President may decide that payments be also made in the form of Turkish Lira.

Shipping and port services in free zones are provided either by the operator or contracted out to public institutions and agencies or to real persons or legal entities.

### **SECTION FOUR**

## ***Labour and Social Security, Repealed and Inapplicable Provisions, Regulation***

### **Labor and Social Security Provisions**

**Article 10** - Foreign managers and qualified personnel may be employed by companies operating in free zones. Related principles are specified in the governing regulation.

Provisions of the social security regulations of the Republic of Turkey are applied in free zones.

### **Repealed Provisions**

**Article 11** - The Free Zones Law No. 6209 dated December 21, 1953, is hereby repealed.

### **Inapplicable Provisions**

**Article 12** - Foreign Direct Investment Law No. 4875, provisions of the Municipality Law No. 5393 except for the provisions on death and fire, building and maintenance of sewerage, procurement of drinking, potable, industrial water, and inspection of gas, water, electric consumption, Passport Law No. 5682, Law No. 5683 on Foreigners Traveling and Residing in Turkey, and provisions of other laws contrary to this Law are not applicable in free zones. Furthermore, the transactions stated in the second paragraph of Article 5 are not subject to the provisions of Public Procurement Law No. 2886.

### **Free Zone Governing Regulation**

**Article 13** - Matters in this Law that remain to be specified in the governing regulation as well as issues concerning the organization, duties, authority and responsibilities of operators of free zones; granting and cancellation of operating licences given to such operators and users; keeping the record of their industrial and commercial registers; payments they make to the Special Account; governing principles of activities in a free zone; zone entry permits and identity cards, residence permits, and work principles, and other matters pertaining to the operation of free zones shall be determined in a governing regulation.

### **Renewal, Modification, and Extension of Operating Contracts**

**Additional Article 1** - The duration of an operating contract can be extended by a period specified by the Ministry of Trade after existing provisions are modified in order to increase income with respect to sub-paragraph (c) of paragraph 1 of Article 7 and to reduce financial liabilities of the Ministry of Trade, provided that commitments specified under the operating contract had been fulfilled prior to the expiration of the contract and demands of the Ministry of Trade for future investments have been agreed upon.

In the free zones where above conditions are not met or the operating contract expires for any reason, provisions and principles of the Law on Privatization Applications No. 4046 dated 24/11/1994 are applied comparatively by the Ministry of Trade to issues regarding the reassignment of **the operator permit** for a period of up to 49 years. Public institutions or agencies or resident or non-resident real persons or legal entities that are determined according to this procedure can be granted **the operator permit** upon the proposal of the Ministry of Trade and the decision of the President. Procedures and principles regarding the application of this Article shall be specified in the governing regulation.

Procedures are carried out by the Ministry of Trade until the process described in the second paragraph is completed.

### **Establishment of Free Zones Abroad**

**Additional Article 2** – President has the authority to determine the countries where free zones,

special zones, foreign trade centres and logistics centres shall be established in accordance with Article 12 of the Decree No. 637 dated 3/6/2011 on the Organization and Duties of the Ministry of Trade. President may give permission to a company residing in Turkey to establish and operate these zones.

President has the authority to determine the procedures and principles regarding the establishment, operation, and dissolution of the zones stated in the first paragraph.

President has the authority to determine the incentives that will be provided to the investments in these zones by companies residing in Turkey.

### **Additional Article 3 –**

References made to the Free Zones Coordination Board in the legislation are deemed to have been made to the board or authority determined by the President.

### **Additional Article 4-**

In the free zones that will start operating for the first time after the effective date of this article, in accordance with the interim article 2, the earnings of the operators from the activities related to the operation of the free zones, not exceeding 30 years and limited to the period specified in the first operating license to be given to them by the Ministry of Trade, are exempt from income or corporate tax. This exemption does not cover the gains obtained exclusively from users holding purchasing-selling or warehouse operation licenses, and tax deductions to be made pursuant to the Income Tax Law No. 193 dated 31/12/1960 and the Corporate Tax Law No. 5520 dated 13/6/2006. The Ministry of Treasury and Finance is authorized to determine the procedures and principles regarding the implementation of this article.

### **Additional Article 5-**

In free zones where the land is owned by the Treasury, in case the operating licences of tenant users has been cancelled and operating licence of investor users which connected to the superstructure has been cancelled, a not less than one month and not more than six months of period is given them for the evacuation of the goods from the superstructure. At the end of this period, right of use of users are terminated over for all kind of goods belonging to the user but not removed from the superstructure and these goods are counted and determined by a commission to be formed under Zone Directorate and recorded in the report.

If there are annotations such as lien, non-saleable, non-transferable, pledge, mortgage on the goods in the superstructure, these liens or annotations; it is deemed to have been removed based on the count and determination to be made by the commission specified in the abovementioned paragraph.

The goods recorded in the official report by the commission are delivered to the relevant administration to be liquidated in accordance with the provisions of the Customs Law No. 4458 dated 27/10/1999. Regarding the sales price of these goods, the provisions of the first paragraph of Article 180 of the Law No. 4458 are not applicable. Customs taxes, receivables for service, expenses incurred and expenses incurred for sales are separated from the sales price of these goods, and the remaining price is sent to the relevant units to be distributed to the right holders and if there is any excess money, it is transferred to the escrow account on behalf of the user. The escrow money is paid to the user upon request.

In free zones where the land is owned by the Treasury, the provisions of this article are also applied

to tenant users whose operating license has expired and operating licence of investor users which connected to the superstructure has expired.

Procedures and principles regarding the application of this Article shall be specified in the governing regulation.

**Interim Article 1 - (Abolished by Law No. 4771)**

**Interim Article 2** – This Law is effective for each free zone upon the commencement of operations in that free zone. The date of commencement of operations is the date when the construction of the perimeter fence, tower and gate are completed and the zone directorate, police and customs units assume their duties.

**Interim Article 3** – The taxpayers who have by the date this Article comes into effect obtained their licences to operate in the free zones that were established according to this Law are;

- a) exempted from income or corporate taxes on the earnings generated through their activities in these zones for the duration specified in their operating licences as of the date this Article comes into effect. This exemption has no effect on the deduction carried out within the scope of sub-clause (b) of sub-paragraph 6 under the first paragraph of Article 94 of the Income Tax Law No. 193 dated 31.12.1960.
- b) exempted from the income tax on the wages they pay to their workers until 31.12.2008. However, if the validity period of their operating licence ends before 31.12.2008, the expiration date of the operating licence is taken into consideration regarding this exemption.
- c) exempted from all taxes, levies and duties on their transactions related to their free zone activities until 31.12.2008.

Until the end of the taxation year including the date Turkey becomes a full member of the European Union;

- a) The earnings of manufacturer taxpayers generated through the sales of the goods they produced in the free zones, and the earnings of service companies in free zones generated through maintenance, repair, assembly, disassembly, handling, sorting, packaging, labelling, testing, storage services given completely to persons not residing in Turkey and to those whose office, legal or business centre is located abroad provided that the goods subject to these services shall not enter Turkey in any way after being sent to a foreign country from free zones, are exempted from the income or corporate taxes. This exemption has no effect on the deduction carried out within the scope of sub-clause (b) of sub-paragraph 6 under the first paragraph of Article 94 of the Income Tax Law No. 193 dated 31.12.1960 and Articles 15 and 30 of the Corporate Tax Law No. 5520.
- b) The income tax calculated after the minimum livelihood discount is applied on the wages of the personnel employed by the taxpayers that export at least 85% of the FOB value of the products manufactured in these zones to other countries shall be abandoned by deducting the tax that is accrued on the final tax return. President has the authority to reduce this rate to 50% and to increase it to its statutory level. President may enforce this authority by differentiating or grading it according to the region, sector, or field of activity of strategic, large-scale, or priority investments, and of any investment that has been decided to be supported on a project-based scheme due to its subject, sector, or quality. Taxes which had not been collected on due from the taxpayers whose annual sales to other countries remains below this rate shall be collected along with delinquency fees without penalties.
- c) The transactions and documents related to the activities carried out in these zones are

exempted from stamp duties and fees.

Ministry of Finance has the authority to determine the procedures and principles concerning the implementation of this Article.

**Interim Article 4 - (Abolished by Law No. 6772)**

**Interim Article 5** – The licence and lease periods of Treasury-owned land, building plots and buildings rented out to users that obtained their operating licences before the date this Law comes into effect can be extended up to 49 years by the Ministry of Trade. The procedures and principles regarding the implementation of this Article shall be determined in the governing regulation.

**Interim Article 6** - Until the date Turkey becomes a full member of the European Union, free zones are deemed to be outside of the Customs Territory of Turkey for the purposes of customs procedures and parts of the Customs Territory of Turkey for the purposes of rules of origin.

**Entry into Force**

**Article 14** - This Law goes into effect on the date of its publication.

**Execution**

**Article 15** - The provisions of this Law are enforced by the President.