

Turkey Introduces New Mechanisms to Support Research and Development

17 Jan 2019

Turkey has introduced new legislative incentive and support mechanisms for research and development activities, as well as extending existing mechanisms. The changes are intended to support technology and innovation companies, enhance university-industry cooperation, as well as increase R&D human resources capacities. The Amendment to the Law on Supporting Research and Development Activities and Other Laws ("**Amendment Law**") was published in Official Gazette number 29636 on 26 February 2015, entering into effect on 1 March 2016.

The Amendment Law makes changes to the Law on Supporting Research and Development Activities No. 5746 ("**Law No. 5746**") and the Law on Technology Development Zones No. 4691 ("**Law No. 4691**").

Design Activities Now Eligible for Incentives and Support

Law No. 5746 is extended to include design activities as being eligible for incentives and support granted to R&D and innovation activities.

Specialized Technology Development Zones

The concept of "specialized technology development zones" is introduced to Law No. 4691. These are defined as "*thematic development zones with entrepreneurs operating in the same sector group, or sub-sectors pertaining to such sector group*". These zones will receive the same support, incentives, exemptions and exceptions granted to technology development zones.

University - Industry Cooperation

Academic personnel can now be employed in R&D or design centers as full or part time researchers, designers or administrative personnel, provided that university committees grant approval.

The Amendment Law also amends the Law on Higher Education No. 2547. Accordingly, revenues from R&D, design and innovation projects, as well as activities conducted within the scope of university-industry cooperation must be held in a separate account within the circulating capital of universities, and are not subject to any deductions. Also, 85% of the amount payable to academic personnel are now exempt from tax withholdings.

Personnel Support

The Ministry of Science, Industry and Technology ("**Ministry**") will now provide funds equivalent to the monthly gross minimum wage, for employees at R&D centers who have at least an undergraduate degree in mathematics, physics, chemistry or biology ("**Basic Sciences**"). The Ministry will grant these funds for up to two years and the amount is capped each month at 10% of the total employees working at each R&D center.

Incentives are re-introduced for R&D and support personnel regarding income tax withholding:

- 95% exemption for employees with a doctorate degree in any field or a master's degree in Basic Sciences.
- 90% exemption for employees with a master's degree in any field or an undergraduate degree in Basic Sciences.
- 80% exemption for other employees.

The salaries of R&D, design and support personnel working at technology development zones or specialized technology development zones will be exempt from all taxes until 31 December 2023. However, overtime work above 45 hours and additional work hours are not included. The number of support personnel who can benefit from the incentives for income tax, withholding, and employer's contribution to insurance premiums, is limited to 10% of the R&D and design personnel.

Capital Contributions as Incentives

Until 1 December 2023, when calculating commercial earnings and corporate profits, capital contributions to finance projects in fields deemed appropriate by the Ministry within specialized technology development zones or technology development zones will now be eligible for reductions of up to TRY 500,000 per year. Reductions are capped at 10% of corporate profits and 20% of the equity capital.

Tax Exemption for Imported Goods

Goods imported for research purposes in software, R&D, innovation and design projects within the scope of Law No. 4691 are now exempt from customs tax and funds. Related transactions have also become exempt from stamp tax and duties.

Support to Ordering Parties

50% of expenses by R&D or design centers are now eligible for deductions if the research and development activities are carried out on an order basis. The ordering party is also eligible for deductions on the remaining 50% of the expenses. If the ordering party is not subject to income and corporate taxes, 100% of the expenses can now be eligible for deductions by the R&D or design centers and the ordering party may only benefit from stamp duty exemptions.

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

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