INVEST IN ISTANBUL
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Finance & Insurance
The Turkish financial services sector, which is mainly concentrated in Istanbul, includes, in addition to banks and insurance companies, such non-banking financial organizations as factoring companies, financial leasing companies, consumer financing companies, private pension companies, securities brokers, precious metal brokers, mutual funds, investment trusts and real estate investment trusts. Istanbul excels in the area of finance with the vision of “becoming a regional financial center in the mid-run and a global financial center in the long-run”. Moreover, Turkish banks are regarded as some of the safest in the world. FYI, technology is widely used and Turkish internet and phone banking systems are some of the most advanced in the world.

Life Sciences
Istanbul has paved the way to be a regional hub for life sciences in terms of both knowledge resources and economic activity. Biotechnology, pharmaceuticals and medical technology are the concentrated sectors in this regard. Istanbul exhibited great performance in drawing health care investments in recent years. Bio Istanbul project, which is a key investment not just for Istanbul but also for the region, has started and is now under construction. When completed, the project will include a hospital, an innovation campus, a Bio University and residences with recreational facilities for the researchers.
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**KEY SECTORS**

**Information and Communication Technologies (ICT)**
Istanbul is attracting an increasing number of ICT companies and is establishing a strong position as a technology hub. The sharp rise of patent applications, 51 universities and 5 technoparks offer a large number of opportunities across a diverse set of industries.

**Creative Industries**
As emphasized in 2014-2023 Istanbul Regional Plan, the potential on creative industries should be utilized with the current knowledge, skills and qualifications of the human capital. The creative industries, which are determined to be fostered in Istanbul, shall be listed as advertising, crafts, art and antiques, design, fashion, movies, music, visual arts, media, software and video games.

**Energy**
Over the next twenty years, it is predicted that global energy demand will increase by around 40% with vast majority of the growth coming from the emerging market countries. In a move to reduce global warming and protect the environment, Istanbul implements several projects to boost energy efficiency and eco-innovation. In this context, there are plenty of opportunities in Istanbul's clean technologies.
KEY SECTORS

Education

Education and training have long been recognized as key drivers of social and economic development. With a number of more than 3 million students from primary school to universities, Istanbul has great potential locally and internationally.

Logistics

Istanbul has 2 international seaports, one in European side and one in Asian side. According to Containerisation International Magazine, which classifies top 100 container ports globally in 2012, Istanbul is the 4th busiest port in Mediterranean Region. Moreover, Ataturk Airport and Sabiha Gokcen Airport are logistically important for cargo planes. On the other hand, railway systems, which come from China and reach all the way to England, help companies transfer their goods smoothly.

Real Estate

According to Pricewaterhouse Coopers’ Emerging Trends in Real Estate 2013 Europe Report, Istanbul is top ranked regarding expectations and development prospects. It says: “It’s Berlin and London for core. But it is Istanbul for opportunity” in the report. Global companies such as Nestlé and Microsoft, as well as newcomers from banking and insurance, are establishing bases in Istanbul, drawn by the proximity to cities in Eastern Europe, the Caucuses and the Middle East.

Tourism

Istanbul is a unique city where history, nature and culture all meet. According to Mastercard Global Destination Cities Index 2013, Istanbul has made huge strides in recent years and now ranks as the 6th most popular destination in the world, with 10.4 million international visitors. When we consider visitor numbers growing at 9.5% and growth in visitor spending a sizzling 5.5%, the city is a rising star as a travel destination.
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GET IN THE ZONE!

Technological Development Zones

The main objectives of Technological Development Zones (TDZs), aka Technoparks, in Turkey are to produce and commercialize technological know-how, to develop innovations in products and production methods and to create investment opportunities in high-tech industries. These zones are usually located in or around college campuses in order to boost academy-industry cooperation.

Istanbul has 5 TDZs, which are Ari Teknokent of Istanbul Technical University, Yildiz Teknopark of Yildiz Technical University, Istanbul Teknokent of Istanbul University, Bosphorus Teknopark of Bosphorus University and Teknopark Istanbul of Istanbul Commerce University.

Why to launch your business in TDZs?

- Revenues from R&D and software activities of R&D companies are exempt from corporate tax and income tax
- Wages of researchers, software developers and R&D personnel working in the zone related to R&D projects are exempt from income taxes
- 50% discount on Social Security Premium of Employees
- Sales of application software produced in TDZs are exempt from VAT
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Why to launch your business in TDZs?
GET IN THE ZONE!

Organized Industrial Zones

Industrial infrastructure is at the top of Turkey’s economic development agenda. Turkish Government has taken a promoting and organizing role in industrialization instead of making industrial investments directly, and undertook investments in infrastructure and put great emphasis on energy, transportation and communication. In this context, Organized Industrial Zones (OIZs) are designed in a way that allow companies which provide goods and services to operate within approved boundaries with the necessary infrastructure, technoparks and social facilities. Basic objectives of OIZs are to allow more rational production for industrial firms that complement each other and encourage others’ production, working together under a certain program aligned with environmental regulations, to enable the relations among industries to grow easily and to establish a sound, inexpensive and reliable infrastructure and common social facilities.

There are 8 OIZs in Istanbul.

Why to launch your business in OIZs?

- VAT exemption for land acquisitions
- Exemption from real estate duty for 5 years starting after the construction of the plant
- Exemption from municipality tax for construction and usage of plant
- Lower costs on utilities
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- BEYLİKDÜZÜ OIZ
- İKİTELLİ OIZ
- DUDULLU OIZ
- ANATOLIAN SIDE OIZ
- BİRLİK OIZ
- LEATHER OIZ
- TUZLA CHEMICAL INDUSTRIALISTS OIZ
- TUZLA OIZ

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GET IN THE ZONE!

Free Trade Zones

Turkish Free Trade Zones (FTZs) are the areas specified by the Council of Ministers of Turkey within the political borders of Turkey but considered outside the customs borders, where all types of industrial, commercial and certain types of service activities are encouraged through certain tax exemptions and incentives. The objectives of FTZs are to increase export-oriented investment and production, to accelerate the inflow of foreign capital and technology, to procure the inputs of the economy in an economic and orderly fashion, and to increase the utilization of external finance and trade possibilities.

There are 3 FTZs in Istanbul; 2 in European side and 1 in Asian side.

Why to launch your business in FTZs?

- Exemption from customs duties & other related duties
- Exemption from corporate income tax for manufacturing companies
- Exemption from VAT and special consumption tax
- Exemption from income tax on employees’ salaries
- Profit/capital transfer option without any tax to 3rd parties & countries
- Goods can remain in free zones for an unlimited period
Goods can remain in free zones for an unlimited period. Exemption from income tax on employees' salaries.

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THRACE FTZ

ATATURK AIRPORT FTZ

INDUSTRY & TRADE FTZ

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“The Cabinet’s Decision” about the New Incentive System was first announced by Prime Minister Erdogan on April 9th, 2012. The decision entered into effect with the release of Official Gazette No.28328 on June 19th, 2012. The objectives of the new investment incentive system are:

- to reduce Turkey’s current account deficit
- to support mid-tech and high-tech investments
- to reduce interregional socioeconomic differences.

Together with the implementation of the new investment incentive system, it is expected to have widespread use of technology as well as the synergistic effects of R&D spending.

There are 4 investment incentive schemes in Turkey:
- General Investment Incentive Scheme
- Regional Investment Incentive Scheme
- Large Scale Investment Incentive Scheme
- Strategic Investment Incentive Scheme
INVESTMENT INCENTIVES

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- Strategic Investment Incentive Scheme

Purchases of imported and/or domestically provided machinery are exempt from VAT.

For any additional employment created by an investment, the amount corresponding to the employer’s share of the social security premium on legal minimum wage, paid by the investor, is covered by the Ministry of Economy.

For any additional employee recruited for new investments in Region 6, the Ministry of Economy covers employee’s share of social security premium, which normally is handled by investors. This support is available only in Region 6 and for 10 years.

Purchases of imported machinery and equipment are exempt from customs duty.

Income tax (15-35%) or corporate tax (20%) is calculated with reduced rates.

THE SUPPORT MEASURES UNDER THE NEW INCENTIVE SYSTEM

**VAT Exemption**
- Purchases of imported and/or domestically provided machinery are exempt from VAT.

**Customs Duty Exemption**
- Purchases of imported machinery and equipment are exempt from customs duty.

**Tax Reduction**
- Income tax (15-35%) or corporate tax (20%) is calculated with reduced rates.

**Social Security Premium (Employer’s Share)**
- For any additional employment created by an investment, the amount corresponding to the employer’s share of the social security premium on legal minimum wage, paid by the investor, is covered by the Ministry of Economy.

**Social Security Premium (Employee’s Share)**
- For any additional employee recruited for new investments in Region 6, the Ministry of Economy covers employee’s share of social security premium, which normally is handled by investors. This support is available only in Region 6 and for 10 years.

**Interest Support**
- The measure stipulates that a certain portion of the interest/profit share regarding the loan equivalent of at most 70% of the fixed investment amount registered in the certificate will be covered by the Ministry of Economy.

**Land Allocation**
- It refers to the allocation of available land to the investments in accordance with the rules and principles determined by the Ministry of Finance.

**VAT Refund**
- VAT collected through building & construction expenses made within the frame of strategic investments with a fixed investment amount of 500 million TL will be rebated.

**Income Tax Withholding Support**
- The withholding tax imposed on the income tax of employees will not be levied for new staff employed for the investments made in Region 6 (applicable for 10 years).
INVESTMENT INCENTIVES

1. General Investment Incentive Scheme

There are two requirements to benefit from this incentive mechanism in Istanbul, which are "the investment topic must not be listed among ‘not to be supported’ section" and "the minimum fixed investment amount must exceed TRY 1 million level."

Prospective investors may apply to Istanbul Development Agency’s Investment Support Office in order to obtain investment incentive certificates in the general scheme. The certificates, which are issued by the Agency, cover any investment within TRY 1 million - TRY 10 million range.
2. Regional Investment Incentive Scheme

Regional system aims to eliminate inter-regional imbalances by means of encouraging pre-determined sectors. Therefore, investment topics to be supported have been identified by taking into consideration of the economic potentials of each province and economies of scale.

Through the new regime, 81 provinces of Turkey are classified under 6 investment regions. Istanbul, which is the most developed region of Turkey, is classified in the 1st degree regional list.
INVESTMENT INCENTIVES
The sectors supported through regional scheme in Istanbul are shown in the list below.

<table>
<thead>
<tr>
<th>Sectoral Code</th>
<th>Regional Investment Topics in Istanbul</th>
<th>Minimum Amount / Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1911</td>
<td>Leather Tanning &amp; Processing (Only in Istanbul Leather Specialized OIZ and Tuzla OIZ)</td>
<td>TRY 1 million</td>
</tr>
<tr>
<td>2423</td>
<td>Manufacturing of Herbal and Chemical Products Used in Medicine and Pharmaceuticals</td>
<td>TRY 4 million</td>
</tr>
<tr>
<td>2929</td>
<td>Industrial Pattern</td>
<td>TRY 4 million</td>
</tr>
<tr>
<td>30</td>
<td>Manufacturing of Office, Accounting and IT Processing Machines</td>
<td>TRY 4 million</td>
</tr>
<tr>
<td>32</td>
<td>Manufacturing of Radio, TV, Communication Equipments and Devices</td>
<td>TRY 4 million</td>
</tr>
<tr>
<td>33</td>
<td>Manufacturing of Medical Devices, Sensitive and Optic Devices</td>
<td>TRY 1 million</td>
</tr>
<tr>
<td>5510.3.01</td>
<td>Dormitories</td>
<td>100 students</td>
</tr>
<tr>
<td>80 (809 Excluded)</td>
<td>Educational Services (from Pre-school up to Grad School)</td>
<td>TRY 1 million</td>
</tr>
<tr>
<td>8511.0.01-05</td>
<td>Hospitals, Nursing Home</td>
<td>Hospital: TRY 1 million</td>
</tr>
<tr>
<td>8511.0.99</td>
<td></td>
<td>Nursing Home: 100 persons</td>
</tr>
<tr>
<td>8531.0.01-03</td>
<td>Waste Management and Recycling Facilities</td>
<td>TRY 1 million</td>
</tr>
</tbody>
</table>
3. Large Scale Investment Incentive Scheme

The goals of this scheme are to improve technological and R&D capacity of regions and to provide a competitive advantage in the global arena. The listed investment topics that exceed the designated minimum amounts are eligible in Istanbul.
### INVESTMENT INCENTIVES

#### Tax Reduction
- 25% (30% in OIZ)

#### Social Security
- Employer’s Premium Exemption for 2 years (3 years in OIZ)

#### Land Allocation

#### Customs Duty Exemption

#### VAT Exemption

#### Large Scale Investment Incentive Scheme

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<table>
<thead>
<tr>
<th>#</th>
<th>Large Scale Investment Topics</th>
<th>Min. Investment Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Refined Petroleum Products</td>
<td>TRY 1 billion</td>
</tr>
<tr>
<td>2</td>
<td>Chemical Products</td>
<td>TRY 200 million</td>
</tr>
<tr>
<td>3</td>
<td>Harbors and Harbor Services</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Automotive OEM and Side Suppliers</td>
<td></td>
</tr>
<tr>
<td>4.a</td>
<td>Automotive OEM Investments</td>
<td>TRY 200 million</td>
</tr>
<tr>
<td>4.b</td>
<td>Automotive Side Suppliers Investments</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Rolling Stocks</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Transportation Services Through Transit Pipeline</td>
<td>TRY 50 million</td>
</tr>
<tr>
<td>7</td>
<td>Electronics</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Medical Devices, High Precision and Optical Equipment</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Pharmaceuticals</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Aircraft and Space Vehicles and/or Related Parts</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Machinery (Including Electrical Machinery and Equipment)</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Mining (Including Metal Production)</td>
<td></td>
</tr>
</tbody>
</table>
4. Strategic Investment Incentive Scheme

There are two main goals of strategic investment incentive scheme, which are to support production of intermediate and final products with high import dependence with a view to reduce current account deficit and to encourage high-tech and high value added investments with a potential of strengthening Turkey’s international competitiveness. Investments meeting the criteria shown on the next page are supported within the frame of the Strategic Investment Incentive Scheme.
INVESTMENT INCENTIVES

Land Allocation

VAT Refund (for construction costs TRY 500m)

Social Security Employer’s Premium Exemption for 7 years

Customs Duty Exemption

Interest Support (up to TRY 50m / less than 5% of investment cost)

VAT Exemption

Tax Reduction of 50%

İSTANBUL

4. Strategic Investment Incentive Scheme

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- Related product’s last year’s importation must exceed US $50 million level.
- Domestic Production of the Related Product must be less than the importation of that Product.
- Value Added through the Investment must be at least 40%.
- Related product’s last year’s importation must exceed US $50 million level.

Criteria to benefit from Strategic Investment Incentive Scheme

Minimum Investment Amount of TRY 50 million.