

**Article : The Council of Ministers Decree Dated July 14, 2009 Regarding
Government Incentives on Investments**

In July 2009, Turkish Council of Ministers declared a decree (published in the Official Gazette dated July 16, 2009 and numbered 27290) (“**Decree**”) for the purpose of encouraging foreign investments in Turkey regarding the government incentives on investments. Turkish Government is providing many opportunities to the investors for them to benefit from incentives. The investments that benefit from the incentives under the Decree are divided into two subcategories as large scale incentives and regional incentives. Pursuant to the Decree, investments exceeding TL 50 million and which are also indicated within the Annex III of the Decree shall be considered as large scale investments. The regional investments are separated into four regions as stated in Annex I of the Decree. Custom tariff exemption, VAT exemption, interest support, social security premium support, reduced corporate income tax, land grant subsidy and financial leasing transactions are the incentives which have been regulated with the Decree.

In order to benefit from the incentives, an Incentive Certificate (“**Certificate**”) must be obtained from the Undersecretariat of Treasury Office of Incentives and Applications (“**Undersecretariat**”).

1. Procedure of Obtaining Investment Certificate

The Communiqué No. 2009/1 (published in the Official Gazette dated July 28, 2009 and numbered 27302) (“**Communiqué**”) with respect to the application of the Decree regulates the procedure of applying for a Certificate in detail. Investments made prior to the issuance of the Certificate are not considered for incentives.

While applying for the Certificate, all items that the investor requests to be considered for incentives must be listed and presented to the Undersecretariat. Undersecretariat has the right to evaluate and remove the items listed in the application partially or totally by taking into account the specifications of the project.

The documents required to be submitted with the application has been regulated in Article 7 of the Communiqué as stated below:

- i. Application petition signed by the persons authorized to represent and bind the investor;
- ii. Notarized specimen of signature issued for the persons authorized to represent and bind the investor;
- iii. Copy of Investment information form prepared in line with the format provided in Annex I of the Communiqué, with all of its pages signed and sealed by the persons authorized to represent and bind the investor;
- iv. Second copy of the receipt confirming that TL 400 has been deposited to the account held with the Central Bank of Republic of Turkey;
- v. Original or notarized copy of the Trade Registry Gazette stating the current capital structure, capital amount and recent activities of the relevant company;
- vi. Original copy of the letter to be obtained from the relevant department of the Social Security Institution, confirming that the company has no outstanding liabilities with respect to social security premiums and administrative fines applicable in Republic of Turkey or confirming that such liabilities have been postponed or are subject to payment in installments or restructuring and the mentioned restructuring has not failed; and
- vii. Environmental Impact Assessment (“EIA”) Positive Report or a letter confirming that EIA Not Required.

In case of any insubstantial or misleading information revealed at any phase of the investment, the Undersecretariat reserves the right to cancel the Certificate, impose partial or impartial sanctions regarding the incentives indicated within the Certificate and restrict investor’s related transactions.

The Undersecretariat is entitled to cancel the Certificate partially or as a whole in the event of utilization of the Certificate contradictory to relevant legislations, submission of misleading or inaccurate information while obtaining the Certificate or failure to complete the investments until the contemplated deadline. The incentives benefited by the investor under the Certificate which is subsequently cancelled shall be reimbursed by the investor.

2. The Incentives Regulated Under The Decree

The investments which benefit from the incentives under the Decree are divided into two subcategories as large scale incentives and regional incentives. Pursuant to the provisions of Article 2 of the Decree, the investments exceeding TL 50 million and which are also indicated within the annex III of the Decree shall be considered as large scaled investments. The regional investments are separated into four (4) regions as stated in the Annex I of the Decree. Custom tariff exemption, VAT exemption, interest support, social security premium support, reduced corporate income tax, land grant subsidy and financial leasing transactions are the incentives which have been regulated with the Decree.

- **Custom Tariff Exemption**

Pursuant to the Article 6 of the Decree, import of investment goods listed in the Certificate and CKD (completely knocked down) components and parts is exempt from custom tariffs. Investment goods means all fixed spending such as machinery, equipment, fabrics and furnishings being used for the purpose of producing goods or services, except the spending made for buildings and land.

Within the frame of the Certificate; other than the goods mentioned above, raw materials, intermediary goods, used domestic machinery and equipments, automobiles including off-road ones, minibuses are not exempt from custom tariffs.

Under its sole discretion, the Undersecretariat, by evaluating the project as a whole, may allow the import of the used machinery and equipment (except motorway transportation vehicles) within the frame of the Certificate as being exempt from custom tariffs.

Import of spare parts, bus, tow truck (except the ones with a green engine in accordance with green engine), trailer (except refrigerated ones), furniture, motorboat, truck (except rock style dumper trucks which cannot run on motorways), transit mixer, concrete central, forklift, and concrete pumps is not exempt from custom tariffs, however, the total amount of the custom tariffs to be paid cannot exceed 5% of the amount of the item.

- **VAT Exemptions**

Pursuant to the Value Added Tax Law (published in the Official Gazette dated November 02, 1984 and numbered 18563) (Law No. 3065) (“**VAT Law**”); purchase of imported and/or domestic machinery and equipment within the frame of the Certificate is exempt from VAT.

- **Interest Support**

For at least 1 (one) year term-loans that shall be granted from the banks for the investments, three points of Turkish lira currency-loans and one point of foreign currency-loans of the interest or dividend to be paid for up to 70% of the amount written in the Certificate, shall be met by the budget resources for maximum five years in case to be approved by the Undersecretariat.

Interest supports provided in the Certificate does not directly grant a right to benefit from the interest support. In order to benefit from such interest support and banks should supply credit for this investment and bank’s application to the Undersecretariat that should be approved also by the Undersecretariat.

- **Social Security Premium Support (Employer’s Portion)**

In completely new investments which commence before December 31, 2010 and for the investments which will be started after December 31, 2010; the employer’s portion of the social security premium limited with the premium amount calculated over the official minimum wage shall be borne by the Treasury of Turkey for the years that have been regulated under article 9 of the Decree.

- **Reduced Corporate Income Tax**

According to the Corporate Tax Law (published in the Official Gazette dated June 21, 2006 and numbered 26205) (Law No. 5520) (“**Corporate Tax Law**”), the large scale investments and regional investments benefit from the advantage of article 32/A concerning with the provisions of corporate income tax and income tax reduction.

- **Land Grant Subsidy**

Land shall be granted to the investment both of large scaled and regional investments within the framework of procedures determined by the Ministry of Finance.

- **Financial Leasing Transactions**

Subject to the condition of having transactions with a financial leasing company in an amount exceeding TL 200 thousand the lease of the above mentioned machinery and equipment is exempt from custom tariffs and VAT.