

Turkey Updates Rules for Free Trade Zones, Allowing Urgent Expropriation of Land or Facilities

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Turkey has made significant changes to rules for Free Trade Zones. From 24 February 2017, land and facilities located in these areas will be subject to urgent expropriation. Changes also apply to a salary tax exemption for employees at entities which export 85% or more of the FOB price of products manufactured in Free Trade Zones. State-owned buildings and facilities in Free Trade Zones can now also be leased.

The Amendment Law on Free Trade Zones Law and Certain Laws and Decree Laws ("**Amendment Law**") was published in the Official Gazette number 29989 on 24 February 2017, entering into effect on the same date. The Amendment Law makes changes to the Free Trade Zones Law No. 3218 ("**Law**").

Notable changes under the Amendment Law include:

- The Council of Ministers can now decide to urgently expropriate land and facilities located in Free Trade Zones. The Council of Ministers can also decide on the expropriation fees and costs which the operator requesting expropriation must pay.
- State-owned buildings and facilities in Free Trade Zones can now be rented.
- Non-tax incentives offered during investment and production are now limited to users and operators whose income is exempt from income or corporate tax under the Law. Parties whose income is not exempt from income or corporate tax under the Law can continue to access incentives which are made available under relevant legislations.
- Current operation agreements between the Undersecretariat of Foreign Trade and operators of Free Trade Zones can be extended, provided the operator:
 - Has fulfilled its undertakings in the agreement, and
 - Accepts the Ministry of Economy's future investment demands.
- The Council of Ministers can now determine foreign countries where the General Directorate of Free Trade Zones, Foreign Investment and Services can establish:
 - Free Trade Zones.
 - Special Zones.
 - Foreign trade centres.
 - Logistics centres.

The Council of Ministers is now entitled to permit a Turkish resident company to establish and operate foreign zones.

- Incomes received by taxpayers in Free Trade Zones for the following activities are now exempt from income and corporate tax, provided the services are given to non-Turkish residents and the goods are transferred to a foreign country, without entering the Turkish market:
 - Maintenance.
 - Repair.
 - Assembly.
 - Disassembly.
 - Handling.
 - Sorting.
 - Packaging.
 - Labelling.
 - Testing.
 - Storage.
- Employee salaries working for entities which export at least 85% of FOB price of products manufactured in Free Trade Zones had been exempted from income tax. From 24 February 2017, income tax will be calculated over the employee salaries after the minimum living allowance is applied, and will be then be decreased via deductions from the employer's accrued tax return.

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

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