

BULLETIN

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Investment Incentive Certificate

According to the decision number 2012/3305 on government aid in investments, investors in Turkey could obtain support from the government in many ways if they achieved certain conditions and standards. In order for an investment to benefit from that government aid, it should obtain an Investment Incentive Certificate (IIC).

What does an Investment Incentive Certificate mean?

An investment incentive certificate is a document that contains the characteristic values of an investment, provides for the investor the opportunity to benefit from the support elements registered on that certificate, under the condition that investment is carried out in accordance with the determined minimum conditions.

Who can obtain an Investment Incentive Certificate?

- Natural persons, joint ventures, capital companies, cooperatives, business partnerships,
- Public institutions and organizations,
- Professional organizations in the nature of public institutions,
- Associations and foundations,
- Branches of foreign companies in Turkey.

What kind of support the Turkish government provides within the scope of Investment Incentive Certificates?

The support for investments that meet all the required criteria varies from region to region in Turkey, according to where the investment will be established. However, the government support includes in general:

- VAT Exemption
- Customs Exemption
- Tax Exemption up to (50%) (Corporate Tax or Income Tax Exemption)
- Employer SSI (SGK) Exemption
- Investment Place Allocation
- Interest or Dividend Support (TL/Currency)
- Income Tax Withholding Support

- Insurance Premium Support - Employee Share
- Construction Fees Exemption
- Property Tax Exemption
- Stamp Duty Exemption

What investments are entitled to IIC?

In order to obtain an investment incentive certificate, it is necessary to make an investment in supportable subjects and fixed investment amounts. The investment should be strategically important investments that have the potential to increase Turkey's international competitiveness for the production of products with high import dependency in order to reduce the current trade balance deficit.

A new approach has been developed for determining strategic investment subjects, and instead of a list of investment subjects, criteria have been determined in line with the purpose of implementation and investment subjects that meet all these criteria have been accepted as strategic investments.

Investments for the production of products with high import dependency that meet all of the following criteria together are considered as "strategic investments":

1. The minimum fixed investment amount is above fifty million Turkish Liras (including the portion of non-natural gas-based energy investments to be realized exclusively to meet the energy needs of these investments, proportional to the installed capacity of the facility).
2. The total domestic production capacity of the product subject to investment is less than imports.
3. Within the framework of the principles to be determined by the Ministry, the added value to be provided by the investment subject to the certificate must be at least 40% (this condition is not sought in refinery and petrochemical investments).
4. The total import amount (to Turkey) of the product subject to the investment in the last year must be over fifty million US Dollars (this condition is not sought in investments for the production of products that are not produced domestically).

Investments to be realized within the scope of the Technology Oriented Industrial Move Program "Teknoloji Odaklı Sanayi Hamlesi Programı" can also be evaluated within the scope of "Strategic Investment" if deemed appropriate by the Ministry.

For the product to be produced as a result of the investment, the added value ratio (40%) mentioned in the third condition is calculated by subtracting the total product input costs from the total product sales amount, dividing the result by the total product input costs and multiplying by one hundred.

In addition, it should be noted that investments in the services sector are not considered within the scope of strategic investment incentive practices.

How should investors apply for IIC?

All kinds of business and transactions related to the Investment Incentive Certificate are applied to the Ministry through E-TUYS.

E-TUYS "Incentive Implementation and Foreign Capital Information System", is an electronic system that any investment who intends to benefit from IIC is obliged to register on.

Obtaining an investment incentive certificate through E-TUYS basically consists of five stages:

1. Submission of user authorization application documents to the Ministry by physical mail/hand,
2. Receiving a confirmation e-mail to the e-mail address of the user in the application document that the authorization has taken place,
3. The authorized user updates the investor information through E-TUYS by following the steps in the "Investor Information Guide\ Yatırımcı Bilgileri Kılavuzu" and submits it to the Ministry for approval,
4. Approval of the update made by the Ministry on investor information,
5. The application for a new incentive certificate must be submitted by the authorized user through E-TUYS via "Incentive Documentation Guideline\ Teşvik Belgesi Kılavuzu " and submit it to the Ministry for approval.

Additionally, it should be noted that Investment incentives cannot be utilized for investments made before or for existing employment. If additional investment will be made to the existing facility and an investment incentive certificate is obtained for this investment, investment incentives can be obtained.

Finally, Investment Incentive Certificate is a very wide and complex topic, if an investor intends to obtain such governmental support, he must conduct accurate, professional and solid legal, tax and financial studies in order to implement his investment in line with all requirements.