



Investing in Turkey

Ministry of Economy
General Directorate for
Incentives Implementation and Foreign
Investment



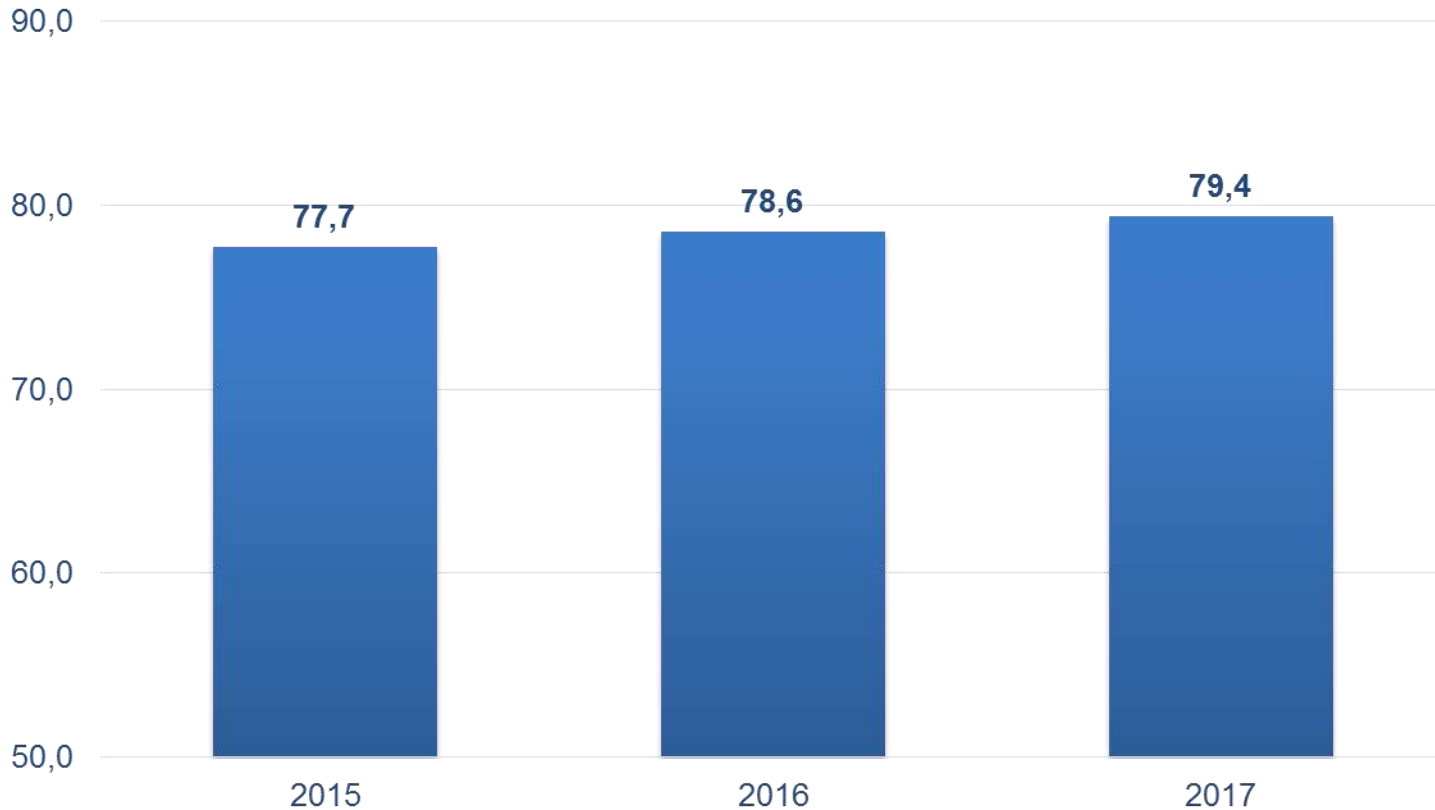
Mumbai
April 2015

Outline of the Presentation:

- ***General Economic Outlook***
- ***Investment Environment***
- ***Investment Incentives***



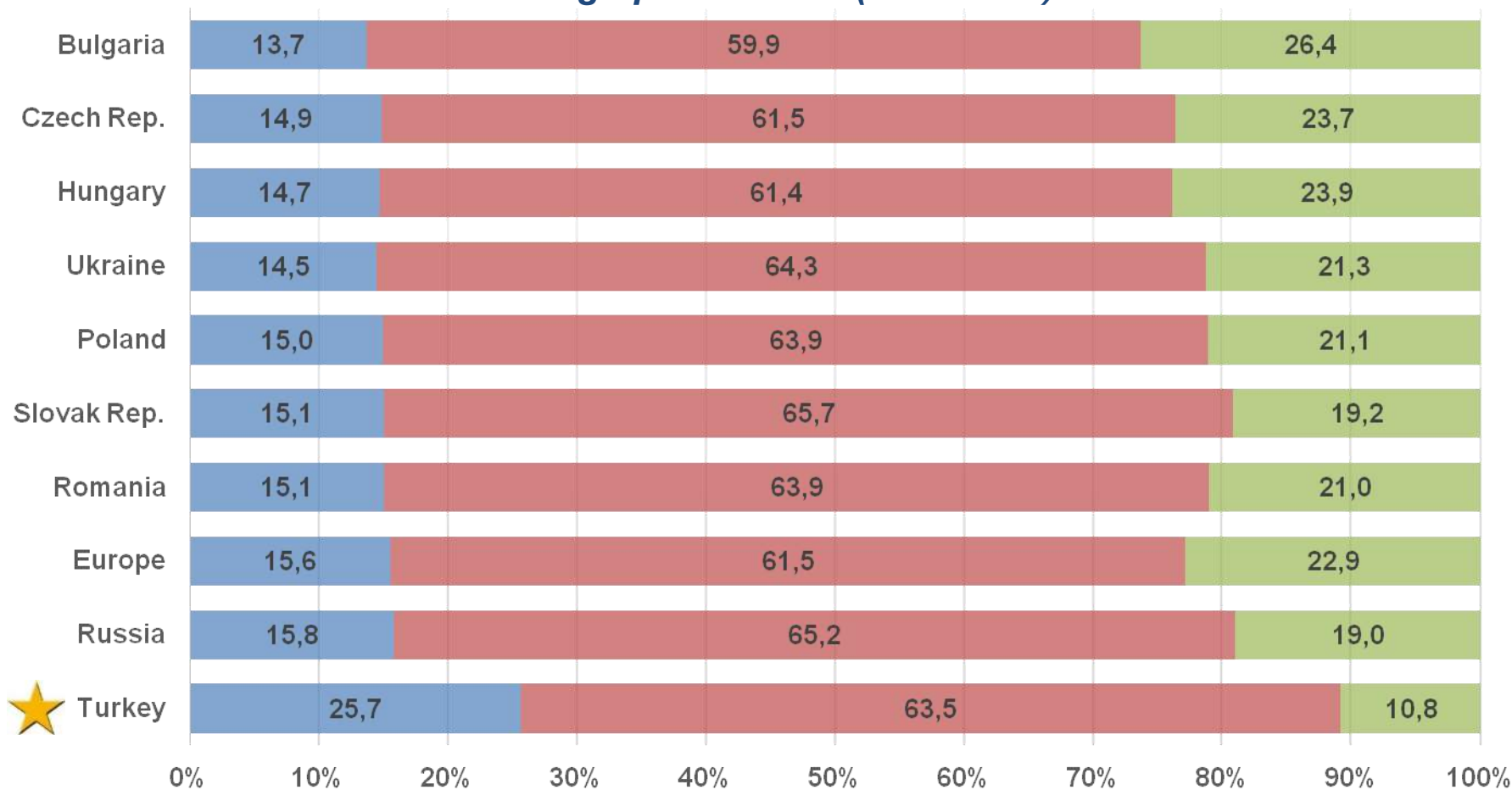
Population Prospects (Million People)



Source: Ministry of Development, Medium Term Economic Programme 2015-2017, October 2014

Favourable Demographics

Demographic Profile (as of 2013)*

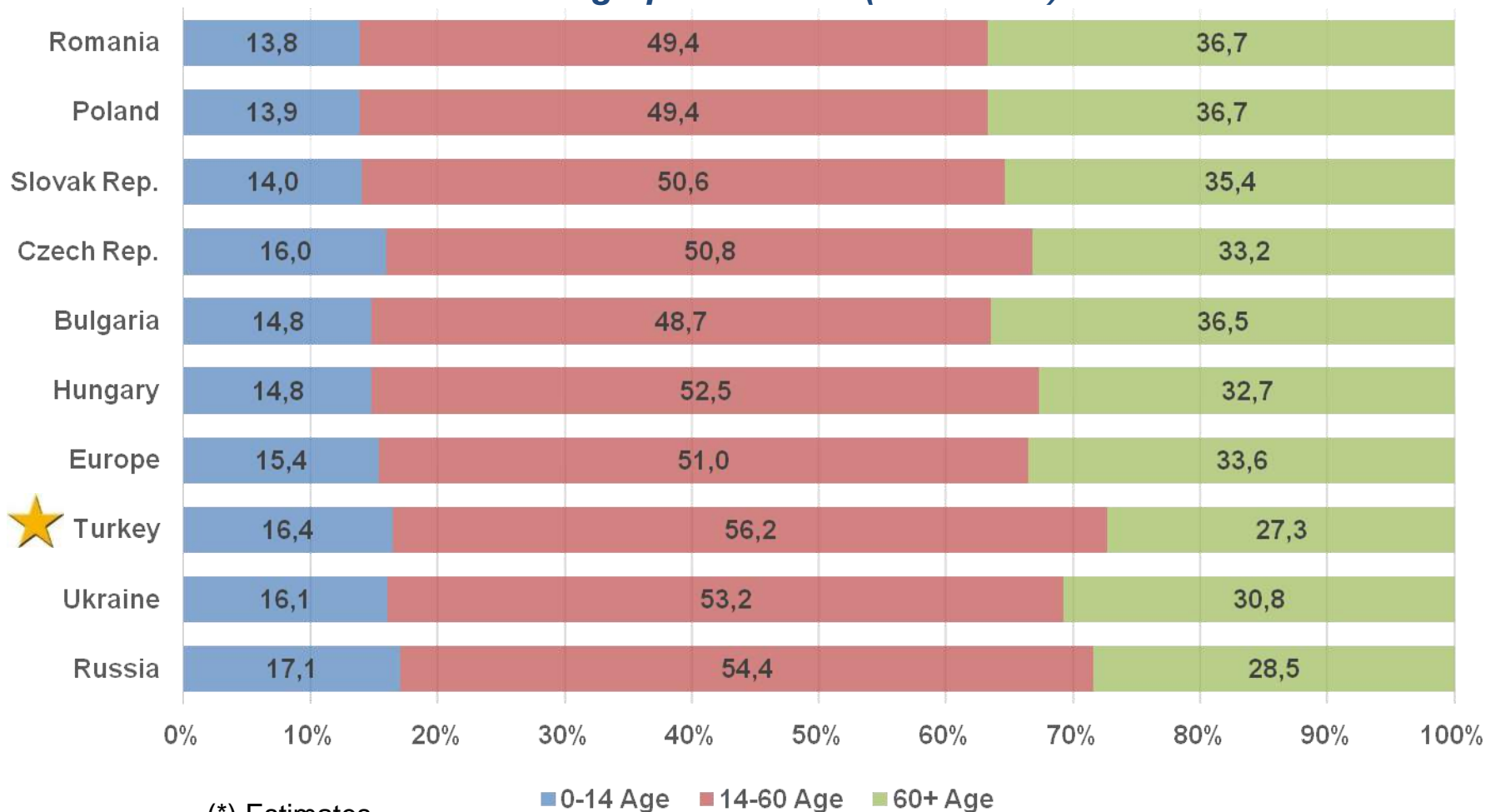


(*) Estimates
Source: UN

■ 0-14 Age ■ 14-60 Age ■ 60+ Age

Favourable Demographics

Demographic Profile (as of 2050)*

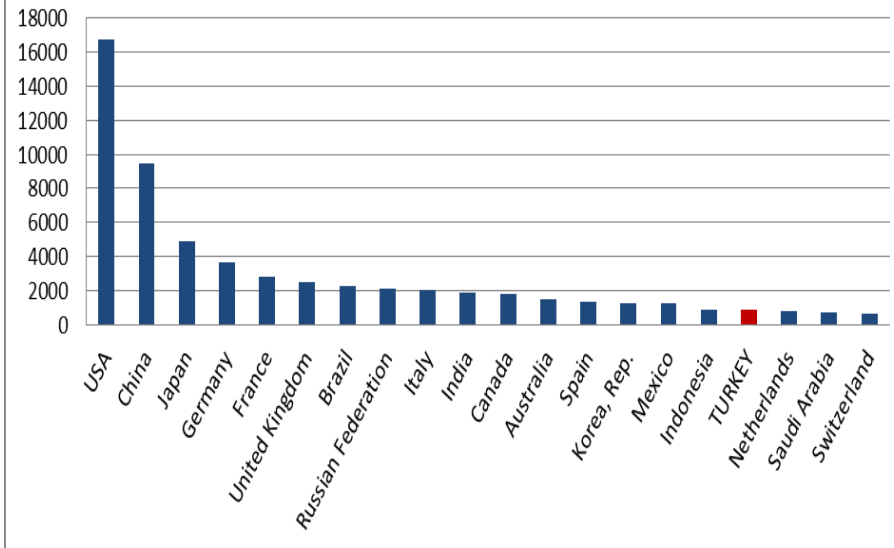


(*) Estimates
Source: UN

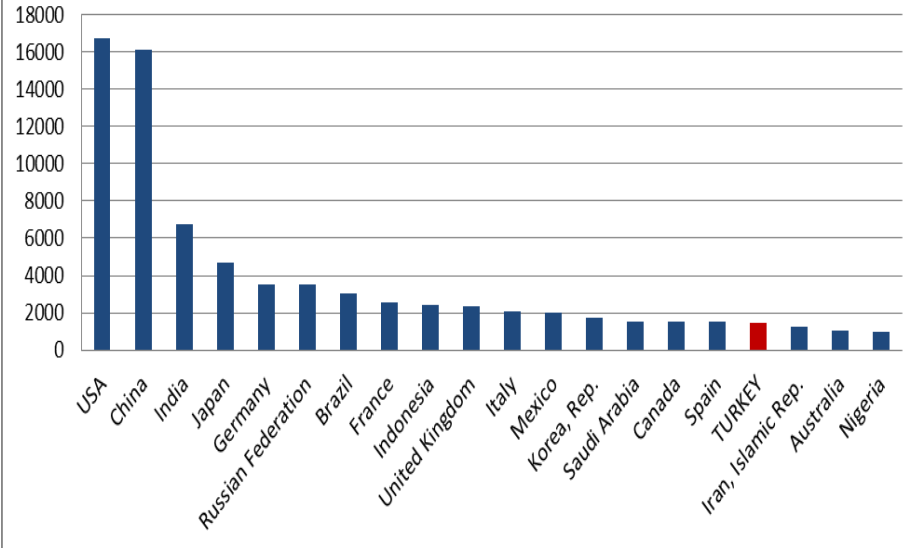
World's Biggest Economies

(GDP Current, Purchasing Power Parity)

GDP, Billion \$



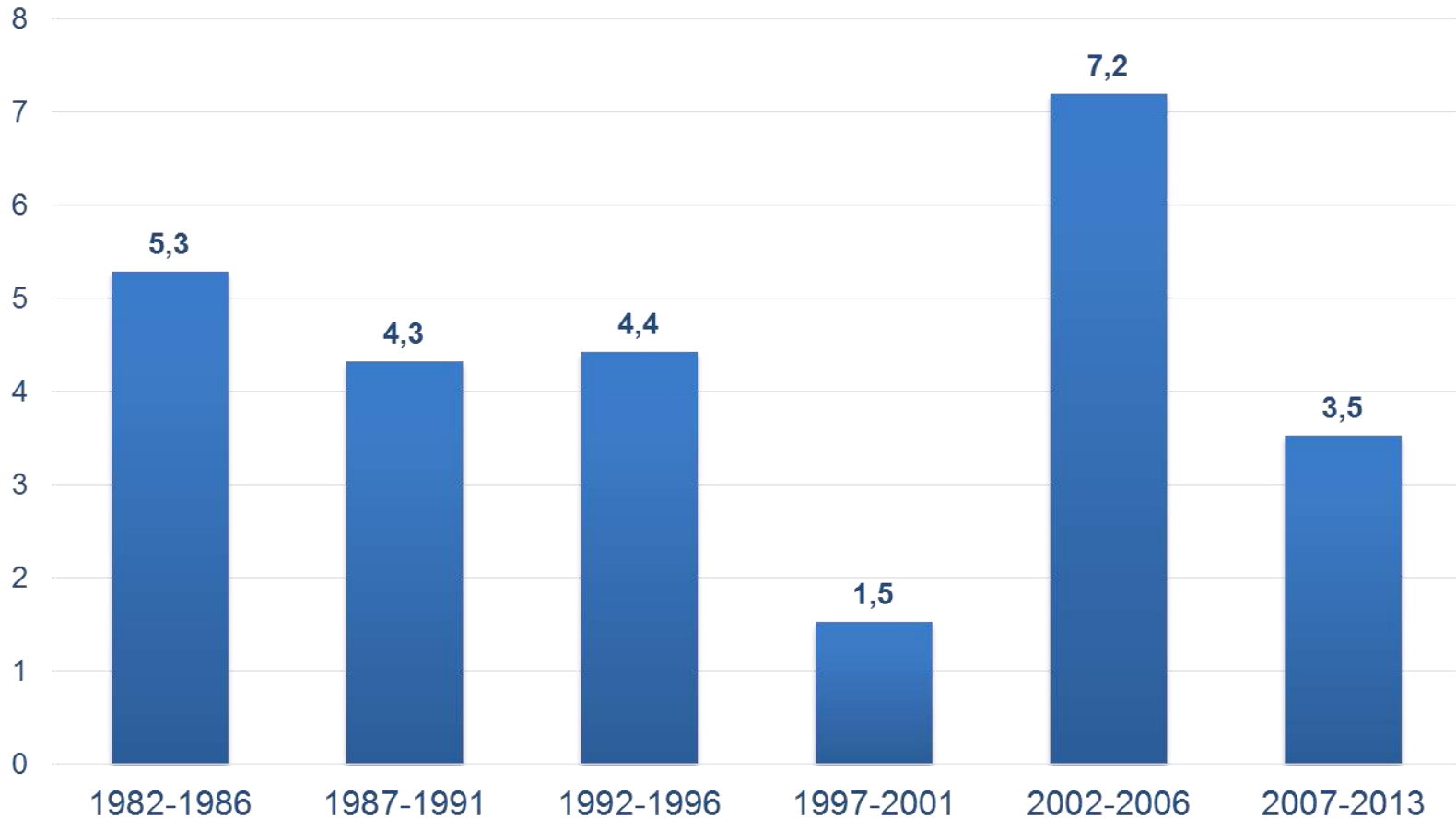
GDP (ppp), Billion \$



Turkey ranks as the 17th largest economy in the World and 6th in Europe.

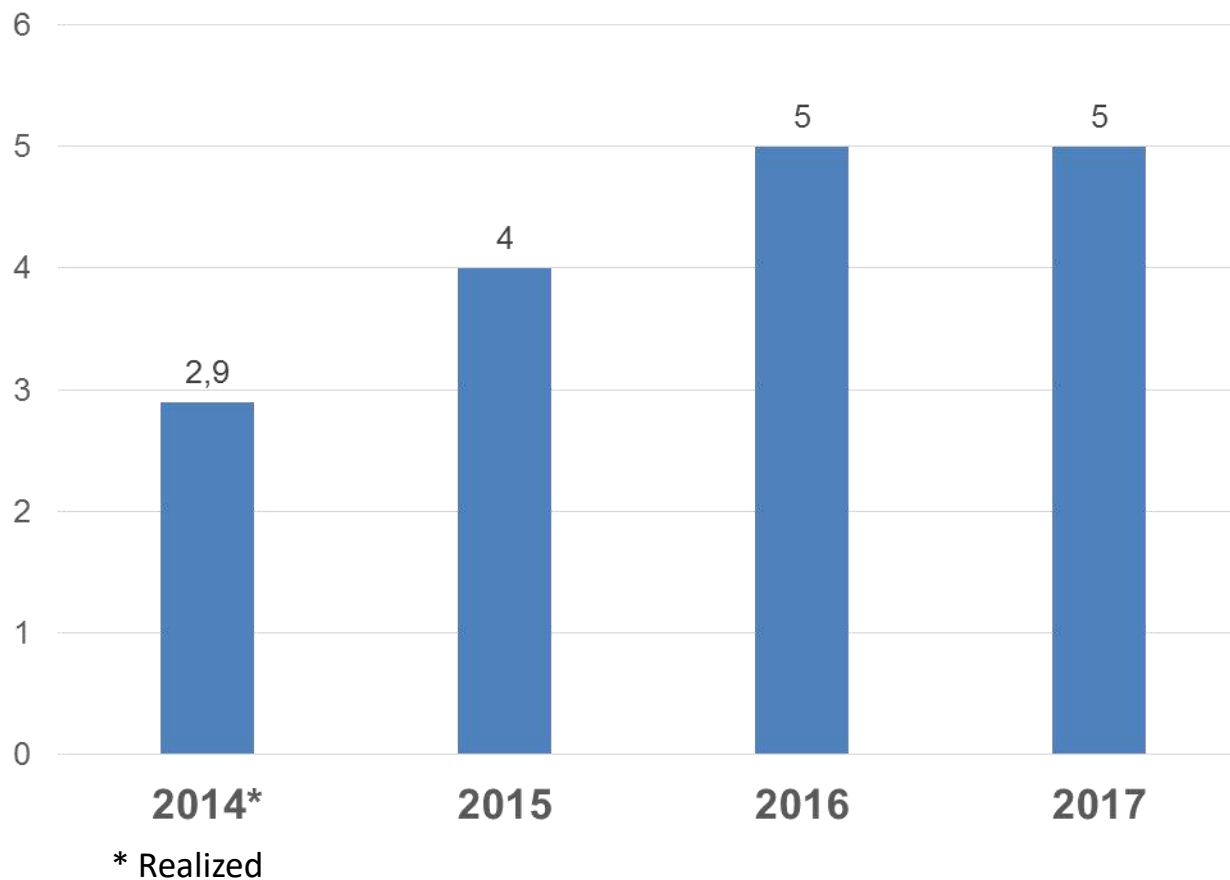
Source: IMF, World Economic Outlook, October 2014

GDP Growth Rate (Annual Average, %)



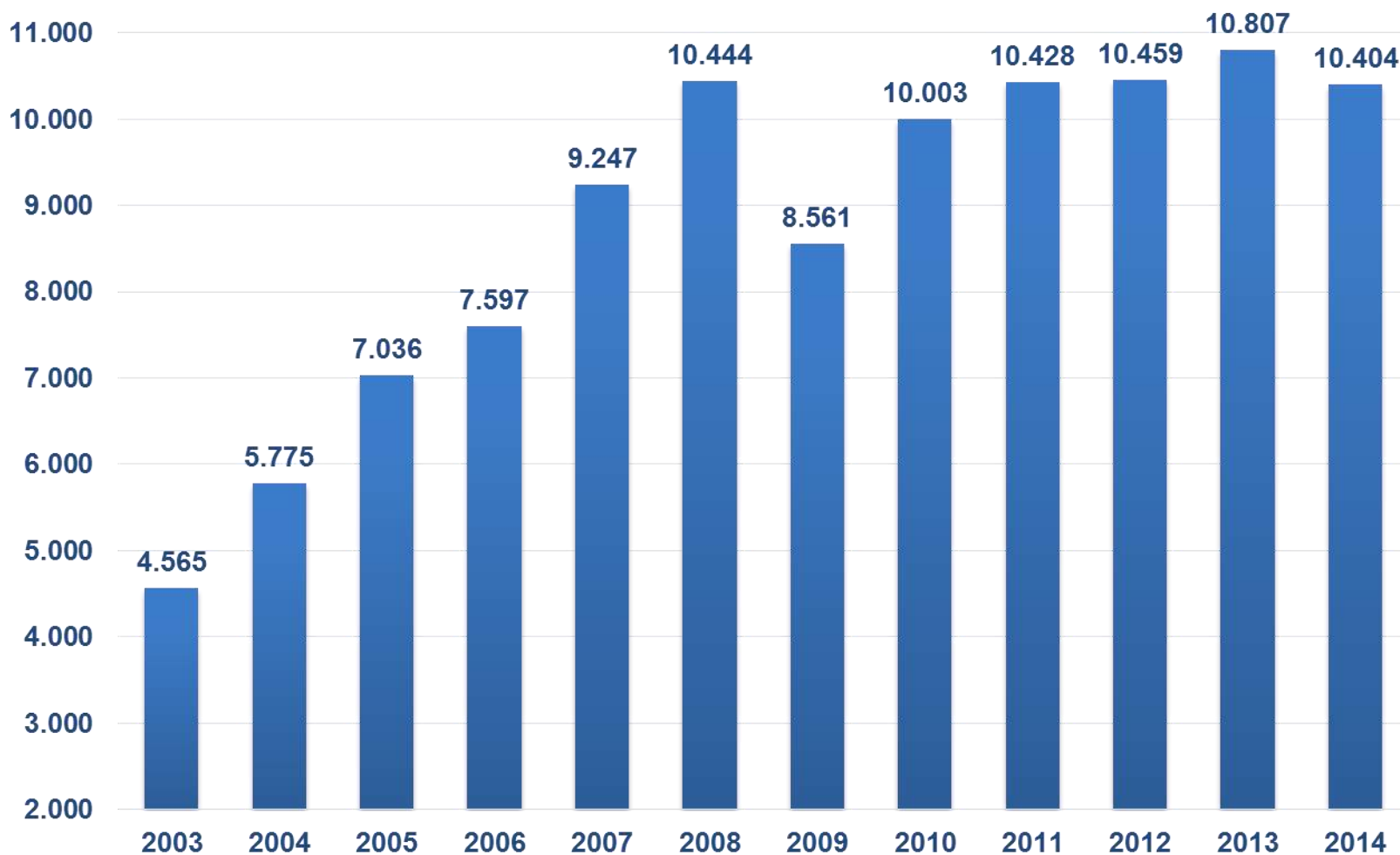
Source: TURKSTAT, Undersecretariat of Treasury

GDP Growth Rate Projections (Annual Average, %)



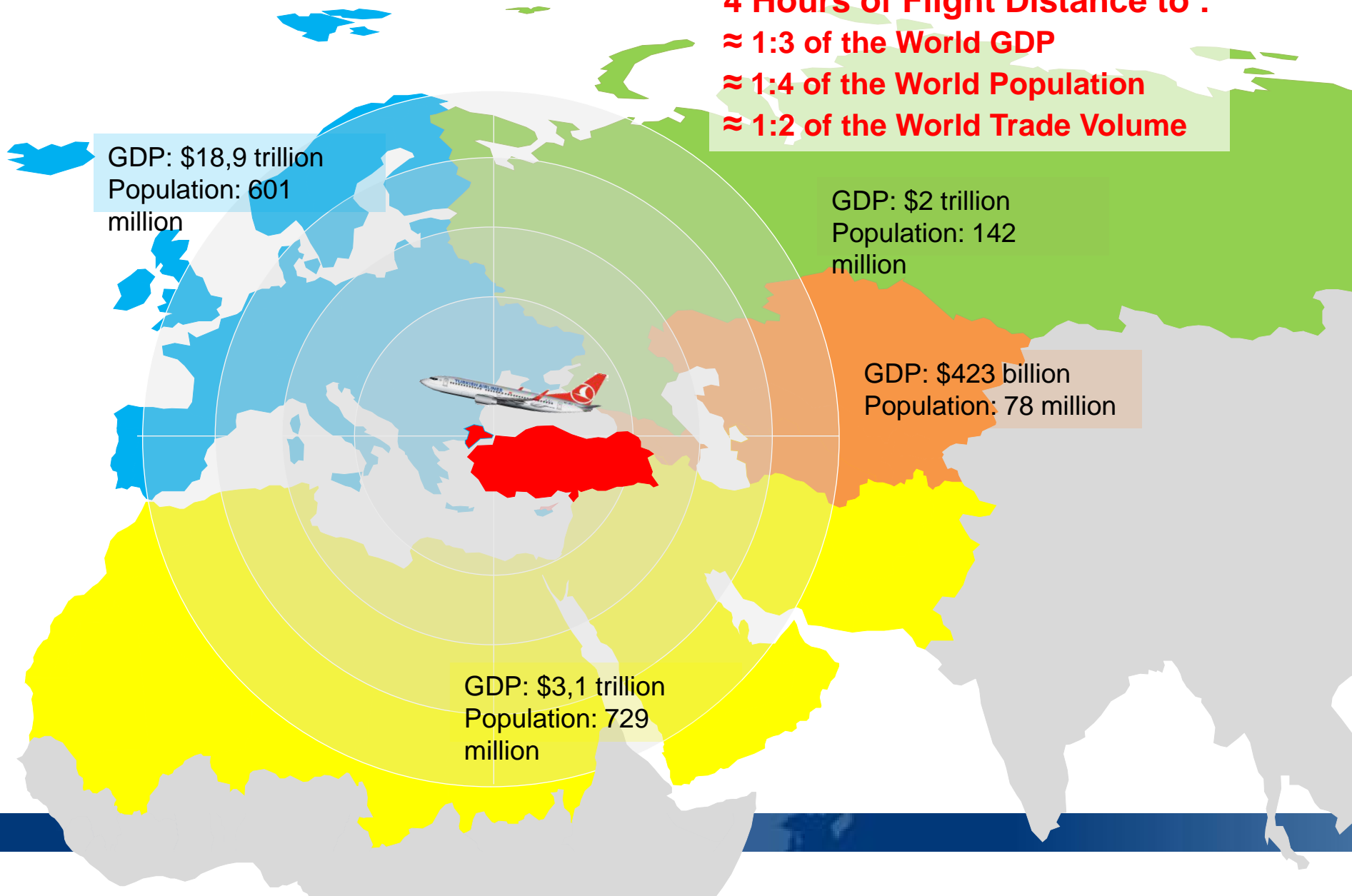
Source: TURKSTAT, Medium Term Economic Program, 2015-2017

Per Capita GDP (USD)

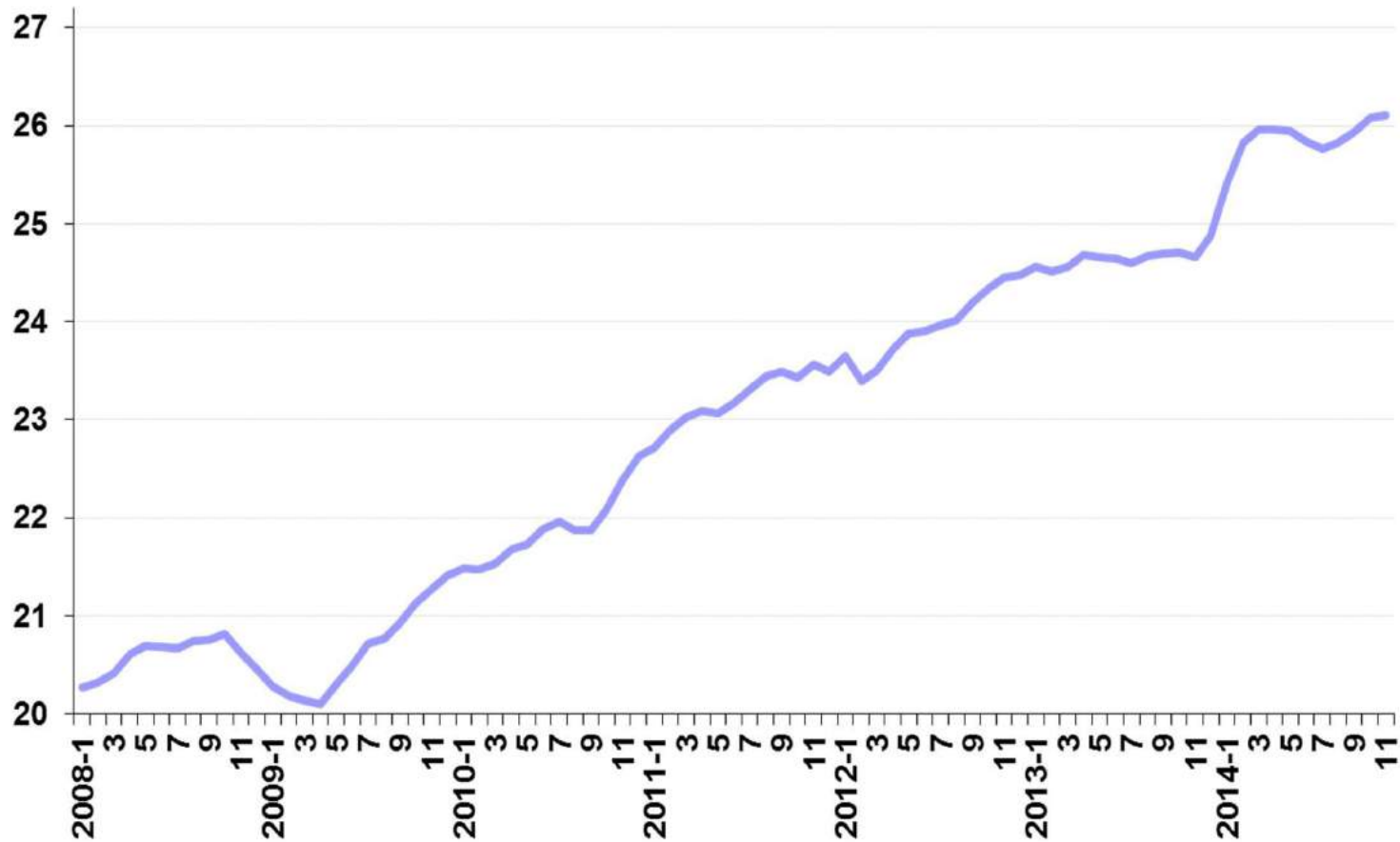


Source: TURKSTAT

4 Hours of Flight Distance to :
≈ 1:3 of the World GDP
≈ 1:4 of the World Population
≈ 1:2 of the World Trade Volume



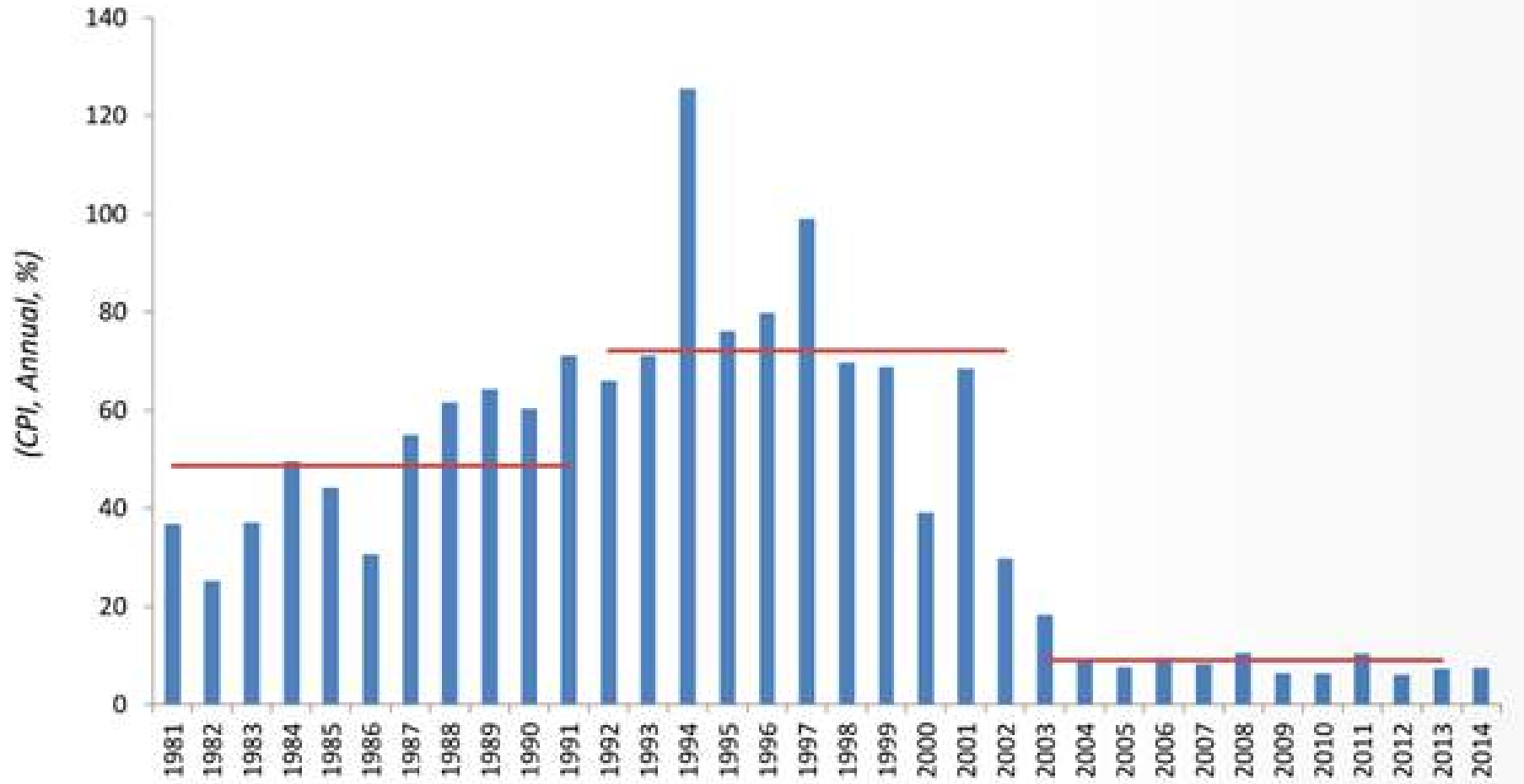
Employment* (million people), - Strong Job Creation



Source: TURKSTAT

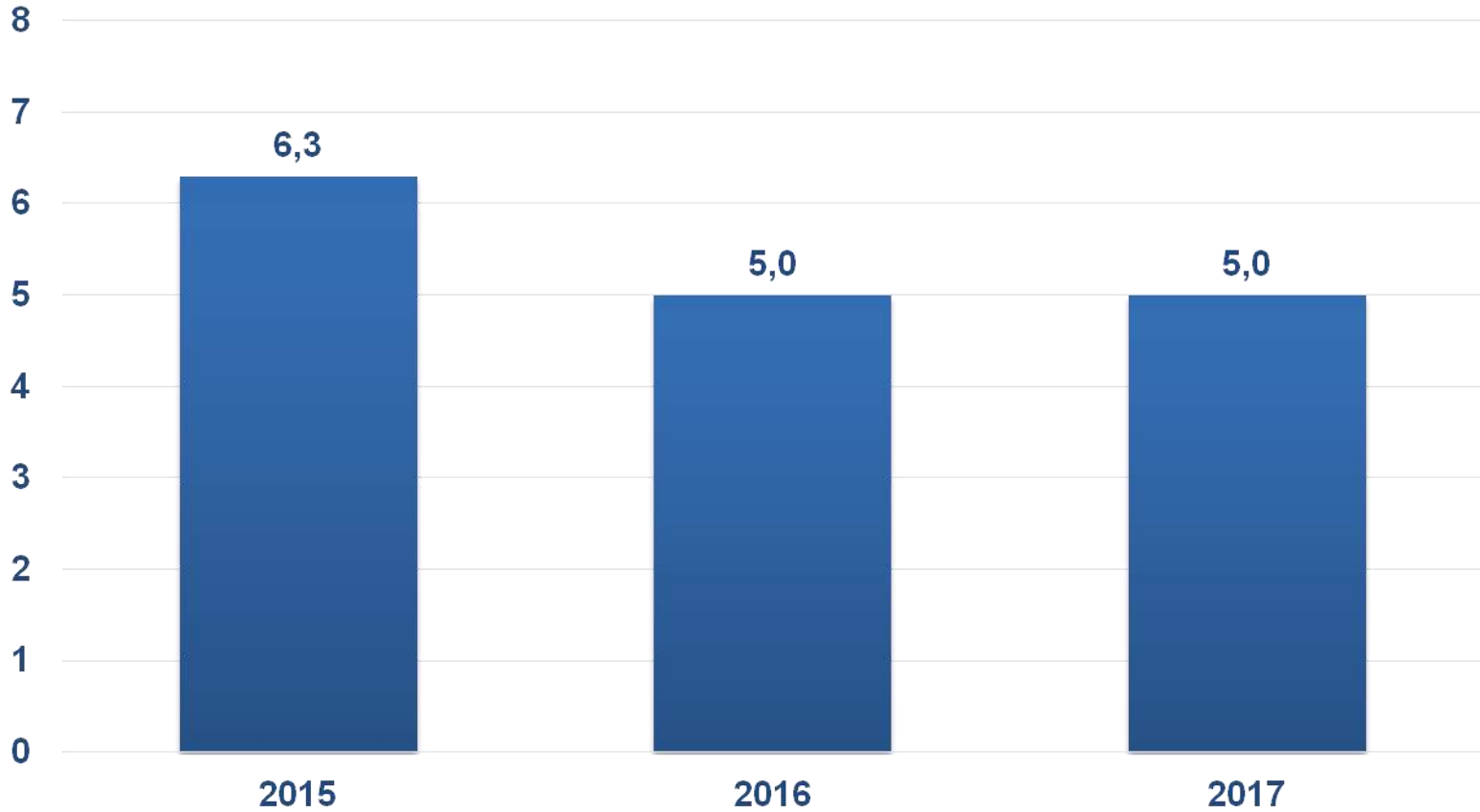
* Seasonally adjusted)

Inflation



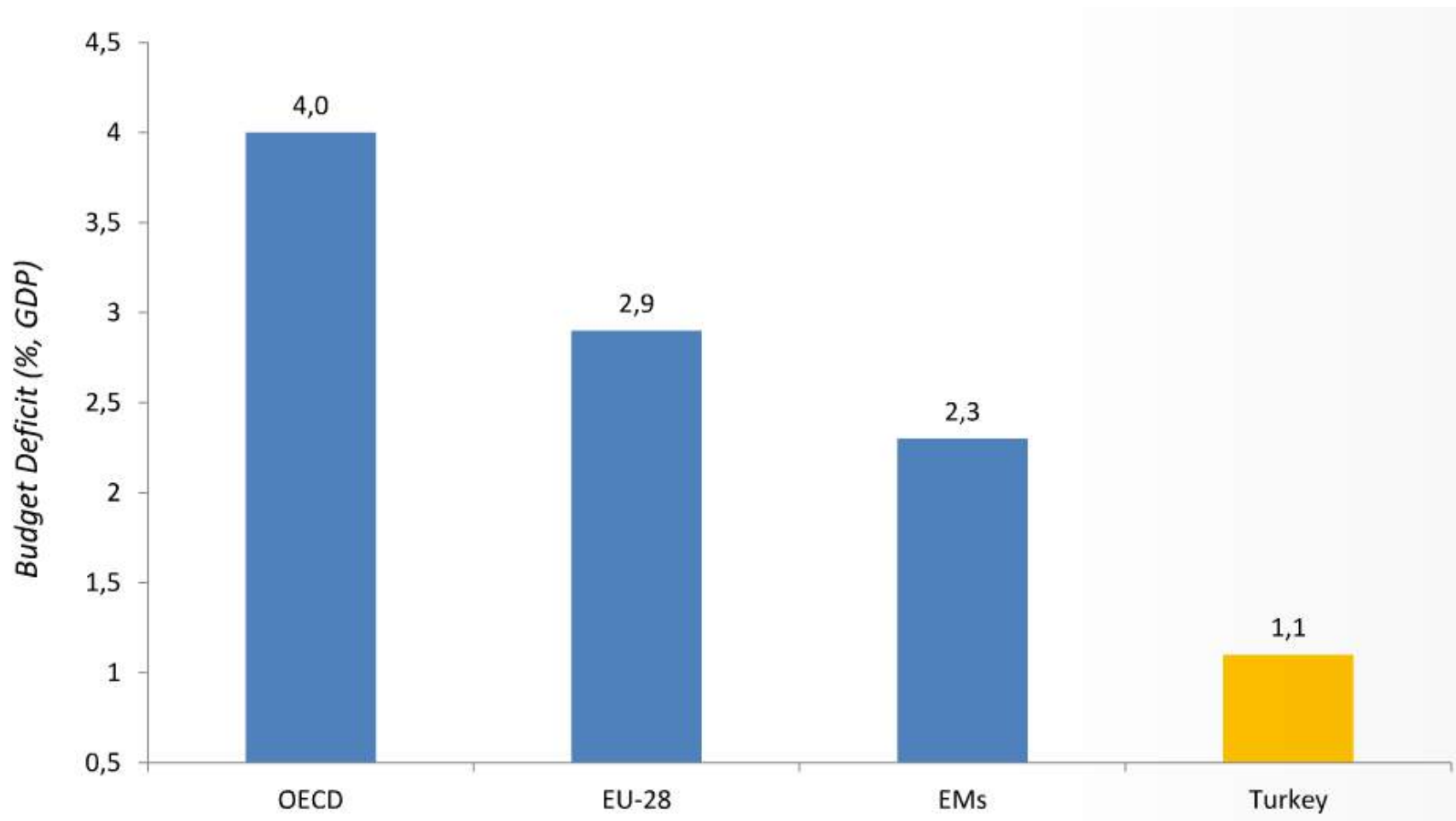
Source: TURKSTAT

Year End CPI Forecasts in 2015-2017 (%)



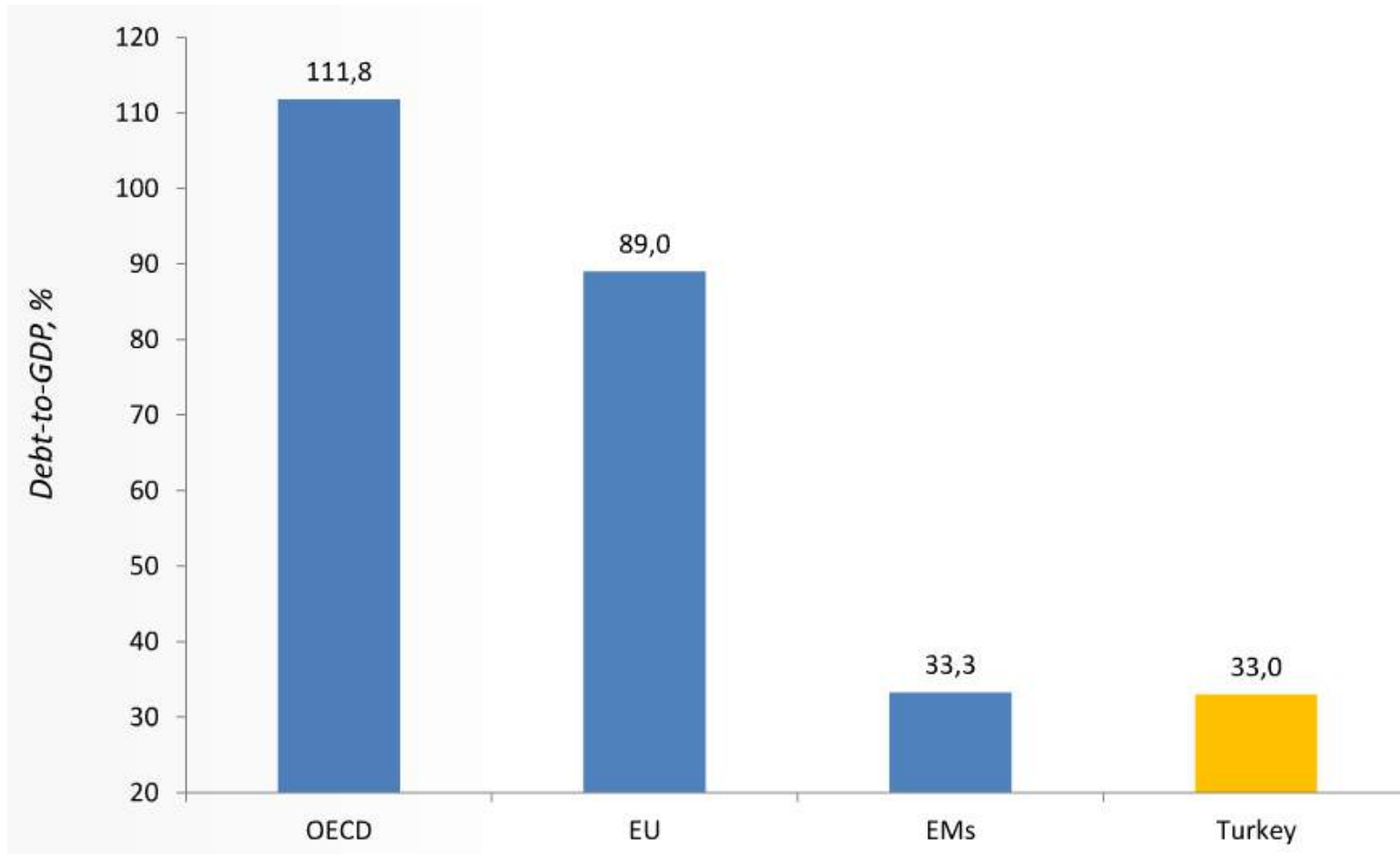
Source: Ministry of Development, Medium Term Economic Programme 2015-2017, October 2014

Budget Deficit 2014



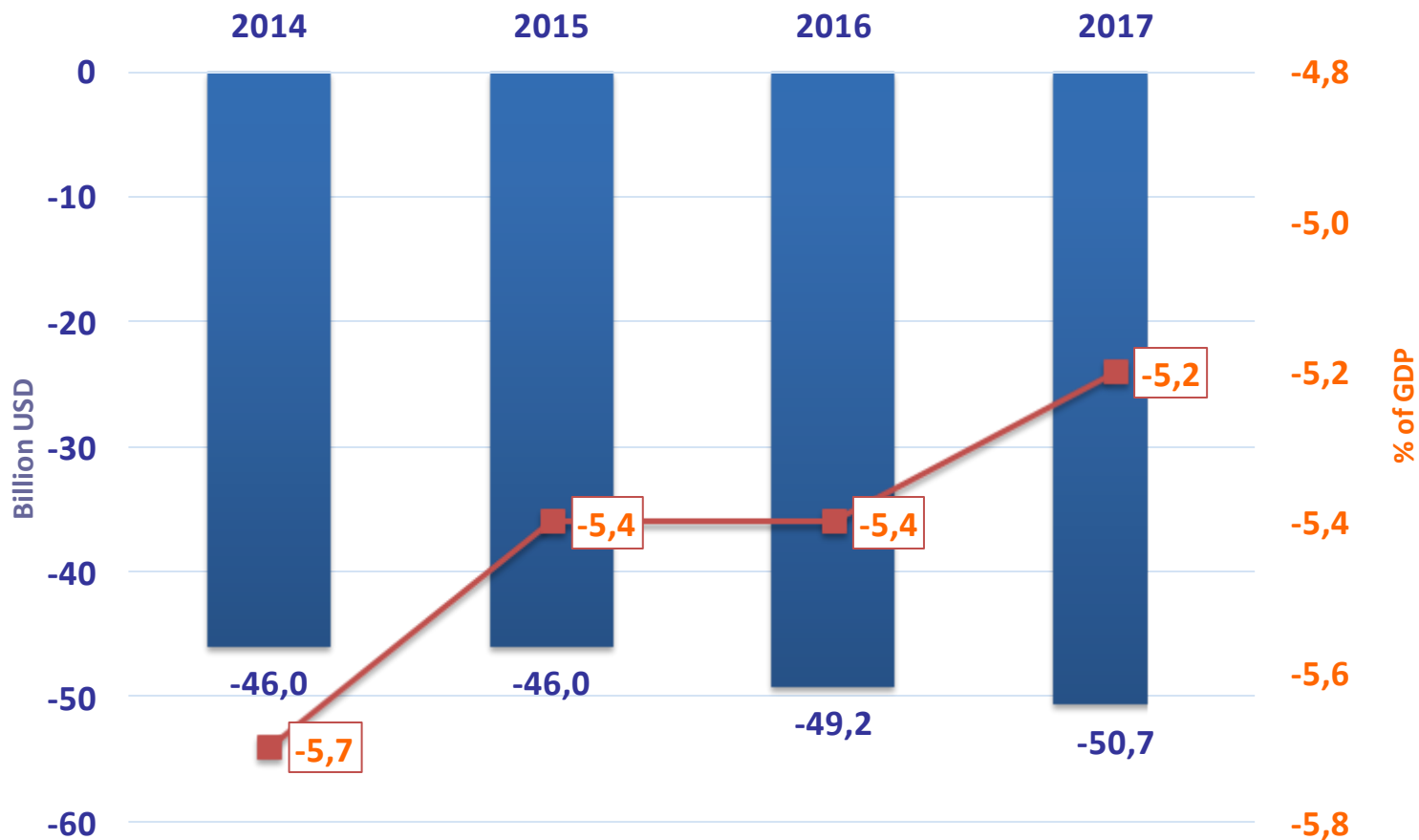
Source: IMF, OECD, Ministry of Development

Public Debt 2014



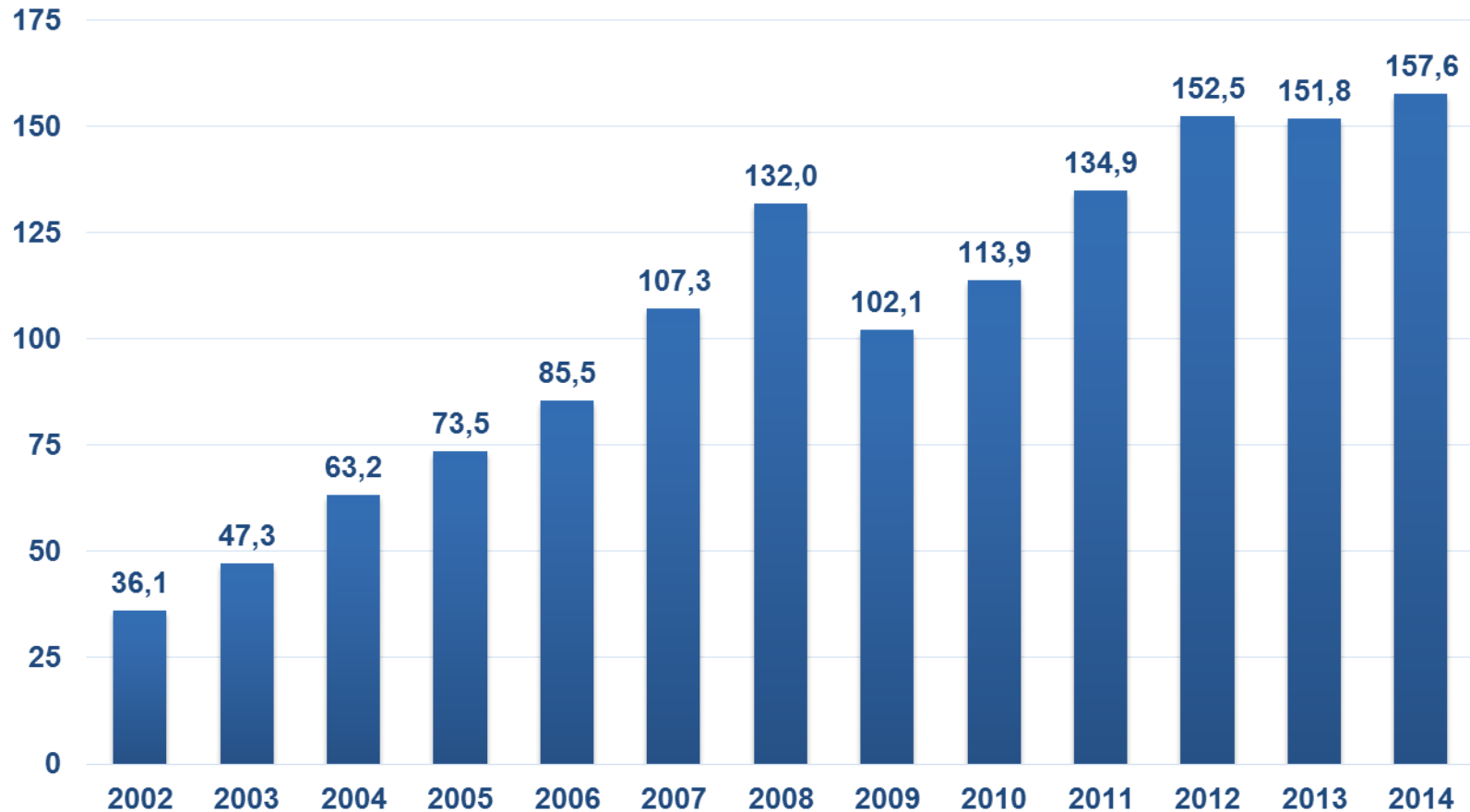
Source: IMF, OECD, Treasury

Current Account Balance Targets



Source: Ministry of Development, Medium Term Economic Programme 2015-2017

Annual Exports (Billion USD)



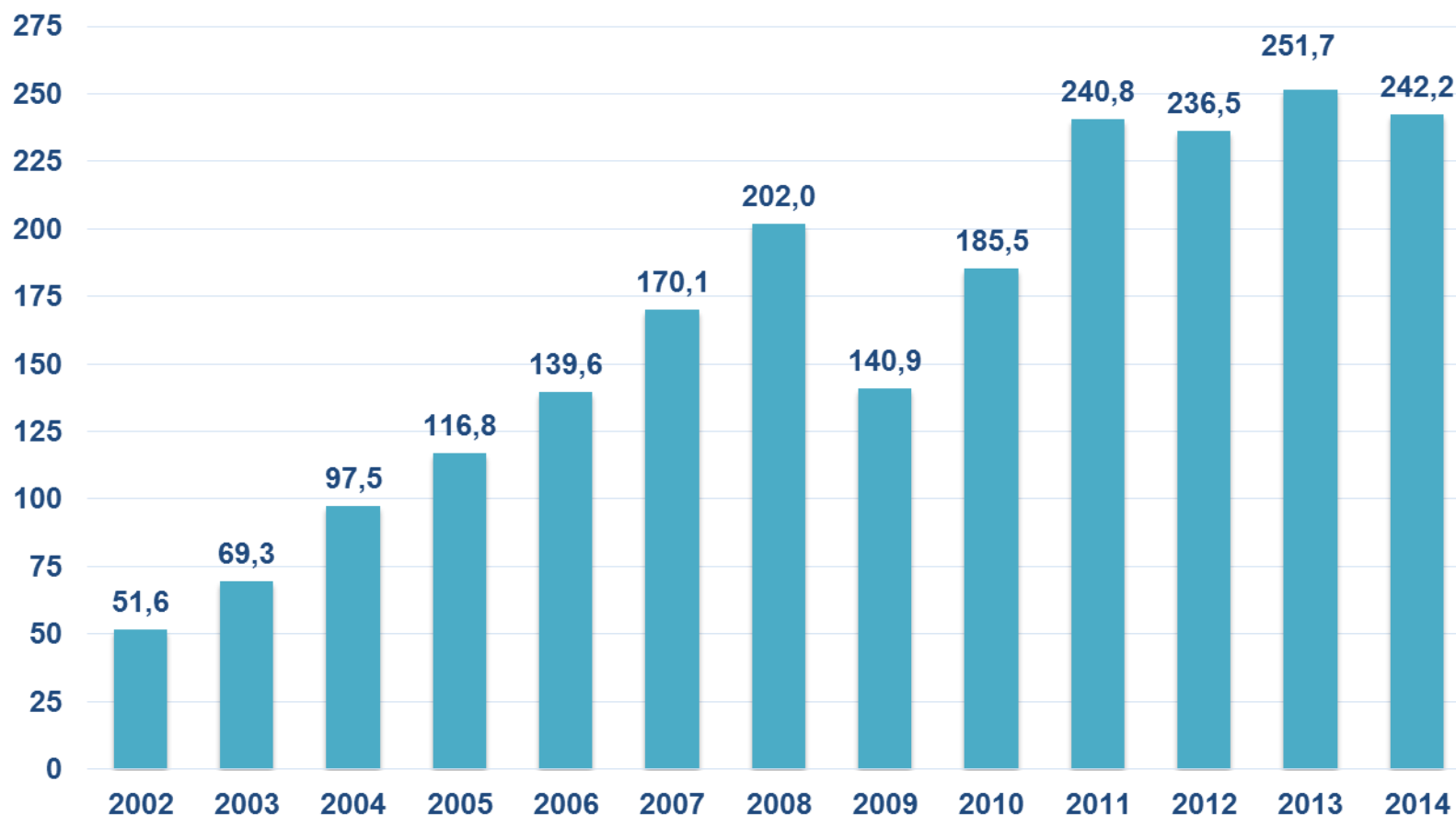
Source: TURKSTAT

Main Export Items (Million USD)

Annual (Million Dolar)									
Rank	Code	Description of Chapter	EXPORT		IMPORT		BALANCE		CHANGE %
			2013	2014	2013	2014	2013	2014	2013/2014
1	87	VEHICLES OTHER THAN RAILWAY, TRAMWAY	17.000	18.064	16.808	15.736	192	2.328	6,3
2	84	MACHINERY, NUCLEAR REACTORS, BOILERS, ETC	12.989	13.595	30.157	28.104	-17.167	-14.509	4,7
3	61	KNITTED AND CROCHETED GOODS AND ARTICLES THEREOF	9.245	10.029	941	985	8.304	9.044	8,5
4	85	ELECTRICAL, ELECTRONIC EQUIPMENT	9.544	9.693	17.759	17.949	-8.214	-8.255	1,6
5	72	IRON AND STEEL	9.919	9.246	18.691	17.576	-8.772	-8.330	-6,8
6	71	PEARLS, PRECIOUS STONES, METALS, COINS, ETC	6.999	7.717	16.234	8.121	-9.236	-404	10,3
7	73	ARTICLES OF IRON AND STEEL	6.148	6.356	2.758	2.618	3.390	3.738	3,4
8	62	NON KNITTED AND CROCHETED GOODS AND ARTICLES THEREOF	5.714	6.234	1.863	1.883	3.851	4.351	9,1
9	27	MINERAL FUELS, OILS, DISTILLATION PRODUCTS, ETC	6.725	6.112	55.917	54.895	-49.193	-48.783	-9,1
10	39	PLASTICS AND ARTICLES THEREOF	5.609	6.098	13.881	14.151	-8.272	-8.052	8,7
LIST TOTAL			89.892	93.145	175.009	162.016	-85.117	-68.871	3,6
TOTAL			151.803	157.642	251.661	242.183	-99.859	-84.541	3,8

Source: TURKSTAT

Annual Imports (Billion USD)



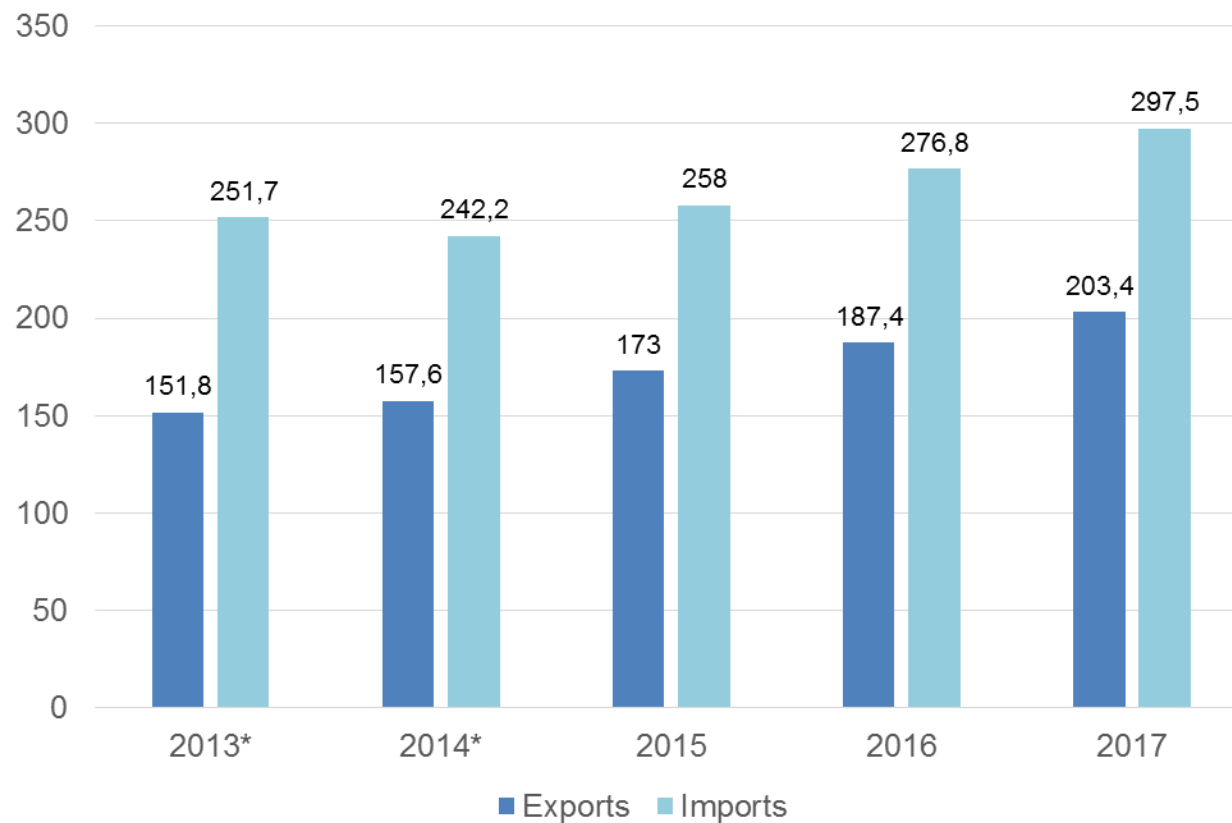
Source: TURKSTAT

Main Import Item (Million USD)

Annual (Million Dollar)									
Rank	Code	Description of Chapter	IMPORT		EXPORT		BALANCE		CHANGE %
			2013	2014	2013	2014	2013	2014	2013/2014
1	27	MINERAL FUELS, MINERALS OILS AND PRODUCT OF THEIR DISTILLATION	55.917	54.895	6.725	6.112	-49.193	-48.783	-1,8
2	84	BOILERS, MACHINERY AND MECHANICAL APPLIANCES, PARTS THEREOF	30.157	28.104	12.989	13.595	-17.167	-14.509	-6,8
3	85	ELECTRICAL MACHINERY AND EQUIPMENT, PARTS THEREOF	17.759	17.949	9.544	9.693	-8.214	-8.255	1,1
4	72	IRON AND STEEL	18.691	17.576	9.919	9.246	-8.772	-8.330	-6,0
5	87	VEHICLE OTHER THAN RAILWAY OR TRAMWAY ROLLING-STOCK, PARTS THEREOF	16.808	15.736	17.000	18.064	192	2.328	-6,4
6	39	PLASTIC AND ARTICLES THEREOF	13.881	14.151	5.609	6.098	-8.272	-8.052	1,9
7	71	PEARLS, PRECIOUS STONES, PRECIOUS METALS AND ARTICLES THEREOF	16.234	8.121	6.999	7.717	-9.236	-404	-50,0
8	29	ORGANIC CHEMICALS	5.314	5.833	598	534	-4.716	-5.299	9,8
9	90	OPTICAL, PHOTOGRAPHIC, CINEMATOGRAPHIC, MEASURING CHECKING, PRECISION	4.559	4.878	661	716	-3.898	-4.162	7,0
10	30	PHARMACEUTICAL PRODUCTS	4.151	4.428	754	806	-3.397	-3.622	6,7
LIST TOTAL			183.471	171.671	70.798	72.582	-112.673	-99.088	-6,4
TOTAL			251.661	242.183	151.803	157.642	-99.859	-84.541	-3,8

Source: TURKSTAT

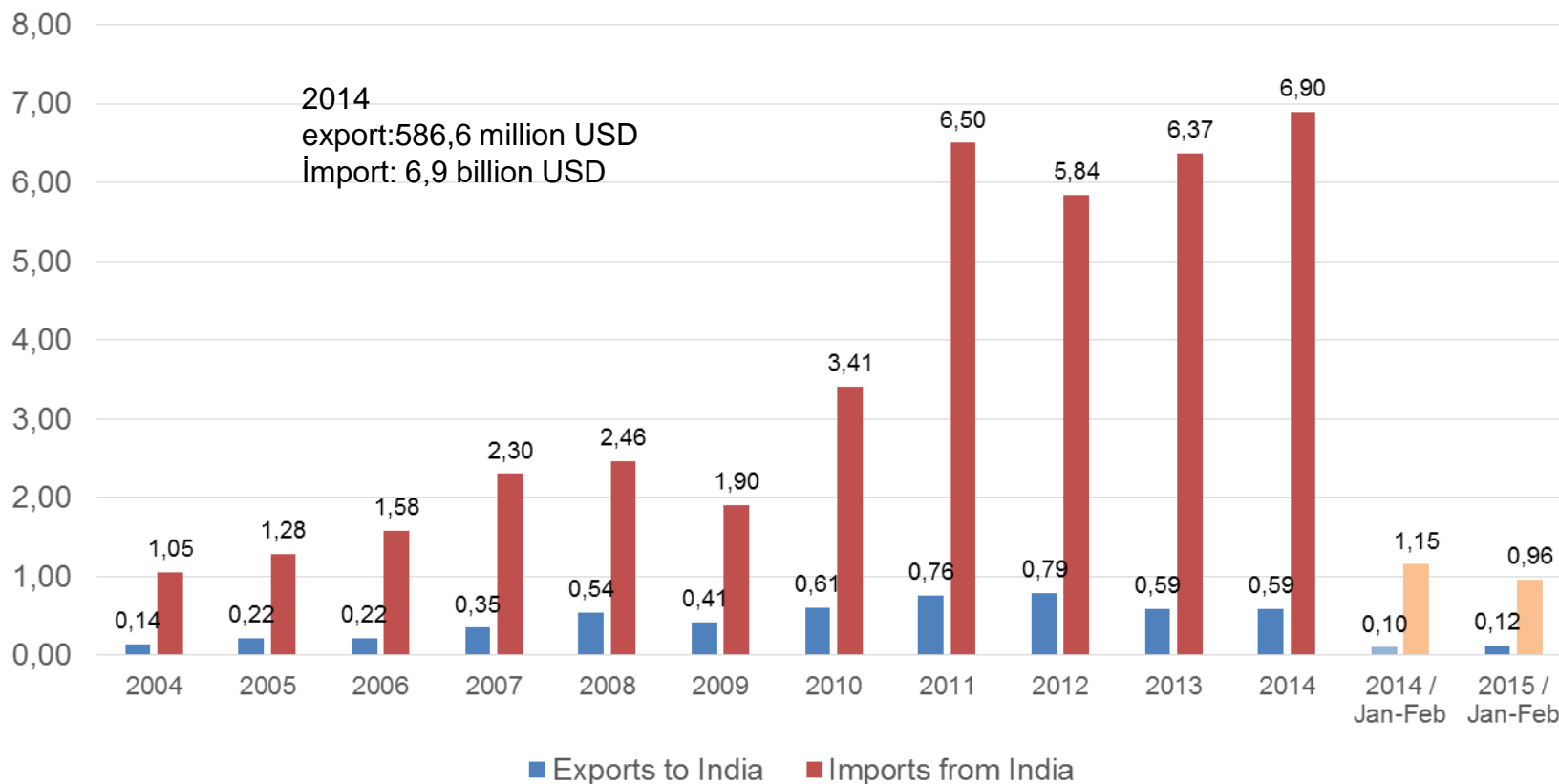
Exports and Imports Targets (FOB, Billion USD)



(*) realized

Source: Ministry of Development, Medium Term Economic Programme 2015-2017

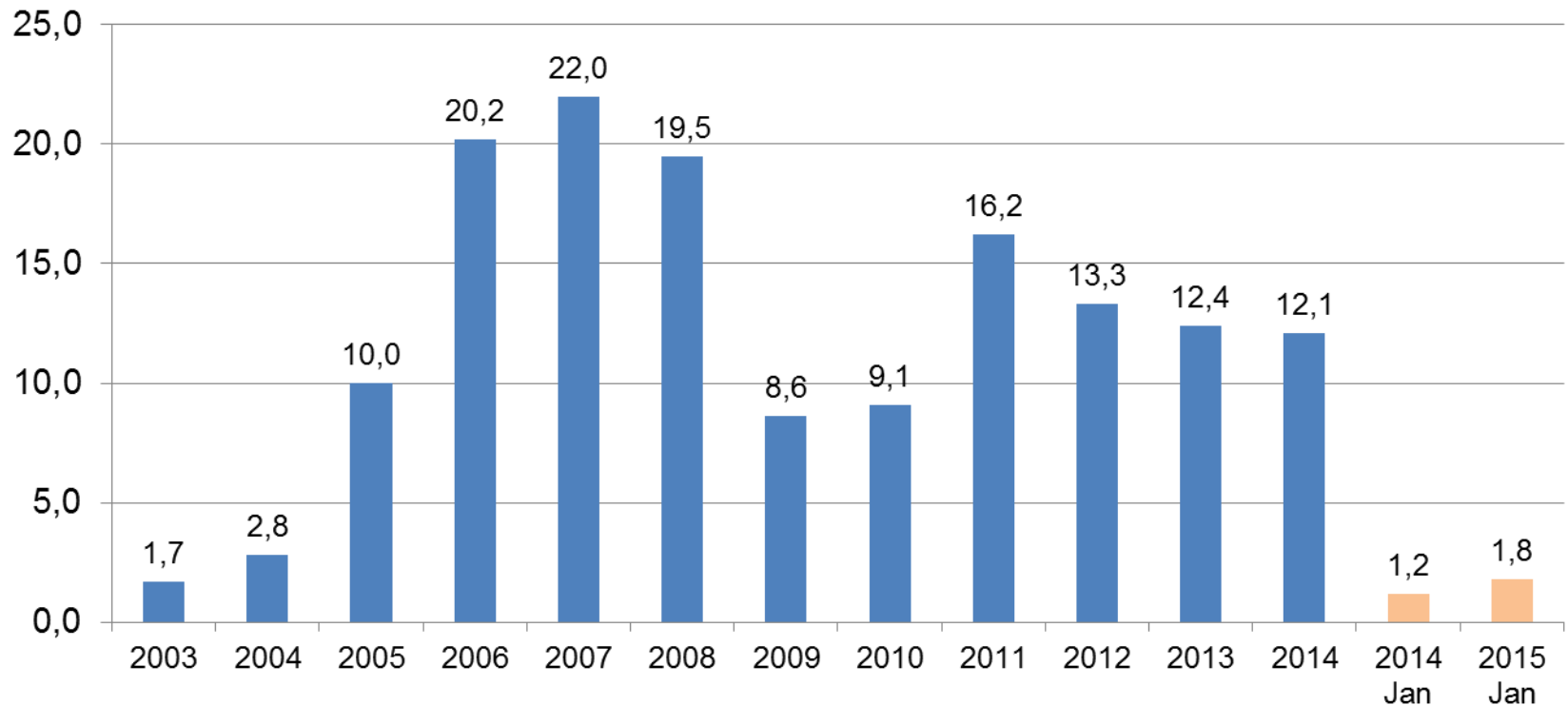
Turkey – India Bilateral Trade (Billion USD)



Source: Ministry of Economy

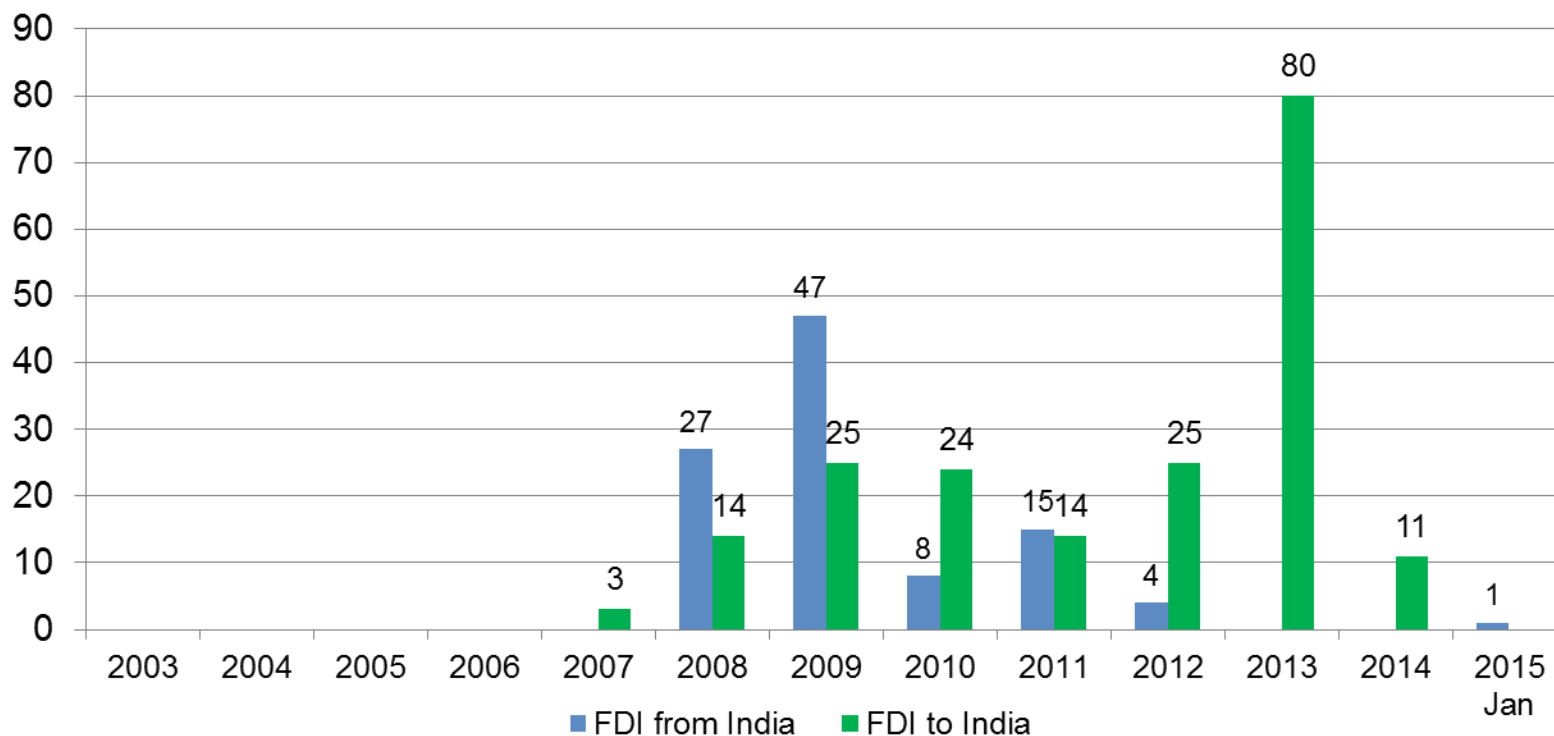
FDI Figures (Billion USD)

- 1975-2002 : 15 billion USD
 - 2003-2014 : 147,9 billion USD
- FDI inflows** **Number of Foreign Capital Companies**
41.699 as of 2015 Jan



Source: Ministry of Economy, CBRT

FDI inflows between Turkey and India (Million USD)



Cummulative FDI inflow from India is 102 million USD whereas to India is 196 million USD since 2002.

216 Indian company operates in Turkey. They are mainly dealing with trade.

Vision 2023

- ✓ One of the top 10 economies in the world
- ✓ GDP: \$2 trillion
- ✓ Per Capita Income: \$25 thousand
- ✓ Exports: \$500 billion
- ✓ R&D Expenditures: 3% of GDP (2% by Private Sector)
- ✓ Annually 50 million Tourists with \$50 billion annual revenue
- ✓ 125.000 MW installed power (up from 55.000 MW)
- ✓ 10.000 km high-speed railway, 4.000 km new railway

Priorities & Reform Agenda to Boost Productivity

Improving
Macroeconomic
Performance

Improving
Quality of
Institutions

Enhancing
Human Capital
Stock

Improving
Infrastructure

Deepening
Capital Markets

Increasing
Labor Market
Flexibility

Enhancing
Competition

Increasing
Access &
Quality of Health
Services

Investing in
Local &
Renewable
Energy

Enhancing
Technological
Readiness &
Innovation

Combatting
Shadow
Economy

Narrowing
Regional
Development
Gaps

Projects of the Century: Under construction



Tube Tunnel



3rd Bridge



Izmit Gulf Transit



Istanbul-Izmir Highway



***High-Speed Train through
Ankara-Bursa-Istanbul***



Investing & Doing Business in Turkey

Foreign Direct Investment Regime



Legislation

- Law No. 4875 (June 17, 2003)

Foreign Direct Investor

- Foreign real person
- Foreign legal entity established under the laws of foreign countries

Foreign Direct Investment

- Establishing a new company or branch of a foreign company
- Acquisitions of shares in a company established in Turkey

Main Principles

- National treatment
- No pre-entry screening/minimum capital requirements
- Right to acquire real estate
- Guarantee to free transfer of proceeds, dividends and other financial assets
- Right to employ key expatriate staff
- Right to access international dispute settlement

Real Estate Acquisition

For Real Persons

- No reciprocity requirement
- Acquisitions up to 30 hectares
- Requirement to develop a project within two years in case the acquisition of a vacant land
- Total area of real estates can not exceed 10% of the privately owned land in the town

For Foreign Companies

- Acquisition according to the provisions of special laws

For Turkish Companies With Foreign Capital

- Companies controlled by foreign investors can acquire real estates to conduct business activities listed in the Articles of Association
- Permission requirement for the acquisitions in military zones and special security zones
- Exemptions for special cases

Improving Investment Environment



- ✓ Streamlining procedures for investments and eliminating administrative and bureaucratic hurdles in line with changing priorities and needs of business
- ✓ Political ownership
- ✓ Making full use of public-private dialogue through permanent platforms:

**The Coordination Council
for the Improvement of Investment Environment**

Investment Advisory Council

Improving Investment Environment

COUNCIL OF MINISTERS

Coordination Council
for the Improvement of Investment Environment
(YOIKK)

Investment Advisory
Council
(IAC)

Monitoring
(YOIKK
Secretariat)

Steering Committee

Working Groups for
Assesment and Evaluation

TECHNICAL COMMITTEES

Company registration
and Corporate
Governance

Employment

Input Supply Strategy
(GITES) and Sectoral
Licensing

Land for investment,
environmental and
zoning permits

Taxes and
Incentives

Foreign Trade and
Customs

Intellectual Property
Rights and R&D

Legislation of
Investment Climate

Access to
Finance

Infrastructure

For more information: <http://yoikk.gov.tr>

Improving Investment Environment



Investment Advisory Council

- ✓ Top level Executives of leading multinational companies
- ✓ Heads of international institutions (IMF, World Bank, European Investment Bank)
- ✓ Heads of YOIKK partner NGOs.
- ✓ Investment Advisory Council of Turkey had 8 meetings since 2004





International Agreements

CUSTOMS UNION WITH THE EU

FREE TRADE AGREEMENTS WITH 17 COUNTRIES IN FORCE

- EFTA
- Israel
- Macedonia
- Bosnia and Herzegovina
- Palestine
- Tunisia
- Morocco
- Syria*
- Egypt
- Albania
- Georgia
- Montenegro
- Serbia
- Chile
- Jordan
- Mauritius
- South Korea

(*) suspended

BILATERAL INVESTMENT TREATIES WITH 75 COUNTRIES

India since 2003

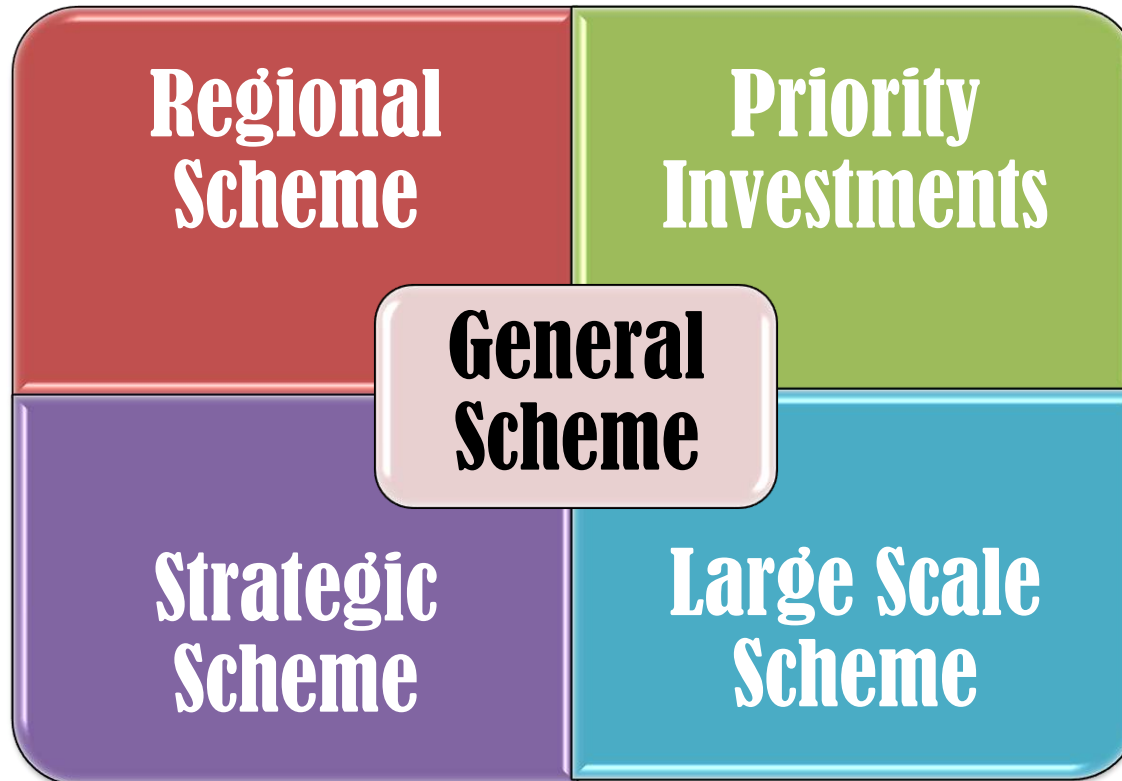
DOUBLE TAXATION AGREEMENTS WITH 80 COUNTRIES

India since 1996



Investment Incentives

Investment Incentives Program





Support Measures

VAT Exemption	for machinery and equipment, imported or local (18%)
Customs Duty Exemption	for imported machinery and equipment (average 2%)
Tax Deduction	15% to 55% of fixed investment depending on location/industry
Social Security Premium Support (Employer's Share)	2 to 12 years of exemption from certain portion of labor wages
Interest Support	For investment loans, a certain portion of the interest share covered by the Ministry (3-7% for TL credits, 1-2% for foreign currency credits)
Land Allocation	Government land allocated for the investments
VAT Refund	VAT collected on the building & construction expenses will be rebated. (only for strategic investment projects with a fixed investment amount of at least 500 Million TL, ~ 193 million USD)
Only For Region 6 (The Least Developed Region)	
Income Tax Withholding Support	10 years of exemption from certain portion of labor wages
Social Security Premium Support (Employee's Share)	10 years of exemption from certain portion of labor wages



Support Measures

Support Measures	General Investment	Regional Investment	Large Scale Investment	Strategic Investment
VAT Exemption	✓	✓	✓	✓
Customs Duty Exemption	✓	✓	✓	✓
Tax Deduction	-	15–55 %	25–65 %	50 %
Social Security Premium Support (Employer's Share)	-	2–12 years	2–12 years	7 years
Interest Support	-	3-7% for TL 1-2% for FX	-	5% for TL 2% for FX
Land Allocation	-	✓	✓	✓
VAT Refund	-	-	-	✓
Only For Region 6 (The Least Developed Region)				
Income Tax Withholding Support	10 years	10 years	10 years	10 years
Social Security Premium Support (Employee's Share)	-	10 years	10 years	10 years

Regional Investment Incentive Scheme Regional Incentives Map



Regional Investment Incentive Scheme

The aim of the Scheme:

- ✓ Regional system aims to eliminate inter-regional imbalances.

The supported sectors:

- ✓ Supported sectors are determined according to the economic potentials of provinces and scales of economies.
- ✓ For each provinces, there is a supported sectors list with a different minimum investment amount or capacity requirement.

The support rates and terms:

- ✓ Rates and terms of support measures are differentiated according to development level of the regions.



Regional Investment Incentive Scheme

Incentives		Region 1	Region 2	Region 3	Region 4	Region 5	Region 6
VAT Exemption		✓	✓	✓	✓	✓	✓
Customs Duty Exemption		✓	✓	✓	✓	✓	✓
<u>Tax Deduction</u> Rate of Contribution to Investment (%)	out of OIZ	15	20	25	30	40	50
	in OIZ	20	25	30	40	50	55
Social Security Premium Support (Employer's Share)	out of OIZ	2 years	3 years	5 years	6 years	7 years	10 years
	in OIZ	3 years	5 years	6 years	7 years	10 years	12 years
Land Allocation		✓	✓	✓	✓	✓	✓
Interest Support		N/A	N/A	✓	✓	✓	✓
Income Tax Withholding		N/A	N/A	N/A	N/A	N/A	10 years
Social Security Premium Support (Employee's Share)		N/A	N/A	N/A	N/A	N/A	10 years

Priority Investments

Following priority investments will benefit from terms and rates of the support measures of Region 5 even they are made in Regions 1, 2, 3, 4.



Tourism investments in Cultural and Touristic Preservation and Development Regions determined by the Council of Ministers Decree and thermal tourism investments.

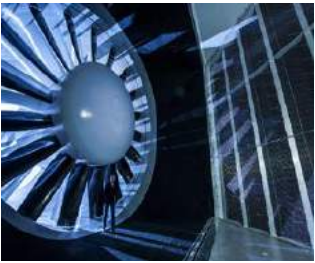


Mining Investments

Priority Investments



Pharmaceutical investments and Defense Industry Investments with a minimum investment amount of 20 Million TL (~7,7M USD)



Test facilities, wind tunnel and similar investments made for automotive, space or defense industries

Priority Investments



Nursery, Pre-school, Primary, Middle and High School investments by private sector



Investments made to manufacture the products and parts designed and developed as an **outcome of the R&D Projects** supported by the Ministry of Science, Industry and Technology, TUBITAK and KOSGEB

Priority Investments



International fairground investments with a minimum covered area of 50.000 m²



Motorized land vehicles key industry investments with a minimum investment amount of 300 million TL (~116M USD), **automotive engine** manufacturing investments with a minimum amount of 75 million TL (~28,9M USD) and **transmission components/parts and automotive electronics** manufacturing investments with a minimum amount of 20 million TL (~7,7M USD)

Priority Investments



Investment made to **generate electricity from coal**



Investments on production of electricity through **waste heat recovery** in a facility (excluding natural gas-based electricity generation plants)

Priority Investments



Energy efficiency investments with a return on investment of maximum 5 years and providing at least 20% energy savings per unit, which are carried out by existing manufacturing facilities that have minimum 500 TOE (tonne of oil equivalent) annual energy consumption

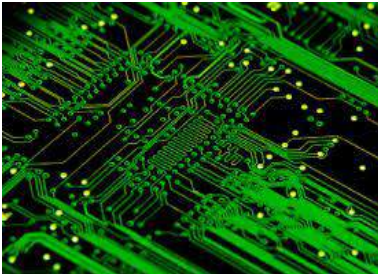


Liquefied natural gas (LNG) investments and underground gas storage investments with a minimum amount of 50 million TL (~19,3M USD)

Priority Investments



Investment for production of **carbon fiber** or the production of **composite materials** included carbon fiber production



Investment for production of **high technology products**



Support Measures for Priority Investments

Incentives		All Regions
VAT Exemption		✓
Customs Duty Exemption		✓
Tax Deduction	Rate of Contribution to Investment (%)	40%
Social Security Premium Support (Employer's Share)		7 Years (10 years for Region 6)
Land Allocation		✓
Interest Payment Support		5% for TL 2% for FX
Income Tax Withholding Exemption		10 years only for Region 6
Social Security Premium Support (Employee's Share)		10 years only for Region 6

Large Scale Investment Incentive Scheme

- Goals of the Scheme:**
- Improvement of Technology and R&D Capacity
 - Provide a competitive advantage in the international arena

#	Investment Subjects	Min. Inv. Amount	
		Million TL	~Million USD
1	Refined Petroleum Products	1.000	385
2	Chemical Products	200	77
3	Harbours and Harbour Services	200	77
4	Automotive OEM and Side Suppliers	200-50	77 -19,3
5	Railway and Tram Locomotives and/or Railway Cars	50	19,3
6	Transit Pipe Line Transportation Services	50	19,3
7	Electronics	50	19,3
8	Medical, High Precision and Optical Equipment	50	19,3
9	Pharmaceuticals	50	19,3
10	Aircraft and Space Vehicles and/or Parts	50	19,3
11	Machinery (including Electrical Machines And Equipments)	50	19,3
12	Integrated Metal Production	50	19,3

Large Scale Investment Incentive Scheme

Incentives	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6
VAT Exemption	✓	✓	✓	✓	✓	✓
Customs Duty Exemption	✓	✓	✓	✓	✓	✓
Tax Deduction out of OIZ	25	30	35	40	50	60
Rate of Contribution to Investment (%) in OIZ	30	35	40	50	60	65
Social Security out of OIZ Premium Support (Employer's Share) (Year) in OIZ	2	3	5	6	7	10
	3	5	6	7	10	12
Land Allocation	✓	✓	✓	✓	✓	✓
Interest Support	N/A	N/A	N/A	N/A	N/A	N/A
Income Tax Withholding	N/A	N/A	N/A	N/A	N/A	10
Social Security Premium Support (Employee's Share) (Year)	N/A	N/A	N/A	N/A	N/A	10

Strategic Investment Incentive Scheme

Goals of the scheme:

- ✓ This scheme aims at supporting production of intermediate and final products with high import dependence with a view to reduce current account deficit.
- ✓ It also targets encouraging high-tech and high value added investments with a potential to strengthen Turkey's international competitiveness.



Strategic Investment Incentive Scheme

Eligibility Criteria for Strategic Investment:

- ✓ Production of import dependent intermediate goods and final products (more than 50% supplied by imports)
- ✓ 50 Million TL (~19,3M USD) minimum investment amount
- ✓ A minimum 40% value addition
- ✓ Import in the last year should be at least 50M USD (This condition is not necessary for goods with no domestic production)



Strategic Investment Incentive Scheme

Incentives		All Regions
VAT Exemption		✓
Customs Duty Exemption		✓
Tax Deduction	Rate of Contribution to Investment (%)	50%
Social Security Premium Support (Employer's Share)		7 Years (10 years for Region 6)
Land Allocation		✓
VAT Refund		The building and construction costs of investments of more than 500 Million TL
Interest Payment Support		Limited to 5% of total investment amount and with a cap of 50 Million TL (~19,3m USD)
Income Tax Withholding Exemption		10 years only for Region 6
Social Security Premium Support (Employee's Share)		10 years only for Region 6

General Investment Incentive Scheme

- ✓ Regardless of region where investment is made, the scheme is available for all investment projects provided that:
 - Investment subject is not excluded from the investment incentives programs.
 - Requirement of minimum fixed investment amount is met
 - 1 Million TL. (~385K USD) in Regions I and II,
 - 500 Thousand TL.(~193K USD) in Regions III, IV, V and VI respectively.
- ✓ The investment projects that are supported from the General Investment Incentives Scheme will benefit only from **Customs Duty** and **VAT exemptions** on their machinery and equipment expenditures.

For More Information

Investment Incentive Information Center

Phone : + 90 312 444 43 63

E-mail : incentives@economy.gov.tr

Web : www.economy.gov.tr