

DOING BUSINESS IN TURKEY

2019



MAZARS TURKEY

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INTRODUCTION

Geography

Turkey is situated in Anatolia and the Balkans, bordering the Black Sea between Bulgaria and Georgia, and bordering the Aegean and Mediterranean Seas between Greece and Syria.

The land area of Turkey is 783,562 km². Its borders extend more than 1,600 km from west to east, but less than 800 km from north to south.



Population

According to the last national census, conducted in 2017, the population of Turkey is approximately 80.8 million. In the year 2017, nearly 45% of Turkey's inhabitants lived in its ten largest urban centers, which are:

Major Cities	Population in 2017
Istanbul	15.029.231
Ankara	5.445.026
Izmir	4.279.677
Bursa	2.936.803
Antalya	2.364.396
Adana	2.216.475
Konya	2.180.149
Gaziantep	2.005.515

Exchange Rates

The currency unit of the Republic of Turkey is the Turkish Lira (TL).

Official exchange rates for major currencies are as follows (as of December 31, 2018):

Currency	Buying	Selling
USD	5.2810	5.2905
EUR	6.0422	6.0530
GBP	6.7135	6.7485
CHF	5.3496	5.3839
JPY*	4.7830	4.8147

*100JPY

Political System

Turkey is a secular, unitary, formerly parliamentary republic which adopted a presidential system with a referendum in 2017; the new system came into effect with the presidential election in 2018. The political system in Turkey is based on social justice and the rule of law in a secular constitution, allowing multiple political parties. The President is the head of state and is elected by the direct voting rights for five years. The promulgation of laws and signature of decrees are among the functions of the President.

The executive power is exercised by the President, while the legislative power is vested in the unicameral parliament, called the Grand National Assembly of Turkey. The judiciary operates independently, on behalf of the state.

International Economic Relations

Turkey is a member of the following international bodies:

- UN (since 1946)
- Council of Europe (since 1949)
- GATT (since 1951) and WTO (since 1995)
- NATO (since 1952)
- OECD (since 1961)
- ECO (since 1985)
- BSEC (since 1992)

In addition, Turkey has bilateral agreements on preferential free trade, the promotion and protection of investments, double taxation (**see Appendix 1**) and social security (**see Appendix 2**).

Turkey began full membership negotiations with the European Union in 2005. This came as a follow-up to associate membership of the European Economic Community since 1963, and membership in the EU Customs Union in 1995. The European Council opened accession negotiations with Turkey on October 3rd, 2005. The negotiations came to be based on the principles proposed by the European Commission in its recommendations of December 2004.

Economics and Business Climate

Prior to the 1980s, the Turkish economy had been dominated by “State Economic Enterprises” (SEEs) and “Public Economic Enterprises” (PEEs). A considerable proportion of the economy was state controlled, either directly or indirectly. The private sector was relatively small.

During the 1980s, the economy underwent a rapid transition. Whereas previously it had been a closed economy concerned mainly with gradual industrialization, it became far more outward looking and export oriented. Rapid economic expansion led to reduced reliance on agriculture and facilitated a switch to manufacturing, construction and service industries – in particular tourism and transportation.

The service market accounts for 60% of GDP. 54.6% of the country's workforce is employed by the service market. Tourism is among the service markets with largest impact on GDP (10%), and it is an important source for foreign currency.

Manufacturing activities represent 31.8% of Turkey's GDP. The large infrastructure projects are the main manufacturing activities of the country.

Agriculture is among the most important sectors in Turkey. 11% of Turkey's land is used for the agricultural activities. Turkey is among the world's largest exporters of tobacco. Turkey holds about 70% of the global production of hazelnut.

Foreign Investment

Foreign investors are treated same as the domestic investors. They can freely engage in direct investment without having to obtain permission.

For further information, please visit: www.invest.gov.tr

International Dispute Settlement

Disputes arising from investment contracts under the private law, and investment disputes arising from public contracts signed between foreign investors and the Turkish Government can be resolved through national or international arbitration or other dispute settlement procedures.

Recent Economics Indicators ^{1,2,3}

Basic economics indicators are as follows:

Years	2013	2014	2015	2016	2017	2018e*	2019e*
GDP (PPP) (million \$)	821.918	806.108	719.620	863.721	851.102	909.885	961.655
GDP per capita (PPP) (\$)	10.806	10.482	9.680	10.883	10.597	11.114	11.602
Inflation (%)	7,4	8,2	7,0	8,5	11,9	10,9	10,0
Volume of exports (million \$)	151.802	157.610	143.838	142.529	156.993	167.127	175.560
Volume of imports (million \$)	251.661	242.177	207.234	198.618	233.800	243.521	252.892
Exports/Imports (%)	60,3	65,1	69,4	71,8	67,1	68,6	69,4
Unemployment rate (%)	9,0	9,9	10,3	10,9	10,9	10,6	10,6
Population (million persons)	76,1	76,9	77,7	79,8	80,8	81,8	82,8

1 International Monetary Fund

2 Turkish Statistical Institute

3 <http://www.invest.gov.tr>

* Estimated

Notes:





LEGAL BUSINESS ENVIRONMENT

2.1 Legal System

The legal system in Turkey is divided into three departments: criminal law, civil law and administrative law – the last of which deals with disputes between individuals, companies, etc., and the offices of the state, i.e., the government, local councils, and tax and customs authorities.

The highest court in the legal system is the Constitutional Court, which works to ensure the continued functioning of the democratic system and safeguard against abuses of power.

The Court of Appeal is the court for reviewing the decisions and judgments ruled by the Courts of Justice. The decisions of the Commercial Courts are resolved in the Court of Appeal.

The Council of State is the highest judicial body in tax litigation and administrative disputes. As the appeal court, it is the final instance for the review of decisions and judgments by the Administrative and Tax Courts.

2.2 Foreign Investment Law

According to “Direct Foreign Investment Law,” published on Juneth 6, 2003, various permits and related procedures obstructing foreign investment have been abolished. Currently, there is no need to obtain permission for investment.

The new law guarantees national treatment and comprehensive investor rights. All companies established with foreign capital contribution under the rules of the Turkish Commercial Code are regarded as Turkish companies. Therefore, equal treatment both in rights and responsibilities as stated in the Constitution and other laws is applicable to all such companies. Accordingly, foreign investors in Turkey are welcome to engage in the following:

- Industrial investment,
- Portfolio investment,
- Subsidiary placement,
- Liaison offices,
- Licensing, know-how, technical assistance and management agreements,

For further information, please visit:

<http://www.treasury.gov.tr/en/MainPage>

2.3 The New Turkish Commercial Code

The current Turkish Commercial Code (TCC) is the main piece of legislation regulating the business environment. Containing almost 1.500 articles, the TCC determines the types, establishment and management of legal entities, describes commercial paper and securities, and regulates maritime and insurance business.

By aiming to adapt the legislation to the recent changes in the local and global business environment, as well as including EU legislation, the TCC came into effect on July 1st, 2012 (for some articles, on January 1st, 2013).

The new TCC brings new regulations on contemporary issues such as principles of corporate governance, preventing unfair competition, regulating multi-company groups, consumer rights, electronic transactions, etc. Above all, adopting a revolutionary approach, the new code is introducing two new compulsory requirements for joint stock (A.S.) companies, and limited liability (LTD) companies:

- Statutory audit,
- Preparing financial statements based on Turkish Financial Reporting Standards (TFRS), in line with IFRS.

2.4 Statutory Audit

In accordance with the Commercial Code, those companies that meet the conditions set by Council of Ministers decision (updated every year), as well as those companies that are on the list announced by the Council of Ministers (such as listed companies, banks and insurance companies, etc.), are subject to statutory audit. Other than that, there is no statutory audit requirement for companies which do not meet the conditions set by Council of Ministers, and which are not on the list.

At the same time, companies which are subject to statutory audit are obliged to prepare their financial statements in line with the Turkish Financial Reporting Standards (TFRS) announced by the Public Oversight, Accounting and Auditing Standards Authority, which in turn are in line with IFRS (with some exceptions for specific sector regulations).

2.5 Accounting Principles

Excluding specific regulations (for financial institutions, insurance companies and listed companies etc), as a general rule, accounting principles to be applied by companies are tax oriented. Therefore, companies are obliged to record their accounting transactions and to prepare their financial statements based on accounting standards determined by the Ministry of Treasury and Finance.

As mentioned above, Decision of Council of Ministers requires statutory audit for certain companies. These companies should follow the accounting standards of the Ministry of Finance for the bookkeeping but should also prepare and present their financial statements based on TFRS.

2.5.1 Ministry of Finance Regulations

The Ministry of Finance has issued press releases in order to set accounting standards for financial statements and charts of accounts. If not exempted, companies are obliged to follow these standards.

Valuation standards, depreciation methods and other commonly used accounting policies are determined by the Tax Procedure Law. According to the law, accounting books must be kept in the Turkish language and in Turkish currency terms. However, it is optional to use a second language together with the Turkish language in the legal books.

2.5.2 Capital Market Board (CMB) Regulations

The CMB has issued "The Communiqué Regarding Accounting Standards in Capital Markets," which are based on IFRS. All companies subject to regulations of CMB are obliged to follow these standards.

There are no restrictions on foreign portfolio investors trading in the Turkish capital markets. Foreign individuals and legal entities can freely trade all kinds of securities. However, they should work with a Turkish financial intermediary institution.

2.5.3 Accounting Regulations Set By Other Authorities

Insurance and reinsurance companies are obliged to prepare their financial statements in line with the standard chart of accounts issued by the Turkey Accounting Standards Board.

Banks and similar financial institutions are obliged to comply with the standards and the uniform chart of accounts established by the Banking Regulation and Supervision Board.

2.5.4 The IFRS

Applying IFRS is not an obligation in Turkey. However, as mentioned above, banks, insurance companies, companies subject to statutory audit, and companies subject to the regulations of the CMB are required to prepare their financial statements in line with specific standards (mostly in line with IFRS) determined by the relevant government agency. Although it is not an obligation, some companies voluntarily prepare financial statements based on IFRS along with financial tables prepared in line with the local regulations.

2.6 Social Security System

Public and private sector employees and self-employed persons are covered by a universal health and social security system. The coverage of such security includes illness, unemployment, maternity, disability, old age, workplace death and accidents, and diseases.

All individuals working in Turkey are obliged to register with the system. However, under some conditions and limitations, foreign workers who are citizens of a country which has signed a social security agreement with Turkey, are not obliged to register with the Turkish social security system. The list of effective social security agreements has been referred to in **Appendix 2**.

The social security premiums are calculated over gross salary. Base for a premium cannot be lower than minimum wage and cannot exceed the ceiling which is TL 19.188,00 for the year 2019. Even if the actual gross salary exceeds the ceiling, the premiums are calculated based on the ceiling, disregarding what is paid to the relevant employee.

Social security premium rates for employers and employees are as indicated below. (% of gross wage)

Type of risk	Employer's share (%)	Employee's share (%)	Total (%)
Short-term	2	-	2
Long-term	11	9	20
General health insurance	7,5	5	12,5
Contribution to unemployment	2	1	3
Total	22,5	15	37,5

Long-term insurance branches cover disability, old age and life insurance. Professional disease and workplace accident insurance fall into the scope of short-term branches.

2.7 Labor Law

2.7.1 Employment Contracts

The Labor Law governs relations between employers and employees who work under an employment contract. An employment contract may be for a specific period of time or an indefinite period.

2.7.2 Working Hours

The official working time in Turkey is 45 hours per week. Upon the agreement of the parties, the total working time can be allocated in different combinations to the working days, provided that the work hours do not exceed 11 hours a day. Hours that exceed 45 per week are counted as overtime.

2.7.3 Minimum Wage

Employee salaries cannot be under the minimum wage set by the government on a yearly basis. The minimum monthly gross wage is TL 2.558,40 as of January 2019.

2.7.4 Annual Vacation

After one year of employment, employees are entitled to a paid annual vacation. The period of paid annual vacation varies between 14 days and 26 days based on the length of employment.

2.7.5 Employment Security, Notice Pay and Severance Compensation

When an employment contract is terminated without fulfilling conditions set by the law or without a valid reason, in a workplace that have more than 30 employees, relevant employee shall have the right to file a reemployment lawsuit and can be granted 4 to 8 months of gross salary as a compensation and up to four months of salary for the period of unemployment; if the employer do not accept to reemploy that employee and provided that he/she is employed for more than six months. Additionally, employees are entitled to a Notice Pay after working for 6 months and a Severance Compensation upon employed for more than a year.

2.8 Employment of Foreigners

Foreign individuals can be employed in Turkey. However, there are some limitations on several job categories for employing foreigners (e.g. doctors, dentists, pharmacists, notaries, certified public accountants, attorneys, private security officers, responsible managers of periodicals). To be employed in Turkey, foreign individuals are required to obtain a work permit and residence permit along with a work visa.

Further information on the web is provided by the Ministry of Labor and Social Security:

<http://www.invest.gov.tr/en-US/investmentguide/investorguide/comingtoturkey/Pages/HowToGetAWorkPermit.aspx>

2.9 The Code of Land Registry

Real estate acquisition by foreigners are regulated by the Code of Land Registry (Law No. 2644).

Basically, with some limitations, foreign individuals and foreign owned companies are allowed to purchase real estate in Turkey. Individuals can acquire real estate in a limited number of square meters.

Apart from that, foreign owned companies also can acquire real estate and limited real rights in real estate subject to specific laws, namely:

- Tourism Encouragement Law numbered 2634
- Petroleum Law numbered 6326
- Industrial Regions Law numbered 4737

Please note that further information is available on the web:

<http://www.tkgm.gov.tr/tkgm/index.php>

2.10 The Code of Protection of Competition

The Code of Protection of Competition focuses on three main areas of intervention directed at the realization of all these objectives:

- Prevention of agreements restricting competition and abuse of dominant position
- Control of mergers and acquisitions, prevention of mergers and acquisitions which would create a dominant market position and adversely affect competition
- Monitoring of state aid, and prohibition of state aid that is contrary to efficiency and competition

Mergers and acquisitions which create a dominant position or strengthen an existing dominant position as a result of which effective competition would be significantly impeded in the country or in a part of it are considered contrary to the Code and prohibited.

Further information is available on the web: <http://www.rekabet.gov.tr/en-US/Mainpage>



BASIC BUSINESS STRUCTURES

The authoritative source for all companies operating in Turkey is the Turkish Commercial Code (Law No: 6102). Based on the Code, businesses may take various forms in Turkey. These are:

- Companies: the Joint Stock Company (A.Ş.) and the Limited Liability Company (Ltd)
- Branches
- Joint Ventures (incorporated & unincorporated)
- Liaison / Representative Offices

Although the foreign investor is free to choose from these forms of businesses, in practice, the joint stock or limited liability companies are usually preferred.

Foreign investors, both individuals and entities, can be founders and shareholders/partners of both kinds of companies.

Joint ventures are possible only for specific contracts.

Liaison offices are legally acceptable, provided that they do not engage in any commercial activity. It is not possible for a non-resident foreigner to establish a sole proprietorship in Turkey. Resident foreigners may, under certain circumstances, receive permission to do this.

3.1 Joint Stock Company (A.Ş.)

A joint stock company "A.Ş." is a corporation in which the capital is represented by shares, and the liability of the shareholders is limited to the amount of capital they have invested. Joint stock companies must have at least 1 (one) shareholder and a minimum capital of TL 50,000.

The legal representative and managerial body of a joint stock company is the "Board of Directors," consisting of at least one individual member. The directors do not have to be Turkish citizens or residents of Turkey. The directors are appointed by the general assembly of the company.

A shareholder which is a legal entity can be appointed as a member of the Board of Directors. In such cases, it must be represented on the board through an individual.

In addition to the above, the Board of Directors and General Assembly meetings can be held entirely in an electronic environment, meaning that physical attendance of the members is not required. Consequently, the resolutions may be counter-signed by each member.

The supreme body of a joint stock company is the General Assembly. It consists of shareholders and meets once a year within three months after the end of the financial year.

The shareholders appoint the directors and independent auditor (if required) at the General Assembly meeting. Having legal personality, joint stock companies are responsible for their liabilities. However, in the event that a joint stock company fails to pay its public liabilities, legal representatives or directors will be responsible for payment of such liabilities.

3.2 Limited Liability Company (Ltd)

An "Ltd" is a corporation in which the liability of the shareholders is limited to their partnership ratio. "Ltd" companies must have at least 1 (one) and at most 50 (fifty) shareholders, with minimum capital of TL 10,000.

"Ltd" companies are operated by manager(s) assigned by the partners' meeting, which corresponds to the "General Assembly" of joint stock companies.

The manager(s) represents and manages an "Ltd" company. Specifically, at least one manager must be a partner of the company. Managers can be either foreigners or local persons, and can be either Turkish residents or foreign residents.

The "partner meeting" is held once a year within three months following the end of the previous financial period. Partners that own at least 10% of the capital share can call a partners' meeting at any time.

"Ltd" companies are responsible for third-party receivables. However, for the company's public liabilities (taxes, social security premiums, etc.), partners are liable limited to their partnership ratio.

3.3 Loss of Capital (Technical Bankruptcy)

Should the company lose more than two-thirds of its share capital and legal requirements, the Turkish Commercial Code requires the Board of Directors to announce an extraordinary general assembly. The shareholders then decide either to increase the registered capital or confirm that the current capital structure is sufficient to continue its operations.

In the event that the liabilities of a company are greater than its assets, the company is required to prepare an interim balance sheet based on a market valuation standard. Based on this valuation, if the asset value is less than the value of the liability, the company must apply to a court to initiate a liquidation process.

3.4 Branches

Foreign owned companies can carry out their business activities through their branches located in Turkey. There is no minimum capital requirement to open a branch, which has neither a legal personality nor formal management structure other than a branch manager. From income tax point of view, branches are taxed only for their profit raised in Turkey. Corporate tax base is determined based on regular principles set forth in the law. Apart from regular deductions, certain expenses occurred at headquarter may be deducted as well.

3.5 Liaison Offices

Foreign entities may establish a non-trading, unincorporated liaison office under the framework decree on the basis of a permit from the Directorate of the Treasury.

Liaison offices can not carry out business activity. However, they must record all expenditures and received payments which may be audited by relevant public authorities. Moreover, liaison offices shall report their activities to the Foreign Investment Directorate of the Treasury on regular basis.

3.6 Joint Ventures

The concept of joint ventures is a formation which includes foreign partners established for the completion of specific contracts, such as long period construction and repair projects.



GRANTS AND INCENTIVES

The most important incentives available for both domestic and foreign investors are as follows:

4.1 R&D Incentives

Both corporate and individual taxpayers carrying out R&D and design activities in Turkey may benefit from R&D incentives and supports as follows;

- R&D and design deduction (Expenditures within the scope of R&D, innovation and design activities will be subject to additional deduction against the corporate income tax at the rate of 100%)
- Income withholding tax exemption (Salaries of R&D, design and support personnel are exempt from income withholding tax at the rate of 95%, 90% and 80% depending on their doctorate diploma, master's and bachelor's degree)
- Social security premium support (50% of the employer's contribution is supported by the Ministry of Treasury and Finance)
- Stamp duty exemption (Documents drawn up regarding R&D, innovation and design activities are exempted from stamp tax).

4.2 Free Trade Zones (FTZs)

The areas within the free zone boundaries are treated as extraterritorial for customs duties purposes (**see Appendix 3 for a list of FTZs**). Therefore, goods moving between Turkey and the zones are treated, as exports and imports.

The zones were primarily designed to encourage the exportation of goods produced in the zones. Both foreign and local investors are welcome to make investments regarding production of export-oriented items and enjoy the benefits and advantages of being in free zones. However, in order to operate in the FTZs, it is compulsory to obtain an operation licence.

The following incentives are provided to investors operating in FTZs until the end of the taxation period in which Turkey becomes full member of EU.

- Corporate tax exemption (income derived from manufacturing activities in a FTZ is fully exempted from corporate tax. However, this exemption does not cover the withholding tax on dividend distributions)
- Income withholding tax exemption (The salaries of employee's are exempted from income tax if manufacturing companies export at least 85% of the goods manufactured in the FTZ)
- Stamp duty exemption (the documents related to operations in the FTZ are exempted from stamp tax)
- VAT exemption (The delivery of goods and services performed within the FTZ are not subject to VAT)

4.3 Technology Development Zones (Techno Parks)

Technology development zones (techno parks) have been established to produce technological information for innovations in products and production techniques, to support technology-intensive production, to support entrepreneurship, and to provide a technological basis that will enhance foreign investment flows to Turkey (**see Appendix 3** for a list of techno parks). Many of these are operated in university campuses and some operate in industrial zones.

Incentives in technoparks are provided until 31.12.2023 as follows;

- Income derived from R&D, software and design activities by taxpayers operating in techno parks, are exempt from income and corporate tax
- Salaries of R&D, software and design personnel are exempt from income tax working at these zones
- 50% of the employer's contribution of social security premium for personnel working at the zones is supported by the Ministry of Treasury and Finance
- Delivery of software programs produced exclusively in the zone, is exempt from VAT
- The income of companies managing techno parks is exempt from all taxes, duties and charges in transactions.

4.4 Investment Incentive Regime

In accordance with the investment incentive regime, incentives are provided depending on the location, scale, sector and the subject of the investment.

The following investments incentives are regulated in accordance with these categories:

The following investments are supported under the Incentive Regime;

- General investments,
- Regional investments,
- Large-scale investments
- Priority investments,
- Strategic investments,

General Investments:

Regardless of the region, the following incentives will be available to investments. (Subject to minimum fixed investment amount, which is TRY 1 Million in Region 1 and 2; and TL 500.000 in Region 3,4,5 and 6),

- 1) Customs duty exemption
- 2) VAT exemption

Regional Investments:

Turkey is divided into 6 regions, based on the development level of the cities in these regions and the following incentives are regulated in accordance with these categories (**see Appendix 4-a** for a list of the regions and cities therein):

a) Regions I and II:

- 1) Customs duty exemption
- 2) VAT exemption
- 3) Corporate tax reduction
- 4) Land allocation support
- 5) Social Security Premium Support (Employer's share)

b) Regions III and IV:

- 1) Customs duty exemption
- 2) VAT exemption
- 3) Corporate tax reduction
- 4) Land allocation support
- 5) Social Security Premium Support (Employer's share)
- 6) Interest support

c) Regions V and VI:

- 1) Customs duty exemption
- 2) VAT exemption
- 3) Corporate tax reduction
- 4) Land allocation support
- 5) Social Security Premium Support (Employer's share),
- 6) Interest support
- 7) Support for withholding tax on wages (for investments realized in Region VI)
- 8) Social Security Premium support (for investments realized in Region VI).

Large Scale Investments

As seen in **Appendix 4-b**, 12 specific sectors are classified as large scale investments with a minimum amount of TRY 50 Million investment. The amount is higher in sectors such as automotive, chemical, harbor, airport and refined oil sectors.

Large scale investments can benefit from customs duty and VAT exemption, corporate tax reduction, social security support and land allocation regardless of the location of the investment. If the large scale investments are realized in Region 6, employee shares of SS support and withholding tax support on wages are also additionally provided.

Priority Investments

Current investment incentives system defines certain investment areas as "priority" and offers "Region 5 incentives" and other exclusive supports regardless of the regions in which the investment is made. However, the investments made in Region 6 can benefit from the incentives to be granted to this region.

Priority investments are listed as follows:

- Touristic accommodation investments
- Mining investments (extracting and processing)
- Railroad and maritime transportation (freight or passenger) investments
- Defense Industry investments to be realized with respect to the project to be approved from by the Undersecretariat of Defense Industry
- Test facilities, wind tunnel and similar investments made for the automotive, space and defense industries
- International fairground investments with a minimum area of 50,000 m² (Excluding the accommodation and shopping center units)
- Pre-school, primary, middle and high school investments to be made by the private sector
- Investments made to produce products developed as a result of by an R&D projects supported by “Ministry of Industry and Technology”, the Scientific and Technological Research Council of Turkey (TUBİTAK), and Small and Medium Sized Enterprises Development Organization (KOSGEB)
- Investments in the motor vehicles of key industries with a minimum amount of TL 300 Million, engine investments with a minimum amount of TL 75 Million, and investments for motor engine parts, transmission components/parts and automotive electronics with a minimum amount of TL 20 Million
- Investments for electricity generation through waste heat recovery in a facility (excluding natural gas-fired electricity generation plants)
- Liquefied natural gas (LNG) investments and underground gas storage investments with a minimum amount of TL 50 Million
- Energy efficiency investments that would reduce energy consumption in unit production by a minimum of 20 percent for at least 5 years in existing manufacturing facilities with an annual consumption of least 500 tons of oil equivalent (toe) energy
- Investments for power generation where metals stated in the 4-b group of Article 2 of the current Mining Law No. 3213 within the scope of a valid mining license and permit issued by the Ministry of Energy and Natural Resources are used as inputs
- Investment in carbon fiber production or composite material production together with carbon fiber production
- Investment in production within the scope of high-technology class of products in line with the technology-intensive definition provided by the Organization for Economic Cooperation and Development (OECD)
- Investment in mining research activities realized by investors holding valid mining licenses or certificates in accordance with mining legislation
- Turbine and generator production for renewable energy generation and blade manufacturing investments in wind energy production

Strategic Investments

The following criterias should be met in order to benefit from the incentives under the classification of “Strategic Investment Incentives”.

- The minimum investment amount should be TL 50 million
- The total import value of the goods to be produced should be minimum USD 50 million as of the past one year (excluding products that are not produced in Turkey)
- The total domestic production capacity of the goods to be produced should be less than import of such goods
- The investment should create a minimum added-value of 40% (This condition is not required for refinery and petrochemicals investments)

Strategic investments can benefit from customs duty exemption, VAT exemption, corporate tax reduction, social security support, land allocation and interest support regardless of the location of the investment. In addition to these incentives, strategic investments in Region 6 can also benefit from SS support of employees share. Moreover, VAT refund for input VAT paid for construction of a strategic investment exceeding TL 500 Million is given to the investments made in Region 6.

Super Incentives

Turkey has started implementing a new incentive system so-called “Super Incentives” to attract investors starting from September, 2016. This is a project-based incentive model, which was designed to provide incentives to the qualified projects with a minimum fixed investment amount of USD 100 Million. The qualification of projects will be based on whether they meet the current and future requirements of Turkey in line with the targets set in the development plans and annual programs, whether they reduce external dependency and achieve technological transition, whether they are innovative, R&D focused and high-added value.

The Ministry of Economy has the authority to evaluate the projects for the eligibility to benefit from the super incentives based on each project’s qualification.

The incentives within the scope of “Super Incentives” are granted to the investors as follows;

- Customs duty exemption
- VAT exemption
- VAT Refund
- Tax reduction or exemption on corporate tax
- Withholding income tax support
- Social security employer premium support
- Qualified personnel salary support
- Interest and grant support
- Capital contributions
- Support on Energy Expenses
- Public Procurement Guarantee
- Land Allocation
- Infrastructure support
- Facilitation in bureaucratic process

4.5 Corporate Tax Reduction

A corporate tax reduction is provided from 50% up to 90% depending on the location and the amount of the investment. Accordingly, profit from investments is taxed at lower rates, until the amount of the tax benefit reaches the contribution rate set by the incentive legislation.

Reduced corporate tax rates for investments initiated after October 05, 2016:

Regional Investments (Appendix 4-a)			Large Scale Investments (Appendix 4-b)	
Regions	Investment Contribution Rate (%)	Corporate Tax or Personal Income Tax Reduced Rate (%)	Investment Contribution Rate (%)	Corporate Tax or Personal Income Tax Reduced Rate (%)
I	15	50	25	50
II	20	55	30	55
III	25	60	35	60
IV	30	70	40	70
V	40	80	50	80
VI	50	90	60	90

4.6 KOSGEB Supports for Small and Medium Size Enterprises (SMEs)

Enterprises and entrepreneurs operating in the manufacturing industry and employing less than 1 to 250 workers may benefit from KOSGEB (Small and Medium Industry Development Organization) subsidies.

Enterprises are required to be a part of the SME Membership System in order to benefit from these subsidies. The rules and procedures that apply to identifying sub-categories, upper and lower limits, regional support elements, applications and evaluations, approvals and assessments for these subsidies have all been specified in the KOSGEB Subsidies Regulation.

Subsidies provided by KOSGEB are as follow:

- Credit interest support
- SME Project Support
- Thematic Project Support
- Cooperation and Capability Association Support
- R&D, Innovation and Industrial Application Support
- General Support
- Entrepreneurship Development Support
- SME Support for the Emerging Enterprises Market
- Growth and Internationalization Support

Further information on the government and KOSGEB subsidies is available at the following addresses:

<http://www.treasury.gov.tr/default.aspx?nsw=8rarpuRhEnYdhfGWI2a5sA==&SgKWD+pQltw=>

<http://www.kosgeb.gov.tr/Pages/UI/Default.aspx>

Notes:







TAXATION OF BUSINESS OPERATIONS

5.1 Principal Taxes

From a foreign investor point of view, the most important taxes (with their Turkish names) are stated below:

- Corporate Income Tax (Kurumlar Vergisi)
- Individual Income Tax (Gelir Vergisi)
- Value-added Tax (Katma Değer Vergisi)
- Bank and Insurance Transactions Tax (Banka ve Sigorta Muameleleri Vergisi),
- Stamp Duty (Damga Vergisi)
- Special Consumption Tax (Özel Tüketim Vergisi)

Various other taxes - such as motor vehicle, property, inheritance and capital transfer taxes - exist, but these are all minor from the standpoint of their percentage in public revenue and their impact on business transactions.

5.2 Corporate Income Tax

Corporations with share capital (i.e., joint stock companies, limited liability companies), cooperatives, state economic enterprises, economic entities owned by foundations and associations, and joint ventures (subject to preference of its partners) are subject to corporate income tax in Turkey on their income.

Partnerships are not deemed to be separate entities and each partner is taxed individually on their share of profit.

According to the Corporate Income Tax (CIT) Law, legal entities whose legal or business headquarters are located in Turkey are treated as resident companies, and subject to corporate income tax on their worldwide income. On the other hand, legal entities that have no legal or business headquarters in Turkey are treated as non-resident companies, and subject to taxation solely on the Turkish sourced income derived from their activities in Turkey. Legal headquarters refer to the place of official center of company, defined in, e.g., the articles of association. The business headquarters refer to the place where the business activities are concentrated.

5.2.1 Tax Rate

The corporate tax rate has recently been increased to 22% for the tax periods of 2018, 2019 and 2020. However, The Council of Ministers can reduce this tax rate from 22% to 20% in the following years.

The corporate taxes are computed over the fiscal profits throughout a taxation period (i.e. the calendar year unless a specific fiscal period is granted by the tax authorities) which are computed after the consideration of certain additions and deductions from the book profits as defined in the CIT Law.

The corporate tax is payable until the end of the month in which tax return filed (i.e. April if the fiscal period is the same as calendar).

Corporations (also including Branches) are also required to pay advance corporate income tax based on their quarterly profits at the tax rate (22%). The advance taxes paid during the year are offset against the ultimate corporate tax liability of the companies.

For non-resident companies, taxation is based mostly on withholding tax principles. Withholding tax rates for non-resident taxpayers are determined by the CIT Law.

However, if there is a Double Tax Treaty (DTT) between Turkey and the related country where the non-resident is tax registered, then the rate of withholding tax may lower than the local rate. (**Appendix 1** indicates the list of effective DTTs and withholding tax rates, and **Appendix 5-a** indicates withholding tax rates for non-resident taxpayers where there is no DTT with Turkey).

5.2.2 Computing Taxable Income

Basically, net corporate income is defined as the difference between the net worth of assets owned at the beginning and at the end of the fiscal year. Corporate tax payers must compute their taxable income by starting with the balance sheet included in their annual statements and then make the adjustments required by the tax laws. Non-deductible expenses are added, whilst the tax exempt income and losses carried forward are deducted.

Deductible Expenses

The tax law first states a general rule regarding the deductibility of the expenses. According to this, all general expenses incurred for generation and continuation of business profits are tax deductible. Then the law lists all other tax-deductible expenses and non-deductible expenses.

Apart from this general principle, the following expenses are also regarded as deductible expenses for tax purposes:

- Food and boarding expenses provided for employees at the place of business or in its annexes
- Expenses for medical treatment and medicine
- Insurance and pension premiums
- Clothing expenses paid for employees
- Losses, damages, and indemnities paid based upon written agreements, juridical decrees, or by the order of law
- Expenses for travel and lodging relevant to the business
- Expenses for vehicles which are part of the enterprise and used in the business
- Taxes paid in kind such as building, land, consumption, stamp and municipal taxes and fees and charges, related to the business
- Depreciations set aside according to the provisions of the Tax Procedure Law
- Payments to the unions
- The contribution payments paid by the employers to the retirement system on behalf of the wage earners
- The production cost of foodstuff, cleaning, clothing and heating supplies donated to the charity and foundations operating to help the poor, within the procedures and principles set out by the Ministry of Finance.

Exemptions

The following exemptions are granted for the corporations.

- Dividend received from other Turkish companies, (domestic participation exemption)
- Dividend received from foreign subsidiaries or branches (foreign participation exemption-subject to certain conditions),
- Capital gains derived by holding companies from sale of shares in foreign subsidiaries (subject to certain conditions),
- Premiums on issued shares
- Earnings of the following investment funds and companies established in Turkey:
 - Portfolio management income by securities, investment funds and companies
 - Management profits obtained by investment funds or companies which have portfolio based on the gold and precious metals dealing in exchange markets founded in Turkey
 - Real estate investment funds/companies
 - Venture capital funds/companies
 - Pension funds
 - Housing financing funds and asset financing funds
- 75% of capital gains derived from disposal of participation shares, founders' shares, preferred shares, pre-emptive rights and redeemed shares in other companies, owned for at least two years if the profit is kept in a reserve account and not distributed for five years
- 50% of capital gains derived from disposals of real estate, owned for at least two years if the profit is kept in a reserve account and not distributed for five years
- Allowances for banks and institutions indebted to banks, financial institutions or financial leasing companies or the Saving Deposit Insurance Fund (SDIF)
- Earnings derived from foreign subsidiary offices
- Earnings derived from construction, maintenance, installation and technical services performed abroad
- Patronage dividends provided for cooperatives
- Earnings derived from the management of training facilities and rehabilitation centers for 5 years
- 50% of income derived from industrial property holding patent or utility model registration, and which result from research, development, innovation and software activities carried out in Turkey
- 50% of the profits derived from services provided in Turkey, and exclusively utilised abroad, by service businesses engaged in architecture, engineering, design, software, medical reporting, record keeping, call center, data storage for non-residents in Turkey and for those whose registered and business head offices are abroad, also the profits of corporates providing services to non-residents in Turkey and operating in the areas of education and health subject to the permission and supervision of the relevant ministry

5.2.3 Carry-forward Tax Losses

The tax-loss is carried forward and offset against the income of subsequent years for five years. To be carried forward, the loss corresponding to each year must be specified in the corporate tax return. There is no “carry-back loss” in Turkey.

5.2.4 Tax Reduction

As of January 1, 2018, %5 tax reduction is provided for taxpayers excluding those operating in the finance and banking sectors, insurance, and retirement companies and retirement investment funds, subject to a maximum reduction of 1 million lira. Any excess deduction can be offset against taxes within a one-year period. In order to qualify for this %5 reduction, the following conditions must be met:

- the taxpayer must not have previous tax debt (including penalties) exceeding TL 1,000
- the taxpayer must submit their tax return and pay the tax due within the statutory period in the year of the tax declaration and the previous two years
- the taxpayer must not have been subject to an additional tax assessment in the year of declaration or the previous two years

5.3. Anti - Avoidance Rules

Turkish tax laws do have “substance over form” principle stated in Article 3 of Tax Procedural Code as the legal form itself can not be clear without the understanding of the underlying economic substance. Therefore, within Turkey’s general anti-avoidance rule (GAAR) context, the true nature (that is substance) of the event giving rise to tax and any transaction relevant to that event is the basis for taxation.

On the other hand, Turkey’s specific anti avoidance rules constitute transfer pricing rules, thin capitalization rules, CFC and tax havens in the CIT Law.

5.3.1 Transfer Pricing

Turkish transfer pricing rules are mostly in line with OECD recommendations.

In accordance with the regulation, should the goods or services traded with related persons over the prices or values be determined contrary to the arm’s-length principle, the earnings will be deemed as dividends (totally or partially) distributed through transfer pricing.

Applicable transfer pricing methods are;

- Comparable price method,
- Cost-plus method,
- Resale price method,
- Other appropriate methods determined by taxpayers considering the nature of the transaction.

Transfer pricing methods and determined prices of transactions conducted by related parties shall be analyzed, explained and justified by a “transfer pricing report” following each fiscal year.

5.3.2 Thin Capitalization

Where the ratio of the borrowings obtained directly or indirectly from shareholders or persons related to shareholders exceeds 3 (three) times of the shareholders equity at any time during the year, the exceeding portion of the borrowing will be considered as thin capital. The ratio is 6:1 for loans received from related banks and/or similar financial institutions. In this debt / equity test, the shareholders equity is measured as of the beginning of the year.

When thin capitalization rules are applied, the interest, foreign exchange losses and other similar expenses related to the related party debt (exceeding 3 times of the equity) will be treated as disallowable expense. Furthermore, in the case where the loan is regarded as thin capital, the related interest payments will be further re-characterized as “deemed profit distribution” to the related party and subjected to dividend withholding tax.

Borrowings obtained from 3rd parties are not within the scope of thin capitalization rules (except for loans obtained from 3rd parties in return for the cash collateral provided by the shareholders or related parties).

5.3.3. Controlled Foreign Company (CFC) Rules

The profits of non-resident affiliates controlled by tax resident companies or persons through ownership of at least 50 percent of the capital, dividends or voting rights are subject to corporate tax in Turkey, if all of the following conditions are satisfied:

- At least 25% of the revenues of non-resident affiliate should be comprised of passive income such as interest, dividend, rent, license fee, sales proceeds of marketable securities etc.
- The effective tax rate for the non-resident affiliate should be less than 10%
- The annual gross revenues of non-resident affiliate should be in excess of TL100,000 (or equivalent foreign currency).

As a result of the CFC application, profits of the non-resident affiliate become taxable in Turkey irrespective of whether there is actual distribution to Turkey or not.

5.3.4 Anti-Tax Haven Provisions

Per to the article 30/7 of the CIT law; all sorts of payments made to the corporations (including business places of resident companies in tax heaven countries) that are established or operating in the countries which are announced by the Council of Ministers will be subject to withholding tax at a rate of 30% irrespective of whether:

- the said payments are in the scope of tax or not or
- the corporation that receives the payments is a taxpayer or not

The determination of the tax havens will be made by taking into consideration whether there is any unfair tax competition in and the availability of exchange of information with the country. The Council of Ministers has not announced yet the list of the tax havens.

Withholding tax will not be applied to principal, interest and dividend payments for the borrowings obtained from foreign financial institutions and also insurance and reinsurance payments.

5.3.5 Personal Income Tax

The Turkish Personal Income Tax Code recognizes two types of tax status; Resident and non-resident. Resident taxpayer are liable to Turkish taxation on their worldwide income, whereas the non-resident taxpayers are only taxed on their income sourced in Turkey.

For the purposes of "Turkish residency", individuals are deemed to have Turkish residency if they:

- Have permanent residence in Turkey
- Stay in Turkey for more than six months in a calendar year. (Temporarily departures are not considered as interruption)

Residency is the place where an individual has settled with the intention of living at that place permanently.

However, Article 5 of the Income Tax Law sets exceptions to the individuals (including expatriates) who are considered non-resident individuals because they do not have a residence in Turkey, but live in Turkey more than six months within a calendar year, but still will not be considered resident in Turkey if their presence in Turkey is based on a well-defined and temporary job, duty, education, medical treatment, vacation, or other reasons to stay in the country without the intention of residing. In other words, individuals that meet this exception will be taxed as non-resident individuals.

Double tax treaties must also be taken into account for taxation of foreign individuals.

5.3.6 Personal Income Tax

Pursuant to the Article 1 of the Income Tax Law, the source of income is defined in 7 categories;

- Income from commercial activities
- Income from agriculture
- Income from professional services
- Income from employment services (wages and salaries)
- Income from movable properties (interest and dividends)
- Income from immovable assets and rights (rental income), and
- Other income and earnings.

The category of "other income" covers income, which do not fall under the first 6 categories, mainly being capital gains and income from certain incidental transactions.

All of the above mentioned income must be declared in the annual tax return. If the individual income is not fall under one of the above seven categories, no taxable income will be arised.

With some exceptions, income (or losses) from the above categories is aggregated and the amount of tax is computed on this total amount. This ensures that tax is levied on the whole of the individual's income.

5.3.7 Tax Rate

The rate of tax will be not differentiated according to the type of income apart from the employment income; but it is applied at progressive rates, currently from 15% to 35%. Tax returns must be filed by 25th of March in the following year. Income tax is payable in two equal installments in March and July.

The table below shows the different tax brackets for the year (2019), which are applied to an individual's sources of income.

Taxable Income (TL)	Tax Rate
Up to 18.000	%15
18.001-40.000	%20
40.001-98.000	%27
98.001 and upwards	%35

The tax rates and brackets applicable for employment income for the year 20198 are as follows:

Taxable Income (TL)	Tax Rate
Up to 18.000	%15
18.001-40.000	%20
40.001-148.000	%27
148.001 and upwards	%35

Also resident taxpayers (i.e. commercial, agricultural and independent, professional service income earners) are required to prepare balance sheets and income statements for 3-month periods and pay an advance income tax at the rate of the first tax bracket (15%).

Withholding tax rates for individuals' earnings are shown in **Appendix 5-b**.

5.3.8 Deductions

Personal income taxpayers that generate their income from commercial, agricultural or independent professional activities may deduct their operational expenses as corporate taxpayers do. Business expense deductions set out for companies are also applicable to individuals provided that they are related to an individual's business income.

Additionally, under certain conditions, below listed expenditures are deductible:

- Contributions to private health/pension/life insurances within certain limits
- Obligatory pension contributions and social security premiums
- Indemnity and assistance payments for reasons of death, disability, illness and unemployment
- Assistance paid to employees because of marriage and birth, limited to two months' salary
- Children allowance up to the amount received by a government employee, for maximum two children
- Annual expenses incurred on education and health up to 10% of the income declared on the annual tax return are deductible,
- Donations to government offices, municipalities, villages, associations in the public interest and foundations(depending on the nature of the donations, there might be certain limits or without limits)
- Minimum living allowance to be deducted from the income tax to be calculated over the wage

5.3.9 Exemptions

A wide range of income tax exemptions are provided in the law, depending on the source of income and the status of the individual.

5.3.10 Dividends

Half of dividend income received by a resident taxpayer from a resident Corporation is exempted from personal income tax.

5.3.11 Wages

Salaries and wages paid to individuals employed in Turkey (resident or non-resident) in foreign exchange by a non-resident company, out of its foreign income, are not subject to the Turkish income tax per to the Article 23/14 of Personal Income Tax law. Therefore, as long as the following conditions are met, wages of employees (irrespective of nationality), working for a non-resident employer are exempted from personal income tax.

- Non-resident employer has no commercial activity in Turkey, or at least the employment services provided by the individuals are not associated with that activity,
- The wage must be paid by a non-resident employer (individual or entity),
- The wage must be paid from the employer's earnings earned out of Turkey and paid in foreign currencies,
- The wage must not be booked as an expense in Turkey.

As from September 1, 2016, Law No. 6728 provides that salary paid to employees of regional administrative centers opened by non-resident companies (and authorized by the Turkish Ministry of Economy) are exempt from income tax providing the salary is paid from foreign income.

5.3.12 Tax Reduction

Income taxpayers who conduct commercial, agricultural or professional activities may benefit 5% tax reduction, subject to a maximum reduction of TL 1 million, as of 1st January 2018 if the same conditions are met as explained in section 5.2.4.

5.4 Value Added Tax (VAT)

5.4.1 General VAT System in Turkey

VAT is levied on all goods and services delivered in Turkey within the scope of commercial, industrial, agricultural and independent professional activities. The importation of goods and services into Turkey are also subject to VAT. Moreover, services provided for non-residents are subject to VAT if the service is benefited/enjoyed in Turkey.

Taxpayers are the individuals or corporates that deliver goods or perform services. Imported goods are taxed at the point of entry, and the tax is collected by the customs authorities from the importer.

VAT grouping is not permitted under Turkish VAT law.

5.4.2. VAT Credit Mechanism

VAT is levied at each stage of the production and the distribution process. However; liability for the tax levies on the person who supplies or imports goods or services, the real VAT burden is on the final consumer. This result is achieved by a tax-credit method where the taxpayers are allowed to deduct input VAT, which they have paid to other suppliers on their purchases, from the output VAT that they have collected from their own sales. The recovery of Input VAT is allowed until the following calendar year of the calendar year in which the taxable event takes place.

Taxpayers declare VAT on their sales and purchases on a monthly basis, and pay the difference between output VAT and input VAT. If the output VAT exceeds the input VAT, the excess amount is remitted to the related tax office. In the event that the input VAT exceeds the output VAT, the residual amount is carried forward to be offset against future output VAT. There is no time limitation for such VAT carry forwards.

5.4.3 Reverse Charge VAT

In the event that the taxpayer is not resident or does not have a place of business, a legal head office or place of management in Turkey, or in other cases deemed necessary, the Ministry of Finance is authorized to hold anyone involved in a taxable transaction liable for the payment of VAT to assure the collection of VAT.

If services provided by a nonresident is performed or benefited in Turkey, the relevant Turkish resident is responsible for payment of VAT to the Turkish tax authorities. This is achieved through a reverse charge VAT mechanism. Under this mechanism, the Turkish purchaser is liable to account for VAT on behalf of the foreign supplier and on the other hand, is entitled to recovery from its own VAT liabilities.

5.4.4 VAT Refund

In principle, the VAT that is not recovered by regular credit mechanism is not refunded. However, in wide range cases, the legislation authorizes the tax authority to refund unrecovered VAT to relevant tax payers. Notable cases requiring VAT refund are as follows:

- Export exemption
- Deliveries of the goods subject to reduced VAT rates
- Sea, air and railway vehicles exemption
- Exemption in vehicles, precious metals and oil prospecting activities and national security expenditure
- Investment under an incentive certificate exemption
- Transit transportation exemption
- Diplomatic immunity
- Delivery of machinery and equipment to R&D centers and technology development zones

5.4.5 Tax Rates

The standard VAT rate is 18%. Presently, reduced rates (1% and 8%) are applicable for two different groups of goods and services, which are mostly related to food, education, the health industry and textiles.

According to the Turkish VAT Law, there are two types of exemption as full exemption and partial exemption. Under the full exemption transactions, no VAT is due, but the supplier may recover related input tax (e.g. export exemption), and the VAT refund is possible.

On the other hand, for the partial exemption it is not possible to deduct the input VAT, it can be treated as an expense or as a cost.

5.4.5 VAT Registration for non-residents providing E-services

There is no separate VAT registration in Turkey, except for the electronic services provided by non-residents to Turkish resident individuals who are not VAT registered in Turkey, This VAT registration liability of nonresidents has been included to the VAT legislation as of 1 January 2018. According to this new regulation, persons (real and legal) that have no residence, workplace, registered head office or business center in Turkey (non-residents) are required to declare and pay VAT due on E- services provided to Turkish individual residents who are not tax registered in Turkey through VAT Return No.3 by filing online. There is no threshold for VAT registration, however no bookkeeping obligations are required.

5.5 Stamp Tax

Documents such as contracts, commitments, assignments, receipts, official reports and other specified papers listed in the Stamp Tax Law are subject to stamp tax.

One of the most important groups of the listed documents is contract. Accordingly, excluding those that are exempted, contracts signed in Turkey are subject to stamp tax if contracts refer to a specific monetary amount. If contracts are signed or finalized abroad, the tax arises when these contracts are presented to public offices or when they are endorsed/transferred in Turkey or more generally when its provisions are enjoyed in Turkey.

Taxpayers are persons who have signed contracts, or who present contracts to public offices or benefit or exploit the contracts.

Only one copy of a contract is subject to the tax. Parties to an agreement – except for the official entities/parties – are jointly responsible for the payment of the stamp tax.

The general stamp tax rate is 9.48 per thousand. For specific documents, lower rates may be applied. In accordance with the law, the stamp tax payable per document shall not exceed TL **2.642.810,00** for the year 2019. The ceiling is adjusted each year.

5.6 Banking and Insurance Transactions Tax (BITT)

According to the Turkish tax legislation, the transactions of banks and financial institutions are exempt from VAT since they are subject to Banking and Insurance Transactions Tax (BITT) which is an indirect tax alternate to VAT. Therefore, payments received by banks, bankers and insurance/reinsurance companies are subject to BITT.

BITT arises when those entities collect money under the name of interest, commission, service charge and so. The standard rate of the tax is 5%.

5.7 Special Consumption Tax (SCT)

SCT is an indirect tax that is implemented through taxation of 4 different product groups at different tax rates. These four groups are;

- List I covers petroleum products, natural gas, lubricating oil, solvents and derivatives of solvents,
- List II consists of automobiles and other vehicles, motorcycles, planes, helicopters and yachts,
- List III covers tobacco and tobacco products, alcoholic beverages and sodas,
- List IV is related to luxury goods.

The tax is charged only once at the importation and/or production stages of the products unlike VAT.

5.8 Property Tax

Property tax is levied based on the value of buildings and lands, on an annual basis. The value essential for the tax base is set by local municipal authorities. The rates are as follows (these ratios are doubled in the greater metro areas such as Ankara, Istanbul, Izmir, Antalya, Bursa):

- For the residences used as domicile 0,1%
- For the other buildings 0,2%
- Lands allocated for construction 0,3%
- Other lands 0,1%

5.9 Inheritance and Gift Tax

Inheritance and gift taxes are charged on the worldwide property of Turkish nationals. However, assets outside Turkey are not taxed when transferred to a foreign individual as a gift or upon death.

If the assets to be transferred by inheritance, the tax rates change progressively between 1% and 10%. If the assets to be transferred by a donor, the receiver should pay the tax according to the progressive tariff between 10% and 30%.

Wide range of exemptions and reduced rates are available.

5.10 Resource Utilization Support Fund (RUSF)

Resource Utilization Support Fund - known as KKDF - is a kind of tax levied on credit base imports and loans. The RUSF rate for imports on credit is 6% of import value. This rate for some importation goods is set to 0%.

The RUSF rate for consumer loans provided by Turkish bank and financial institutions (without any commercial purpose for real persons) is 15%.

Applicable RUSF rates for foreign exchange loans (including intercompany loans) obtained by Turkish residents (excluding banks and financial institutions) from abroad are as follows:

Maturity	RUSF (%)
Average maturity less than one year	3
Average maturity greater than one year, less than two years	1
Average maturity greater than two years, less than three	0,5
Average maturity greater than three years	0

By contrast, the borrowings of Turkish banks and financial institutions are subject to 0% RUSF regardless of the maturity of the loan.

TL-denominated loans from abroad are subject to 1% RUSF for the loans with an average maturity of up to 1 year, 0% for the loans with an average maturity longer than 1 year. The RUSF amount is calculated over the principal amount for the foreign exchange loans, while it is calculated over the interest amount for the TL loans.

5.11 FATCA (Foreign Account Tax Compliance Act) Turkey Practice

Turkey has agreed in principle with USA on FATCA Model 1 IGA as of June 3, 2014.

Agreement between Turkey and United States of America to improve international tax compliance through enhanced exchange of information (Fatca) was signed on July 29, 2015.

In this context, the financial institutions in Turkey are accepted as compatible with FATCA. Financial institutions in Turkey must comply with FATCA regulations since Turkey has signed the FATCA treaty.

Persons mentioned below, who have accounts in financial institutions in Turkey are the reportable persons under FATCA

- US residents
- US citizens
- US Green Card owners
- Entities that are tax resident in USA
- American controlling persons of Passive Non-financial Institutions and
- Financial institutions without GIIN number. (Global Intermediary Identification Number)

5.12 AEoI (Automatic Exchange of Information)

Upon the Decision of the Council of Ministers numbered 2018/11790 published in the Official Gazette dated 26.06.2018 and numbered 30460, the effective date of the Convention on Mutual Administrative Assistance in Tax Matters is decided to be July 1, 2018.

The General Communique on the Automatic Exchange of Financial Account Information in Tax Matters was published by the Revenue Administration in 2017 as DRAFT. As of the preparation of this document, General communique has not been published yet.

It has been announced by the Turkish Government that there has been no exchange of information within the scope of Mutual Administrative Assistance Agreement on Tax Matters, which was established by the OECD and signed by 116 countries, by stating: the legal structure will be completed by the end of 2019.

Note:



ABOUT MAZARS

6.1 Mazars Turkey

Mazars Turkey was founded by two partners as a small accounting firm in 1977 and became member of Mazars in 1998. Today, Mazars Turkey operates in seven offices – Istanbul (2 offices), Ankara, Bursa, Gaziantep, Denizli and İzmir – with more than 350 staff and 36 partners.

Being one of the top five audit, accounting and advisory firms in Turkey, Mazars Turkey provides audit and advisory services to its clients of which more than 50% are multinational companies operating wide range industries.

Overview of 41 Years

- Founded in 1977 by two partners as an accounting firm,
- Audit Department was established in 1988,
- Operations commenced in Ankara Office in 1994,
- Management consulting services provided through a separate department in 1995,
- Became a member of Mazars in 1998,
- Accounting Outsourcing Services (AOS) Department was established in 1999; demand for its services grew sharply, especially among newly established foreign companies,
- PROKON was founded in 2001 as a sister company to provide corporate governance services,
- Transfer Pricing Department and Transaction Services Department began operations in 2008,
- New office began operating in Bursa in 2009,
- Mazars Turkey won International Tax Review magazine's "National Tax Award" as the best tax firm in Turkey for 2008,
- Mazars Turkey won International Tax Review magazine's award as the best transfer pricing firm in Turkey for 2009,
- Mazars Turkey won International Tax Review magazine's "National Tax Award" as the best tax firm in Turkey for 2011,
- Denge Akademi began to offer training services in 2009 (www.dengeakademi.com),
- Corporate Finance, Consulting and Internal Control Services Departments were organized in 2012,
- New offices began operations in Gaziantep, Denizli and İzmir in 2012-2013,
- Mazars Turkey is ranked as Tier 1 Recommended Firm among Turkey's top 4 tax consultancy firms in World Tax 2015 published by International Tax Review magazine.
- Sustainability Committee was formed in 2016
- Mazars in Turkey received the Sustainability Report of the Year Award (SME) by the Sustainability Academy, in 2017
- French Desk is established for special needs of French multinational companies

6.2 Mazars Worldwide

Mazars is an international, integrated and independent firm, specialising in audit, accountancy, advisory, tax and legal services. Operating in 89 countries and territories, as of 1st January 2019, the firm draws on the expertise of 23,000 professionals to assist major international groups, SMEs, private investors and public bodies at every stage of their development.

Mazars is all about its people. A fully integrated and independent organization worldwide, our business depends on our ability to attract and retain top talent. Furthermore, given our position as an international and influential challenger within an industry dominated by large process-driven firms, we foster an entrepreneurial spirit through innovative and cutting-edge talent management initiatives.

Over the last five years, Mazars has grown steadily and uninterruptedly; however, we do not see profit as an end in itself. We grow as a means to continuously better serve our clients all over the world and in order to help them achieve sustainable growth. We also believe that our development benefits that of our entire ecosystem, not only because of the nature of our professions, but also as we provide corporations and organisations on every continent with a reliable and relevant alternative. We are determined to continue to acquire new expertise and new talent, to further expand our geographic coverage and to enhance our capabilities to foster growth for the common good.

Note:



RANGE OF SERVICES

7.1 Audit

Our audits are conducted in accordance with International Standards on Auditing and include testing accounting records and other auditing procedures as we considered necessary in the circumstances.

- Auditing of financial statements in accordance with International Financial Reporting Standards (IFRS), Capital Markets Board of Turkey (SPK) regulations, Banking Regulatory and Supervision Agency (BDDK) regulations, energy markets legislation, regulations of the Insurance Supervisory Board of the Undersecretariat of the Treasury, Turkish Procedural Tax Laws, US GAAP and other country specific accounting principles like German GAAP, Italian GAAP, French GAAP, etc,
- Restatement of financial statements in line with various accounting principles such as IFRS, US GAAP, German GAAP and French GAAP, and the establishment of financial reporting structures accordingly,
- Conversion of TRY financial statements into foreign currency financial statements (functional or reporting currency) in conformity with International Financial Reporting Standards,
- Preparation of vendor and buyer due diligence reports for company mergers and acquisitions,
- Assisting firms with valuing and accounting for their assets in the context of transactions and complex operations,
- Preparation of compliance reports to meet contract conditions and financial covenants during the loan utilization process,
- Performance of fraud audits,
- Corporate finance support services,
- Providing other special purpose audits and consultancy services.

Authorizations

- SPK (Capital Markets Board of Turkey)
- EPDK (Energy Market Regulatory Authority)
- Insurance Supervisory Board of the Undersecretariat of the Treasury
- BDDK (Banking Regulation and Supervision Agency)
- On the short list of World Bank and IFC Projects
- Mazars Turkey is one of the limited number of audit firms in Turkey authorized by the PCAOB (Public Company Accounting Oversight Board), the regulatory body that authorizes firms to audit companies listed in the USA in line with Sarbanes-Oxley Act

7.2 Transactions Services

Due Diligence Services

- Robust analysis of the target's historical performance,
- Identification and analysis of the key elements that drive the purchase price calculation,
- Critical analysis of the target's financial projections and their principal underlying assumptions,
- Identification of key risks relating to the target business and the transaction,
- Advice on the optimal tax or funding structure of the deal,
- Assistance in drafting the price adjustment and warranty clauses for the share purchase agreement, and advice on their implementation,
- Post-acquisition audit and preparation of the opening balance sheet.

Vendor Due Diligence Services

- Identification and ranking of your business' key value drivers,
- Preparation of pro-forma or 'carve-out' financial information,
- Robust, independent analysis of historical performance, and critical analysis of, or assistance with, construction of the financial model,
- Preparation and management of the data room,
- Guidance throughout the negotiation process,
- Advice on the optimal tax or funding structure of the deal,
- Assistance in drafting the key price adjustment and warranty clauses for the share purchase agreement,
- Management of potential disputes and claims arising from the process.

Valuation and Financial Models

- Understand the value of your business in the context of your sector, your markets and your competitive landscape
- Identify the key factors that drive the value of your business
- Analyze historical results and model projected performance
- Apply appropriate discount rates and multiples
- Select an appropriate basis of valuation (P/E ratio, net assets, future cash flows, etc.)
- Use a systematic and multi-criteria approach
- Test the accuracy and sensitivity of a business model

7.3 Tax

Tax Certification Services

- Exemptions from corporation tax
- Investment allowances
- Transactions of VAT returns and tax rebates
- Transactions exempt from taxation
- Annual tax returns
- Other transactions foreseen by procedural tax law and Law No. 3568.

Other Certification Services

- Determining that the capital is paid in
- Capital increases through internal resources
- Transactions of Private Consumption tax returns and tax rebates
- Financial statements given to banks demanding credits and guarantee letters, • Transactions of R&D allowances
- Other transactions foreseen by procedural tax law and law No. 3568

Tax Consulting Services

- Providing tax consulting service
- Tax planning, tax restructuring, international tax advisory
- Designing cost accounting systems and providing assistance for their implementation
- Reviewing year-end financial statements and consulting for their presentation
- Preparing and/or controlling annual declarations
- Consultation regarding foreign capital, European Community Foreign Exchange and Free Zone Practices

Tax Review Services

- Monitoring of the books that are legally obligatory, from the perspective of entry procedures and affirmation, within the framework of the Tax Procedure Law and Turkish Commercial Code,
- Maintaining the accuracy of the accruals, consistency with accounting records, arithmetic and proportional accuracy, and timely and complete payment of Value Added Tax, Withholding Tax, Stamp Duty Returns and Social Security premium declarations of the company
- Examination of personnel payrolls
- Control of outgoing invoices prepared by the company through sampling in terms of adequacy, arithmetical accuracy and proper recording.

7.4 VAT Refund Services

- Monitoring the relationship between the taxpayer and the tax office during the Value Added Tax refund process within the scope of regulations set out by the tax administration and in governing legislation
- Timely preparation of the chartered accountant's report that is necessary for refund and deduction transactions
- Provision of consultancy services for the solution of problems encountered by companies regarding VAT refund and deduction transactions

7.5 Transfer Pricing Services

- Preparation of Annual Transfer Pricing Documentation Report
- Review and evaluation of existing Transfer Pricing Documentation Reports
- Preparation of a "Risk Assessment Analysis" with regard to existing Transfer Pricing policy of the group companies
- Preparation of a Transfer Pricing Planning Study (Master File) for the corporate taxpayers which do not have a set Transfer Pricing Policy
- Planning and evaluation studies arising from the restructuring of businesses using the Transfer Pricing approach
- Performance of benchmark analysis for all types of transactions including goods, services and financial transactions via global data bases
- Review and performance consultancy services for service contracts regarding the transactions your company carried out either with domestic or international related parties both from Turkish Tax and OECD TP Regulations perspective
- In the events that Turkish Tax Administration criticizes the current Transfer Pricing methodologies of your company, provision of defense services in the resolution of potential disputes
- Application of Advance Pricing Agreements processes made with Turkish Tax Administration for the companies that has doubts about which transfer pricing method to apply
- Performance of periodic audits to verify companies' compliance with group's transfer pricing policies throughout the year

7.6 Accounting Outsourcing Services (AOS)

Accounting Services

- Establishing accounting and costing systems and organizing the accounting departments
- Providing bookkeeping services under the supervision of our foreign language-speaking experts
- Year-end closing of the statutory books
- Preparation and declaration of VAT, Withholding Tax, Stamp Duty, Quarterly/Yearly Corporate Tax
- Other declarations, etc

Payroll Services

- Preparation of payroll
- Preparation of payroll slips and setting up payment orders via internet banking
- Preparation and filing of Social Security and Withholding Tax declarations

Reporting Services

- All kinds of financial reporting, preparation of management reports, budgets, cashflows, etc. (USGAAP, IFRS, Consolidation Reports, etc.)
- Accomplishing other miscellaneous tasks and preparation of special reports upon your request

Accounting Review Services

- Bringing accounting records into conformity with GAAP and Turkish Tax Legislation
- Verifying the adequacy of the statutory books according to the Tax Procedures Law and the Turkish Commercial Code
- Preparing tax declarations or checking tax declarations prepared by clients, • All kinds of accounting and tax consultancy

7.7 Corporate Governance, Risk, Control and Internal Audit Services:

Corporate Governance Consulting:

- Structuring of top management
- Construction of family constitution
- Preparation of authority matrices
- Preparation of company policy and procedures
- Preparation of job descriptions including roles and responsibilities
- Identification of areas of improvement related to internal control system and raising recommendations for improvement
- Preparation, reviewing and testing of business continuity plans
- Preparation of Code of Conduct
- Ethics hotline
- Consultancy support in Turquality preparation and preanalysis processes

Risk, Control and Internal Audit Services

In today's economic conditions risk management has gained a considerable importance. It is important for regulatory authorities, creditors, investors, clients and suppliers that the companies they are in touch with are dependable and trustworthy. Presence of an effective internal control system in order to identify, analyse, prioritise and report risks at the company level with a common risk perception and in an integrated way; an internal audit function that monitors the corporate governance and risk management processes and the effectiveness of internal control systems, will create value add by increasing companies' competitive strength in the market.

Internal Audit Services

- Establishment / Re-establishment of internal audit function
- Outsourcing of internal audit activities
- Cosourcing for internal audit activities
- Preparation of risk based internal audit plan
- External quality assurance review of internal audit departments
- Preparation of control self assessment process
- Fraud prevention and investigation
- Internal audit trainings

Internal Control Services

- Design and evaluation of controls over business and IT processes
- Documentation of business & IT processes and documentation of process controls
- Establishment / Re-establishment of internal control function
- Sarbanes-Oxley (SOX) consulting services

Enterprise Risk Management Services

- Establishment of enterprise risk management process
- Preparation of enterprise risk management procedure and report format
- Identification of key risk indicators
- Enterprise risk management trainings

Information Technologies Risk Services

- Information Technologies (IT) audit (out-source / co-source)
- COBIT assessment and implementation support
- ISO 27001 assessment and implementation support
- ITIL / ISO 20000 assessment and implementation support
- IT risk assessment and management support
- Preparation of IT policy and procedures
- ERP selection support
- Network security and penetration testing services

7.8 Information Technologies Audit, Security and Consultancy Services

Compliance and Governance Services:

- Cobit 4.1 and Cobit 5
- PCI DSS 3.2
- ISO 27001:2013
- NISTCyber Security
- Law on the Protection of Personal Data
- BRSA regulations and standards on IT
- Information and Communication Technologies Authority regulations and standards on IT
- Data security risk strategy
- Supplier Audits
- Audit preparation evaluation

- Information and Communication Technologies Authority regulations and standards on IT
- Data security risk strategy
- Supplier Audits
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Our Services in the IT Competencies Area:

- IT strategic management
- Institutional architecture management
- Data security management
- Information inventory management
- Human resources management
- Program and project management
- Software development management
- Access and ID management
- Service management
- Supplier management
- Technical infrastructure management
- Research, development and engineering (Innovation Processes)
- End-user experience design
- Business continuity services
- Process and document design

Technical Infrastructure Security Services:

- Configuration management
- Security product selection consultancy
- Security reference architecture
- Security data architecture
- Infrastructure devices revision
- Security device management
- Technical design
- Technical development
- Operational security
- Security hardening analyses

7.9 Financial Due Diligence

- Dataroom management, preparation
- Review of the history and development of the Company and activities undertaken; analysis of historical financial results
- Review of EBITDA of the Target and quality of earnings analysis (normalized earnings); understanding of items impacting underlying earnings (e.g. non-recurring items, non-operational items and accounting issues)
- Analysis of assets, liabilities, operational expenses and related party transactions in every material respect
- Analysis of human resource structure
- Review of business plan, assumptions and achievability

7.10 Management Consulting Services

Companies continuously evaluate opportunities concerning their current situations and operations based on market and competitive conditions and make decisions regarding them. The objective: The generation of ever-increasing revenues in a sustainable manner and in a way that meets the expectations of the business partners and clients.

The Mazars Denge Management Consultancy team offers solution-oriented, holistic and analytical approaches which assist the companies to make the best decisions during critical moments.

Strategic Value:

Strategic Planning and Growth, Penetrating Target Markets, Commercial Valuation, Post-acquisition Integration

Operations:

Operational Efficiency, Demand Planning, Customer Satisfaction, Sale and Service Strategy, Supplier Management

Management and Organisation:

Change Management, Institutionalization, Governance, Performance Management, Management Reporting

7.11 Corporate Finance

Company Valuation

- Review of company activities and preparation of future business plans
- Estimation of company value according to globally recognized methods (net asset value, net book value, discounted cash flow and coefficient methods)
- Differentiation of minority and majority shares

Initial Public Offering Consultancy

- Determining IPO strategy (timing, method, selection of broker, selection of market (national market or emerging business, domestic or foreign exchanges, etc.)
- Operational, financial, legal and tax preparation (disposal of non-operational assets, determining merger or division requirements, creation of governance structure)
- Preparation of introductory documents for investors (info memo)
- Producing the documents and managing the procedure for CMB and ISE applications

Merger and Acquisition Consultancy

- Bringing seller and purchaser together (provision of strategic or financial partners)
- Preparation of the seller's company for sale with regard to operational, financial, legal and tax matters
- Preparation and submission of introductory documents on behalf sellers
- Examination and identification of potential sellers on behalf of buyers
- Active participation in the drafting and negotiation of letters of intent, share transfer agreements, shareholder agreements and other documents on behalf of buyers or sellers
- Company valuation
- Due diligence

Project Financing

- Selecting and contacting prospective domestic and foreign financiers
- Conducting financial feasibility studies that include project details
- Conducting feasibility studies for financiers
- Aligning with other technical consultants working on a project

7.12 Management, Organisation and HR Advisory Services

Working conditions in Turkey are based on Labor Law numbered 4857. Companies which will trade in Turkey have to obey all the labor regulations. Companies must arrange their management rules, organizational structures and HR policies according to these regulations. Subjects such as recruitments, trainings, wage management, performance management system, dismissal process and labor law.

7.13 Global French Services

We are equipped with high expertise and extensive experience in assisting French businesses in Turkey. Our European identity enables our French Desk professional to exhibit specific knowledge of both French and Turkey accounting and regulatory requirements, as well as to provide business advisory services to our French and French-speaking clients in Turkey.

In France and Francophone countries. We work closely with Business France for the attractiveness of France and support the Turkish companies when they invest in France.

The cross-border experience of our team enables us to understand and develop solutions to meet the rapid needs of those operating in different jurisdictions and locations.

How do Mazars Support Business in France and Turkey?

Our French Desk in Turkey provides a wide range of services to support:

- French organisations who operate and invest in Turkey, and
- Turkish companies seeking to invest or become established in France.

Global China Services

We've been delivering high quality and high added-value services to dozens of overseas operations of Chinese companies. The strength of our key client portfolio demonstrates our exceptional technical strength, credentials and commercial awareness. We provide a full range of services from audit and assurance to advisory, tax and legal services. This expertise will be the cornerstone of our future relationship with you.

As an integrated partnership, we are dedicated to sharing our insights and best practices for compliance with local regulations and laws. We not only inform our clients about the rules and limitations but more importantly, we strive to create joined-up business solutions articulated in a sensible cultural context for our clients to execute. They can thus succeed in market after market without fear of falling foul of all the varying and confusing legislation with which business leaders are confronted when going.

Note:



APPENDIX

As part of the development of Turkey's international business relations, a number of new tax treaties have been concluded, and negotiations are in progress for several more. In principle, Turkey seeks to follow the OECD model tax treaties as far as possible.

The following table indicates withholding tax rates on dividends, interest and royalty payments earned from Turkey and made abroad. Some exceptions, discrepancies and notes are referred at the bottom of the table:

Withholding tax rates applicable by Turkey (%)

Contracting State	Effective Date	Dividends	Interests (I-1)	Royalties	Note
Albania	01.01.1997	5-15	0-10	10	D-1
Algeria	01.01.1997	12	0-10	10	
Austria	01.01.2010	5-15	0-10	10	D-1
Australia	01.01.2014	5-15	0-10	10	
Azerbaijan	01.01.1998	12	0-10	10	
Bahrain	01.01.2008	10-15	0-10	10	D-1
Bangladesh	01.01.2004	10	0-10	10	
Belarus	01.01.1999	10-15	0-10	10	D-1
Belgium	01.01.1992	5/10	0-10	10	D-2
Bosnia Herzegovina	01.01.2009	5-15	0-10	10	D-1
Brazil	01.01.2013	10-15	0-10	10-15	R-3
Bulgaria	01.01.1998	10-15	0-10	10	D-1
Canada	01.01.2012	15-20	0-10	10	
China	01.01.1998	10	0-10	10	
Croatia	01.01.2001	10	0-10	10	
Czech Republic	01.01.2004	10	0-10	10	
Denmark	01.01.1991	15-20	0-10	10	D-1
Egypt	01.01.1997	5-15	0-10	10	D-1
Estonia	01.01.2006	10	0-10	5-10	R-1
Ethiopia	01.01.2008	10	0-10	10	
Finland	01.01.2013	5-15	0-10	10	D-1
France	01.01.1990	15-20	0-10	10	D-1
Georgia	01.01.2011	10	0-10	10	
Germany	01.01.2011	5-15	0-10	10	D-1
Greece	01.01.2005	15	0-10	10	
Hungary	01.01.1993	10-15	0-10	10	D-1
India	01.01.1994	15	0-10	15	
Indonesia	01.01.2001	10-15	0-10	10	D-1
Iran	01.01.2006	15-20	0-10	10	D-1
Ireland	01.01.2011	5-15 / 5 10-15	0-10	10	D-1
Israel	01.01.1999	10	0-10	10	
Italy	01.01.1994	15	0-10	10	
Japan	01.01.1995	10-15	0-10	10	D-1
Jordan	01.01.1987	10-15	0-10	12	D-1
Kazakhstan	01.01.1997	10	0-10	10	
Korea (South)	01.01.1987	15-20	0-10	10	D-1

Contracting State	Effective Date	Dividends	Interests (I-1)	Royalties	Note
Kuwait	01.01.1997	10	0-10	10	
Kyrgyzstan	01.01.2002	10	0-10	10	
Latvia	01.01.2004	10	0-10	5-10	R-1
Lebanon	01.01.2007	10-15	0-10	10	D-1
Lithuania	01.01.2001	10	0-10	5-10	R-1
Luxembourg	01.01.2006	5-20 / 10-20	0-10	10	D-3
Macedonia	01.01.1997	5-10	0-10	10	D-1
Malaysia	01.01.1997	10-15	0-10	10	D-1
Malta	01.01.2014	10-15	0-10	10	
Moldova	01.01.2001	10-15	0-10	10	D-1
Mongolia	01.01.1997	10	0-10	10	D-1
Morocco	01.01.2007	7-10	0-10	10	D-1,
Netherlands	01.01.1989	5/10	0-10	10	D-4
New Zealand	01.01.2012	5-15	0-10	10	
Northern Cyprus	01.01.1989	15-20	0-10	10	D-1
Norway	01.01.2012	5-15	0-10	10	D-1,
Oman	01.01.2011	10-15	0-10	10	D-5
Pakistan	01.01.1989	10-15	0-10	10	D-1
Poland	01.01.1998	10-15	0-10	10	D-1
Portugal	01.01.2007	5-15	0-10	10	D-1
Romania	01.01.1989	15	0-10	10	
Russia	01.01.2000	10	0-10	10	
Qatar	01.01.2009	10-15	0-10	10	D-1
Saudi Arabia*	01.01.2010	5-10	0-10	10	D-1
Serbia-Montenegro	01.01.2008	5-15	0-10	10	D-1
Singapore	01.01.2002	10-15	0-10	10	D-1
Slovakia	01.01.2000	5-15	0-10	10	D-1
Slovenia	01.01.2004	10	0-10	10	
South Africa	01.01.2007	10-15	0-10	10	D-1
Spain	01.01.2004	5-15	0-10	10	D-1
Sudan	01.01.2006	10	0-10	10	D-1
Sweden	01.01.1991	15-20	0-10	10	D-1
Switzerland	01.01.2013	5-15	5-10	10	D-1,I-2
Syria	01.01.2005	10	0-10	10-15	R-2
Tajikistan	01.01.2002	10	0-10	10	
Thailand	01.01.2006	10-15	0-10	15	D-1
Tunisia	01.01.1988	12-15	0-10	10	D-1
Turkmenistan	01.01.1998	10	0-10	10	
U.A.E.	01.01.1995	5-10-12	0-10	10	D-1, D-5
U.S.A.	01.01.1998	15-20	0-10	5-10	D-1
Ukraine	01.01.1999	10-15	0-10	10	D-1
United Kingdom	01.01.1989	15-20	0-10	10	D-1
Uzbekistan	01.01.1997	10	0-10	10	D-1
Yemen	01.01.2011	10	0-10	10	
Philippines	1.01.2017	10-15	0-10	10 -15	R-2
Kosovo	15.10.2015	5-15	0-10	10	
Mexico	23.07.2015	5-15	10-15	10	
Vietnam	9.06.2017	5-10-15	0-10	10	

NOTES

On Dividends	D-1	The lower rate is valid if participation level exceeds the rate referred to in the treaty; otherwise, the higher rate is applied.
	D-2	The rates are 5% in Belgium and 10% in Turkey.
	D-3	Lower rates are: in Luxembourg 5%, in Turkey 10%. The higher rate is 20% in both countries.
	D-4	The rates are 5% in the Netherlands, 10% in Turkey.
	D-5	If the profit distributing company is owned by a public body, the applicable rate is 5%.
On Interests	1-1	The Turkish government has fixed the rate at 0% if the loan is provided by foreign or local banks and financial institutions, and 10% if the loan is provided by non-financial foreign institutions (inter-company loan).
	1-2	The lower rate may be applied for specific loans.
On Royalties	R-1	The lower rate is applied for the use of industrial, commercial and scientific equipment.
	R-3	The higher rate is applied on gross amounts of royalties arising from the use of, or the right to use, trademarks.

(*) Under separate agreement, there is reciprocal exemption of taxes on the activities of air transportation enterprises.

Contracting State	Date of Signature	Date of Enforcement
Albania	July 15, 1998	February 01, 2005
Austria	October 12, 1966	October 01, 1969
Azerbaijan	July 17, 1998	August 09, 2001
Belgium	July 04, 1966	May 01, 1968
Bosnia-Herzegovina	May 27, 2003	September 01, 2004
Canada	June 19, 1998	January 01, 2005
Croatia	June 12, 2006	June 01, 2012
Czech Republic	June 28, 2001	January 01, 2005
Denmark	December 13, 1999	December 01, 2003
France	January 20, 1972	August 01, 1973
Georgia	December 11, 1998	November 20, 2003
Germany	April 30, 1964	November 01, 1965
Libya	September 13, 1984	September 01, 1985
Luxembourg	November 20, 2003	June 01, 2006
Macedonia	July 06, 1998	July 01, 2000
Netherlands	April 05, 1966	February 01, 1968
Northern Cyprus	March 09, 1987	December 01, 1988
Norway	July 20, 1978	June 01, 1981
Quebec	November 21, 2000	January 01, 2005
Republic of Korea	August 01, 2012	June 01, 2015
Romania	July 06, 1999	March 01, 2003
Serbia	October 26, 2009	December 01, 2013
Slovakia	January 25, 2007	July 01, 2013
Sweden	June 30, 1978	May 01, 1981
Switzerland	May 01, 1969	January 01, 1972
United Kingdom	September 09, 1959	June 01, 1961
Italy	May 05, 2012	August 01, 2015
Montenegro	March 15, 2012	December 01, 2015

Contracting State	Free Trade Zones	Technology Development Zones (Technoparks)
Adana	Yumurtalık (1992)	Çukurova TDZ
Ankara		Ankara TDZ (Bilkent Cyberpark), Hacettepe TDZ, M.E.T.U. Tech TDZ, Ankara University TDZ, Gazi Teknopark TDZ, A.S.O. Teknopark TDZ, Ankara Teknopark TDZ, OSTİM Ekopark TDZ, Teknohab TDZ
Antalya	Antalya (1985)	Batı Akdeniz TDZ, Antalya OSB TDZ
Balıkesir		Balıkesir University TDZ
Bolu		Bolu TDZ
Burdur		Makü-Baka TDZ
Bursa	Bursa (2000)	Ulutek TDZ
Çanakkale		Çanakkale TDZ
Çorum		Çorum TDZ (Hitit University)
Denizli	Denizli (2000)	Pamukkale University TDZ
Diyarbakır		Dicle University TDZ
Düzce		Düzce Teknopark TDZ
Edirne		Trakya University TDZ
Elazığ		Fırat TDZ (Fırat University)
Erzurum		Erzurum Ata Teknokent TDZ
Eskişehir		Eskişehir TDZ
Gaziantep	Gaziantep (1998)	Gaziantep University TDZ, Gaziantep OSB TDZ
Hatay		Hatay TDZ(Mustafa Kemal University)
Isparta		Göller Bölgesi TDZ(Suleyman Demirel University)
İstanbul	Atatürk Airport (1990) İstanbul Thrace Zone (Çatalca) (1990) İstanbul Industry and Trade (1992)	Boğaziçi University TDZ, İTÜ Arı Teknokent TDZ, İstanbul University TDZ, Yıldız Technical University TDZ, İstanbul TDZ, Marmara University TDZ, Finans Teknopark TDZ, İZÜ TDZ, Sağlık Bilimleri University TDZ, İMÜ TDZ, Dudullu OSB Boğaziçi TDZ
İzmir		İzmir TDZ, İzmir Bilim Ve Teknoloji Park
Kahramanmaraş	Aegean (1987), Menemen (1997)	TDZ Dokuz Eylül TDZ,Ege Teknopark TDZ Kahramanmaraş TDZ
Karaman		Karaman TDZ (Karamanoğlu Mehmetbey University)
Kayseri	Kayseri (1997)	Erciyes University TDZ
Kırıkkale		Kırıkkale University TDZ
Kocaeli Kocaeli Tübitak-	Kocaeli (2000), Tübitak-MAM (1999)	Kocaeli University TDZ, Tübitak-MAM Teknoparkı, Gebze OIZ TDZ, Muallimköy TDZ, Gebze Technical University TDZ.
Konya		Selçuk University TDZ,Konya TDZ
Kütahya		Kütahya Dumlupınar Tasarım TDZ
Malatya		Malatya TDZ (İnönü University)
Manisa		Celal Bayar University TDZ
Mardin	Mardin (1994)	
Mersin	Mersin (1985)	Mersin TDZ (Mersin University), Mersin Tarım Gıda İhtisas TDZ
Niğde		Niğde University TDZ
Rize	Rize (1997)	
Sakarya		Sakarya University TDZ
Samsun	Samsun (1995)	Samsun TDZ
Sivas		Cumhuriyet TDZ

Contracting State	Free Trade Zones	Technology Development Zones (Technoparks)
Şanlıurfa		Harran University TDZ
Tekirdağ	European Free Zone (Çorlu) (1996)	Namık Kemal University TDZ
Tokat		Tokat TDZ
Trabzon	Trabzon (1990)	Trabzon TDZ
Van		Yüzüncü Yıl University TDZ
Yozgat		Bozok TDZ (Bozok University)
Afyonkarahisar-Uşak		Afyon-Uşak TDZ
Aydın		Adnan Menderes TDZ
Nevşehir		Kapadokya TDZ
Muğla		Muğla TDZ
Batman		Batman University TDZ
Osmaniye		Osmaniye TDZ
Zonguldak		Zonguldak TDZ
Karabük		Karabük University TDZ
Çankırı		Çankırı TDZ
Kastamonu		Kastamonu University TDZ
Kırklareli		Kırklareli University TDZ

Region 1	Region 2	Region 3	Region 4	Region 5	Region 6
Ankara	Adana	Balıkesir	Afyonkarahisar	Adıyaman	Ağrı
Antalya	Aydın	Bilecik	Amasya	Aksaray	Ardahan
Bursa	Bolu	Burdur	Artvin	Bayburt	Batman
Eskişehir	Çanakkale (Except Bozcaada&Gökçeada)	Gaziantep	Bartın Çorum	Çankırı Erzurum	Bingöl Bitlis
İstanbul	Denizli	Karabük	Düzce	Giresun	Diyarbakır
İzmir	Edirne	Karaman	Elazığ	Gümüşhane	Hakkari
Kocaeli	Isparta	Manisa	Erzincan	Kahramanmaraş	Iğdır
Muğla	Kayseri	Mersin	Hatay	Kilis	Kars
	Kırklareli	Samsun	Kastamonu	Niğde	Mardin
	Konya	Trabzon	Kırıkkale	Ordu	Muş
	Sakarya	Uşak	Kırşehir	Osmaniye	Siirt
	Tekirdağ	Zonguldak	Kütahya	Sinop	Şanlıurfa
	Yalova		Malatya	Tokat	Şırnak
			Nevşehir	Tunceli	Van
			Rize	Yozgat	Bozcaada & Gökçeada
			Sivas		

<http://www.invest.gov.tr/tr-TR/investmentguide/investorsguide/Pages/Incentives.aspx>

No	Investment Subject	Minimum Investment Amounts (Million TL)
1	Production of Refined Petroleum Products	1.000
2	Production of Chemical Products	200
3	Harbors and Harbor Services	200
4	Automotive OEM and Supply Industries	50
4-a	Automotive OEM Investments	200
4-b	Automotive Supply Industries Investments	50
5	Production of Railway and Tram Locomotives and/or Railway and Tram Cars	50
6	Transit Pipe Line Transportation Services	50
7	Electronics	50
8	Production of Medical, High Precision and Optical Equipment	50
9	Production of Pharmaceuticals	50
10	Production of Aircraft and Space Vehicles and/or Parts	50
11	Production of Machinery (including Electrical Machinery and Equipment)	50
12	Mining (including metal production)	50

Applicable for Turkish residents or residents of foreign states who haven't signed an effective DTA with Turkey:

Payment Type	Rate
Salaries, wages and similar payments	progressive tax tariff
Independent Professional Services	
- General	20%
- Specified copyright payments to authors, artists, etc.	17%
Construction and repair works extending to more than one calendar year	3%
Rents	20%
Royalties	
- on payments for the use of rights	20%
- on payments for the transfer and assignment of rights	20%
Dividends	15%
Interests	
- on G-Bonds and T-Bills (excluding TR-Eurobonds)	10%
- on TR-Eurobonds	0%
- on deposit accounts (the rate varies depending on maturity and currency)	10%-18%
- on repo (repurchasing agreement) transactions	15%
Capital Gains derived from alienating securities (acquired after January 1, 2006)	
- from stock shares (except trust companies' shares) on the Istanbul Stock Exchange (ISE),	0%
- from shares of trust companies or Exchange-Traded Fund (ETF) on the ISE	10%
- from warrants of intermediary institutions on the ISE (composing shares or share index)	0%
- on private bonds, G-Bonds and T-Bills (issued after January 1, 2006)	10%
- from shares of mutual funds (if 51% of portfolio is composed of ISE shares and held for more one year, there is no withholding)	10%
- earnings futures and option contracts (composing shares or share index)	0%
- earnings futures and option contracts (not composing shares or share index)	10%
- on TR-Eurobonds	0%

Applicable for Turkish residents or residents of foreign states that haven't signed an effective DTA with Turkey:

Payment Type	Rate
Independent Professional Services	20%
Construction and repair works extending to more than one calendar year	3%
Rents	20%
Royalties	
- on payments for the use of rights	20%
- on payments for the transfer and assignment of rights	20%
Dividends	
- paid to non-residents	15%
- paid to resident companies	0%
Interests	
- on loans from foreign banks and financial institutions	0%
- on loans from other foreign institutions	10%
- on G-Bonds and T-Bills (excluding TR-Eurobonds)	0%
- on TR-Eurobonds	0%
- on deposit accounts (rate varies depending on maturity and currency)	10%-18%
- on repo (repurchasing agreement) transactions	15%
Capital Gains derived from alienating securities	
- trading gains from stock shares on the İstanbul Stock Exchange (ISE)	0%*
- trading gains from shares of Security Trust Companies or the Exchange-Traded Fund (ETF) on the İstanbul Stock Exchange (ISE)	0%*
- trading gains from warrants of intermediary institutions on the İstanbul Stock Exchange (ISE) (Leaning against stocks or share index)	0%
- on private bonds, G-Bonds and T-Bills, (excluding TR-Eurobonds)	0%*
- trading gains from mutual funds (if 51% of the portfolio consists of ISE shares held for more than one year, there is no withholding either)	0%*
- earnings futures and option contracts (share or index based)	0%
- earnings futures and option contracts (others)	0%*
- TR-Eurobonds	0%



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