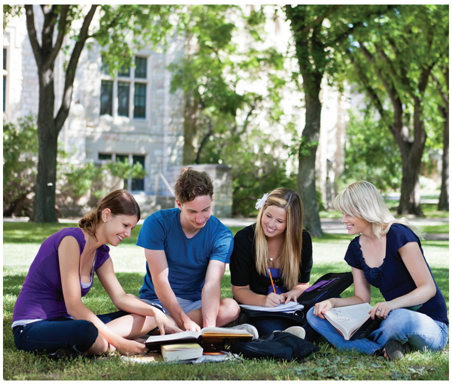
DOING BUSINESS IN TURKEY

2015

Reasons to invest in Turkey






MAZARS

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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 [*].

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MAZARS TURKEY: TIER 1 RECOMMENDED FIRM

CONTENTS

“Large domestic market with high demand”

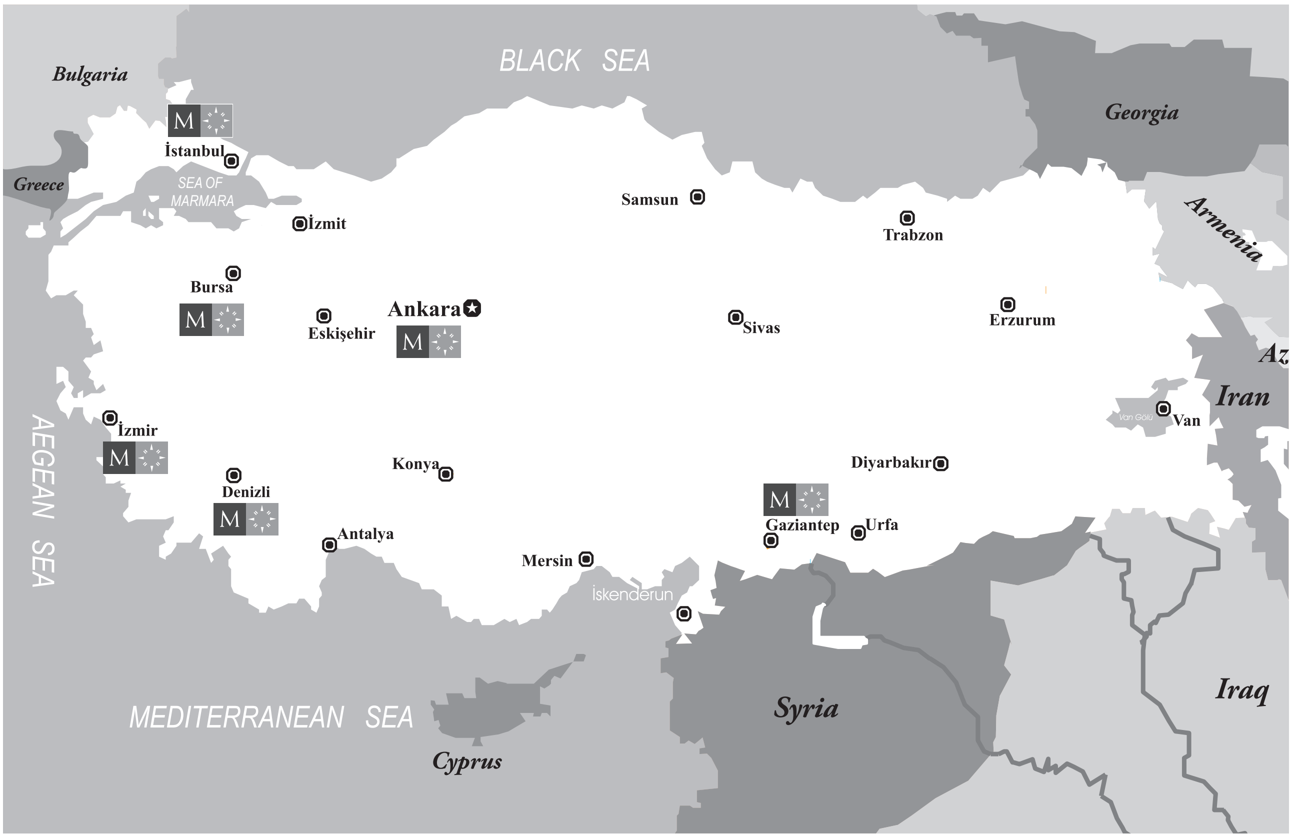
Large domestic market with high demand

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 2013, the population of Turkey is approximately 76.6 million. In the year 2013, nearly 45% of Turkey's inhabitants lived in its ten largest urban centers, which are:

Major Cities	Population in 2013
İstanbul	14,160,467
Ankara	5,045,083
İzmir	4,061,074
Bursa	2,740,970
Antalya	2,158,265
Adana	2,149,260
Konya	2,079,225
Gaziantep	1,844,438

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, 2014):

Currency	Buying	Selling
USD	2.3269	2.3311
EUR	2.8272	2.8323
GBP	3.6201	3.6389
CHF	2.3457	2.3608
JPY	1.9424	1.9552

Political System

Turkey is a republic in which power is divided between the legislature, executive and judiciary. Under the 1982 constitution, the Turkish parliament (TBMM) is the sole legislative body, exercising supreme power. Executive power is exercised by the Prime Minister and the Council of Ministers, in accordance with the constitution and the law. 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 3, 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.

Foreign Investment

Foreign investors are treated the same as 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 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]

Basic economics indicators are as follows:

Years	2009	2010	2011	2012	2013	2014*
GDP (PPP) (million $)	616,703	731,608	773,980	785,721	823,000	820,000
GDP per capita (PPP) ($)	8,559	10,022	10,466	10,497	10,818	10,550
Inflation (%)	6.53	6.40	10.45	6.16	7.40	8.17
Volume of exports (million $)	102,142	113,883	134,906	152,461	151,868	173.6
Volume of imports (million $)	140,928	185,544	240,841	236.545	251.650	239.0
Exports/Imports (%)	72.5	61.40	56.0	64.5	60.3	72.6
Unemployment rate (%)	14.00	11.90	9.80	9.20	9.5	9.5
Population (million persons)	72.5	73.7	74.7	75.6	76.6	77.7

1 Source: Turkısh Statistical Institute, International Monetary Fund, World Economic Outlook Database, Ministry of Economy, Economic Outlook.

** Estimated*

NOTES

"Stable economic growth"

Stable economic growth

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 judgements ruled by 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 June 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,
- International loan agreements.

For further information, please visit:
http://www.treasury.gov.tr/irj/portal/anonymous?guest_user=treasury

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 1, 2012 (for some articles, on January 1, 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, companies that meet the conditions set by Council of Ministers decision No. 2012/4213 are subject to statutory audit.

Companies subject to statutory audit also have to prepare their financial statements on the basis of TFRS, in line with IFRS.

Other than that, there is no statutory audit for companies (exluding companies subject to the Capital Markets Board, banks and insurance companies).

2.5 Accounting Principles

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

As mentioned above, Decision No. 2012/4213 requires statutory audit for certain companies. These companies should follow the accounting standards of the Ministry of Finance for bookeeping and tax purposes, but should 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, with recent amendments in the law, bookkeeping in foreign currencies is allowed under certain conditions.

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 Treasury.

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 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, unemployement, 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 can not be lower than minimum wage and can not exceed the ceiling which is TL 7.809,90 for the first half of the year 2015. The amount will be TL 8.277,90 for the second half of the year. Even if the actual gross salary exceeds the ceiling, the premiums are calculated based on the ceiling, disregarding what is paid to 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 1.201,50 as of January 2015.

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 Service and Retirement Indemnity

When an employment contract is terminated without fulfilling conditions set by the law, relevant employee should be paid for indemnity pay provided that he/she is employed for more than one year and number of persons employed by the employer is less than 30 persons. This period would be six months where number of employers is higher than 30 persons.

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 employeed 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.csgb.gov.tr/csgbPortal/yabancilar/eng/izin_turleri.html

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 competitio

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/index.php?Lang=EN

"A strategic geographical position between East–West and North–South axes"

A strategic geographical position between East–West and North–South axes

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 Offices
- Free Trade Zone Companies/Branches

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.

The joint stock company (Anonim Şirketi or "A.Ş.") and the limited liability company (Limited Şirketi or "LTD") are the main types of privately owned commercial corporations under the Commercial Code.

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 join 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 liquidiation 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 setforth 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.

Liberal investment climate

"Liberal investment climate"

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 are allowed to deduct 100% of their research and development expenditures as taxable profit on their annual tax returns. The amount must be spent solely on searching for new technology and information. Besides that, the state provides income tax and social security premium support for assigned personnel at R&D centers and R&D projects, stamp duty exemption, techno-enterprise capital support, and other grants.

4.2 Free Trade Zones

The areas within the free zone boundaries are treated as extraterritorial for customs duties purposes (**see Appendix 3 for a list of FTZs**).

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.

The main incentives provided for production operations are corporate and income tax, VAT, customs duty, special consumption taxes, and other public charges.

4.3 Techno Parks

Technology development zones (techno parks) have been founded 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).

Tax and similar advantages in the zones are as follows:

- Software sales are VAT exempt,
- Social security contribution exemption for salaries until December 31, 2023,
- Profit derived from the R&D and software production of taxpayers operating in techno parks are exempt from corporate and individual income tax until December 31, 2023,
- The salaries of personnel are tax exempt until December 31, 2023.

The income of companies managing techno parks is exempt from all taxes, duties and charges in transactions.

4.4 Incentives Supporting New Investments

In accordance with the specific related regulation, Turkey is categorized into 6 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):

Regional Incentives:

a) Regions I and II:

1) Customs duty exemption,
2) VAT exemption,
3) Tax relief,
4) Investment place allocation,

b) Regions III and IV:

1) Customs duty exemption,
2) VAT exemption,
3) Tax relief,
4) Social Security Premium employer's share support,
5) Investment place allocation,
6) Interest support.

c) Regions V and VI:

1) Customs duty exemption,
2) VAT exemption,
3) Tax relief,
4) Social Security Premium employer's share support,
5) Investment place allocation,
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).

Incentives for large-scale investments (Appendix 4-b):

1) Customs duty exemption,
2) VAT exemption,
3) Tax relief,
4) Social Security Premium employer's share support,
5) Investment place allocation,
6 Support for withholding tax on wages (for investments realized in Region VI),
7) Social Security Premium support (for investments realized in Region VI).

Strategic investments:

1) Customs duty exemption,
2) VAT exemption,
3) Tax relief (90% for all regions),
4) Investment Contribution Rate (50% for all regions),
5) Social Security Premium employer's share support,
6) Investment place allocation,
7) Interest support,
8) VAT refund,
9) Support for withholding tax on wages (for investments realized in Region VI),
10) Social Security Premium support (for investments realized in Region VI).

Specific Priority Investment

Current investment incentives system defines certain investment areas as "priority" and offers "Region 5 incentives" and other exclusive supports disregarding regions in which the investment is made.

Priority investments are listed by the relevant regulation as follows:

- Tourism investments in Cultural and Touristic Preservation and Development Regions determined by the Council of Ministers Decree,
- Mining investments,
- Railroad and maritime transportation investments,
- Mine extraction and/or processing investments,
- Railroad and maritime transportation investments,
- Specific pharmaceutical investments and defense industry investments with a minimum investment amount of 20 Million TL,
- Test facilities, wind tunnel and similar investments made for the automotive, space or defense industries,
- International fairground investments with a minimum area of 50,000 m2,
- Pre-school, primary, middle and high school investments by the private sector,
- Investments made to produce products developed by an R&D project supported by the Ministry of Science, Industry and Technology, TUBİTAK, KOSGEB,
- Investments in the motor vehicles main industry worth a minimum amount of TRY 300 million, engine investments worth a minimum amount of TRY 75 million, and investments for motor engine parts, transmission components/parts and automotive electronics worth a minimum amount of TRY 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 TRY 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.

4.5 Reduced Rates for Corporate Tax

Some investments are financed by reducing corporate tax. Accordingly, profit from investments is taxed at lower rates depending on the regions and investment amount, until the amount of the tax benefit reaches the contribution rate set by the incentive legislation.

Reduced corporate tax rates for investments initiated after January 01, 2015:

	Regional Execution (Appendix 4-a)		Large Scale Investments (Appendix 4-b)	
Regions	Investment Contribution Rate (%)	Corporate Tax or Personal Income Tax Discount Rate (%)	Investment Contribution Rate (%)	Corporate Tax or Personal Income Tax Discount Rate (%)
I	10	30	20	30
II	15	40	25	40
III	20	50	30	50
IV	25	60	35	60
V	30	70	40	70
VI	35	90	45	90

Reduced corporate tax rates for investments initiated before December 31, 2014:

Regional Execution (Appendix 4-a)			Large-Scale Investments (Appendix 4-b)	
Regions	Investment Contribution Rate (%)	Corporate Tax or Personal Income Tax Discount Rate (%)	Investment Contribution Rate (%)	Corporate Tax or Personal Income Tax Discount 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

Reduced corporate tax rates for investments that have been initiated before December 31, 2010:

Regional Execution (Appendix 4-a)			Large-Scale Investments (Appendix 4-b)	
Regions	Investment Contribution Rate (%)	Corporate Tax or Personal Income Tax Discount Rate (%)	Investment Contribution Rate (%)	Corporate Tax or Personal Income Tax Discount Rate (%)
I	20	50	30	50
II	30	60	40	60
III	40	80	50	80
IV	60	90	70	90

Reduced corporate tax rates for investments that have been initiated before December 31, 2011:

Regional Execution (Appendix 4-a)			Large-Scale Investments (Appendix 4-b)	
Regions	Investment Contribution Rate (%)	Corporate Tax or Personal Income Tax Discount Rate (%)	Investment Contribution Rate (%)	Corporate Tax or Personal Income Tax Discount Rate (%)
I	15	50	25	50
II	25	60	35	60
III	35	80	45	80
IV	55	90	65	90

For further information please visit the following address:
http://www.invest.gov.tr/en-US/investmentguide/investorsguide/Pages/Incentives.aspx

4.6 KOSGEB Supports Available for SMEs

Enterprises and entrepreneurs operating in the manufacturing industry and employing from between 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 for:

- Loan interest support,
- SME Project Support Program,
- Thematic Project Support Program,
- Cooperation and Capability Association Support Program,
- R&D, Innovation and Industrial Execution Program,
- General Support Program,
- Entrepreneurship Support Program,
- SME Support Program for the Emerging Companies Market.

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

http://www.treasury.gov.tr/default.aspx?nsw=8rarpuRhEnYdhfGWl2a5sA==-SgKWD+pQItw=
http://www.kosgeb.gov.tr/Pages/UI/Default.aspx

NOTES

Advantageous taxes and incentives opportunities

"Advantageous taxes and incentives opportunities"

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 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 Tax

5.2.1 Tax Rate

Corporate tax is levied on profit derived by companies, entities, foreign permanent establishments and associates.

Corporate taxpayers are classified as limited or unlimited liable taxpayers. Unlimited liable taxpayers are liable for tax on their worldwide income. Limited liable taxpayers are subject to tax only on profit derived in Turkey. Basically, Turkish resident companies or entities are treated unlimited tax liable; residents of other states are treated limited liable taxpayers.

The rate is 20% for unlimited liable taxpayers and is applied on the tax base declared by annual tax returns. As an advance payment, advance tax shall be calculated at a rate of 20% and paid on a quarterly basis within the relevant fiscal years. Paid advance tax is offset against calculated corporate tax, which is declared with the annual return. Excess paid advance tax is subject to refund if demanded by taxpayers.

Unlimited liable taxpayers have to declare their worldwide taxable income on an annual basis. On the other hand, limited liable taxpayers are taxed on the profit derived in Turkey, and taxation is based mostly on withholding tax principles. Withholding tax rates for such taxpayers are determined by the Corporate Tax Law.

However, should such taxpayers be residents of a state that has signed a double taxation prevention agreement (DTA) with Turkey, then the rate of withholding tax may differ from that of the taxing state (**Appendix 1** indicates the list of effective DTAs and withholding tax rates). (**Appendix 5-a** indicates withholding tax rates for limited liable taxpayers that are not residents of states which did not sign a DTA with Turkey.)

5.2.2 Exemptions

The following earnings of unlimited liable corporate taxpayers are exempted from corporate tax:

- Dividend received from other Turkish companies,
- Dividend received from foreign subsidiaries or branches (subject to certain conditions),
- Capital gains derived by holding companies from sale of shares in foreign subsidiaries (subject to certain conditions),
- Earnings of the following funds and companies established in Turkey:
  - Portfolio management earnings of investment funds/companies
  - Real estate investment funds/companies
  - Venture capital funds/companies
  - Pension funds
  - Housing financing funds and asset financing funds
- 75% of capital gains from the alienation of shares and immovable properties(subject to certain conditions),
- Allowances for banks and institutions indebted to banks 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 The Ministry of Finance is authorized to determine details for the above exemptions.

5.2.3 Carry-forward 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 Controlled Foreign Company (CFC) Regulations

In accordance with the Turkish CFC rules, in some cases, income of foreign companies controlled by unlimited liable taxpayers can be taxed in Turkey. Whether the income is distributed or not is irrelevant. Basically, should all below-mentioned conditions exist, controlled companies' income attributable to Turkish residents is taxed in Turkey:

- If a foreign company is controlled by Turkish taxpayer at least 50% in terms of capital, dividend or right to vote,
- If 25% or more of the total gross revenue of the controlled company consists of passive income such as interest, dividends, rent, license fees and income from securities,
- If income tax on profit of the foreign companies less than 10%,
- If the total gross revenue of the controlled company exceeds TL100,000 (or equevelenat FX).

5.2.5 Taxation Method for Foreign Transportation Companies

Business profits of foreign transportation companies are calculated by multiplying the sales revenue by the average precedent ratios set by law. The precedent ratios are as follows:

- Road and railway transportation: 12%
- Marine transportation: 15%
- Air transportation: 5%

Should such companies be residents of a state that is a signatory of an effective DTA signed by Turkey, instead of these rates, provisions of the DTA have to be followed.

5.2.6 Thin Capital (Disguised Capital)

Where the borrowings from related parties exceed three times equity of a debtor company, the exceeding portion of the debt is deemed "disguised capital". The rate is 6:1 for loans received from related banks and/or similar financial institutions.

The term "related parties" refers to the shareholders, to companies in which the shareholders directly or indirectly have 10% share voting rights or dividend, and to natural or legal persons that own 10% or more of the shares, voting rights or rights to receive dividends from these companies.

In the case of a thin capitalization, the interest, exchange rate differences and other expenses paid over this amount will be deemed non-deductible expenses. Furthermore, those payments or accruals on thin capital shall be subject to withholding tax (within tax treaties' limits), as they are regarded as distributed dividend.

Loans (obtained from banks/financial institutions) transferred to a company with the same terms and non-cash guarantees are not treated as thin capital.

5.2.7 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.

5.2.8 Precautionary Tax-Heaven Measure

All sorts of payments made to the legal or natural persons that conduct business in the countries or regions designated by the Council of Ministers are subject to a withholding tax of 30%.

The Council shall declare the list in consideration of the fact that the tax system in the country where the income is obtained provides an opportunity for taxation at the same level as that created by the Turkish tax system. The list has not been announced as of the date of this booklet's release.

5.2.9 Mergers, Acquisitons, Spin-Off, and Share Swap

Gains derived from mergers, acquisitions (in the form of takeover) and spin-offs based on book values are not taxed in Turkey.

Under some conditions, gains derived from share swaps are not taxed either. The amount of shares transferred to the shareholders of the transferring company shall be calculated according to the current value of both the receiving and transferring companies. The shareholders of the transferring company are allowed to receive extra cash up to 10% of the nominal value of the shares provided to them.

5.3 Individual Income Tax

5.3.1 Tax Liability

Individuals who are Turkish residents are liable for income tax on their worldwide income, but non-resident individuals are liable for income tax only on income earned in Turkey.

Tax is charged on the net income derived from the following seven sources.

- Income from commercial and business activities,
- Income from agriculture,
- Income from independent professional services,
- Wages and salaries,
- Income from immovable assets and rights (including rents),
- Income from capital investments (including dividends and interest),
- Other income (including capital gains and occasional earnings).

5.3.2 Tax Rate

The rate of individual tax is between 15% and 35%, depending on the amount earned during a fiscal year. The tax tariff for 2015 earnings is as follows:

Lower Bracket (TL)	Upper Bracket (TL)	Tax on Lower (TL)	Tax Rate (%)
-	12,000	-	15
12,000	29,000	1,800	20
29,000	66,000	5,200	**27***
66,000	-	15,190	**35***

The last two brackets are applied for wages as indicated below:

Lower Bracket (TL)	Upper Bracket (TL)	Tax on Lower (TL)	Tax Rate (%)
29,000	106,000	5,200	27
106,000	-	25,990	35

Also unlimited liable 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 tax at the rate of the first tax bracket (15%).

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

5.3.3 Deductions

Individual income taxpayers that generate their income from commercial, agricultural or independent professional activities may deduct their operational expenses as corporate taxpayers do.

Additionally, under certain conditions, below listed expenditures are tax deductable:

- Personal insurance premiums,
- Contributions to labor unions,
- Education and health expenditures,
- Donations.

5.3.4 Exemptions

A wide range of income tax exemptions are provided for in the law, depending on the source of income and the status of the individual. Several exemptions which may be notable from a foreign investor's point of view are explained in the paragraphs below.

5.3.4.1 On Dividends

Half of dividends received by individual Turkish residents from Turkish resident companies is exempted from personal income tax. Thanks to the exemption, ultimate tax burden on such dividends doesn't exceed 17% of gross amount.

5.3.4.2 On Wages

Wages of employees working for a non-resident employer are exempted from personal income tax under the following conditions:

- 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.

5.3.4.3 On Rents

Of the rental income obtained from the real estate rented out as a residence, TL 3.600 is exempted from personal income tax in 2015.

5.4 Value Added Tax (VAT)

5.4.1 Tax Liability

VAT is levied on all goods and services delivered in Turkey within the scope of commercial, industrial, agricultural and independent professional activities, and on the import of goods and services. Morevoer, services provided for nonresidents are subject to VAT if the service is benefited/exploited 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.

Foreign-owned businesses (both permanent establishment and branches) operating in Turkey are taxpayers as well.

5.4.2 VAT Credit Mechanism

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.

Taxpayers declare VAT on their sales and purchases on a monthly basis, and pay the difference between input VAT and output VAT. In the event that the input VAT exceeds the output VAT, the residual amount is carried forward to be offset with the following month's output VAT.

5.4.3 Reverse Charge VAT

Should 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 by a reverse charge VAT mechanism. Under this mechanism, the Turkish client calculates and pays the VAT to the tax office on behalf of the non-resident. At the same time, the client deducts the paid VAT as input VAT on its tax declarations.

5.4.4 VAT Refund

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

- Export exemption,
- Sea, air and railway vehicles exemption,
- Petroleum exploration exemption,
- Investment incentive certificate exemption,
- Transit transportation exemption,
- Deliveries of the goods subject to reduced VAT rates,
- Diplomatic immunity.

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.

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 exploited or benefited in Turkey.

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

Each and every original copy of a contract is separately subject to the tax. Parties to an agreement – except for the official entities/parties – are jointly responsible for the payment of the 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 1,732.138 for the year 2015. The ceiling is adjusted each year.

5.6 Banking and Insurance Transactions Tax (BITT)

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%. Banks, bankers, insurance and reinsurance companies, financing companies, factoring companies are BITT payers.

5.7 Special Consumption Tax

The goods organized into four groups in the lists attached to the Special Consumption Tax Law are the subject of the tax. Each good on the lists is subject to the tax at a different rate.

- 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. The taxpayers can allocate the tax burden on to the end users.

5.8 Property Tax

Building and land owners shall pay a Property Tax 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, İstanbul, İzmir, 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.

Should the assets be transferred by inheritance, the tax rates change progressively between 1% and 10%.

Should the assets be transferred by a donor, the receiver shall 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 (KKDF)

The Resource Utilization Support Fund - known as KKDF - is a kind of tax levied on credit base imports and loans.

The KKDF rate for imports on credit is 6% of import value.

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

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

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 years	0.5%
Average maturity greater than three years.	0%

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.

Though the mentioned agreement is not signed yet, Turkey is accepted in the statue of “country with agreement”.

In this context, the financial institutions in Turkey are accepted as compatible with FATCA.

As soon as the Model 1 IGA is signed by the parties and comes into force, all information within the scope of FATCA will be reported by Turkish Tax Administration to Internal Revenue Service (IRS).

NOTES

“Young, dynamic and well-educated population”

Young, dynamic and well-educated population

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 – İstanbul (2 offices), Ankara, Bursa, Gaziantep, Denizli and İzmir – with more than 350 staff and 33 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 foreign owned companies operating wide range industries.

Overview of 38 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.

6.2 Mazars Worldwide

Mazars is an international, integrated and independent organization, specializing in audit, accounting, tax, legal and advisory services.

Mazars can rely on the skills of 14.000 professionals in the 73 countries that make up its integrated partnership in Europe, Africa, the Middle East, Asia Pacific, North America, Latin America and the Caribbean. Mazars also has correspondents and joint ventures in 19 additional countries.

Mazars is also one of the founding members of the Praxity alliance, which gathers 69 independent organizations and 33.400 professionals in 97 countries.

Mazars specializes in audit, acoounting, tax, legal and advisory services across a range of markets and sectors. We offer specialist skills beyond the reach of most regional firms.

NOTES

"Qualified and competitive labor force"

Qualified and competitive labor force

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 TL 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

- Establishment of company's transfer pricing strategy through the use of methods such as company process and functional analysis, comparability studies, and preparation of "Strategy Establishment Report for Transfer Pricing",
- Revision and update of "Strategy Establishment Report for Transfer Pricing" in line with fundamental changes in the market and changes in the company's functional and organizational structure,
- In the event of the presence of a transfer pricing strategy established by the head office abroad, performing the work or providing support for adaptation of this strategy and related methods to Turkey,
- Review, analysis and determination of the risks in companies' existing transfer pricing applications and group transfer pricing documentation process,
- For taxpayers who are uncertain which method to apply, managing the "Advance Pricing Agreement" process to apply to the Tax Office with the necessary information and documentation, and to request the determination of the appropriate method for a certain period,
- In the case of all kinds of transfer pricing disputes, provide necessary support at the tax office and judicial stages,
- Upon request, preparation of t he "Annual Transfer Pricing Report" for submission to the tax office and tax authorities.

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 payrol,
- 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, cash flows, 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 Internal Control Services

- Assisting companies in adapting to the Commercial Code,
- Providing fully internal auditing services,
- Preparation of internal control procedures,
- Examination of existing internal control procedures and systems, detection of incorrect applications, and making recommendations,
- Application of internal control procedures,
- Making controls pertinent to internal control procedures and preparation of reports for management,
- Providing training sessions related to internal control.

7.8 Corporate Governance

- Advising and establishing all kinds of entities, including any kind of company,
- Preparing all kinds of agreements between shareholders,
- Establishment of branch and liaison offices,
- Obtaining work and residence permits for expatriates,
- Capital increase and decrease procedures,
- General assemblies, share transfer transactions, liquidation process,
- Changing the type of a company, and arranging spin-offs,
- Mergers and acquisitions,
- Investment incentives and similar legal procedures,
- Preparing any kind of agreement (employment, royalty & know-how, distribution, license, sale & purchase, etc.),
- Legal due diligence,
- Trademark procedures,
- Turkish Commercial Code and Labor Law practices,
- Consulting on rental, purchase and mortgage of real estate,
- Recruitment and payroll services.

Well-established transportation routes

"Well-established transportation routes"

APPENDICES

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	D1
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	
Morocco	01.01.2007	7-10	0-10	10	D-1
Netherlands	01.01.1989	5/10	0-10	10	D-1, 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, D-5
Oman	01.01.2011	10-15	0-10	10	D-1
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	5-10	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	
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	

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	I-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).
	I-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-2	The lower rate is applied for the use of copyright of literary, artistic or scientific works.
	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
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

Province	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
Antalya	Antalya (1985)	Batı Akdeniz TDZ
Bolu		Bolu TDZ
Burdur		Makü-Baka TDZ
Bursa	Bursa (2000)	Uludağ University 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
Isparta		Göller Bölgesi TDZ
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
İzmir	Aegean (1987), Menemen (1997)	İzmir TDZ, İzmir Bilim Ve Teknoloji Park TDZ Dokuz Eylül TDZ
Kahramanmaraş		Kahramanmaraş TDZ
Kayseri	Kayseri (1997)	Erciyes University TDZ
Kırıkkale		Kırıkkale University TDZ
		Konya Technopark
Kocaeli		Malatya Teknokent
Kocaeli (2000) Tübitak-MAM (1999)	Kocaeli University TDZ, Tübitak-MAM	Kocaeli University TDZ, Tübitak-MAM Teknoparkı, Gebze OIZ TDZ, Muallimköy TDZ
Konya		Selçuk University 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)
Niğde		Niğde University TDZ
Rize	Rize (1997)	
Sakarya		Sakarya University TDZ
Samsun	Samsun (1995)	Samsun TDZ
Sivas		Cumhuriyet TDZ
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)

For Techno Parks:
http://www.sanayi.gov.tr/Default.aspx?lng=en

For Free Trade Zones:
http://www.economy.gov.tr/index.cfm?sayfa=FA7B68AE-CBB2-2A00-B79D2D5CFBCBBDE5

Region I	Region II	Region III	Region IV	Region V	Region VI
Ankara	Adana	Balıkesir	Afyonkarahisar	Adıyaman	Ağrı
Antalya	Aydın	Bilecik	Amasya	Aksaray	Ardahan
Bursa	Bolu	Burdur	Artvin	Bayburt	Batman
Eskişehir	Çanakkale (Islands)	Gaziantep	Bartın	Çankırı	Bingöl
İstanbul	Denizli	Karabük	Çorum	Erzurum	Bitlis
İzmir	Edirne	Karaman	Düzce	Giresun	Diyarbakır
Kocaeli	Isparta	Manisa	Elazığ	Gümüşhane	Hakkari
Muğla	Kayseri	Mersin	Erzincan	Kahramanmaraş	Iğdır
	Kırklareli	Samsun	Hatay	Kilis	Kars
	Konya	Trabzon	Kastamonu	Niğde	Mardin
	Sakarya	Uşak	Kırıkkale	Ordu	Muş
	Tekirdağ	Zonguldak	Kırşehir	Osmaniye	Siirt
	Yalova		Kütahya	Sinop	Şanlıurfa
			Malatya	Tokat	Şırnak
			Nevşehir	Tunceli	Van
			Rize	Yozgat	Bozcaada ve 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	Harbours and Harbour Services	200
4	Automotive OEM and Supply Industries	
4-a	Automotive OEM Investments	200
4-b	Automotive Supply Industries Investments	50
5	Railway and Tram Locomotives and/or Railway and Tram Cars	50
6	Transit Pipe Line Transportation Services	50
7	Electronics	50
8	Medical, High Precision and Optical Equipment	50
9	Pharmaceuticals	50
10	Aircraft and Space Vehicles and/or Parts	50
11	Machinery (including Electrical Machinery and Equipment)	50
12	Integrated Metal Production	50

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 - on payments for the transfer and assignment of rights	 20% 20%
Dividends - paid to non-residents - paid to resident companies	 15% 0%
Interests - on loans from foreign banks and financial institutions - on loans from other foreign institutions - on G-Bonds and T-Bills (excluding TR-Eurobonds) - on TR-Eurobonds - on deposit accounts (rate varies depending on maturity and currency) - on repo (repurchasing agreement) transactions	 0% 10% 0% 0% 10%-18% 15%
Capital Gains derived from alienating securities - trading gains from stock shares on the İstanbul Stock Exchange (ISE) - trading gains from shares of Security Trust Companies or the Exchange-Traded Fund (ETF) on the İstanbul Stock Exchange (ISE) - trading gains from warrants of intermediary institutions on the İstanbul Stock Exchange (ISE) (Leaning against stocks or share index) - on private bonds, G-Bonds and T-Bills, (excluding TR-Eurobonds) - 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) - earnings futures and option contracts (share or index based) - earnings futures and option contracts (others) - TR-Eurobonds	 0%* 0%* 0% 0%* 0%* 0% 0%* 0%

* 10% may be applied to certain type of entities conditionally.

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

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