



# INVESTMENT INCENTIVES AND OTHER SUPPORTS



**TRC-2 Region**  
(Şanlıurfa and Diyarbakır Provinces)

# INVESTMENT INCENTIVES

The new investment incentives scheme is specifically designed to encourage investments with the potential to reduce dependency on the importation of intermediate goods vital to the country's strategic sectors.

Amongst the primary objectives of the new investment incentives scheme are: reduce the current account deficit; boost investment support for lesser developed regions; increase the level of support instruments; promote clustering activities; and to support investments that will create the transfer of technology.

Effective as of January 1, 2012, the new investment incentives system has been comprised of four different schemes. Local and foreign investors have equal access to



The support instruments to be provided within the framework of the various investment incentives schemes are shown in the following table

SUPPORT INSTRUMENTS	GENERAL INVESTMENT INCENTIVES SCHEME	REGIONAL INVESTMENT INCENTIVES SCHEME	LARGE-SCALE INVESTMENT INCENTIVES SCHEME	STRATEGIC INVESTMENT INCENTIVES SCHEME
VAT Exemption	+	+	+	+
Tax Reduction	+	+	+	+
Social Security Premium Support (Employer's Share)		+	+	+
Income Tax Withholding Allowance *		+	+	+
Social Security Premium Support (Employee's Share) *		+	+	+
Interest Rate Support **		+	+	+
Interest Rate Support **		+		+
Land Allocation		+	+	+
VAT Refund***				+

\*Provided that the investment is made in Region 6.

\*\*Provided that the investment is made in Regions 3, 4, 5 or 6 within the framework of the Regional Investment Incentives Scheme.

\*\*\*For construction expenditures of strategic investments with a minimum fixed investment amount of TRY 500 million.



# INVESTMENT INCENTIVES

## VAT EXEMPTION

VAT is exempt for imported and/or domestically delivered machinery and equipment within the scope of the investment incentive certificate.

## CUSTOMS DUTY EXEMPTION

Customs duty is exempt for imported machinery and equipment within the scope of the investment incentive certificate.

## TAX REDUCTION

The income or corporate tax is calculated on basis of reduced rates until the total amount of reduced tax reaches the amount of contribution to the investment. The rate of contribution to investment refers to the rate of the total fixed investment amount that is subject to tax reduction.

## SOCIAL SECURITY PREMIUM SUPPORT (EMPLOYEE'S SHARE)

For additional employment created by the investment, the employee's share of the social security premium calculated on basis of the legal minimum wage will be covered by the government. The instrument is applicable only to investments made in Region 6 within the scope of the investment incentive certificate. There is no upper limit for Social Security Premium Support and it is applicable for 10 years.



## **SOCIAL SECURITY PREMIUM SUPPORT (EMPLOYER'S SHARE)**

For additional employment created by the investment, the employer's share of the social security premium calculated on basis of the legal minimum wage will be covered by the government.

## **INCOME TAX WITHHOLDING ALLOWANCE**

The income tax with regard to additional employment created by the investment, within the scope of the investment incentive certificate, will not be liable to withholding taxes. The instrument is applicable only to investments made in Region 6 within the scope of the investment incentive certificate. There is no upper limit for income tax withholding allowance and it is applicable for 10 years.

## **INTEREST RATE SUPPORT**

Interest rate support is a financial support instrument provided for investment loans with a term of at least one year obtained within the scope of an investment incentive certificate. A portion of the interest/profit share regarding the loan equivalent, at most 70 percent of the fixed investment amount registered in the investment incentive certificate, will be covered by the government for a maximum of the first five years.

## **LAND ALLOCATION**

Land may be allocated for investments, with an investment incentive certificate, in accordance with the rules and principles set by the Ministry of Finance, depending on the availability of such land.

## **VAT REFUND**

VAT collected on construction expenses, made within the scope of strategic investments with a minimum fixed investment amount of TRY 500 million, will be rebated.

# REGIONS



*TRC-2 Region (Şanlıurfa and Diyarbakır) is located in the 6th district. According to the investment incentives scheme, 6th region is the most supported region.*

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	Çanakale [Bozcaada & Gökçeada excluded]	Gaziantep	Bartın	Çankırı	Bingöl
İstanbul	Denizli	Karabük	Çorum	Erzurum	Bitlis
İzmir	Edirne	Karaman	Düzce	Giresun	<b>Diyarbakır</b>
Kocaeli	Isparta	Manisa	Elazığ	Gümüşhane	Hakkari
Muğla	Kayseri	Mersin	Erzincan	Kahraman- maraş	Iğdır
	Kırklareli	Samsun	Hatay	Kilis	Kars
	Konya	Trabzon	Kastamonu	Niğde	Mardin
	Sakarya	Uşak	Kırıkkale	Ordu	Muş
	Tekirdağ	Zonguldak	Kırşehir	Osmaniye	Siirt
	Yalova		Kütahya	Sinop	<b>Şanlıurfa</b>
			Malatya	Tokat	Şırnak
			Nevşehir	Tunceli	Van
			Rize	Yozgat	Bozcaada & Gökçeada
			Sivas		

# 01

## GENERAL INVESTMENT INCENTIVES SCHEME

Regardless of the region where investment takes place, all projects meeting both the specific capacity conditions and the minimum fixed investment amount are supported within the framework of the General Investment Incentives Scheme. Some types of investments are excluded from the investment incentives system and would not benefit from this scheme.

The minimum fixed investment amount is TRY 1 million in Region 1 and 2, and TRY 500,000 in Region 3, 4, 5 and 6.

Major investment incentive instruments are:

### EXEMPTION FROM CUSTOMS DUTIES (EMPLOYEE'S SHARE)

Customs tax exemption for imported machinery and equipment for projects with an investment incentive certificate.

### VAT EXEMPTION

VAT exemption for imported or domestically purchased machinery and equipment for projects with an investment incentive certificate.



# 02

## REGIONAL INVESTMENT INCENTIVES SCHEME

The sectors to be supported in each region are determined in accordance with regional potential and the scale of the local economy, while the intensity of support varies depending on the level of development in the region.

The minimum fixed investment amount is defined separately for each sector and region with the lowest amount being TRY 1 million for Region 1 and 2, and TRY 500,000 for the remaining regions.

The terms and rates of support provided within the Regional Investment Incentives Scheme are shown in the following table.



## REGIONAL INVESTMENT INCENTIVES SCHEME INSTRUMENTS

Incentive Instruments				Region					
				I	II	III	IV	V	VI
VAT Exemption				YES					
Customs Duty Exemption				YES					
Tax Reduction			Tax Reduction Rate [%]	50	55	60	70	80	90
Rate of Contribution to Investment [%]			Out of OIZ*	15	20	25	30	40	50
			Within OIZ*	20	25	30	40	50	55
Social Security Premium Support [Employer's Share]	Support Period	Out of OIZ*		2 years	3 years	5 years	6 years	7 years	10 years
		Within OIZ*		3 years	5 years	6 years	7 years	10 years	12 years
		Upper Limit for Support [%]	Out of OIZ*	10	15	20	25	35	No limit
			Within OIZ*	15	20	25	35	No limit	No limit
Land Allocation				YES					
Interest Rate Sup- port	TRY Denominated Loans [points]			N/A	N/A	3 points	4 points	5 points	7 points
	FX Loans [points]					1 points	1 points	2 points	2 points
Social Security Premium Support [Employee's Share]				N/A	N/A	N/A	N/A	N/A	10 years
Income Tax Withholding Allowance				N/A	N/A	N/A	N/A	N/A	10 years

\*OIZ: Organized Industrial Zones



**CONTRIBUTION RATE TO INVESTMENT APPLICABLE DURING  
INVESTMENT / OPERATING PERIODS UNDER REGIONAL INVESTMENT  
INCENTIVES SCHEME**

I	80 %	20 %
II	80 %	20 %
III	80 %	20 %
IV	80 %	20 %
V	80 %	20 %
VI	80 %	20 %

The new investment incentives system defines certain investment areas as “priority” and offers them the regional support extended to Region 5 by the Regional Investment Incentives Scheme, regardless of the region of the investment. If the fixed investment amount in priority investments is TRY 1 billion or more, tax reduction will be applied by adding 10 points on top of the “rate of contribution to investment” available in Region 5. If priority investments are made in Region 6, the regional incentives available for this particular region shall apply.



## FIELDS OF INVESTMENT WITH SPECIFIC PRIORITIES TO BE SUPPORTED WITH REGION 5 INSTRUMENTS REGARDLESS OF THE INVESTMENT'S REGION ARE

- Tourism accommodation investments in Cultural and Tourism Preservation and Development Regions and investments that could benefit from regional incentives with regard to thermal tourism
- Mine extraction and/or processing investments
- Mining exploration investments to be made in the licensed are as by investors with a valid Exploration License or Certificate is sued pursuant to the Mining Law
- Railroad and maritime freight or passenger transportation in vestments
- Investments in the defense industry to be made with respect to the project approval received from the Undersecretariat for Defense Industry
- Test centers, wind tunnels, and similar investments made for the automotive, aerospace or defense industries
- Investments made by the private sector for kindergartens and day-care centers, as well as preschools, primary, elementary, and high schools
- International trade fair investments with a minimum indoor area of 50,000 square meters [excluding accommodation and shopping center units]
- Investments for the manufacturing of products or parts devel oped by an R&D project that is supported by the Ministry of Sci ence, Industry and Technology, TUBITAK or 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 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
- Investments for energy efficiency projects which are to be carried out at existing manufacturing industry facilities with minimum 500 TEP (ton equivalent petroleum) annual energy consumption, which would provide minimum 20% energy savings compared to the current situation, and with 5 years or less return on investment as a result of energy savings
- 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
- Investments for the production of carbon fiber or composite materials made from carbon fiber provided that it takes place along with carbon fiber production
- Investments for the production of items in high-tech industry segment stipulated in the Organization for Economic Cooperation and Development's (OECD) definition for technology intensity
- Priority investments with a minimum fixed investment amount of more than TRY 3 billion are considered to be strategic investments. Yet, the amount of interest support for these investments cannot exceed TRY 700,000.
- Investments for the production of turbines and generators used in renewable energy generation, as well as investments for the production of blades used in wind energy generation

- Integrated investments for the production of aluminum flat products by hot rolling and direct chill slab casting methods
- Licensed warehousing
- Nuclear power plant investments
- Investments for research and reference laboratories, consumer safety and infectious diseases reference laboratories, pharmaceutical and medical device analysis and control laboratories, as well as laboratory complexes for in vivo testing and research centers

**Furthermore, together with the amendment to the incentives legislation on October 5, 2016, investments for the production of items in medium high-tech industry segment stipulated in the Organization for Economic Cooperation and Development's (OECD) definition for technology intensity will be able to benefit from the instruments of Region 4 regardless of the location of the investment. The investment subjects in question are as follows**

- Painting substances not classified elsewhere (NCE); inorganic products used as luminophore
- Sulphites and sulphates
- Phosphinates, phosphonates, phosphates and polyphosphates, nitrates
- Manufacture of other organic main chemical substances
- Manufacture of chemical fertilizers and nitrous compounds
- Manufacture of synthetic rubber and plastic raw materials

- Manufacture of glue and gelatin
- Modeling pastes; dentist's wax, plaster-based preparations used in dentistry, fillers and compounds for fire extinguishers; prepared culture media used for the cultivation of microorganisms; not classified elsewhere [NCE] mixed reagents for laboratory or diagnostics use
- Doped chemical elements for use in electronics such as disks, scales etc.
- The preparations used in cleaning of metal surfaces; vulcanization accelerator substances; not classified elsewhere [NCE] plasticizer and stabilizer compounds for rubber and plastics; not classified elsewhere [NCE] reaction initiators, accelerators, catalysts; not classified elsewhere [NCE] alkalibenzene and alkaninaphthalene mixtures
- Manufacture of internal combustion engines and turbines [excluding aircraft, motorized vehicle and motorcycle engines]
- Manufacture of pumps and compressors
- Manufacture of bearings, gears, gear sets and drive mechanisms
- Manufacture of industrial furnaces, kiln and furnace ignitors
- Manufacture of hoisting and handling equipment
- Manufacture of other general purpose machinery
- Manufacture of agricultural and forestry machinery
- Manufacture of machine tools
- Manufacture of metallurgy machinery
- Manufacture of mining, quarry and construction machinery
- Manufacture of food, beverage and tobacco processing machinery
- Manufacture of machinery used in textile, garments and leather processing
- Manufacture of weaponry and ammunition [excluding hunting rifles and ammunition, components and accessories for hunting rifles]
- Manufacture of other specialty machinery
- Manufacture of not classified elsewhere [NCE] household appliances
- Manufacture of electrical motors, generators and transformers
- Manufacture of power distribution and control devices

- Lead-acid accumulators for starter-piston engines
- Nickel-cadmium, nickel-iron and other electrical accumulators
- Manufacture of not classified elsewhere [NCE] electrical equipment
- Manufacture of motorized land vehicles
- Manufacture of railroad and trolley engines and cars
- Manufacture of motorcycles
- Manufacture of vehicles for the disabled





## 03 LARGE-SCALE INVESTMENT INCENTIVES SCHEME

12 investment subjects, which will potentially foster Turkey's technology, R&D capacity and competitiveness, are supported by Large-Scale Investment Incentives Scheme instruments.

LARGE-SCALE INVESTMENTS		
I	Investment Subject	Minimum Fixed Investment Amount (million TRY)
1	Production of refined petroleum products	1000
2	Production of chemical products	200
3	Harbors, harbor services and airport investments	200
4	a) Automotive main industry	200
	b) Automotive supply industry	50
5	Production of railway and tram locomotives and/or tram cars	50
6	Transit pipeline transportation services	
7	Electronics industry	
8	Production of medical, high-precision and optical equipment	
9	Production of pharmaceuticals	
10	Production of aircraft and spacecraft and/or related parts	
11	Production of machinery (including electrical machinery and equipment)	
12	Mining (including metal production)	

The terms and rates of support provided within the Large-Scale Investment Incentives Scheme are shown in the following table.



## LARGE-SCALE INVESTMENT INCENTIVES SCHEME INSTRUMENTS

Incentive Instruments				Region					
				I	II	III	IV	V	VI
VAT Exemption				YES					
Customs Duty Exemption				YES					
Tax Reduction		Tax Reduction Rate [%]		50	55	60	70	80	90
Rate of Contribution to Investment [%]		Out of OIZ*		25	30	35	40	50	60
		Within OIZ*		30	35	40	50	60	65
Social Security Premium Support [Employer's Share]	Support Period	Out of OIZ*		2 years	3 years	5 years	6 years	7 years	10 years
		Within OIZ*		3 years	5 years	6 years	7 years	10 years	12 years
		Upper Limit for Support [%]	Out of OIZ*	3	5	8	10	11	No limit
			Within OIZ*	5	8	10	11	No limit	No limit
Land Allocation				YES					
Social Security Premium Support [Employee's Share]				N/A	N/A	N/A	N/A	N/A	10 years
Income Tax Withholding Allowance				N/A	N/A	N/A	N/A	N/A	10 years

\*OIZ: Organized Industrial Zones



### CONTRIBUTION RATE TO INVESTMENT APPLICABLE DURING INVESTMENT / OPERATING PERIODS UNDER LARGE-SCALE INVESTMENT INCENTIVES SCHEME

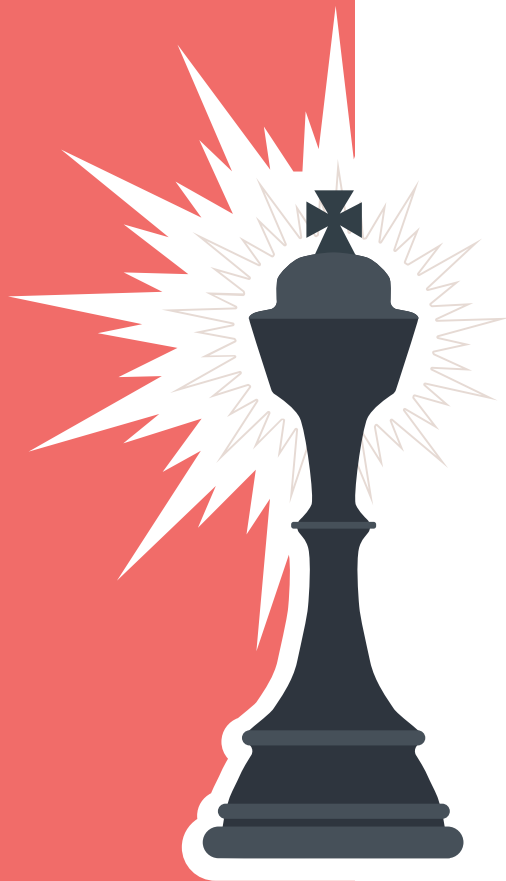
Regions	Investment Period	Operating Period
I	80 %	20 %
II	80 %	20 %
III	80 %	20 %
IV	80 %	20 %
V	80 %	20 %
VI	80 %	20 %

The following categories of investment within the Regional and Large-Scale Investment Incentives Schemes can benefit from support granted to a one-grade lower region in terms of tax reduction and social security premium support [employer's share].

- Investments in Organized Industrial Zones (OIZ)
- Joint investments to be made by at least five companies operating in the same sector with the purpose of greater integration

E.g.: A Region 3-level investment in an OIZ can take advantage of the tax reduction level in Region 4. Similarly, a Region 6-level investment may benefit from an additional 5% contribution to the investment.





## 04 STRATEGIC INVESTMENT INCENTIVES SCHEME

Investments meeting the criteria below are supported within the framework of the Strategic Investment Incentives Scheme:

- The domestic production capacity for the product to be manufactured with the investment shall be less than the import of the product.
- The investment shall have a minimum investment amount of TRY 50 million.
- The investment shall create a minimum added-value of 40% [this condition is not applicable to refinery and petrochemicals investments].
- The total import value of the product to be manufactured with the investment shall be minimum of USD 50 million as of the past one year [excluding products that are not locally produced].

The terms and rates of support provided within the Strategic Investment Incentives Scheme are shown in the following table.

### STRATEGIC INVESTMENT INCENTIVES SCHEME INSTRUMENTS

Regions	Investment Period	Operating Period
I, II, III, IV, V	80 %	20 %
VI	80 %	20 %

## STRATEGIC INVESTMENT INCENTIVES SCHEME INSTRUMENTS

Incentive Instruments		Region					
		I	II	III	IV	V	VI
VAT Exemption		YES					
Customs Duty Exemption		YES					
Tax Reduction	Tax Reduction Rate [%]	90					
Rate of Contribution to Investment [%]		50					
Social Security Premium Support [Employer's Share]	Support Period	7 years [10 years for Region 6]					
	Upper Limit for Support [%]	15 [No limit for Region 6]					
Land Allocation		YES					
Interest Rate Support	TRY Denominated Loans [points]	5	5				
	FX Loans [points]	2	2				
	Maximum Support Amount [*]	TRY 50 million	TRY 50 million				
Social Security Premium Support [Employee's Share]		10 years [for investments in Region 6]					
Income Tax Withholding Allowance		10 years [for investments in Region 6]					
VAT Refund		YES [for construction expenditures of the strategic investments over TRY 500 million]					

\*Provided that it will not exceed 5 percent of the investment amount

# R&D INCENTIVES

## 1- R&D LAW

The R&D Law provides exclusive incentives for R&D and design investment projects in Turkey provided that a minimum of 15 personnel are employed in an R&D center and a minimum of 10 personnel are employed in a design center. The required number of personnel has been set by the Council of Ministers as 30 employees in the production of motor vehicles, aircraft, spacecraft, and related machinery thereof, including military aircrafts. The incentives within the new law will remain in effect until 2024 and include:

- 100 percent deduction of R&D expenditure from the tax base
- Half of the R&D and design expenditure increase incurred in the operational year compared to the previous year will be deductible [criteria will be determined by Council of Ministers]
- Income withholding tax exemption for employees [until December 31, 2023.]
- 50 percent social security premium exemption for employers [until December 31, 2023]
- Stamp duty exemption for applicable documents
- Customs duty exemption for imported products within the scope of R&D projects
- Techno-initiative capital for new scientists up to TRY 500,000
- Deduction from the tax base of certain funds granted by public bodies and international organizations





## 2 - SUPPORT FOR TECHNOLOGY DEVELOPMENT ZONES

The advantages in Technology Development Zones are:

- Profits derived from software development, R&D, and design activities are exempt from income and corporate taxes until December 31, 2023.
- Sales of application software produced exclusively in TDZs are exempt from VAT until December 31, 2023. Examples include software for systems management, data management, business applications, different business sectors, the internet, mobile phones, and military command control.
- Wages of R&D, design, and support personnel employed in the zone are exempt from all taxes until December 31, 2023. The number of the support personnel covered by the exemption shall not exceed 10 percent of the number of the R&D personnel.
- Investments for the production of the technological products obtained as a result of the R&D projects conducted in the zone may be made in the TDZ if deemed suitable by the operator company and allowed by the Ministry.
- 50 percent of the employer's share of the social security premium will be paid by the government until December 31, 2023.
- Customs duty exemption for imported products and stamp duty exemption for applicable documents within the scope of R&D, design, and software development projects.

### 3 - INDUSTRIAL THESIS (SANTEZ) PROGRAM

Direct financial support for new technology adaptation, process development, quality improvement, and environmental modification projects to be achieved via university partnerships:

- Up to 85 percent of the project budget could be supported by direct grants
- Project term is 2 years, with a possible extension of 6 months
- Expenditure on staff, travel, consumable materials, machinery equipment, consultancy, and relevant service procurements, transportation, insurance, and customs are supported
- The application file could be approved within 4 months, and the project supervision committee is independent

### 4 - TUBITAK SUPPORT

TUBITAK [Scientific and Technological Research Council of Turkey] compensates or grants R&D related expenses and capital loans for R&D projects.

Projects eligible for TUBITAK incentives:

- Concept development
- Technological research and technical feasibility research
- Laboratory studies in the translation of a concept into a design
- Design and sketching studies
- Prototype production
- Construction of pilot facilities
- Test production
- Patent and license studies
- Activities concerning the removal of post-sale problems arising from product design



# TUBITAK 1515 — FRONTIER R&D LABORATORY SUPPORT PROGRAM

The 1515 Program applies an integrated perspective that extends beyond a consideration of the initial establishment phase of the R&D laboratory. The 1515 Program offers an entirely grant-based financial model to cover up to 75 percent of the operating expenses of the R&D laboratory in Turkey up to TRY 10 million for each calendar year for a duration of 10 years at most.

The coverage of the grant support consists of the following items:

- Personnel costs
- General operating costs
- Consultancy fees

For eligibility to have personnel costs covered in the total grant amount, at least 50 percent of the personnel must hold Turkish citizenship and at least 1/3 should have a doctoral degree.

## 5 - TTGV LOANS

The Technology Development Foundation of Turkey (TTGV) offers long-term interest-free loans for R&D projects on agriculture technologies, health technologies, education technologies, and energy efficiency improvement.

The loans are intended to provide financial support to those activities whose purpose is the development of new products with commercial value in the aforementioned technological areas, or for the promotion of competitiveness of current products in these areas. The scope of the program includes:

- The duration of project support is at least 1 year and is at most 3 years.
- The upper and lower limits for the amount of support to be provided are USD 3 million and USD 250,000, respectively.
- Support shall be provided 50 percent by TTGV and 50 percent by the project coordinating company's contribution.
- The pay-back term is 4 years in total after project execution, including a one-year grace period.



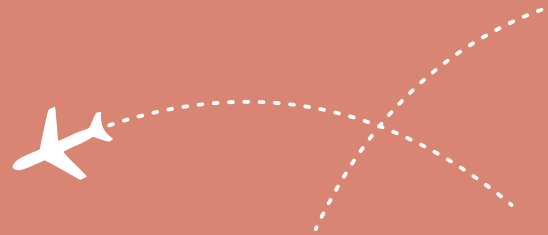
# EXPORT SUPPORT

## INWARD PROCESSING REGIME

The aim of the Inward Processing Regime is to enable exporters to procure inputs at world market prices for the production of their exports without being subject to customs duties, including VAT, as well as trade policy measures.

The Inward Processing Regime includes two types of processing measures: Conditional Exemption System and Reimbursement System.

- ① The Conditional Exemption System waives commercial policy measures and taxes that arise during the importation of non-freely circulating raw materials, auxiliary materials, packages, and operating equipment used in production of the export product subject to Inward Processing Regime. It is called conditional as the exporter has to guarantee through collateralization of the imported materials and equipment that they will only be used for the production and exportation of the product subject to Inward Processing Regime. The guarantee given for the collateralized materials and equipment will be released upon exporting of the final product.
- ② The Reimbursement System is the reimbursement of taxes that were paid during the importation of freely circulating raw materials, auxiliary materials, packages, and operating equipment used for the production of the exported product subject to Inward Processing Regime. These taxes are reimbursed upon the exporting of the final product subject to Inward Processing Regime. Commercial policy measures are applied to the imported materials and equipment and all the import procedures such as technical regulations in foreign trade and standardization legislation must have been completed.







## EVALUATION OF APPLICATIONS

- It should be possible to determine whether the imported raw materials are used to produce exported products.
- The activity should not have a negative impact on the economic interests of the producers in the customs territory.
- Activities should create added-value and the final product should not have a negative impact of the competitiveness in the sector.
- The company should be built in the customs territory in Turkey.

## BENEFITS OF INWARD PROCESSING REGIME

- 100 percent Customs Duty Refund
- 100 percent VAT Refund
- 100 percent Special Consumption Tax Refund
- 100 percent Resource Utilization Support Fund Refund
- 100 percent Stamp Tax Refund
- **Exemption From Quotas And Surveillance Measures:** There are import quotas determined by the government for a number of goods, and Inward Processing Regime certificate holders will not be affected by these quotas. The government also determines market prices for some products and imposes excise taxes to these products based on the determined market price, irrespective of the price paid by the importer. Participants in the Inward Processing Regime would also be exempt from such surveillance measures.
- It is permitted for domestic sales and delivery

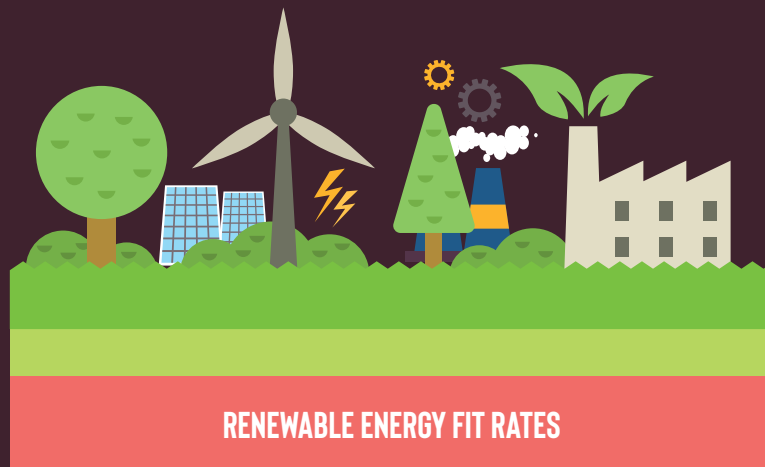


# SECTORAL INCENTIVES

## INCENTIVES FOR RENEWABLE ENERGY

In addition to the General, Regional, Priority, and Strategic Investment Incentive schemes that apply to investments in the energy sector, the government provides specific incentives for electricity production investments that are based on renewable energy sources.

- 100 percent exemption from Customs Duty and VAT
- Feed-in-Tariff (FiT) scheme for 10 years
- ▶ Differentiated FiT scheme based on resource type
- ▶ Extra premiums for domestic components
  - Grid connection priorities
  - Lower license fees
- ▶ Only 10 percent of licensing fee [preliminary license and license fee]
- ▶ Exemption from the annual license fee for the first eight years of operation
  - License exemptions in exceptional circumstances
  - Various practical conveniences in project preparation and land acquisition



Type of production facility based on renewable energy resources	Feed-in-tariff Prices Applicable [US Dollar cent/kWh]
Hydroelectric production facility	7.3
Wind power-based production facility	7.3
Geothermal power-based production facility	10.5
Biomass-based production facility [including landfill gas]	13.3
Solar power based production facility	13.3

## ADDITIONAL FIT RATES FOR LOCAL CONTENT SUPPORT

Type of facility	Domestic production	Domestic Contribution (US Dollar cent/kWh)
A-Hydroelectric production facility	1- Turbine	1.3
	2- Generator and power electronics	1.0
Wind power based production facility	1- Blade	0.8
	2- Generator and power electronics	1.0
	3- Turbine tower	0.6
	4- All of the mechanical equipment in rotor and nacelle groups [excluding payments made for the blade group and the generator and power electronics.]	1.3
Photovoltaic solar power based production facility	1- PV panel integration and solar structural mechanics production	0.8
	2- PV modules	1.3
	3- Cells forming the PV module	3.5
	4- Inverter	0.6
	5- Material focusing the solar rays onto the PV module	0.5
Intensified solar power-based production facility	1- Radiation collection tube	2.4
	2- Reflective surface plate	0.6
	3- Sun tracking system	0.6
	4- Mechanical accessories of the heat energy storage system	1.3
	5- Mechanical accessories of steam production system that collects the sun rays on the tower	2.4
	6- Stirling engine	1.3
	7- Panel integration and solar panel structural mechanics	0.6
Biomass power-based production facility	1- Fluid bed steam tank	0.8
	2- Liquid or gas fuel steam tank	0.4
	3- Gasification and gas cleaning group	0.6
	4- Steam or gas turbine	2.0
	5- Internal combustion engine or stirling engine	0.9
	6- Generator and power electronics	0.5
	7- Cogeneration system	0.4
Geothermal power-based production facility	1- Steam or gas turbine	1.3
	2- Generator and power electronics	0.7
	3- Steam injector or vacuum compressor	0.7



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