

Turkey Expands Scope of Government Investment Support Scheme, Introduces VAT Exemption for Software and Intangible Rights

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Turkey has expanded the scope of its government investment support scheme. The changes exempt software and intangible rights from VAT, as well as outline the benefits which a relocating facility can receive within the scheme. Notably, it also outlines significant tax exemptions for investments made during 2017.

Council of Ministers' decision numbered 2017/9917 dated 13 December 2017 ("**Decision**"), was published in Official Gazette number 29987 on 22 February 2017, entering into effect on the same date. The Decision amends the "Decision on State Aids in Investments".

Notable changes include:

- Sale and lease of software and intangible rights to investors holding an incentive certificate are now exempt from VAT.
- Financial incentives available for organized industrial zones investments have been expanded. The incentives for the sixth region are now also available to cities noted in the fourth and fifth regions, as well as to Kilis.
- Investments supported by the Development Bank of Turkey (Kalkınma Bankası) can now benefit from aid provided under the Decision.
- Facilities relocating to a location included in the government support scheme can receive benefits related to employer insurance, insurance premiums, as well as withholding tax if:
 - No additional investments are made to a relocated facility, or
 - Additional investments are made to a relocated facility, but the minimum fix investment amount and minimum capacity conditions are not exceeded for the new region.
- If a facility relocates into a city within the government support scheme and meets the conditions, the relocated facility can receive additional support in the form of:
 - Customs Duty Exemption.
 - VAT Exemption.
 - Tax Reduction.
- Investment incentive documents related to manufacturing investments (US-97 Code: 15-37) between 1 January 2017 and 31 December 2017 can receive:
 - VAT refund for building-construction expenses.
 - For regional, large-scale and strategic incentive applications:
 - 100% waiver of corporate tax.
 - 100% waiver of and income tax.
 - 100% investment contribution for the investor's earnings.

Please see this [link](#) for the full text of the Decision (only available in Turkish).

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