

REPORT ON GOVERNMENT SUBSIDIES TO PASTA EXPORTERS IN TURKEY

submitted to



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GOVERNMENT SUBSIDIES TO PASTA EXPORTERS IN TURKEY

This study aims to outline certain subsidies disbursed to/might be used by the pasta industry in Turkey. It should be known that this list has general characteristics in nature and may or may not be exhaustive. In particular, whether a specific Turkish pasta producer has benefited from a countervailable subsidy requires further examination and survey based on company records over the course of years from 2014 to 2017 YTD. It should be noted that every piece of information, including the company names, has been compiled and analyzed from publicly available resources. Furthermore, it should also be understood that company names are mentioned for indicative purposes as they neither constitute the complete list nor they include all three years.

Information regarding the total amount of subsidies or estimates of them are not publicly available either due to the fact that they are disbursed with a classified Cabinet Decree¹ or can be reached only by company and government records.

1. Export Subsidies for Agricultural Products

Government of Turkey (GoT) disburses subsidies to exports of specific agricultural products based on the Decree initiated by Ministry of Economy and signed into law by Money-Credit and Coordination Council every year. The Decree determines which and by how much the export products are going to be supported. The legal basis of the Decree is the Cabinet Decree No. 94/6401.21² Based on the Money-Credit and Coordination Council Decrees, which specify the eligible products, terms of eligibility, and regulations in effect for this program for the years 2015 to 2017, subsidies disbursed for pasta exports are listed in the table below.

Year	Product	HS Code	Export Subsidy Rate	Average CAD/TL FX CBRT Rate	Export Subsidy Rate in CAD
2015 ³	Pasta	19.02	120 TL per tonne	2.1338	56.24 CAD
2016 ⁴	Pasta	19.02	130 TL per tonne	2.2869	56.85 CAD
2017 ⁵	Pasta	19.02	130 TL per tonne	2.7539	47.21 CAD

While the program is administered by the Ministry of Economy, exporters need to apply to the exporter's union in order to receive the subsidy. Once the company's application is accepted, an account is opened for the exporter at the Central Bank of the Republic of Turkey.

¹ Turkey's overdue notifications regarding agricultural export subsidies are subject to questions by some WTO members. See https://www.wto.org/english/news_e/news16_e/agcom_09jun16_e.htm

² See the Official Gazette of Turkey dated 11 Jan. 1994 and no. 22168, for translation of relevant parts see Appendix 1.

³ See Money-Credit and Coordination Council Decree published on the Official Gazette dated 14 Feb. 2015 and no. 29267, for translation of relevant parts see Appendix 2.

⁴ See Money-Credit and Coordination Council Decree published on the Official Gazette dated 12 Feb. 2016 and no. 29622, for translation of relevant parts see Appendix 3.

⁵ See Money-Credit and Coordination Council Decree published on the Official Gazette dated 28 Dec. 2016 and no. 29932, for translation of relevant parts see Appendix 4.

An exporter cannot receive direct cash benefits instead it may only use the offset amounts credited to its account to offset the company's obligations to the government. In other words, exporter's benefit is deducted from its obligations such as taxes, tax penalties, Social Security Administration payments, communication fees (fixed phone lines, telefax, etc.), energy costs (electricity and natural gas), debts to the Savings Deposits Insurance Fund, and other debts to the government. The subsidies provided under this program are contingent on export performance and confers financial contribution.

2. Inward Processing Regime

Nearly 70% of the Turkey's exports are composed of products that are temporarily imported under Inward Processing Regime and have faced some sort of processing before exportation⁶. The Regime, which has been listed as one of the major factors that boosted Pasta exports of Turkey in the 2000s⁷, entered into force with its current scheme in 2005⁸ and allows exporters to import raw materials and inputs without paying customs duties and other taxes on the condition that those inputs are used to produce exported products. The Regime could be made use of in two distinct ways. In suspension system, customs duties and VAT on imported inputs are suspended either after or before exportation of compensating products if goods are to be re-exported, while in the duty drawback system, customs duty and VAT *paid* on imported inputs are refunded, *after* exportation of goods with imported inputs. Under both systems, exporters provide a letter of guarantee that is returned to them upon fulfillment of the export commitment. The Ministry of Economy is the authority responsible for administering the Inward Processing Regime and benefiting from the program requires to hold Inward Processing Certificate issued by the Ministry of Economy, which lists the amount of raw materials/intermediate unfinished goods to be imported and the amount of product to be exported.

Circular of Ministry of Economy on Inward Processing Scheme for Agricultural Products published in late 2016 lists the pasta as one of the products for which Inward Processing Certificate can be used for a duration of 6 months. (See <https://www.ekonomi.gov.tr/portal/url/bEv>)⁹ For instance, it can be verified from the latest publicly available record on Official Gazette that Turkish pasta producer Nuh'Un Ankara used Inward Processing Certificate in June 2017.¹⁰

In short, the customs duty and VAT exemptions benefited are based on export contingency.

Moreover, list no. III (customs duties for importation of processed agricultural goods) and list no. IV (customs duties for importation of fisheries) of the Turkish Import Regime¹¹ are subject to collection of certain rate of duty as Mass Housing Fund Levy. Even though these lists do not contain wheat, the major input for pasta production is, the Mass Housing Fund

⁶ See the news on Dunya Newspaper on 3 April 2015, for translation of relevant parts see Appendix 5, <https://www.dunya.com/gundem/dis-ticaretimiz-in-temel-diregi-dahilde-isleme-rejimi-haberi-275788>

⁷ See the 2017 Pasta Sector Report of Ministry of Economy, Pg. 6, Para. 3, for translation of relevant parts see Appendix 6 <https://www.ekonomi.gov.tr/portal/content/conn/UCM/uuid/dDocName:EK-051173;jsessionid=LQGIVV7Ce2c4mYXd6OoQNbsI8jSbhoASL-j8qForNAzIZaaZsvss!779630617>

⁸ See the Decree No. 2005/8391 published on the Official Gazette dated 27 Jan. 2005 and no. 25709, for translation of relevant parts see Appendix 7.

⁹ See the link in the 3rd row named "2016-1 Sayılı Tarım Ürünlerine İlişkin Dahilde İşleme Rejimi Genelgesi", for translation of relevant parts see Appendix 8.

¹⁰ See the Official Gazette dated 11 July 2017 and no. 30121, for translation of relevant parts see Appendix 9.

¹¹ Defined as the list of updated customs duty rates for imported products for the prevailing calendar year.

Levy for any products that is imported as input in pasta production from these lists, are exempted by making use of Inward Processing Certificates.

3. Investment Encouragement Program (IEP)

GoT is executing an Investment Encouragement Program (IEP) depending on four different types of investments: general, regional, large-scale, and strategic investments. Pursuant to the Cabinet Decree No. 2012/3305¹² and consequent amendments to this regulation, the magnitude and scale of the incentives vary. The classification of provinces into six regions is the basis for allocation of incentives. The location of the proposed investment identifies the regions demarcated according to economic development level. The program is administered by Ministry of Economy, the department which is responsible for international trade policies of Turkey. Once an applicant is deemed to be eligible for the program, it is granted a certificate which defines the scope and magnitude of the type(s) of incentives that the applicant is entitled to.

The types of rebates, incentives, and exemptions are provided below.

General Investment Encouragement:

The thresholds for eligibility are varies according to the regional demarcation. The certificate holders can benefit from:

1. Customs duty exemption
2. VAT exemption
3. Income Tax Withholding Relief (for region six only)
4. Social security premium support (for ship production only)

Regional Investment Encouragement:

1. Customs duty exemption
2. VAT exemption
3. Income and/or Corporate Tax relief
4. Social security premium support
5. Land grants
6. Interest support (for regions 3, 4, 5, and 6): from 4% points to 7% points, for a maximum of 5 years
7. Income Tax Withholding Relief – for region six only
8. Social security premium support-employee's premium (for region six only)

Large-Scale Investment Encouragement:

1. Customs duty exemption
2. VAT exemption
3. Income and/or Corporate Tax relief
4. Social security premium support
5. Land grant
6. Income Tax Withholding Relief – for region six only
7. Social security premium support-employee's premium (for region six only)

¹² See the Decree on Official Gazette dated 19 June 2012 and no. 28328, for translation of relevant parts see Appendix 10.

Strategic Investment Encouragement:

An investment is assessed as “strategic” when certain conditions are met, among which is that the investment should be made for a product that has more than annual imports of 50mn USD and domestic production capacity is less than imports. For the products with no domestic production, the 50mn USD imports criterion is waived.

1. Customs duty exemption
2. VAT exemption
3. Income and/or Corporate Tax relief
4. Social security premium support
5. Land grants
6. Interest support
7. VAT exemption
8. Income Tax Withholding Relief – for region six only.
9. Social security premium support-employee’s premium (for region six only).

Notes on the means of incentives:

- Social security premium support is applied for 2 to ten years depending on the region of the investment.
- The Income and/or Corporate Tax Relief is applied from 50% to 90% of the tax payable, depending on the regions, for regional and large-scale investment encouragement programs.
- A company may have more than one certificate for different investment projects.
- Before a certificate is granted, the company is obliged to commit certain level of investment and deposit a contribution margin with the government.
- The minimum fixed investment threshold is 500K TL to 1mn TL, depending on the region, inter alia criteria set based on the type and region of investment.
- It should be noted that the applications were limited to holders of a copy of Turkish Commercial Registration Gazette with an amendment to the Cabinet Decree No. 2012/1 Concerning State Encouragements to Investments, on 25/06/2016.
- Information on the certificates granted between 2015 and 2017 are presented below:

Date of Certificate	Location of Investment	Company	Fixed Investment TL	Provisional Machinery Imports \$	Employment	Incentives	Capacity TONNES per YEAR
18.11.2015	GAZİANTEP	MUTLU MAKARNACILIK	105,044,860	30,530,030	40	VAT exemption, Customs duty exemption	Pasta 219,516
29.01.2015	GAZİANTEP	TAT MAKARNACILIK	2,115,100	659	4	VAT exemption, Customs duty exemption	PASTA 6,161.6 ; SEMOLINA 9,188
9.05.2017	DİYARBAKIR	EBAY GIDA	11,800,000	0	34	Tax Relief, Social security premium support, Income Tax Withholding Relief, VAT exemption, Interest Support	PASTA 14,976
14.02.2017	MERSİN	GÖYMEN FOOD	99,000,000	18,980,500	70	Customs duty exemption, VAT exemption	SEMOLINA 11,,750, PASTA 110,160
20.06.2017	ANKARA	NUHUN ANKARA MAKARNA	100,000,000	21,856,975	30	VAT exemption, Customs duty exemption	PASTA 218,601, SEMOLINA 150,457

4. Turk Eximbank Credit Programs

Turk Eximbank, which was established in 1987, is the sole official export credit agency in Turkey. Turk Eximbank has three main areas of operation — providing short-, medium- and long-term cash and non-cash credits; international loans/guarantees for the financing of exports or overseas projects of Turkish companies; and export credit insurance to protect against commercial and political risks.

Providing export credits has been the main business of Turk Eximbank for many years.

The credit programs offered (for the years between 2015 and 2017) by the Eximbank are as follows:¹³

1. Short-term Export Credits
 - a. Credits Extended via Commercial Banks
 - i. Pre-shipment Export Credit (PSEC) program
 - ii. PSEC-Priority Investment Areas Export Credit program
 - iii. Free Trade Zone Pre-shipment Foreign Currency Export Credit program
 - b. Credits Extended Directly by Turk Eximbank
 - i. Foreign Trade Companies (FTC) Short-term Export Credit program
 - ii. Pre-export Credit program
 - iii. Free Trade Zone Pre-export Foreign Currency Export Credit program
 - iv. Pre-export Credit program for Small and Medium Scale Enterprises (SMEs)
 - c. Credits provided using the sources of the Central Bank of Turkey
 - i. Post-Shipment Rediscount Credit program
 - ii. Rediscount Credit program
2. Medium-Term Export Credits (Project Credits)
 - a. The Export Oriented Working Capital Credit program
 - b. The Export Oriented Investment Credit program
 - c. Overseas Chain Stores Investment Credit program
 - d. Ship-Building Finance and Guarantee program
 - e. Letter of Guarantee program for Overseas Contractors' Services
 - f. Specific Export Credit program
 - g. Bridge Credit program for Overseas Contractor Services
 - h. Trademark Credit program
3. Credits for Foreign Currency Earning Services
 - a. Tourism Credit program
 - b. International Transportation Marketing Credit program
 - c. Credit program for Participating to Overseas Trade Fairs
 - d. Credit program for Foreign Currency Earning Services
4. Export Finance Intermediation Loan (EFIL – IV)
5. The European Investment Bank Credit program
6. International Loans programs (previously Buyers' Credit & Guarantee programs)

¹³ For more detailed explanation of Turk Eximbank Programs see http://www.eximbank.gov.tr/?_Dil=2

The Bank's insurance programs are:

1. Short-term Credit Insurance
 - a. Short-term Export Credit Insurance program
 - b. Short-term Domestic Credit Insurance program
2. Medium and Long-term Insurance Facilities
3. Specific Export Credit Insurance Post Shipment Risk program
4. Insurance program for Unfair Calling of Bonds
5. Political Risk Insurance program for Overseas Contracting Services

Short-term export credits have proved to be the most popular product of the Bank over the years. Of those credits, about 80% is made through the export and foreign exchange earning services' rediscount credits extended by the Central Bank of Turkey (CBRT).

These rediscount credits requires special attention for the year of 2016 and 2017.

CBRT defines the rediscount credits as follows:

“Pursuant to the CBRT Regulations on Rediscount which were issued in the scope of Article 45 of the Central Bank Law, firms can obtain rediscount credits from the CBRT through intermediary banks with a maturity of maximum 240 days -360 days for exports of high-tech industrial products, exports to new markets and foreign exchange earning services- by presenting foreign exchange bills for rediscount.”¹⁴

Regarding repayments of these credits to the CBRT:

“As the repayments of these credits are made in foreign exchange [with the Exchange rate on the day of repayment], they help boost the CBRT foreign exchange reserves on the date of maturity.”

However, on 17 Feb. 2017 the CBRT announced that “[based on the Article 6 of Legislative Decree No. 683]...for all rediscount credits that were extended before 1 Jan. 2017 and had the maturity dates before 31 May 2017, repayments to the CBRT could be done with the Exchange rate of 2 Jan. 2017. [rather than the Exchange date on the maturity date]”. In the same manner, the CBRT has updated the exchange rates of repayments as of November 6, 2017; which are still lower than the rates in the market.¹⁵

Since the Turkish Lira experienced significant deterioration against developed world currencies in 2017, this policy move by the CBRT has created significant financial gains for the exporters.

5. Other Subsidy Programs

5.1 SME Support for Pasta Producers

Small and Medium Enterprises (SMEs) constitutes a crucial part of Turkish economy as 55.1 % of exports and 37.7 % of imports are conducted by SMEs¹⁶. Turkey's SMEs are supported by the Small and Medium Enterprises Development Organization (KOSGEB), a Turkish

¹⁴ See CBRT statistics

<http://www.tcmb.gov.tr/wps/wcm/connect/TCMB+EN/TCMB+EN/Main+Menu/STATISTICS/Banking+Data/Rediscount+Credits+Contribution+to+FX+Reserves>

¹⁵ See CBRT Press Release dated 17 Feb. 2017 and no 2017-11, for translation of relevant parts see Appendix 11.

<http://www.tcmb.gov.tr/wps/wcm/connect/TCMB+TR/TCMB+TR/Main+Menu/Duyurular/Basin/2017/DUY2017-11>

See CBRT Press Release dated 6 November 2017, and no 2017-41 at:

<http://www.tcmb.gov.tr/wps/wcm/connect/tcmb+en/tcmb+en/main+menu/announcements/press+releases/2017/ano2017-41>

¹⁶ See the Press Release of Turkstat on 25 Nov. 2016 and no. 21540 (<http://www.turkstat.gov.tr/PreHaberBultenleri.do?id=21540>)

public organization, that aims to increase SMEs' share in the economy and help them develop their businesses. The Cabinet Decree No. 2009/15431 outlines the prioritized the sectors that KOSGEB is responsible for supporting via its grants¹⁷. KOSGEB has a number of programs to support SMEs that are guided by its support regulations. They take the form of direct grants and reimbursements. KOSGEB also provides loans and subsidized services such as financing and laboratory fees.

Within the manufacturing sectors, “manufacture of pasta, noodle, couscous and similar bakery products” are listed under the sectors to be supported.¹⁸ KOSGEB supports do not have export contingency but they are sector specific.

5.2 Deduction from Taxable Income for Export Revenue

The Turkish Income Tax code allows companies to deduct a proportion of their exports as expense from their payable tax amount. Article 40 of Income Tax Law No. 193¹⁹ of 31 December 1960, as amended on 2 Jun. 1995, regulates the expenses that can be deducted from payable tax amount. The exporters companies are allowed to deduct 0.5% of their exports as lump sum expense item, apart from the overall SG&A expenses, under marketing and selling expenses section of income statement. The allowance is not contingent upon prior approval of the government.

5.3 Incentive for Employers' Share in Insurance Premium Law No. 5084

The responsible authority for administering the Incentive for the Employer's Share in Insurance Premiums Program is the Social Security Institution. Pursuant to Article 2 and Article 4 of Law No. 5084²⁰, companies are encouraged by incentives to invest in any of 49 disadvantaged provinces determined by the 2003 Socioeconomic Index of Turkey. For companies that establish their facilities in a disadvantaged province, the GoT covers up to 80 percent of the employer's share of social security premiums for employees working in the province. If the company's facility is located in an industrial zone within a disadvantaged province, the GoT will pay 100 percent of the employer's share. In order to continue to receive support under this program, employers must submit documentation each month to the Social Security Institution before certain deadlines.

Since incentive for Employers' Share in Insurance Premium Law 5084 has expired as of 31 December 2012; instead of this law, taking into account the socio-economic development index of the provinces, in addition to the five percentage point support by Treasury specified in the Article 81 of Law no. 5510²⁰, six percentage points of additional support was provided in accordance with the Law No. 6486²⁰ as of 01.01.2013.

Since supports specified in the mentioned laws are functional in certain regions, it is deemed as a region-specific program.

¹⁷ See the Official Gazette dated 18 Sept. 2009 and no 27353, for translation of relevant parts see Appendix 12.

¹⁸ See the supported sectors on KOSGEB website, for translation of relevant parts see Appendix 13.
(<http://www.kosgeb.gov.tr/site/tr/genel/detay/179/desteklenen-sektorler-nelerdir>,

¹⁹ For full text of Income Tax Law, see <http://www.mevzuat.gov.tr/MevzuatMetin/1.4.193.pdf>, for translation of relevant parts see Appendix 14.

²⁰ For the complete text of Law 5084, see <http://www.mevzuat.gov.tr/MevzuatMetin/1.5.5084.pdf>
For the complete text of Law 5510, see <http://www.mevzuat.gov.tr/MevzuatMetin/1.5.5510.pdf>
For the complete text of Law 6486, see <http://www.resmigazete.gov.tr/eskiler/2013/05/20130529-11.htm>
for translation of relevant parts see Appendix 15.

5.4 Resource Utilization Support Fund Levy Exemption on Export-Related Loans

The importation of goods on a credit basis and any credit obtained from abroad are subject to a Resource Utilization Support Fund levy (which varies depending on some criteria). However, according to Article 2 of the Communiqué on Resource Utilization Support Fund for the Decree No. 88/12944²¹,

- if the imports with acceptance credit, deferred letter of credit, or cash against goods are conducted within the scope of Inward Processing Regime explained above;
- or if the credits are extended to finance Turkish exports,

Then, the levy is reduced to 0%.

5.5 Exemptions from VAT for inputs towards exports

According to Value Added Tax Law No. 3065²² dated 25 October 1985, as amended on 3 June 1986, the inputs sold to producers are exempt from VAT, limited to the export transactions of those producers. As a means to support exporters, the uncollected VAT amount is deferred until the actual export occurs, or at most for three months. Once the export is realised, the deferred VAT amount is cancelled. The supplier of the producer pays the relevant VAT amount accrued in its books, on its regular course.

5.6 Freight Support

In pursuant of the Special Consumption Tax Law No. 4760 Article 7/A and Value Added Tax Law No. 6473 Article 14/3 and with the Cabinet Decree No. 2006/10784²³ on 26 June 2006, the consignments of diesel are exempted from Special Consumption Tax (SCT) and Value Added Tax (VAT) for the vehicles carrying export products. The SCT and VAT together total more than 50% of diesel prices in Turkey.

5.7 TUBITAK Support (The Scientific and Technological Research Council of Turkey) Programs

The Scientific and Technological Research Council of Turkey (TUBITAK) is the GoT's agency for management, funding and conduct of research in Turkey. TUBITAK has various programs that support industrial R&D projects.²⁴ The following are especially relevant within this context:

- 1501 - Industrial R&D Projects Grant Program
- 1503 - R&D Project Brokerage Events Grant Program
- 1505 - University-Industry Collaboration Grant Program

²¹ For the full text of RUSF Regulation, see <http://www.gib.gov.tr/kkdf-mevzuat>, for translation of relevant parts see Appendix 16.

²² For full text, see <http://www.mevzuat.gov.tr/MevzuatMetin/1.5.3065.pdf>, for translation of relevant parts see Appendix 17.

²³ For full text of Special Consumption Tax Law, see: <http://www.mevzuat.gov.tr/MevzuatMetin/1.5.4760.pdf>

For full text of Value Added Tax Law, see: <http://www.mevzuat.gov.tr/MevzuatMetin/1.5.3065.pdf>

For the Cabinet Decree authorising the port of entries, see <http://www.mevzuat.gov.tr/MevzuatMetin/18.5.201710467.pdf>

For translation of relevant parts see Appendix 18.

²⁴ For the full scheme of support programs, see <http://tubitak.gov.tr/tr/destekler/sanayi/ulusal-destek-programlari>, for translation of relevant parts see Appendix 19.

According to the TUBITAK's report²⁵, the following pasta firms have utilized these programs:

- Beslen Makarna Gıda San. Ve Tic. A.Ş.
- Beşsan Makarna Gıda San. Ve Tic. A.Ş.
- Nuh'Un Ankara Makarnası Sanayi Ve Ticaret Anonim Şirketi
- Tat Makarnacılık San. Ve Tic. A.Ş.

However, no time frame has been provided about when they have been a part of these programs.

5.8 Credit Guarantee Fund (KGF) Scheme

Currently, the GoT has used unorthodox fiscal measures to boost credit extended to companies to help businesses stay afloat as an economic slowdown risks spurring bad debts. In this context, the most popular measure in 2017 is the Credit Guarantee Fund Scheme, known by its Turkish initials “KGF”, a government initiative where it acts as a collateral guarantor in the credit applications of non-financial companies.

As a guarantee institution, the Credit Guarantee Fund (KGF) is a public joint-stock company founded by the Cabinet Decree No. 93/4496 dated 14 July 1993, to make non-financial firms', especially SMEs' access to finance easier by the provision of guarantees²⁶. Its shareholder's structure includes 70% of public and 30% of private entities. In this regard, KGF is exempted from stamp fees, corporation tax and certain fees. Besides, dominant presence of public entities in shareholding structure should be considered part of the state support provided to KGF. In addition, the 2 billion TL counter-guarantee provided to KGF by the Undersecretariat of Treasury with the Cabinet Decrees No. 2009/15197 and 2015/7715 - in order to fend off the negative effects of the global economic crisis and instability- is the colossal state support.

Lately, with the Cabinet Decree No. 2017/9969²⁷ dated on 27 Feb. 2017, 25 billion TL (\$6.66 billion) provided to KGF by the Turkish Treasury to boost overall balance of loans for industry and businesses to 250 billion TL (\$66.6 billion) as the losses from possible non-performing loans are guaranteed to be compensated by the Treasury²⁸. As a result of regulatory amendments made in March 2017, between 1994 and 2016 KGF provided loans to 25 thousand firms in total but currently KGF provides loans to 25 thousand firms in a week. As of the first week of September 2017, CGF reached 192.1 billion TL volume with credit extended to 330,771 enterprises, with the support of the Turkish Treasury, acting as the collateral guarantor.

²⁵ For the full TUBITAK report see https://www.tubitak.gov.tr/tubitak_content_files/TEYDEB/istatistikler/Toplam_Kurulus_Listesi.pdf, for translation of relevant parts see Appendix 20.

²⁶ For all programs of KGF, see the official website: <http://www.kgf.com.tr/index.php/en/>

²⁷ See the Official Gazette dated 10 March 2017 and no. 30003, <http://www.resmigazete.gov.tr/eskiler/2017/03/20170310-11.pdf>, for translation of relevant parts see Appendix 21.

²⁸ See AA-State News Agency Report dated 13 March 2017, <http://aa.com.tr/en/economy/turkeys-new-credit-guarantee-scheme-enters-into-force/768456>

APPENDICES

APPENDIX 1

(Footnote 2) CABINET DECREE ON GOVERNMENT SUBSIDIES FOR EXPORTS

OBJECTIVE

Article 1 - The objective of this Cabinet Decree is to support activities to realise social and economic targets in Development Plans and annual programmes, without constituting a contradiction to our international undertakings.

COVERAGE

Article 2 - This Cabinet Decree covers government subsidies that are intended for eliminating inter regional economic and social disadvantages, supporting employment through providing new training means, application of research and development programmes particularly towards industries using new product, production system and technology, organisation of SMEs that operate similarly, restructuring of the industry to prevent environmental problems, subsidizing agricultural products under the provisions of GATT, and global promotion and marketing of our products.

GOVERNMENT SUBSIDIES

Article 3 - This Decree covers;

- a. Research and Development (R&D) subsidies,
- b. Environmental protection subsidies,
- c. Subsidies for national and international specialty exhibitions,
- d. Subsidies for market research,
- e. Subsidies for overseas office and showroom operating and marketing activities,
- f. Training subsidies,
- g. Export rebate subsidies for agricultural products,
- h. Other subsidies in line with our international obligations to achieve the targets mentioned in Article 1.

AUTHORISATION

Article 4 - Money-Credit and Coordination Council is authorised to regulate all relevant activities regarding this Decree.

Implementation Procedures and Principles

Article 5 - Implementation and monitoring of all subsidies in pursuant to this Decree and regulated by Money-Credit and Coordination Council will be conducted by Undersecretary for Foreign Trade.

Resource

Article 6 - The resources to be disbursed according to this Decree is the Support and Price Stabilisation Fund under National Budget.

(Enforcement and Execution Articles follow) ♦

APPENDIX 2

(Footnote 3) Money-Credit and Coordination Council Decree on Export Rebate Subsidies

Decree No

Article 1 - (1) This Decree is published due to the Decision of Money-Credit and Coordination Council on 10/2/2015 No: 2015/1 in pursuant with the “Cabinet Decree Government Subsidies Towards Exports, on 27/12/1994, No: 94/6401”, within the scope of World Trade Organisation’s Agreement on Agriculture.

Article 2 - (1) This Decree aims at supporting competitiveness and export potential of agricultural goods of our country in international markets.

Article 3 - (1) Definitions:

- a. Export Rebate Amount: Payment per physical unit.
- b. Amount Threshold: Per product ratio that the rebates will be based on.
- c. Maximum Payment Ratio: The ratio representing the maximum payment amount as per export amount.
- d. Export Related Agricultural Production Contract: The contract with subject of production and delivery of the agricultural goods to exporter that will be used in production process of the goods to be exported, that will be signed three months prior to the harvest and that will be submitted to the Exporter Association.
- e. Actual Export: The exit of the export good from the customs while preserving the qualities.

Article 4 - (1) Subject to resourcing from Support and Price Stabilisation Fund, export rebate will be provided to the goods presented at the table below, at the ratios and by taking into account the amount thresholds cited at the same table.

(2) Accrued amounts for the exporting companies will be disbursed as offset through the bank account at Central Bank.

(3) Production companies can only benefit from the subsidies via their own foreign trade companies or third party foreign trade companies involving their own foreign trade company and only if the foreign trade company transfer their subsidy rights to the producer. Exporter companies can transfer accrued subsidies to producer or manufacturer companies.

(4) Partners of Sectoral Foreign Trade Companies (SFTC), can benefit from the subsidies when they export through SFTC and when the accrual is transferred to the partners of SFTC.

(5) Limited to offsetting expenses devised at the Article 6 of this Decree, exporter companies can transfer maximum 65% of subsidy accruals to the companies which they received service and goods for the exporting of their goods.

(6) This transfer also comprises energy expenses, export association membership fees, exchange registry expenses that are related to exports.

[A list of goods to be subsidised follows. Relevant line is below:]

Item No	Item	HS Code	Export Rebate Amount	Threshold	Max Payment Ratio
12	Pasta	19.02	120 TRY / Tonne	32%	8%

Article 5 - [Details that are not relevant]

Article 6 - (1) In the scope of this Decree, taxes, tax penalties, social security payments, export credit interest expenses from Government Banks and Export Credit Bank, debts to Savings Deposit Insurance Fund and to other banks in liquidation process can be offset. (2) For the offset transactions under this Decree, no cash payments will be made to the producers/exporters or exporters.

Article 7 - [Procedural detail]

Article 8 - [Procedural detail]

Article 9 - [Procedural detail]

Article 10 - (1) The credit entry to the bank account that will opened on behalf of the exporter or producer/exporter for the exports of the products under this Decree, can not exceed the maximum payment ratio of the FOB export amount of the good. When exceeds, maximum payment ration will be applied. For determining export rebate amount, amount thresholds will be taken into account for every single shipment.

Article 11 - (1) The following transactions are not applicable to the offset account:

- a. Imported goods of foreign origin,
- b. Transit trade,
- c. Shore and border trade,
- d. Exports under Border Trade Centres,
- e. Exports free of charge,
- f. Import, process, and export process as defined in Article 128 and 134 of Customs Law No: 4458,
- g. Exports under Current Outward Processing Regime,
- h. Sales and shipments that are classified as exports [but not actual exports],
- i. Exports to the sales stores out of customs frontier.
- j.

(2) Net foreign currency input will be considered for the raw materials used in export goods that are imported under Inward Processing Regime.

(3) Paid subsidies will be claimed back for returning export items(including free zones).

Article 12 - For the consignee exports, the offset benefit will not be granted if the FOB amount in the final invoice is less than 50% of the FOB amount in customs declaration document.

Article 13 - [Details that are not relevant]

Article 14 - [Details that are not relevant]

Article 15 - [Details that are not relevant]

Article 16 - [Details that are not relevant]

Article 17 - [Details that are not relevant]

Article 18 - [Details that are not relevant]

Article 19 - [Details that are not relevant]

Article 20 - [Details that are not relevant]

Article 21 - [Details that are not relevant]

Article 22 - [Details that are not relevant]

Article 23 - [Procedural detail]

Article 24 - [Procedural detail]

Article 25 - [Procedural detail]

Article 26 - The actual export mentioned in this Decree is the export accomplished between 01/01/2015 and 31/12/2015. Offsetting to the exporter's bank account can continue after the dates devised here.

(Enforcement after 01/01/2015, and Execution Articles follow)

[Annex is not relevant] ♦

APPENDIX 3

(Footnote 4) Money-Credit and Coordination Council Decree on Export Rebate Subsidies

[Same text as the previous Council Decree, relevant differences are below:]

Article 4 -

(5) Limited to offsetting expenses devised at the Article 6 of this Decree, exporter companies can transfer maximum **85%** of subsidy accruals to the companies which they received service and goods for the exporting of their goods.

Item No	Item	HS Code	Export Rebate Amount	Threshold	Max Payment Ratio
12	Pasta	19.02	130 TRY / Tonne	32%	9%

Article 26 - The actual export mentioned in this Decree is the export accomplished between 01/01/2016 and 31/12/2016. Offsetting to the exporter's bank account can continue after the dates devised here.

(Enforcement after 01/01/2016, and Execution Articles follow) ♦

APPENDIX 4

(Footnote 5) Money-Credit and Coordination Council Decree on Export Rebate Subsidies

[Same text as the previous Council Decree, relevant differences are below:]

Article 26 - The actual export mentioned in this Decree is the export accomplished between 01/01/2017 and 31/12/2017 Offsetting to the exporter's bank account can continue after the dates devised here.

(Enforcement after 01/01/2017, and Execution Articles follow) ♦

APPENDIX 5

(Footnote 6) Piece of News Article in Dunya Newspaper

[First Paragraph]

Nearly 70% of Turkey's exports are composed of goods that are temporarily imported to the country under Inward Processing Regime and exported after some processing in Turkey. From this perspective, it is possible to conclude that Turkey's foreign trade, and exports in particular, heavily rely on Inward Processing Regime. So, what is Inward Processing Regime and how it operates?

[The article continues, a translation of Inward Processing Regime regulation will be provided] ♦

APPENDIX 6

(Footnote 7) 2017 Pasta Sector Report by Ministry of Economy, pg 6, para. 3

On the other hand, our pasta exports are boosted incrementally every year due to the effects such as emerging of Turkic countries as new markets following disintegration of Soviet Union through 1990's, Inward Processing Regime practices, and Customs Union Agreement of 1 January 1996. ♦

APPENDIX 7

(Footnote 8) Cabinet Decree on Inward Processing Regime

PART 1 Objective, Coverage and Definitions

Objective

Article 1 - This Decree is prepared for the purpose of supplying raw materials at world prices, bring competitiveness to export goods in international markets, develop export markets, and diversify export products.

Coverage

Article 2 - This Decree covers regulating and executing measures related to identifying, guiding and developing sales and delivery and exports of products of which imported material is used in the manufacturing process.

Definitions

Article 3 - [Provides definitions of the terms used in the text]

PART 2 Inward Processing Measures

Article 4 - These measures are,

- Conditional suspension system
- Reimbursement system

Conditional suspension system

Article 5 - Conditional suspension system is returning the received security after the fulfilment of export commitment following imports of raw materials, auxiliary materials, semi-finished goods, unmodified goods, packaging and operating materials by receiving security as duty, and without imposing any trade remedies. The process should be fulfilled by the companies located within the Turkish Customs Territory and under inward processing permit and/or certificate. For the operating equipment under this regime, value added tax and special consumption tax is collected and trade remedies measures are applied.

The goods in free circulation which possess the same qualities and classified under the same 8 digit HS code can be used as equivalent good instead of imported product for the purpose of producing the product subject to the inward processing permit certificate.

In the scope of the inward processing permission certificate, importing can be done after the exporting process, and the goods in the free circulation can be used together in production with the imported material. The undersecretariat may prohibit or restrict the use of equivalent goods indefinitely or periodically. In cases where goods that are produced using equivalent goods are exported before importing the relevant import item, corresponding imports can be done until the expiry of the permit certificate. The post-export imported inputs can be freely used by the document holder.

In cases where the processed product is obtained from an equivalent individual, for the customs procedures, imported goods are deemed as equivalent goods and equivalent goods as imported goods. If the exported product is obtained from an equivalent good subject to export

tax; then, after the corresponding import is made, the export tax is collected as collateral to be returned.

Raw materials, auxiliary materials, semi-finished goods, manufactured goods, unchanged goods and packaging materials used in obtaining the processed product to be exported within the scope of the processing permission document can be imported according to the provision of the first paragraph or can also be obtained domestically within the framework of the regulations made in this respect. Domestic goods used in production of export goods shall be regarded as import goods in respect of the application of this Decision (provided that the provisions of the Value Added Tax Law No. 3065 and the Special Consumption Tax Law No. 4760 are reserved).

However, for domestic goods, the provisions of this Decree relating to the secondary processed product and foreign currency utilisation ratio shall not apply. In the case that export of goods from domestic inputs is not performed within the document period, the corresponding fines stated in Article 22 (imposed as double the amount) of this Decision shall not apply.

Domestic purchases within the scope of the document for processing must be carried out within the document period. Domestic procurement may be made within the scope of the processing permission document, even after the end of the period, provided that the export of the processed product is documented within the framework of the provisions of this Communiqué to be issued in the light of this Decision. If there is no possibility of domestic procurement within the scope of the document, importation may be allowed by extending validity of the certificate.

Collateral and Discounted Security Application

Article 6 - The tax on imports to be made under the conditional suspension system is subject to the security in accordance with the principles laid down in the Law on the Collection Procedure of Public Receivables No. 6183.

But;

a) As for the imports that will be carried out by companies with A-class approved person status certificate under the inward processing permit, 1% of the tax arose by the import process,

b) As for the imports that will be carried out by companies with B-class approved person status certificate under the inward processing permit, 5% of the tax arose by the import process,

c) As for the imports that will be carried out by companies with A-class approved person status certificate under the inward processing permit, 10% of the tax arose by the import process,

d) As for the imports that will be carried out by Sectorial Foreign Trade Companies (SFTC) and Foreign Trade Capital Companies without approved person status certificates and under inward processing permit, 10% of the tax arose by the import process at the amount of exports of the year before certificate application is made,

e) As for the imports that will be carried out by manufacturer - exporters under inward processing permit, 10% of the tax arose by the import process at the amount of exports of four years before certificate application is made; such that those exports are decommitted and not less than 1 million USD for industrial products and 500K USD for agricultural products,

f) As for the imports that will be carried out by exporters that achieved exports of more than five million USD every year for the last three years or one million USD every year for the last five years, 10% of the tax arose by the import process at the amount of exports of

four years before certificate application is made; such that those exports are decommitted and not less than 1 million USD for industrial products and 500K USD for agricultural products,

the customs authorities shall permit the importation, provided that the percentages above are paid down as collateral.

The procedures and principles regarding the calculation of the discounted collateral application shall be determined by the communiqué to be published in the light of this Decision.

In accordance with the provisions of this Communiqué to be issued in the light of this Decision, the customs authorities shall permit the importation of inputs used in manufacturing the export product under inward processing permit, so that 10% of the corresponding import taxes are paid down as collateral.

Public receivables that may arise from discounted collateral practice will be collected within the framework of provisions of Law No. 6183 on Procedures for Collection of Public Receivables from the relevant companies (including receivables from public institutions and organizations that make domestic deliveries). The receivables of these companies from the public are also deemed as collaterals.

The rate of security applied in the context of the conditional suspension system can be increased up to 2 (two) times the amount of the tax that arises by the Undersecretariat (Export General Directorate).

Processing Activities to be Performed Outside the Turkish Customs Region or in Free Zones

Article 7 - Under the conditional suspension system, all or some part of the processed product or unprocessed commodity may be temporarily exported outside the Customs Territory of Turkey or in the free zones for further processing under the provisions of the external processing regime. Imports of the such goods are allowed by taking the security equal to the amount of the tax to be collected according to the provisions of the outward processing regime.

Drawback System

Article 8 - Drawback system is repayment of the import taxes (except for value added tax and special consumption tax of working capital) in the case of export of processed goods derived from raw materials, auxiliary materials, semi-finished goods, unmodified goods and unchanged goods, packaging and operating materials that are freely circulating under inward processing permit.

Importation of raw materials, auxiliary materials, semi-finished goods, unmodified goods and customs duties to be used in obtaining the processed product to be exported to the member countries of the European Community with A.TR circulating document may be allowed by collecting the housing fund and duties and taking security for other taxes.

Importation of raw materials, auxiliary materials, semi-finished goods, unprocessed goods and customs duty to be used in obtaining the processed goods to be exported to the countries belonging to the European Community, countries belonging to the Pan-European Origin Cluster or a country with which a Free Trade Agreement is signed, may be allowed by collecting the housing fund and duties and taking security for other taxes.

In order to benefit from the drawback system, it is obligatory that the processing permission document should be granted and the relevant customs declaration should note that the transaction is under the drawback system throughout importation process. Information regarding the processing permission document is noted on the customs declaration document and a copy of the permission is attached to the customs declaration.

Except for the importation of agricultural products originating from Member States of the European Community, the following items are debarred from drawback system:

- a) Goods subject to import quantity restrictions,
- b) Items benefiting preferential tariff or special conditional exemption regulation under quota system,
- c) Goods which are subject to import duties under special regulations on agricultural policy or processed agricultural products,
- d) Processed products that are subject to export claim during acceptance of the free circulation entry declaration.

Besides the exports of following cases are debarred from drawback system:

- a) Without prejudice to the provisions of the second paragraph of this Article, exports of processed goods to the Member States of the European Community with A.TR document, such that the processing is done using inputs from third countries.
- b) Without prejudice to the provisions of the third paragraph of this Article, exports of processed goods to the Member States of the European Community with proof of origin documents, such that the processing is done using inputs from third countries.
- c) Without prejudice to the provisions of the third paragraph of this Article, exports of processed goods to the country with which a free trade agreement is signed with proof of origin documents, such that the processing is done using inputs from third countries.
- d) Without prejudice to the provisions of the third paragraph of this Article, exports of processed goods to the Pan-European Cumulation of Origin country with proof of origin documents, such that the processing is done using inputs from third countries and results in acquiring Cumulation origin.
- e) Exports of processed goods with inputs from freely circulating goods to free zones (except for sales made to a country other than the countries specified in sub-clauses (a) to (d) within three (3) months from the end of the certificate / permit period from free zones).

PART III

General Provisions

Evaluation of Applications and Arrangement of Documents / Permits

Article 9 - Companies established in the Turkish Customs Territory (except ones in Free Zones) are required to have inward processing permit certificate/inward processing permit in order to benefit from the inward processing regime under the provisions of communiqués to be published under this Decision. The information and documents submitted in this frame shall be deemed correct until otherwise.

Applications to Inward Processing Permit Certificate/Inward Processing Permit are evaluated based on the following criteria:

- a) it must be possible to determine that the imported item is used in obtaining the processed product,

- b) the basic economic interests of the producers in the Customs Territory of Turkey (excluding free zones) and the image of Turkish goods should not be adversely affected,
- c) in addition to being an activity that creates value added and increases capacity utilization, Inward Processing should create conditions that increase the competitive power and export potential of the processed product,
- d) the performances of the companies within the scope of their Inward Processing Permit Certificate/Inward Processing Permit.

As a result of the evaluation according to the criteria mentioned in the second paragraph; customs tariff statistical position (8 or more digit HS Code), name, amount determined according to efficiency rate, value, permit/ certificate period, foreign exchange utilization rate and if any by-product industrialist of the imported goods and processed goods (primary and secondary processed products) are determined and project-based Inward Processing Permit Certificate/Inward Processing Permit is issued or the request is rejected.

Taking into account the possibility of unavailability of good in terms of price, availability and quality in the domestic market, partial or complete importation (excluding domestic purchases) of the goods under the inward processing certificate may be restricted indefinitely or for a period.

The cases which do not benefit from the inward processing regime shall be determined by the communiqué to be issued under this Decision.

Foreign exchange utilization rate is not sought within the scope of inward processing permit and the inward processing permit certificates regarding free of charge imports which are determined with the communiqué published under this Decision.

Foreign currency utilization rate is maximum 80%. However, this percentage can be determined as maximum 100% in certificates having a commitment to secondary agricultural products.

Imports of unchanged goods can be allowed up to 1% of the export commitment within the scope of the permit / processing certificate. In addition, the value of the processing material to be allowed to import under the permit / certificate can not exceed 2% of the export commitment. However, in the case of permits / certificates having the commitment of exporting of natural stones and precious metals and stones, this ratio can be determined up to 10%.

Permit / Processing Certificate Durations and Additional Durations

Article 10 - The duration of inward processing permit / inward processing permit certificate can be determined up to a maximum of 12 (twelve) months depending on the sector.

However, duration of the permits / certificates regarding the export of the activities and / or products specified by the communiqué to be published under this Decision may be determined as the duration of the project.

The beginning of the duration is the date of inward processing permit / inward processing permit certificate. Ending of the duration is the last day of the month in which the permit / certificate (including the additional period, and the period for the justified and coercive reasons and the extraordinary circumstances) expires.

The duration of the certificate shall be extended for a maximum of 3 (three) months on the basis of the date on which the first import was made within the scope of the inward processing permit certificate. In addition, the additional periods to be granted to the inward processing permit certificate based on the performance of the company with the certificates, shall be determined by the communiqué under this Decision.

Justified and Coercive Reasons and Extraordinary Circumstances

Article 11 - In the case where justified and coercive reasons and extraordinary circumstances specified with the communiqué under this Decision occur within the duration of document / permit, additional duration can be granted to the inward processing permit / inward processing permit certificate. Additional duration, to be granted regarding the justified and coercive reasons and extraordinary circumstances, is determined by taking into consideration the extraordinary circumstance with justifiable and coercive reason.

The circumstances where export commitment shall not be sought or where new imports are allowed due to the justified and coercive reasons and extraordinary circumstances as well as the procedures and principles regarding the transfer of imported goods to the certificate (s)/permits issued on behalf of another company which has the conditions to benefit from the inward processing regime, are determined with the communiqué under this Decision.

Within the additional time period for the justified reason within the conditional exemption system, the amount of the collateral to be taken under the certificate / permits can be increased up to 2 (two) times.

Certificate/Permit Revision

Article 12 - Inward processing permit / inward processing permit certificate may be revised within the framework of the provisions of the communiqué to be issued under this Decision provided that the necessary information and documents are submitted by the relevant company.

Exports

Article 13 - Exporting process will take place if the products are exported out of the Customs Territory of Turkey or to the free zones within the framework of Export Regime and customs legislation provisions along with this Decision.

However, in the context of the provision of the first paragraph, for the exports made to free zones within the duration of certificate / permit within the framework of the conditional exemption system, on the condition of authentication of sales to another country from free zones within 3 (three) months from the end of the duration of the certificate / permit period or imports to the Turkish Customs Territory within the scope of another certificate, certificate /permit export commitment is closed.

In addition, in the context of the provision of the first paragraph, for exports within the duration of certificate / permit to the free zones within the framework of the reimbursement system, on the condition of authentication of sales from free zones to another country within 3 (three) months from the expiry date of the certificate / permit, export commitment is closed. The principles regarding the bringing the earnings from exported goods to home country are subject to the provisions of foreign exchange legislation.

Earnings from exports can be brought in form of foreign currency or goods. However, in the case of bringing in the form of goods, these goods are subject to the provisions of foreign trade legislation.

Procedures to be carried out by Customs Administration

Article 14 - In customs administrations, procedures to be carried out within the scope of certificate / permit; this Decision is applied within the framework of communiqués under this Decision, circulars, instructions, and shall be made within the framework of export regime and customs legislation provisions, with the particulars specified in the communiqués, circulars, instructions and special conditions section of the certificate as well as export regimes and provisions of customs legislation.

Goods subject to Import Surveillance and Safeguard Measures

Article 15 - In order for the goods to enter the free movement, importation of which within the scope of inward processing permit certificate/ inward processing permit are subject to import surveillance and safeguard measures, it is necessary to apply the surveillance and safeguard measures in force as of the date of importation.

Otherwise, the processed product obtained from this good must be exported to third countries or destroyed under the supervision of the customs administration.

However, in the case of a transaction in which a processed product exported to member countries of the European Community in the context of a transaction permit under document processing permit is not subject to surveillance and protection measures in these countries, no surveillance and protection measures shall be applied.

In case for the goods used in obtaining the processed product exported to member countries of the European Community within the scope of inward processing permit / inward processing permit with ATR circulation document that are not subject to import surveillance and safeguard measures, import surveillance and safeguard measures are not applied for that good.

Countervailing Tax

Article 16 - In the exports of the industrial products covered by the conditional exemption system to the members of the European Community in the context of the A.TR circulation document; the goods originated from third countries.

Countervailing tax on raw materials, auxiliary materials, semi-finished goods, finished goods and unchanged goods originated in third countries and used in obtaining the processed product shall be paid, provided that the provisions in favour in the existing agreements with the countries of origin are reserved.

However, except for the goods covered by the European Coal and Steel Community commodities trade agreement signed between Turkey and the European Coal and Steel Community, the tax in the Community is collected if the tax is levied on the same imported good is higher than the one in the Community.

In the case of export of processed agricultural products covered by the conditional exemption system to the member countries of the European Community in the context of the TR movement document, if the third country origin industrial product is used in obtaining these products, the related tax is paid if the processed agricultural product is used.

In the case of export of processed agricultural products within the conditional exemption system to the member countries of the European Community with the A.TR circulation document; the related tax is paid if the third country originating industrial product is used, tax

relating to industrial share is paid if the processed agricultural product is used in obtaining these products.

Except for the livestock born and raised in our territory and products derived from hunting and fishing activities and the products derived from them, tax is collected on raw materials, auxiliary materials, semi-finished goods, finished goods and unchanged goods originated in third countries regarding in the export of agricultural products to the European Communities within conditional exemption system provided that the rules of origin set forth in the Agreement are maintained and a proof of origin is issued.

However, the tax in the Community is collected if the tax is levied on the same imported good is higher than the one in the Community.

Except for the livestock born and raised in our territory and products derived from hunting and fishing activities and the products derived from them, in the export to a country with which a free trade agreement is in force, tax is collected on raw materials, auxiliary materials, semi-finished goods, finished goods and unchanged goods not originated that country and used to obtain processed good within conditional exemption system provided that the rules of origin set forth in the Agreement are maintained within conditional exemption system provided that the rules of origin set forth in the Agreement are maintained and a proof of origin is issued.

However, in the case exportation of the processed goods within the Pan-European Cumulation, which are obtained by using the goods imported from countries in the Cumulation with proof of origin or supplier declaration to a country in the Cumulation with proof of origin or supplier declaration, exportation is permitted by the relevant customs authorities without the need for collection of the duties specified in the import regime.

In the case of sale realized within 3 (three) months after the expiry of the duration of the certificate/permit, of the exports, which took place to the free zones within the scope of conditional suspension system, to a country of European Communities with A.TR circulation document or to countries of European Communities, Pan-European Cumulation or a country with which a free trade agreement is in force with a country proof of origin, collection of countervailing tax is sought within the framework of provisions listed in the first, second, third and fourth paragraph of this article.

Tax to be paid within the provision of this article, which is calculated over the exchange rate of the Central Bank of the Republic of Turkey on the date of registration of the customs declaration relating to exportation including the sales made from the free zones and the customs duties stated in the import regime and the mass housing fund, is paid at the time of exportation.

However, if imports are made in advance after the exporting process within the scope of certificate, this tax is calculated on the basis of the foreign exchange selling rate of the Central Bank of the Republic of Turkey on the date of registration of the custom declaration relating to the exports, including sales made from the free zones, and customs duties specified in the import regime at that date and, if any, the mass housing fund, it is paid at the moment of the importation corresponds to exports. The collected countervailing tax is recorded in the budget.

The firm declaration is taken as basis in determining the goods subject to the tax, which is used in obtaining the processed product.

In case of a contrary situation is determined, tax that is unpaid or incompletely paid shall be collected according to the provisions of Law No. 6183 on Collection Procedure of Public Receivables as of the due date of payment stated in the sixth paragraph.

No countervailing tax is levied on all kinds of war vehicles, equipment, equipment, machines, apparatus and systems used and the spare parts to be used in their construction, maintenance and repair, which are obtained from third country goods and exported to the member countries of the European Community.

Return of the Tax

Article 17 - The tax determined to have been paid, when it should not have been paid within the scope of inward processing permit certificate / inward processing permit shall be returned to the company on the request of the relevant company on the basis of the provisions of the Customs Law No. 4458 and the Value Added Tax Act No. 3065.

Partial Return of Collateral

Article 18 - In the case of exportation of processed product which is obtained from the goods imported under the conditional exemption system, collateral received during the import upon the request of the relevant company within the period of certificate / permit shall be returned in proportion that corresponds actual exports. However, the amount of collateral returned may not exceed 90% of the total tax that must be received under the certificate / permit.

Closure of the Export Commitment

Article 19 - Firms holding inward processing permit certificate / inward processing permit shall apply within the framework of the provisions of the communiqué published under this Decision in order to close the certificate / permit export commitment. Otherwise, this certificate/ permit will be closed officially by applying sanctions.

The inward processing permit certificate/ inward processing permit export commitment shall be closed with a record of the export of the equivalent product and / or processed product obtained from the imported goods as well as unchanged product within the scope of the processing procedure provisions, taking into account the conditions specified in the certificate / permit.

The inward processing permit certificate/ inward processing permit export commitment is closed by the certificate / permit holder company and / or exportation made by intermediary exporter company. However, use of the exporter can be restricted by the Undersecretariat (General Directorate of Export).

The goods imported under the conditional exemption system shall enter into free circulation within the duration of the certificate/ permit according to the first paragraph of Article 114 and the Article 207 of the Law 4458 provided that trade policy measures are applied, the on-site detection of the goods was made at the customs authorities, other transactions are completed including legislation of standardization and technical regulations for foreign trade envisaged for the import of the goods and the taxes and duties to be paid by law are collected. In this case, the realization of exports corresponding to the goods entering into free circulation is not required.

Realization of exports corresponding to the goods entering into free circulation is not required either in the cases of disposition under the supervision of the customs administration under the customs legislation, abandonment to the customs office or return to the country of

origin, of processed goods or imported goods within the scope of inward processing permit certificate/ inward processing permit.

In case of importation according to the provisions of free circulation entry regime, disposition under the supervision of the customs administration under the customs legislation, abandonment to the customs office or clearance in the customs, of the secondary processed product obtained from the imported good within the scope of inward processing permit certificate/ inward processing permit, before the closing of the certificate / permit export commitment, the export of this product is not required. The procedures and principles relating to the importation of the secondary processed product according to the free circulation entry regime shall be determined by the communiqué to be issued under this Decision.

The procedures and principles, regarding the operations to be carried out in the case of domestic delivery of the processed goods of which the export is committed within the scope of inward processing permit certificate, to the certificate holder companies as well as in the case where exported goods with certificate / permit are not accepted by the buyer under the document / permit, shall be determined by the communiqué to be issued under this Decision. Following the closure of the export commitment, the collateral or tax received within the scope of inward processing permit certificate/ inward processing permit shall be returned to the relevant company within the framework of the procedures and principles determined by this communiqué to be issued under this Decision.

Exports that do not take place

Article 20 – Provided that provisions in the Article 15 are reserved, taxes that are not collected for the goods imported within the framework of conditional suspension system, but not exported as processed products, within the duration of certificate/permit, in accordance with the principles listed in the certificate/permit, out of the Turkish Customs Area or free zones (in the event that the sale is not made to another country from free zones within 3 (three) months from the end of the certificate / permit period) are collected according to provisions of Article 22. However, in this context, if the exports made to the free zones are imported to the Customs Territory of Turkey within another 3 (three) months from the end of the certificate / permit period, the provisions of Article 22 shall not apply.

If the product is imported within the scope of the drawback system but not exported as processed product within the certificate / permit period out of Turkish Customs Territory or free zones (if the sale is not made to a country other than the free zones within 3 (three) months from the end of the certificate / permit period) in accordance with the certificate / permit, the tax on this imported item will not be refunded.

Having reserved the provisions of the sixth paragraph of Article 19 of this Decision, in the case that the secondary processed product is not exported, it is sought that tax amount, calculated on the basis of the foreign exchange rate and tax rate at the registration date of the import declaration, or the foreign exchange rate and tax rate at the registration date of the declaration regarding the entry of the secondary product into free circulation at the rate of the exported portion of the primary processed product, is timely paid to the relevant customs office. Otherwise, the provisions of Article 22 shall be applied.

Within the framework of inward processing permit certificate/ inward processing permit arranged within the framework of drawback system, the previously imported tax on imported goods imported for export to the country but not exported within the following period shall be collected according to the provisions of Article 22.

Tax not collected for the imported goods to be exported as a processed good to the member states of the European Community accompanied by A.TR circulation document or to the Member States of the European Community, the countries of the Pan-European Cumulation or countries with which a Free Trade Agreement is in force accompanied by proof of origin, but not exported in the permitted time period is collected according to the provisions of Article 22.

Cancellation of Certificate / Permit

Article 21 - In case the firm requests, the inward processing permit certificate that is not used is cancelled.

If it is determined that, this Decision and the communiqués and circulars to be issued under this Decision are violated, or that the documents submitted to apply for or revise the inward processing permit certificate/ inward processing permit are false or forged or not reflecting the true information or manipulated; the relevant certificate / permit is cancelled and legal proceedings are carried out on those concerned.

In addition, no discounted collateral is granted to the inward processing permit certificates/ inward processing permits of those firms holding the certificate/permits (including that these firms are subsidiary industrialists in another company's certificate) for 1 (one) year.

With regard to the certificate / permit which has been cancelled, the procedure shall be dealt with according to the provisions of Article 22.

Non-Compliance with Inward Processing Precautions

Article 22 – Following taxes from those who do not fulfil the inward processing precautions in accordance with the principles and conditions laid down in the inward processing regime and certificate / permit, shall be collected according to the provisions of the Customs Law No. 4458 and the Law No. 6183 on the Method of Collection of Public Receivables as of the date of importation.

- a) Tax not collected at the time of importation of
 - i. goods imported under the conditional exemption system but not exported to the free zones within the certificate/permit duration on the condition that sale made out of the Turkish Customs Area or to another country within 3 (three) months after the expiry of the certificate/ permit period as well as
 - ii. the goods not brought to Turkish Customs Area on the condition of importation of goods within 3 (three) months after the expiry of the certificate/ permit period, which are exported to free zones within the certificate/permit duration.
- b) In the case of imports exceeding the amount allowed under the certificate / permit, the **tax** on imports corresponding to this part,
- c) Even if the entire imported item within the scope of certificate is used in the process of obtaining the exported processed product, in the case where foreign exchange utilization rate exceeds 80% (100% for certificates containing a secondary processed agricultural product commitment), **tax** relating to imports corresponding to this exceeding portion,
- d) In the case where CIF import amount within the scope of certificate/permit of the operating material exceeds 2 % actual FOB export amount, (10% for certificates containing natural stones and precious metal and stone export commitments) **tax** relating to imports corresponding to this exceeding portion,

- e) In the case where CIF import amount within the scope of certificate/permit of the unchanged good exceeds 1 % of the FOB export amount, **tax** relating to imports corresponding to this exceeding portion,
 - f) Within the scope of certificate/permit issued within the framework of drawback system, **tax** not collected for the imported goods to be exported as a processed good to the member states of the European Community accompanied by A.TR circulation document or to the Member States of the European Community, the countries of the Pan-European Cumulation or countries with which a Free Trade Agreement is in force accompanied by proof of origin, but not exported in the permitted time period,
 - g) In case of cancellation of inward processing permit certificate/ inward processing permit, **tax** amount, which is not collected within the scope of certificate/permit,
 - h) In the case that inward processing permit certificate/ inward processing permit is ex-officio closed, **tax** not collected within the scope of certificate/permit.
- In addition, for goods imported and not exported in the permitted duration, shall be fined with twice the customs duties within the scope of provision of Article 238 of Law No. 4458.

In the case of a demand regarding free circulation entry regime for the good for which the tax and penalties are paid within the framework of provision of first paragraph, conditions of application of trade policy measures and completion of other transactions including legislation of standardization and technical regulations for foreign trade envisaged for the import of the goods, are sought.

Otherwise, this good must be subjected to a process or usage approved customs, which is outside the free circulation entry regime.

Abuse of Rights in the Inward Processing Regime

Article 23- As a result of the inspection and investigation conducted by the Undersecretariat or the inspection units of other public institutions and organizations with and the Undersecretariat of Customs; in case it is determined that the customs declaration and the related documents are falsified or tampered with, or are untrue or do not reflect the truth;

- a) This customs declaration cannot be used to close the export commitment of inward processing permit certificate/ inward processing permit.
- b) In case it is used in closure of export commitment or submitted to be used, the tax on the import corresponding to the export within the scope of this declaration shall be collected within the framework of the provisions of Article 22 of this Decision and the legal action shall be taken against those concerned.
- c) No collateral discount is granted to the inward processing permit certificates/ inward processing permits (including that these firms are subsidiary industrialists in another company's certificate) which are held by certificate/permit holder firms or intermediary exporters recorded in this customs declaration. The intermediary exporter, along with certificate/permit holder firms, in this case is jointly and successively liable for the tax not collected in the importation of the good used in obtaining the processed product that is subject to import declaration.

However, provided that it is determined with court order that distortions on the customs declaration and attached documents has not been done by the certificate/permit holder firm, provision in the first paragraph is not applied in case it is determined that this act is not conferring any benefit to the firm within the scope of inward processing regime and that the exportation is actual.

Supervision

Article 24 - All public institutions and banks shall implement the inward processing precautions in accordance with the principles and conditions set out in the inward processing regime and the certificate / permit. The Undersecretariat may make any kind of supervision and regulation related to the implementation of the measures mentioned in this Decision and may request information and documents from the relevant companies, public institutions and banks and take the necessary precautions.

PART IV Miscellaneous Provisions

Implementation

Article 25 - Inward processing permit certificates/inward processing permits which are issued in accordance with the preceding Decisions from the date of publication of this Decision is subject to the provisions of its own legislation. The more favourable provisions of this Decision apply to the inward processing permits/inward processing certificates that have not yet been closed for export commitment.

Jurisdiction

Article 26 - In accordance with the provisions of this Decision, the Undersecretariat is authorized to issue communiqués and circulars on the procedures and principles relating to the inward processing regime, to grant permits, to give instructions, to examine specific and obligatory situations and to resolve administrative disputes arising out of application of this Decision.

Any action to be taken in respect of the provisions of this Decision may be carried out by means of a computer data processing technique within the framework of the provisions of the Communiqué to be issued for the purpose of this Decision.

In addition, the Undersecretariat (General Directorate of Exports) is authorized to revoke the closing commitment, cancellation or ex officio closing procedures (with the determination that the sanction has not been collected) of the inward processing permit certificates. The Undersecretariat for is authorized to revoke the closing commitment, cancellation or ex officio closing procedures (with the determination that the sanction has not been collected) of the inward processing permits.

The Undersecretariat is authorized to regulate through communiqués, circulars and instructions with the purpose of facilitating the provisions of the inward processing regime for persons with an approved person status document within the framework of the provisions of the customs legislation.

Duties and powers relating to the revision of inward processing permit certificates and the closure of the commitment accounts may be used by the Undersecretariat or may be partially or totally transferred to the general secretariats of other public institutions and / or exporters' unions by means of a communiqué to be issued based on this Decision.

Provisional Article 1 - Within the framework of inward processing permit certificates (including sanctioned but whose taxes are not collected) granted prior to the publication date of this Decision, the document export commitments are closed on the condition that the taxes of goods obtained domestically and not exported within the deadline are collected in accordance with the Law on the Collection Procedure of Public Claims No. 6183.

Provisional Article 2 - Export commitments related to inward processing permit certificate issued before the date of the publication of this Decision and expired in the process or export incentive certificate may also be closed by customs declarations with side industrialist register.

Additionally, if within the scope of inward processing permit certificate issued prior to the date of publication of this Decision and expired or within the scope of export of that product is committed under export incentive document, a processed good is delivered to another firm by the document holder and/or by the side industrialist and that this issue has been confirmed by a report of certified public accountant and should the firm or intermediary export proves the export, that customs declaration may be accounted as export commitment.

Provisional Article 3 - In the case that firms export a processed good under inward processing to an EC member state of which is obtained from an imported good that has been burdened with surveillance or safeguard measure, if that firm holds inward processing permit certificate or inward processing permit export commitments that are issued prior to the publication of this Decision and expired and if that firm does not possess import license and/or import surveillance document necessary for that imported good, that firm may get the inward processing permit certificate/inward processing permit export commitments closed without accompanying import license and/or import surveillance document provided that they fulfil other requirements set out in specific legislation.

Provisional Article 4 - The export commitments of inward processing permit certificates which are issued prior to the publication of this Decision, expiring on 31/12/2004 at the latest and belonging to the same company, may be closed together on the condition that the document durations complement each other.

Provisional Article 5 - To the financial restructuring contracts under the Law No. 4743 dated 30/1/2002 and to the processing permits / in-process permits issued prior to the publication of this Decision on behalf of borrowers whose debts have been restructured and restructured to a new redemption plan (as per the agreements made with the Savings Deposit Insurance Fund including documents / permits imposed on sanctions but not collected), 18 months from the date of publication of this Decision.

In addition, within the framework of the provisions of the communiqué to be published in the light of this Decision, additional time may be granted for the document/permit taking into account the export performance under the relevant document/permit.

Within this framework, export commitments related to inward processing permit certificates/inward processing permits which are granted additional time may be closed by exports made by firms/group of firms holding the document/permit or by debtors/joint guarantors who are joint debtors as designated in the contract with the Savings Deposit Insurance Fund.

Provisional Article 6 - The favourable provisions of this Decision apply for the inward processing permit certificates/ inward processing permits whose export commitments have not been closed without considering that application periods under this Decision or in the specific regulation of the permit have expired.

Provisional Article 7 - The period of time granted to the inward processing permit certificate for the fulfilment of the export commitment in the Annex of the Decree No. 2003/5548 of

25/4/2003 published in the Official Gazette dated 13/5/2003 and numbered 25107 is considered as the document period.

Provisional Article 8 - For the in the case that the foreign exchange utilization rate specified in Article 9 of this Decision is exceeded by 10% (90% foreign exchange rate) for raw materials, semi-finished goods and manufactured goods which cannot be provided locally within the scope of inward processing permit certificate issued prior to the date of publication of this Decision, the export commitment document may be closed upon the approval of the Undersecretariat provided that it has been exported as a processed good product.

Provisional Article 9 - In the case of a special invoice not regarded as export commitment on the grounds of that special invoice had been registered by customs administration which had no power to issue such special invoices prior to the date of publication of this Decision, that special invoice and the relevant inward processing permit certificate export commitment (including sanctioned but whose taxes are not collected) shall be closed following the exports made within 6 months after the publication of this Decision. Exports made between the expiration of document and the date of publication of this Decision shall be accounted for the export commitment.

Within the scope of inward processing permit certificate which is issued prior to the date of publication of this Decision and expired, in the case that it has been confirmed that processed good is exported to a country that Turkey has s a Free Trade Agreement in force but then exported to a third country without benefitting from preferential tariffs, countervailing tax will not be sought for raw material, semi-finished and unmodified good finished.

Provisional Article 10 - Within the scope of inward processing permit certificate which is issued prior to the date of publication of this Decision and expired, in the case that it has been confirmed that processed good is exported with proof of origin to a country with which Turkey has a Free Trade Agreement in force but then exported to a third country without benefitting from preferential tariffs, countervailing tax will not be sought raw materials, auxiliary materials, semi-finished goods, finished goods and unchanged goods, which are used to obtained this product.

Provisional Article 11 - On the condition that customs administration determines that goods of which commitment accounts are not closed and which are imported in the framework of export incentive documents coded 1 and 2 are exported as processed goods in accordance with the timeframe and that the general secretariat of the relevant exporter union has been notified, the export commitment documents are closed ex officio by the general secretariat of the exporter union without any sanction on the imported goods.

On the condition that customs administration determines that goods of which commitment accounts are not closed and which are imported in the framework of export incentive documents coded 1 3 are exported as processed goods in accordance with the timeframe, the export commitment documents are closed ex officio by the customs administration without any sanction on the imported goods.

Repealed Decisions

Article 27 - Decision No 99/13819 of 23/12/1999 Decision along with its annexes and amendments has been abolished.

Entry into Force

Article 28 - This Decision shall enter into force on the date of publication.

Implementation

Article 29 - This decision shall be implemented by the Minister to which the Undersecretariat of Foreign Trade is affiliated.♦

APPENDIX 8

(Footnote 9)

Article 8 – Durations of Inward Processing Permit Certificates to be issued regarding the exports of various agricultural products, which are listed in the Chapters 1-24 of the Customs Tariff, are shown in Table 2. Applications for the Inward Processing Permit Certificates that are not found in this table are finalized based on the project based evaluations provided that the duration does not exceed 12 months. For Inward Processing Permit Certificates applicants for whom exports of goods with different certificate durations are foreseen, the duration of the Inward Processing Permit Certificates, for which the document duration is short, is taken as the basis.

Table 2

Ch.	Name of the good	Duration (month)
01	Chick and live poultry	8
02 - 16	Cattle and poultry meat and products derived therefrom	8
03	Fresh, chilled, frozen, dried, smoked, salted and pickled fish obtained by juvenile fish farming, fish filet	24
	Dried, smoked, salted, pickled fish and fish filets from fresh, chilled or frozen fish	12
04	Eggs (including processed eggs)	8
	Poultry water, milk, dairy products	6
07	Legumes	6
	Processed dried vegetables	6
08	Packing material and packaging for fruits and vegetables	6
	Wet and dry fruit mixes and cocktails	6
	Processed dried fruit	6
09	Processed spices	8
10	Brushed or polished brass	6
11	Wheat flour and corn flour	6

	Wheat flour and corn flour [For international government contracts (except Iraq), international organization contracts, foreign humanitarian grant contracts with public institutions in our country, and contracts with Libya's importing state company NASCO] (Maximum)	12
	starches	6
	Semolina, pellets, grains of wheat and other processed grains	6
	Malt	8
07; 08;12;20	Nuts and dried nuts	6
15	margarines	8
	Raw or refined vegetable oils	6
1604	Canned fishery products	12
17; 20	Starch-based sugars (glucose, fructose, etc.)	8
	Chewing gum on	10
	Turkish delight, candy, scrambled eggs, candies, soft and hard candy, halva, tahini and other sweetened products	10
18	Cocoa powder and cocoa butter	6
	Chocolate, cochinol and other chocolate products in this chapter	12
19	Baklava, shredded wheat, cracked wheat, pasta , filo pastry, ravioli	6
	Children's products, biscuits, cakes, wafers, pastry and other bakery products and other products in this chapter	12
20	Jams, marmalades and fruit purees	6
	Fruit jellies	6
	Canned vegetables and fruits, pickles, salads, fruit juices	12
21	Powdered jelly and powder drinks	6
	Chewing gum on	10
	Coffee, dry and wet meals, baking powders, sauces and preparations, ice cream and other processed foods of this Chapter	8

22	Beers	8
	Water, carbonated beverages and other products of this chapter	6
23	Mixed feeds	6
24	Cigarette and other tobacco products	8

◆

APPENDIX 9

(Footnote 10) Details of Pasta Company Nuh'un Ankara's one of the Inward Processing Permit Certificates in 2017 listed the Official Gazette dated 11 July 2017 and no. 30121

Sequence	Certificate No	Certificate Date	Firm	Address	Tax Administration No	Industry	Estimated Export Amount(\$)	Estimated Import Amount(\$)
32	2017/D1-03465	2 June 20117	Nuh'un Ankara Pasta	Organize Sanayi Bolgesi Altinordu Cad Sincan Ankara	Sincan 6320075115	Processed Food Products	2.686.900	2.000.000



APPENDIX 10

(Footnote 12) Cabinet Decree No. 2012/3305 (Investment Encouragement Program)

Objective

Article 1 – (1) In accordance with the targets set out in the development plans and annual programs, the objective of this Decree is to determine procedures and principles related to directing savings to high value-added investments, increasing production and employment, encouraging strategic investments and regional and large scale investments that have high research and development content to increase international competitiveness, fostering international direct investments, reducing regional development disparities and clustering and environmental protection investments.

Definitions

Article 2 – (1)

- a) Intermediary firm: Banks and financial leasing companies, including public banks, that will apply interest support,
- b) R&D Investment: Investments to be undertaken for the development of a new product, upgrading the product quality and standard, for the research and development studies regarding how to adapt new technologies that are cost-cutting and standard-upgrading to the country's circumstances,
- c) Minister: Minister of Economy
- d) Ministry: Ministry of Economy
- e) Large-scale Investment: Investments set out in Annex-3 and determined within the scope of Article 32 / A of the Corporate Tax Law No. 5520 dated 13.06.2006
- f) Environmental Investment: Investments in the cleaning or elimination of wastes such as solid, liquid or gaseous, of existing or planned plants, which are not directly related to the production of commercial goods (????)
- g) General Directorate: General Directorate of Incentive Implementation and Foreign Investment of Ministry of Economy
- h) The Committee: The Strategic Investments Evaluation Commission established by the Minister in the Ministry of Economy
- i) Accounting Unit: Accounting Unit of Ministry of Economy
- j) Fixed Investment Amount: The sum of land, building-construction, machinery and equipment and other investment expenditure items
- k) Incentive Certificate: Investment incentive certificate
- l) Product: Products that are intended to be manufactured by the investments benefiting from incentives
- m) Investor: Real or legal persons to realize the investment in the scope of the incentive certificate
- n) Local units: Development Agencies, industrial chambers and other chambers to be tasked by the Ministry.

Article 3 – (1) In terms of the implementation of the supports within the scope of this Decree, the provinces are divided into the six regions specified in Annex 1, taking into consideration their socio-economic development levels.

Incentive system and support elements

Article 4 – (1) The incentive system consists of incentive applications for general, regional, large-scale and strategic investments.

(2) General incentive applications: Except regional, large-scale and strategic investments, investment areas that will not be incentivized (specified in Annex 4), and investments that do not meet the requirements stipulated in Annex 4; investments that have fixed investment amounts stated in Article 5 can benefit from the following support elements without region discrimination.

- a) Exemption from customs tax,
- b) Value-Added-Tax (VAT) exception,
- c) Support for income tax withholding (for investments to be made in the 6th region)
- d) [Details not relevant]

(3) Regional incentive applications: The sectors listed in Annex-2B by their provincial numbers can be benefited from the following support elements provided that they meet the conditions of provinces in Annex 2A.

- a) Exemption from customs tax,
- b) VAT exception,
- c) Tax reduction,
- d) Insurance premium support for the employer
- e) Grant of investment place
- f) Interest support (for investments to be made in the 3rd, 4th, 5th, and 6th regions)
- g) Support for income tax withholding (for investments to be made in the 6th region)
- h) Insurance premium support (for investments to be made in the 6th region)

(4) Large scale investments: Investment areas that meet the minimum amounts stated in Annex 3 may be benefited from the following supports.

- a) Exemption from customs tax,
- b) VAT exception,
- c) Tax reduction,
- d) Insurance premium support for the employer
- e) Grant of investment place
- f) Support for income tax withholding (for investments to be made in the 6th region)
- g) Insurance premium support (for investments to be made in the 6th region)

(5) Strategic investments: The investments that meet the criteria in the Article 8 may be benefited from the following supports without region discrimination.

- a) Exemption from customs tax,
- b) VAT exception,
- c) Tax reduction,
- d) Insurance premium support for the employer
- e) Grant of investment place
- f) Interest support
- g) VAT Refund
- h) Support for income tax withholding (for investments to be made in the 6th region)
- i) Insurance premium support (for investments to be made in the 6th region)

(6) [Details not relevant]

Fixed investment amount and minimum capacity

Article 5 – (1) In order to benefit from the support elements of the investments, minimum fixed investment amount is one million Turkish Liras in the 1st and 2nd regions and five hundred thousand Turkish Liras in the 3rd, 4th, 5th and 6th regions. However, if there are other requirements stated in Article 8 or annexed lists regarding minimum capacity, fixed

investment amount and other conditions, the investments to benefit from the supports meet them as well.

(2) If the investment is carried out through financial leasing, the total amount of machinery and equipment subject to financial lease must be at least two hundred thousand Turkish Liras for each financial leasing company.

(3) The proportion of intangible assets (brand, license, know-how, etc.), which are considered as investment expenditures within the scope of the incentive certificate, cannot exceed fifty per cent of the total fixed investment amount recorded in the incentive certificate.

Application

Article 6 – (1) The applications of the incentive certificate shall be made to the Ministry with the information and documents to be determined by the communiqué. However, for the investments that will be determined by the communiqué, are within the scope of general incentive schemes and of which fixed investment amount do not exceed ten million Turkish Liras, depending on the preference of the investor, the applications could be made to the local units where the investment will be realized.

(2) [Details not relevant]

(3) [Details not relevant]

Issuance of Incentive Certificates

Article 7 – (1) In order for investments to be able to benefit from the support elements under this Decree, after conducting sectorial, fiscal and technical assessments within the framework of macroeconomic programs and supply-demand balance, projects must be approved and incentive certificates must be issued.

(2) [Details that are not relevant]

(3) A separate incentive certificate is issued on behalf of the financial leasing company for the investments to be realized by the financial leasing method.

Strategic Investments

Article 8 – (1) Investments in the production of products with high import dependency, which provide all of the following criteria, are considered strategic investments
The minimum fixed investment amount is above the fifty million Turkish liras... [Details that are not relevant].

The total domestic production capacity for the investment area is lower than imports.
Within the framework determined by the Ministry, the minimum value added is at least forty per cent.

Total amount of imports over the last year related to the investment item is over US \$ 50million.

(2) [Details that are not relevant]

(3) Applications to be made to the Ministry in this regard are examined and evaluated by the Committee and an incentive certificate is issued for eligible projects.

(4) [Details that are not relevant]

Exemption from customs tax

Article 9 – (1) Within the scope of incentive certificate; imports of machinery and equipment, imports of parts and components in the investment period that are not yet installed and are for automobile and light commercial vehicle investments,...[Details that are not relevant].. are exempted from customs duty.

(2) [Procedural Detail] Additionally, spare parts up to five per cent of the cost of machinery and equipment can be imported and included in the fixed investment amount, without any customs duty exemption.

(3) The Ministry, considering the sectorial constraints; can approve;

- a) inclusion of the import of used and refurbished machinery and equipment (excluding road transport vehicles) and import of machinery permitted in accordance with the Article 7 of Import Regime Decree into the incentive certificate.
- b) import of used complete plant as a result of project-based evaluation.

(4) [Details that are not relevant]

(5) For the investments to be realized by financial leasing method, import transactions are performed taking into consideration the incentive certificate of the investor without issuing a separate incentive certificate on behalf of the financial leasing company. Investors and leasing companies are jointly responsible for import transactions.

(6) Relying on the Ministry's opinion, the importation of machinery and equipment for the investments for which the application for incentive certificate have not been concluded may be permitted by the Ministry of Customs and Trade taking the security as much as the total amount of tax and deductible exemptions. [Procedural Detail]

(7) [Details that are not relevant]

VAT Exception and Refund

Article 10 – (1) Imported and domestic deliveries of machinery and equipment to be made under the incentive certificate with incentive certificate can be excepted from VAT, according to the Value Added Tax Law No. 3065 and dated 25/10/1984.

(2) Building-construction expenditures to be made within the scope of strategic investments of which fixed investment amount is above 500 million Turkish Liras can be benefited from VAT refund.

Interest Support

Article 11 – (1) If requested, for the investments within the scope of regional incentive schemes and strategic investments and R&D investments and environmental investments and that use loans with a maturity of at least one year, the Ministry can use budget resources to meet certain per cent of interest payments for the first five years and up to seventy per cent of fixed investment amount; depending on the following regional criteria.

- a) For investments to be made in the 3rd region, three per cent on the Turkish lira denominated loans, one per cent on the foreign exchange-denominated loans and indexed loans,
- b) For investments to be made in the 4th region, four per cent on the Turkish lira denominated loans, one per cent on the foreign exchange-denominated loans and indexed loans,

- c) For investments to be made in the 5th region, five per cent on the Turkish lira denominated loans, two per cent on the foreign exchange-denominated loans and indexed loans,
- d) For investments to be made in the 6th region, seven per cent on the Turkish lira denominated loans, two per cent on the foreign exchange-denominated loans and indexed loans,
- e) Without regional discrimination, for strategic investments, R&D investments and environmental investments, five per cent on the Turkish lira denominated loans, two per cent on the foreign exchange-denominated loans and indexed loans.

(2) For the investments to be realized by the financial leasing method, interest support may be granted under the same conditions, provided that the amortization schedule including the interest or dividend payments is prepared.

(3) For the investments to be made under the regional incentive schemes, the amount of interest support to be provided on the basis of the project cannot exceed five hundred thousand, six hundred thousand, seven hundred thousand and nine hundred thousand Turkish Liras in 3rd, 4rd, 5th and 6th regions, respectively.

(4) The amount of interest support cannot exceed fifty thousand Turkish Liras in R&D and environmental investments without any regional distinction and cannot exceed fifty million Turkish Liras in strategic investments, on the condition of not exceeding five per cent of fixed investment amount.

(5) [Details that are not relevant]

(6) The interest support for foreign currency loans is based on the foreign exchange selling rate of the Central Bank of the Republic of Turkey on the maturity date.

(7) [Details that are not relevant]

(8) [Procedural detail]

(9) [Procedural detail]

(10) [Procedural detail]

(11) [Procedural detail]

(12) [Procedural detail]

Insurance premium support for the employer

Article 12 – (1) Provided that the registered employment in the incentive certificate (for which completion visit is conducted) is not exceeded, for the investments supported under large scale investments, strategic investments and regional incentives, the Ministry can meet the employer's share of insurance premium (corresponding to minimum wage) from its own budget resources, depending on the following criteria.

- a) In complete new investments, the employment created by the investment realized under the incentive certificate,
- b) In the other investment categories, after the completion of the investment, employment added through the investment under the incentive certificate; which is calculated by using the reports submitted to the Social Security Administration in the last six months before the start of the investment period (considering seasonal characteristics, seasonal employment averages for the previous year are taken into consideration).

(2) In the case of investments supported under large-scale investments and regional incentive schemes, such support will be applied for the following periods.

Regions	Investments that started before 31/12/2013	Investments that started after 1/1/2014
1	2 years	-
2	3 years	-
3	5 years	3 years
4	6 years	5 years
5	7 years	6 years
6	10 years	7 years

(3) For strategic investments, this support is applied for ten years in the 6th region and seven years in the other regions.

(4) The amount of insurance premium support that is provided cannot exceed the following rates of fixed investment amount under investments supported under regional incentive schemes and large-scale investments.

	Regional incentive schemes	Large-scale investments
Regions	The Ratio of Insurance premium support for the employer to Fixed Investment Amount (%)	The Ratio of Insurance premium support for the employer to Fixed Investment Amount (%)
1	10	3
2	15	5
3	20	8
4	25	10
5	35	11
6	50	15

(5) In the case of strategic investments, the amount of insurance premium employer support cannot exceed fifteen per cent of the fixed investment amount without region discrimination.

(6) [Procedural Detail]

(7) [Details not relevant]

(8) The number of workers employed by sub-employers specified in the relevant legislation under the social security number of the employer may also be taken into account in the examination of the investment covered by the incentive certificate to which this support applies.

(9) [Procedural Detail]

Insurance premium support

Article 13 – (1) Provided that the registered employment in the incentive certificate (for which completion visit is conducted) is not exceeded; for the employment created as a result of large scale investments, strategic investments and regional incentive applications in 6th region, the worker insurance premium (corresponding to minimum wage) payable by the employer to the Social Security Institution can be covered by the Ministry budget for ten years, after conducting the completion visit, on behalf of the employer.

(2) [Procedural Detail]

(3) The provision in the eighth paragraph of Article 12 may also be applied to the insurance premium support.

Support for income tax withholding

Article 14 – (1) Provided that the registered employment in the incentive certificate is not exceeded, for the employment created as a result of incentive certificates issued for 6th region, the income tax calculated on the basis of legal minimum wage of the workers' wages is cancelled from the tax accrued over the tax statement for ten years from the date the investment is partially or fully activated.

(2) If the investment cannot be completed or the incentive certificate is cancelled, the tax cancelled due to the application of support for the income tax withholding will be collected together with the overdue interest without applying tax penalty.

(3) If the investment is transferred before the activation, the transferee takes advantage of support for the income tax withholding provided that the same conditions are fulfilled.

(4) [Procedural Detail]

Tax reduction

Article 15 – (1) In the investments to be realized within the scope of large scale investments and regional incentive applications, income or corporation tax within the framework of Article 32 / A of the Law no. 5520 is applied at the following rates until the estimated investment contribution ratio is reached.

	Regional Incentive Schemes		Large-scale Investments	
Regions	Investment Contribution Ratio (%)	Tax Reduction Rate on Income Tax or Corporation Tax (%)	Investment Contribution Ratio (%)	Tax Reduction Rate on Income Tax or Corporation Tax (%)
1	10	30	20	30
2	15	40	25	40
3	20	50	30	50
4	25	60	35	60
5	30	70	40	70
6	35	90	45	90

(2) However, within the scope of the incentive documents to be issued for the purpose of this Decree, if the investment is started before 31/12/2013 (including this date), the discount rates and investment contribution ratios specified in the following table are applied.

	Regional Incentive Schemes		Large-scale Investments	
Regions	Investment Contribution Ratio (%)	Tax Reduction Rate on Income Tax or Corporation Tax (%)	Investment Contribution Ratio (%)	Tax Reduction Rate on Income Tax or Corporation Tax (%)
1	15	50	25	50
2	20	55	30	55
3	25	60	35	60
4	30	70	40	70
5	40	80	50	80
6	50	90	60	90

(3) For strategic investments, the tax reduction rate to be applied in all regions is ninety per cent and the investment contribution ratio is fifty per cent.

(4) In the application of this Article, the amount of the investment contribution means the amount of investments that are covered by the Government through reduced income or corporation tax, while the ratio to be found by dividing this amount by the total investment made is the investment contribution ratio.

(5) [Procedural Detail]

(6) [Details not relevant]

(7) [Procedural Detail]

Grant of investment place

Article 16 – (1) For large-scale investments, strategic investments and investments benefiting from regional incentive schemes, investment place may be granted according to the procedures and principles determined by the Ministry of Finance in the supplementary Article 3 of the Law No. 4706 and dated 29 June 2006.

(2) [Details not relevant]

Priority Investment Areas

Article 17 – [Details that are not relevant]

Investments to benefit from a lower regional support

Article 18 – (1) Provided that they provide at least one of the following conditions, large-scale investments or investments benefiting from regional incentive schemes can benefit from lower-regional supports in terms of tax reduction and insurance premium employer support.

- a) Implementation of the investment in the organized industrial zone.
- b) The investment is implemented by at least five real or legal persons operating in the same sector, and will provide integration in common operational activity area.

(2) Within the scope of this Article, for large scale and regional incentive schemes to be carried out in the 6th region, insurance premium employer support is implemented by adding two years to the period valid for the region while tax reduction support is implemented by adding five per cent to the investment contribution ratio for the region.

R&D and Environmental Investments

Article 19 – (1) R&D and environmental investments benefit from VAT exemption, customs tax exemption and interest support. Such investments can also benefit from support for income tax withholding and insurance premium support if they are implemented in the 6th region.

Actions to be conducted by local units

Article 20 – [Procedural Details]

Payments to be made from the budget

Article 21 – [Procedural Details]

Transfer, sale, export and leasing

Article 22 – (1) Sale, export or lease of investment machinery and equipment is free if they have completed five years following the acquisition of such investment property.

(2) [Procedural Detail]

(3) Provided that the integrity of the investment will not be impaired in case of a partial transaction;

- a) Transfer of investment machinery and equipment to another investment with an incentive certificate,
- b) Sale of investment machinery and equipment to another investor without an incentive certificate,
- c) Export of investment machinery and equipment
- d) Leasing of investment machinery and equipment,

are subject to the permission of the Ministry.

(4) [Procedural Detail]

(5) [Details that are not relevant]

(6) Temporary provision or lease of investment machinery and equipment without any fee to another investor based on the condition that products or services will be purchased by the investor who has the incentive certificate is subject to the permission of the Ministry.

(7) [Details that are not relevant]

(8) [Details that are not relevant]

Transport of Investments

Article 23 – (1) Investments undertaken under large-scale investments and regional incentive schemes should operate in the region for a minimum of five years from the date of transition to operation. However, the investment may be transported to other regions provided that a permission is received from the Ministry and same support elements exist for the investment in the new region. [Details that are not relevant] The investments are free to move if they have been in operation in the region for five years.

(2) [Procedural Detail]

(3) The requests for transport of the investments benefiting from the general incentive schemes are evaluated on a project basis, including the investment period, by the Ministry.

Investment period and completion visit

Article 24 – (1) The start date of the investment is the date of application to the Ministry or the relevant local bureau for the incentive certificate. However, in order to be able to accept the initiation of the investment, after the start date of the investment, the total sum of expenditures on land infrastructure, building-construction, machinery and equipment (including advances and prepayments) should be at least ten per cent of fixed investment amount recorded in the incentive certificate when it was first issued (at least five million Turkish Liras for investments that have fixed investment amounts greater than the fifty million Turkish liras)

(2) [Procedural Detail]

(3) [Procedural Detail]

(4) [Procedural Detail]

(5) [Procedural Detail]

(6) [Procedural Detail]

Loss of Documents

Article 25 – (1) [Details that are not relevant]

Implementation

Article 26 – (1) It is obligatory that the support elements envisaged in the incentive certificate are implemented by the relevant institutions and organizations.

(2) [Details that are not relevant]

Authority and Control

Article 27 – [Details that are not relevant]

Penalties

Article 28 - [Details that are not relevant]

Benefiting from other support programs

Article 28 – (1) Investment expenditures benefiting from the support elements covered by this Decree cannot benefit from the support of other public institutions and organizations. If investment expenditures benefit or will benefit from the support of other public institutions and organizations, it is not possible to apply to the Ministry to benefit from the support elements covered by this Decree. In the event of a violation of the provisions of this Article, the supports utilized under this Decision are withdrawn within the framework of the relevant legislation.

Annuled Legislation

Article 30 – [Details that are not relevant]

Unfinalized Applications

Temporary Article 1 - [Details that are not relevant]

Implementation of Previous Decisions

Temporary Article 2 - [Details that are not relevant]

Enforcement

Article 31 – (1) This Decree shall enter into force on the date of publication.

Execution

Article 32

For original Turkish text, See the Decree on Official Gazette dated 19 June 2012 and no. 28328.

ANNEX-1**REGIONS IN THE INCENTIVE ENCOURAGEMENT PROGRAM**

Provinces in Region 1	Provinces in Region 2	Provinces in Region 3	Provinces in Region 4	Provinces in Region 5	Provinces in Region 6
Ankara	Adana	Balıkesir	Afyonkarahisar	Adıyaman	Ağrı
Antalya	Aydın	Bilecik	Amasya	Aksaray	Ardahan
Bursa	Bolu	Burdur	Artvin	Bayburt	Batman
Eskişehir	Çanakkale (Bozcaada ve Gökçeada İlçeleri Hariç)	Gaziantep	Bartın	Çankırı	Bingöl
İstanbul	Denizli	Karabük	Çorum	Erzurum	Bitlis
İzmir	Edirne	Karaman	Düzce	Giresun	Diyarbakır
Kocaeli	Isparta	Manisa	Elazığ	Gümüşhane	Hakkari
Muğla	Kayseri	Mersin	Erzincan	Kahramanmaraş	Iğdır
	Kırklareli	Samsun	Hatay	Kilis	Kars
	Konya	Trabzon	Kastamonu	Niğde	Mardin
	Sakarya	Uşak	Kırıkkale	Ordu	Muş
	Tekirdağ	Zonguldak	Kırşehir	Osmaniye	Siirt

	Yalova		Kütahya	Sinop	Şanlıurfa
			Malatya	Tokat	Şırnak
			Nevşehir	Tunceli	Van
			Rize	Yozgat	Bozcaada ve Gökçeada İlçeleri
			Sivas		

ANNEX-2

ANNEX 2A

SECTORS THAT CAN BENEFIT FROM REGIONAL SUPPORT PROGRAMS AND MINIMUM INVESTMENT CAPACITIES OR AMOUNTS FOR REGIONS

Sector Code	US-97 Code	Sectors To Benefit From Regional Incentives	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6
1	0121	.....	.....	.....	.....	.....	.....	.....
2	0500.0.04	.....	.....	.....	.....	.....	.....	.....
3	15	Food Products and Beverage Production (Except the investment sectors listed in Footnote 6)	2 Million TL	2 Million TL	1 Million TL	1 Million TL	1 Million TL	500 Thousand TL
4	17	.....	.....	.....	.....	.....	.....	.....
5	18	.....	.....	.....	.....	.....	.....	.....
6	19	.....	.....	.....	.....	.....	.....	.....
7	1911	.....	.....	.....	.....	.....	.....	.....
8	1912 and 1920	.....	.....	.....	.....	.....	.....	.....
9	20	.....	.....	.....	.....	.....	.....	.....
10	21	.....	.....	.....	.....	.....	.....	.....
11	24	.....	.....	.....	.....	.....	.....	.....
12	2412	.....	.....	.....	.....	.....	.....	.....
13	2421	.....	.....	.....	.....	.....	.....	.....

ANNEX
2B

SECTORAL NUMBERS REGARDING SECTORS OF PROVINCES THAT BENEFIT REGIONAL INCENTIVES

REGION	NAME OF THE PROVINCE	SECTORS TO BENEFIT FROM REGIONAL INCENTIVES																														
REGION 1	ANKARA	1	2	3	4	8	9	10	14	22	27	30	32	33	34	35	36	37	39	41	42	43	44	45	46	48	50					
	ANTALYA	1	2	3	9	10	13	14	15	24	27	30	32	33	34	35	37	39	41	42	43	44	45	46	48	50						
	BURSA	1	2	3	4	6	9	10	14	20	27	29	30	32	33	34	35	36	39	41	42	43	44	45	46	47	48	50				
	ESKİŞEHİR	1	2	3	4	9	10	14	20	27	29	30	32	33	34	35	36	39	41	42	43	44	45	46	47	48	49	50				
	İSTANBUL	7	1 4	3 1	32	34	35	42	45	46	48																					
	İZMİR	1	2	3	8	9	10	11	23	27	30	32	33	34	35	36	37	38	39	41	42	43	44	45	46	48	50					
	KOCAELİ	1	2	3	4	9	10	11	17	21	27	30	32	33	34	35	36	38	39	41	42	43	44	45	46	48	50					
	MUĞLA	1	2	3	4	9	10	20	27	30	32	33	34	35	36	38	39	41	42	43	44	45	46	47	48	49	50					

REGION	NAME OF THE PROVINCE	SECTORS TO BENEFIT FROM REGIONAL INCENTIVES																														
REGION 2	ADANA	1	2	3	4	8	9	10	11	20	27	28	30	32	33	34	35	36	37	39	41	42	43	44	45	46	47	48	50			
	AYDIN	1	2	3	4	9	10	20	27	28	30	32	33	34	35	36	38	39	41	42	43	44	45	46	47	48	50					
	BOLU	1	2	3	4	6	9	10	11	21	27	28	30	32	33	34	35	36	38	39	41	42	43	44	45	46	48	50				
	ÇANAKKALE (except Bozcaada and Gökçeada towns)	1	2	3	9	10	20	27	28	30	32	33	34	35	39	41	42	43	44	45	46	48	49	50								
	DENİZLİ	1	2	3	4	6	9	10	20	27	28	30	32	33	34	35	36	38	39	41	42	43	44	45	46	47	48	50				
	EDİRNE	1	2	3	4	9	10	14	20	27	28	30	32	33	34	35	36	38	39	41	42	43	44	45	46	47	48	50				
	ISPARTA	1	2	3	4	6	9	10	12	13	14	15	24	27	28	30	32	33	34	35	36	37	39	41	42	43	44	45	46	48	50	
	KAYSERİ	1	2	3	4	9	10	11	20	27	28	30	32	33	34	35	36	40	41	42	43	44	45	46	47	48	50					
	KIRKLARELİ	1	2	3	4	9	10	14	20	27	28	30	32	33	34	35	36	38	39	41	42	43	44	45	46	47	48	50				
	KONYA	1	2	3	8	9	10	11	24	27	28	30	32	33	34	35	36	38	40	41	42	43	44	45	46	48	49	50				
	SAKARYA	1	2	3	4	9	10	11	21	27	28	30	32	33	34	35	36	38	39	41	42	43	44	45	46	48	50					
	YALOVA	1	2	3	4	9	10	11	21	27	28	30	32	33	34	35	36	38	39	41	42	43	44	45	46	48	50					
	TEKİRDAĞ	1	2	3	4	6	9	10	14	20	27	28	30	32	33	34	35	36	38	39	41	42	43	44	45	46	47	48	50			

REGION	NAME OF THE PROVINCE	SECTORS TO BENEFIT FROM REGIONAL INCENTIVES																														
REGION 3	BALIKESİR	1	2	3	5	6	9	10	16	20	27	28	30	32	33	34	35	40	41	42	43	44	45	46	48	50						
	BİLECİK	1	2	3	4	5	9	10	14	20	27	28	30	32	33	34	35	36	40	41	42	43	44	45	46	47	48	50				
	BURDUR	1	2	3	4	5	8	9	10	13	14	15	24	27	28	30	32	33	34	35	36	40	41	42	43	44	45	46	48	50		
	GAZİANTEP	1	2	3	4	5	8	9	10	11	18	27	28	30	32	33	34	35	36	37	38	40	41	42	43	44	45	46	47	48	50	
	KARABÜK	1	2	3	5	8	9	10	20	27	28	30	32	33	34	35	36	40	41	42	43	44	45	46	47	48	50					
	KARAMAN	1	2	3	5	8	9	10	11	24	27	28	30	32	33	34	35	36	38	40	41	42	43	44	45	46	48	50				
	MANİSA	1	2	3	4	5	9	10	14	20	27	28	30	32	33	34	35	36	38	40	41	42	43	44	45	46	47	48	49	50		
	MERSİN	1	2	3	4	5	8	9	10	11	20	27	28	30	32	33	34	35	36	40	41	42	43	44	45	46	47	48	50			
	SAMSUN	1	2	3	4	5	8	9	10	14	20	27	28	30	32	33	34	35	36	37	40	41	42	43	44	45	46	47	48	50		
	TRABZON	1	2	3	4	5	8	9	10	14	25	27	28	30	32	33	34	35	37	40	41	42	43	44	45	46	47	48	50			
	UŞAK	1	2	3	4	5	6	9	10	14	20	27	28	30	32	33	34	35	36	38	40	41	42	43	44	45	46	47	48	50		
	ZONGULDAK	1	2	3	5	8	9	10	20	27	28	30	32	33	34	35	36	40	41	42	43	44	45	46	47	48	50					

REGION	NAME OF THE PROVINCE	SECTORS TO BENEFIT FROM REGIONAL INCENTIVES																															
REGION 4	AFYONKARAHİSAR	1	2	3	4	5	9	10	14	20	27	28	30	32	33	34	35	36	38	40	41	42	43	44	45	46	47	48	50				
	AMASYA	1	2	3	4	5	8	9	10	14	20	27	28	30	32	33	34	35	36	40	41	42	43	44	45	46	47	48	50				
	ARTVİN	1	2	3	4	5	8	9	10	14	25	27	28	30	32	33	34	35	40	41	42	43	44	45	46	47	48	50					
	BARTIN	1	2	3	5	8	9	10	20	27	28	30	32	33	34	35	36	40	41	42	43	44	45	46	47	48	50						
	ÇORUM	1	2	3	4	5	8	9	10	14	20	27	28	30	32	33	34	35	36	40	41	42	43	44	45	46	47	48	50				
	DÜZCE	1	2	3	4	5	9	10	11	21	27	28	30	32	33	34	35	36	38	40	41	42	43	44	45	46	48	50					
	ELAĞIZ	1	2	3	4	5	8	9	10	14	25	27	28	30	32	33	34	35	40	41	42	43	44	45	46	47	48	50					
	ERZİNCAN	1	2	3	4	5	8	9	10	14	19	27	28	30	32	33	34	35	40	41	42	43	44	45	46	47	48	50					
	HATAY	1	2	3	4	5	8	9	10	11	27	28	30	32	33	34	35	36	40	41	42	43	44	45	46	47	48	50					
	KASTAMONU	1	2	3	4	5	8	9	10	14	20	27	28	30	32	33	34	35	36	40	41	42	43	44	45	46	47	48	50				
	KIRIKKALE	1	2	3	4	5	9	10	11	17	26	27	28	30	32	33	34	35	36	40	41	42	43	44	45	46	48	50					
	KIRŞEHİR	1	2	3	4	5	9	10	11	17	26	27	28	30	32	33	34	35	36	40	41	42	43	44	45	46	48	50					
	KÜTAHYA	1	2	3	4	5	9	10	14	20	27	28	30	32	33	34	35	36	38	40	41	42	43	44	45	46	47	48	49	50			
	MALATYA	1	2	3	4	5	8	9	10	14	25	27	28	30	32	33	34	35	40	41	42	43	44	45	46	47	48	50					
	NEVŞEHİR	1	2	3	4	5	9	10	11	17	26	27	28	30	32	33	34	35	36	40	41	42	43	44	45	46	48	50					
	RİZE	1	2	3	4	5	8	9	10	14	25	27	28	30	32	33	34	35	40	41	42	43	44	45	46	47	48	50					
	SİVAS	1	2	3	4	5	9	10	11	20	27	28	30	32	33	34	35	36	40	41	42	43	44	45	46	47	48	49	50				

REGION	NAME OF THE PROVINCE	SECTORS TO BENEFIT FROM REGIONAL INCENTIVES																														
REGION 5	ADIYAMAN	1	2	3	4	5	8	9	10	11	18	27	28	30	32	33	34	35	36	38	40	41	42	43	44	45	46	47	48	50		
	AKSARAY	1	2	3	4	5	9	10	11	26	27	28	30	32	33	34	35	36	40	41	42	43	44	45	46	48	50					
	BAYBURT	1	2	3	4	5	8	9	10	14	19	27	28	30	32	33	34	35	40	41	42	43	44	45	46	47	48	50				
	ÇANKIRI	1	2	3	4	5	8	9	10	14	16	17	20	27	28	30	32	33	34	35	36	40	41	42	43	44	45	46	47	48	49	50
	ERZURUM	1	2	3	4	5	8	9	10	14	19	27	28	30	32	33	34	35	40	41	42	43	44	45	46	47	48	50				
	GİRESUN	1	2	3	4	5	8	9	10	14	19	27	28	30	32	33	34	35	40	41	42	43	44	45	46	47	48	50				
	GÜMÜŞHANE	1	2	3	4	5	8	9	10	14	19	27	28	30	32	33	34	35	40	41	42	43	44	45	46	47	48	50				
	KAHRAMANMARAŞ	1	2	3	4	5	8	9	10	11	27	28	30	32	33	34	35	36	40	41	42	43	44	45	46	47	48	49	50			
	KİLİS	1	2	3	4	5	8	9	10	11	18	27	28	30	32	33	34	35	36	38	40	41	42	43	44	45	46	47	48	50		
	NİĞDE	1	2	3	4	5	6	9	10	11	26	27	28	30	32	33	34	35	36	40	41	42	43	44	45	46	48	50				
	ORDU	1	2	3	4	5	8	9	10	14	19	27	28	30	32	33	34	35	40	41	42	43	44	45	46	47	48	50				
	OSMANİYE	1	2	3	4	5	8	9	10	11	27	28	30	32	33	34	35	36	40	41	42	43	44	45	46	47	48	50				
	SİNOP	1	2	3	4	5	8	9	10	14	20	27	28	30	32	33	34	35	36	40	41	42	43	44	45	46	47	48	49	50		
	TOKAT	1	2	3	4	5	8	9	10	14	20	27	28	30	32	33	34	35	36	40	41	42	43	44	45	46	47	48	50			
	TUNCELİ	1	2	3	4	5	8	9	10	14	25	27	28	30	32	33	34	35	40	41	42	43	44	45	46	47	48	50				
	YOZGAT	1	2	3	4	5	9	10	11	19	27	28	30	32	33	34	35	36	40	41	42	43	44	45	46	47	48	50				

REGION	NAME OF THE PROVINCE	SECTORS TO BENEFIT FROM REGIONAL INCENTIVES																											
REGION 6	BOZCAADA AND GÖKÇEADA PROVINCES	1	2	3	41	43	44	45	46	48	50																		
	AĞRI	<div>"Other investments, except those listed below, benefit from regional support.</div> <div><div>- Investments in Annex-4 that are not promoted or that do not meet the conditions set out for the promotion.</div><div>- Investments in energy production.</div><div>- Service and infrastructure investments to be carried out by public institutions and organizations and public institutions.</div><div>- Depreciable investments (subject to the provisions of footnotes 2 and 12). "</div></div>																											
	ARDAHAN																												
	BATMAN																												
	BİNGÖL																												
	BİTLİS																												
	DİYARBAKIR																												
	HAKKARİ																												
	İĞDIR																												
	KARS																												
	MARDİN																												
	MUŞ																												
	SİİRT																												
	ŞANLIURFA																												
	ŞIRNAK																												
VAN																													

FOOTNOTES:

6 - In the food products and beverage manufacturing investments, except for the region 6, "**pasta**, integrated semolina investments with pasta, noodle, couscous, yufka, kadayıf, rice, ready for pets, fish meal, fish oil, fish meal, bread , rakı, beer, nuts, pickles, linter, cotton, tea, hazelnut cracking / roasting, ready soup and meat juices and preparations and cereals and legumes are classified and packed " cannot benefit regional incentives

ANNEX-3

LARGE SCALE INVESTMENTS

Sequence No	Investment Industries	Minimum Fixed Investment Amount (Million TL)
1	Production of Refined Petroleum Products	1000
2	Manufacture of Chemical Substances and Products	200
3	Port and Harbour Services Investments	200
4	Investments in Manufacture of Motorized Vehicles: a) Motorized Land Vehicles Main Industry Investments b) Motorized Land Vehicles Sub-Industry Investments	200 50
5	Railway and Tram Locomotives and / or Wagon Manufacturing Investments	50
6	Transit Pipeline Transport Services Investments	
7	Electronic Industry Investments	
8	Medical Instruments, Precision and Optical Instruments Manufacturing Investments	
9	Pharmaceutical Production Investments	
10	Air and Space Vehicles and / or Parts Manufacturing Investments	
11	Machinery (Including Electrical Machinery and Equipment) Manufacturing Investments	
12	Investments in Metal Production: [Investments in the production of final metals from ore and / or concentrate of metallic minerals IV / c specified in the Mining Law (including integrated mining investments in these facilities)]	

ANNEX-4

INVESTMENT SECTORS WHICH ARE NOT ENCOURAGED OR, INCENTIVES OF WHICH ARE DEPENDENT ON SPECIFIC CONDITIONS

I- INVESTMENTS WHICH ARE NOT ENCOURAGED:

a. AGRICULTURE AND AGRICULTURAL PRODUCTS

1. Flour, semolina (**except pasta production** and integrated semolina investments and corn root investments), feed (excluding fish meal, fish oil, fish meal and feed production in integrated livestock production), starch and starch based sugar.
2. Enterprises that provide catering services (ready meals).
3. Cube sugar.
4. Greenhouse investments under 5 decare.
5. Crop production (except for greenhouse cultivation investments of 5 decares and over, cultivation of mushroom cultivation and cultivation of feed crops in integrated animal husbandry investments).
6. Integrated livestock investments to be promoted under regional practices and livestock investments other than livestock investments to be conditionally supported.
7. Milk processing investments with production capacity of 5 tons / day and below.

b. (....)

c. (....)

II- INCENTIVES OF WHICH ARE DEPENDENT ON SPECIFIC CONDITIONS:

a. AGRICULTURE AND AGRICULTURAL PRODUCTS

1. At least 150 cattle in milk-oriented bovine integrated investments.
2. At least 150 cattle in meat-intensive bovine integrated investments.
3. At least 150 cattle per term in breeding cattle integrated animal breeding (meat / milk direction).
4. 100.000 pieces / period in poultry integrated investments.
5. Milk and meat oriented integrated small cattle investments (including breeding) 1,000 cattle / term condition is sought.

b. (....)

c. (....)

ANNEX-5

IRON AND STEEL PRODUCTS

Product	HS Code				
Pig iron	7201				
Iron alloys	7202 11 20	7202 11 80	7202 99 11		
Ferrous products obtained by direct reduction of iron ore and other spongy ferrous products	7203				
Iron and non-alloy steel	7206				
Semi-finished iron or non-alloy steel products	7207 11 11	7207 11 14	7207 11 16	7207 12 10	7207 19 11
	7207 19 14	7207 19 16	7207 19 31	7207 20 11	7207 20 15
	7207 20 17	7207 20 32	7207 20 51	7207 20 55	7207 20 57
	7207 20 71				
Flat-rolled products of iron or non-alloy steel	7208 10 00	7208 25 00	7208 26 00	7208 27 00	7208 36 00
	7208 37	7208 38	7208 39	7208 40	7208 51
	7208 52	7208 53	7208 54	7208 90 10	7209 15 00
	7209 16	7209 17	7209 18	7209 25 00	7209 26
	7209 27	7209 28	7209 90 10	7210 11 10	7210 12 11
	7210 12 19	7210 20 10	7210 30 10	7210 41 10	7210 49 10
	7210 50 10	7210 61 10	7210 69 10	7210 70 31	7210 70 39

	7210 90 31	7210 90 33	7210 90 38	7211 13 00	7211 14
	7211 19	7211 23 10	7211 23 51	7211 29 20	7211 90 11
	7212 10 10	7212 10 91	7212 20 11	7212 30 11	7212 40 10
	7212 40 91	7212 50 31	7212 50 51	7212 60 11	7212 60 91
Hot-rolled, irregularly wound coiled rod and wire rod, of iron or non-alloy steel	7213 10 00	7213 20 00	7213 91	7213 99	
Other bars and rods of iron and nonalloy steel	7214 20 00	7214 30 00	7214 91	7214 99	7215 90 10
Profiles made of iron or non-alloy steel	7216 10 00	7216 21 00	7216 22 00	7216 31	7216 32
	7216 33	7216 40	7216 50	7216 99 10	
Stainless steel	7218 10 00	7218 91 11	7218 91 19	7218 99 11	7218 99 20
Flat rolled products from stainless steel	7219 11 00	7219 12	7219 13	7219 14	7219 21
	7219 22	7219 23 00	7219 24 00	7219 31 00	7219 32
	7219 33	7219 34	7219 35	7219 90 10	7220 11 00
	7220 12 00	7220 20 10	7220 90 11	7220 90 31	
Stainless steel bars and rods	7221 00	7222 11	7222 19	7222 30 10	7222 40 10
	7222 40 30				
Flat-rolled products of other alloy steel	7225 11 00	7225 19	7225 20 20	7225 30 00	7225 40
	7225 50 00	7225 91 10	7225 92 10	7225 99 10	7226 11 10

	7226 19 10	7226 19 30	7226 20 20	7226 91	7226 92 10
	7226 93 20	7226 94 20	7226 99 20		
Bars and rods of other alloy steel	7224 10 00	7224 90 01	7224 90 05	7224 90 08	7224 90 15
	7224 90 31	7224 90 39	7227 10 00	7227 20 00	7227 90
	7228 10 10	7228 10 30	7228 20 11	7228 20 19	7228 20 30
	7228 30 20	7228 30 41	7228 30 49	7228 30 61	7228 30 69
	7228 30 70	7228 30 89	7228 60 10	7228 70 10	7228 70 31
	7228 80				
Vats	7301 10 00				
Rails and traverses	7302 10 31	7302 10 39	7302 10 90	7302 20 00	7302 40 10
	7302 10 20				
Seamless tubes, pipes and perforated profiles	7303	7304			
Welded iron or steel tubes and pipes with an outside diameter exceeding 406.4 mm	7305				



APPENDIX 11

(Footnote 15) CBRT Press Release dated 17 Feb. 2017 and no 2017-11

“Based on the Article 6 of Legislative Decree No. 683 that has been published in the Official Gazette dated 23 January 2017 and numbered 29957, for all rediscount credits that were extended before 1 Jan. 2017 and had the maturity dates before 31 May 2017 (including), repayments to the CBRT could be done with Turkish Lira on the condition that the credits will be paid at due date.

In these transactions, exchange rates declared on the website of CBRT on 2 Jan. 2017 will be used”

Source:

<http://www.tcmb.gov.tr/wps/wcm/connect/TCMB+TR/TCMB+TR/Main+Menu/Duyurular/Basin/2017/DUY2017-11> ♦

APPENDIX 12

(Footnote 17) Cabinet Decree No. 2009/15431

DECREE ON THE DETERMINATION OF SECTORAL AND REGIONAL PRIORITIES RELATED TO SMALL AND MEDIUM-SIZED ENTERPRISES THAT WILL BENEFIT FROM SERVICES AND SUPPORTS PROVIDED BY KOSGEB

OBJECTIVE

Article 1 – (1) The objective of this Cabinet Decree is to determine sectoral and regional priorities for small and medium-sized enterprises that will benefit from the services and supports provided by KOSGEB.

BASIS

Article 2 – (1) This decree is prepared on the basis of Article 3 of the Law (dated 12/4/1990 and numbered 3624) on the Establishment of the Small and Medium Industry Development Organization.

DEFINITIONS

Article 3 – (1)

KOBİ: Small and Medium-Sized Enterprises

KOSGEB: Small and Medium Industry Development Organization

List: List annexed to this Decree,

NACE Rev. 1.1: Statistical Classification of Economic Activities in the European Community, Rev. 1.1

NACE Rev. 2: Statistical Classification of Economic Activities in the European Community, Rev. 2

SECTORAL PRIORITIES

Article 4 – (1) The SME sectors that will benefit from the services and supports provided by KOSGEB are shown in the List that is based on NACE Rev. 2. In order to avoid interruption of support operations until transition to the classification according to NACE Rev. 2, NACE Rev. Classification 1.1 may also be used provided that the corresponding NACE Rev. 2 sectors that are stated in the List are used. SMEs in the manufacturing industry sector are primarily supported by KOSGEB.

(2) SMEs and entrepreneurs in sectors that are not stated in the List can benefit from informing, awareness raising and guidance services provided by KOSGEB.

REGIONAL PRIORITIES

Article 5 – (1) Taking into consideration the nature of the programs, projects, services and supports to be implemented by KOSGEB; support ratio, support limit, quota and quota applications can be revised by KOSGEB according to geographical implementation areas. Within the scope of this Article, ensuring development and increasing employment in low socio-economic regions that are determined by regional grading in Decree on State Aids in Investments put into effect by the Decree of Council of Ministers dated 14/7/2009 and numbered 2009/15199 are primarily pursued.

Article 6 - [Details that are not relevant]

Article 7 – (1) This Decree shall enter into force on the date of publication.

Article 8 – [Execution Article]

LIST NO (1)

The SME sectors that will benefit from the services and support provided by KOSGEB

Codes and names of sectors (according to NACE Rev. 2) to be benefited from the services and support provided by KOSGEB		Explanation	NACE Rev. 2 Code related to Explanation
NACE Rev. 2 Code	Sector Title in NACE Rev. 2		
B	Mining and quarrying	All sub-headings are included	
C	Manufacturing	All sub-headings are included	
D	Electricity, gas, steam and air conditioning production and distribution	All sub-headings are included	
E	Water supply; sewerage, waste management and improvement activities	All sub-headings are included	
F	Construction	All sub-headings are included	
G	Wholesale and retail trade; repair of motor vehicles and motorcycles	Excludes wholesale of alcoholic beverages	46.34
		Excludes wholesale of tobacco products	46.35
H	Transportation and storage	All sub-headings are included	
I	Accommodation and food service activities	Excludes bars, taverns, cocktail halls, discotheques, breweries, coffee halls	56.30
J	Information and communication	Excludes motion picture and video production activities	59.11
		Excludes activities after motion picture and video shooting	59.12
		Excludes distribution activities of motion picture and video	59.13

		Excludes motion picture film screening activities	59.14
		Excludes voice recording and music publishing activities	59.20
M	Professional, scientific and technical activities	Excludes legal activities	69.10
		Excludes accounting, bookkeeping and auditing activities and tax consultancy	69.20
		Excludes veterinary services	75.00
N	Administrative and support service activities	All sub-headings are included	
R	Culture, art, entertainment, leisure and sports	Excludes performing arts	90.01
		Excludes activities supporting the performing arts.	90.02
		Excludes artistic creativity activities	90.03
		Excludes operation of art facilities	90.04
		Excludes gambling and common betting activities	92.00
		Excludes the operation of sports facilities	93.11
		Excludes activities of sports clubs	93.12
		Excludes body building halls	93.13
		Excludes other sport activities	93.19
		Excludes the activities of amusement parks and amusement parks	93.21

		Excludes other entertainment and recreational activities	93.29
S	Other service activities	Excludes the activities of business and employer organizations	94.11
		Excludes the activities of professional organizations	94.12
		Excludes union activities	94.20
		Excludes the activities of religious organizations	94.91
		Excludes the activities of political organizations	94.92
		Excludes the activities of other member-based organizations not classified elsewhere	94.99
		Excludes Activities of the baths, saunas, solarium, massage parlors and similar places	96.04

For original Turkish text, See the Official Gazette dated 18 Sept. 2009 and no 27353.♦

APPENDIX 13

(Footnote 18) LIST OF SECTORS WHICH CAN BE SUPPORTED BY KOSGEB
(The Small and Medium Enterprises Development Organization)

NACE REV 2 CODE	SECTOR TITLE	NOTE
(...)		
C	MANUFACTURING	
10	Manufacture of food products	
(...)		
10.7	Manufacture of bakery and farinaceous products	
(...)		
10.73	Manufacture of macaroni, noodles, couscous and similar farinaceous products	
(...)		

Source: <<http://www.kosgeb.gov.tr/site/tr/genel/detay/179/desteklenen-sektorler-nelerdir>>.♦

APPENDIX 14

(Footnote 19) THE INCOME TAX LAW

(Law No. 193, Official Gazette No. 10700 dated 06.01.1961)

[Details not relevant]

THIRD CHAPTER

Determination of Income Components

FIRST SECTION

Business Earnings/Profit

[Details not relevant]

Expenses to be deducted

Article 40- In order to determine net amount of gain/earnings, the following expenses are considered as deductible (expenses):

1. General expenses incurred for earning and maintaining business earnings,
(Provisions within the additional brackets: 25/5/1995 - 4108/19 article.)
(Taxpayers who are engaged in exporting, overseas construction, repairing, assembly and transportation activities, in addition to the expenses stated in this paragraph, provided that the earnings obtained as foreign exchange from these activities shall not exceed 0.5 per cent of the taxpayer's foreign-exchange earnings, they may also deduct the expenses they incur in return for their expenses related to these foreign works.)
2. [Details not relevant]
3. [Details not relevant] ♦

APPENDIX 15

(Footnote 20)

(Footnote 20-1) THE LAW NO. 5084 AMENDING SOME LAWS REGARDING INVESTMENTS AND EMPLOYMENT INCENTIVES

(Law No. 5084, Official Gazette No.25365 dated 6.2.2004)

[Details not relevant]

Scope

Article 2 - (Amended: 12/5/2005 - 5350/1 Article)

This Law covers;

a) In terms of the tax and insurance incentives and energy support, the provinces in which the amount of gross domestic product per capita determined for the year of 2001 by the State Institute of Statistics is 1500 US Dollars or less, and those which are outside these provinces and whose index value is negative according to the socio-economic development ranking determined by the Undersecretariat of State Planning Organization for the year of 2003,

b) In terms of procuring free land and parcels (land and parcels allocation without cost), the provinces under the subparagraph (a) (in this article) and other provinces within the scope of development priority regions.

[Details not relevant]

Incentive for Employers' Share in Insurance Premium (1) (2)

Article 4 - (Amended: 12/5/2005 - 5350/3 article)

In the provinces within the scope of subparagraph (a) of Article 2 to be applied until 31.12.2012;

a) Regarding taxpayers of income and corporations tax who newly started to work from the date of 1.4.2005, provided that they employ at least ten workers, for the workers they employ in these work places, (3)

b) **(Amended: 28/3/2007- 5615 /24 article)** For the employees who actually work in the workplaces of the taxpayers of income and corporations tax who started work before 1.4.2005 and who have actually employ at least ten employees,

The employer's share of the insurance premiums calculated over the earnings subject to premium in accordance with Articles 72 and 73 of Social Insurance Law No. 506 is covered by the Treasury by 100% (all) for business establishments in the Organized Industrial Zones or the Industrial Zones; by 80% for businesses in other locations.

The amount to be covered by the Treasury shall not exceed the amount determined according to the above mentioned rates on the value to be obtained by multiplying the number of workers by the employer's share premium calculated according to the lower limit of earnings subject to premium determined in accordance with the Article 78 of the Social Insurance Law.

In order to be covered the (social security) premiums of the employer's share by the Treasury, in accordance with the Social Insurance Law No.506 with respect to the insured employed by employers, it is obligatory that the monthly premiums and service documents of are given to the Authority (The Social Security Institution-SGK) within the legal period and that the amount of the employee's share of the insurance premiums and the amount of the employer's share not covered by the Treasury are paid. In case of late payment of the premiums to be paid according to this article by the employer, the late payment interest

stemming from the delay of the payment to be made to the Authority shall be collected by the Treasury from the employer

The procedures and principles regarding the implementation of this Article shall be jointly determined by the Ministry of Finance, the Ministry of Labor and Social Security and the Undersecretariat of Treasury.

(Footnote 20-2) Law 5510 - Insurance Premium Rates and Government Support

Article 81- According to this Law, the insurance premium rates to be collected are as follows:

- a) The premium rate for invalidity, old-age and death insurances is 20% of the principal earnings subject to premium of the insured. 9% of them are premium for insured, 11% is premium for employer.
- b) The premium rate of invalidity, old-age and death insurances to be applied for insured persons who work in the service of the actual service pay raise specified in this Law, shall be determined by increasing the 20 % rate specified in subparagraph (a) by the rate found by dividing the number of actual service days, added to Article 40 for every year, by 360. Total of the premiums for the difference between the ratio found in this way and (20%) stated in (a) shall be paid by the employer.
- c) Short-term insurance premiums are determined by the Social Security Institution according to Article 83 items, ranging from 1% to 6.5%, based on the weight of the work done in terms of workplace accidents and occupational disease. Total of this premium is paid by the employer all.
- d) The premium rate for the students stated in subparagraph (b) of the first paragraph of Article 5 and (e) for the trainees stated in subparagraph 1 shall be 1% of the the principal earnings subject to premium. The lower base daily earnings limit subject to premium is taken into account in the calculation of the daily earnings subject to premium of the trainee. Wages subject to premium of candidate apprentices, apprentices and students who receive vocational training are specified in the relevant law.
- e) When receiving an old-age pension, social security premium support rate to be applied to employees who work in this particular business under this Law is the the sum of the premium rates stated in sub-paragraphs (a), (c) and (f) The insured and the employer share are the rates stated in these subdivisions.
- f) The universal health insurance premium is 12.5% of the principal earnings subject to premium calculated on the basis of the first paragraph of Article 82 for those who are entitled to short and long term insurance branches. 5% of this premium is insured's share and 7.5% is the employer's share. Only those who are entitled to universal health insurance have a universal health insurance premium of 12% of the principal earnings subject to premium.

g) Those who are insured under subparagraph (b) of first paragraph of Article 4 pay premiums over the sum of the premium rates in sub-paragraphs (a), (c) and (f), if they work by paying social security support premiums, they pay premiums over the sum of premium rates specified in the subsection (e).

The Government, based on the principal income of the insured subject to premium; supports by 5% for invalidity, old age and death insurances; and 3% for universal health insurance. The government support shall be calculated as one quarter of the invalidity, old-age and death insurances and universal health insurance premiums collected by the Social Security Institution on a monthly basis. The procedures and principles concerning the payment of the government support shall be determined by the decision of the Council of Ministers.

(Footnote 20-3) THE LAW NO. 6486 AMENDING THE SOCIAL INSURANCE AND GENERAL HEALTH INSURANCE LAW AND CERTAIN OTHER LAWS

(Law No. 6486, Official Gazette No.28661 dated 29.5.2013)

[Details not relevant]

ARTICLE 5- The seventh and the last sentence of the subparagraph (i) of the first paragraph of the Article 55 of the Law No. 5510 are abolished and the following subparagraph and paragraphs are inserted to the same subparagraph, after the first paragraph and to the end of the Article, respectively.

“(i) [Details not relevant]”

“To be applied to workplaces employing ten or more insured persons, the Council of Ministers is authorized to add additional points up to six (points) over the lower limit of earnings subject to premium to the point to be paid by the Treasury stated in the subparagraph (i) of first paragraph (in this article), and to determine the duration of the application and provinces where extra points will be awarded, taking into account the socio-economic development index.”

“[Details not relevant]”♦

APPENDIX 16

(Footnote 21) Communique on Resource Utilization Support Fund for the Decree No. 88/12944 (Sequence No.6)

(Official Gazette No. 20264 dated 26.08.1989)

[Details not relevant]

Article 2- Deductions to the Fund

Table (Rates)

[Details not relevant]

(8) For/in the loans extended to Turkish liras or foreign currencies for the financing of exports and credits provided by residents in Turkey from abroad for export financing (including those used in financing for export sales and deliveries which are bound to export incentive certificate, Inward Processing Permit Certificate and foreign exchange earning services and activities), and in importation made according to acceptance credit, deferred letter of credit or cash against goods within the scope of Export Incentive Certificate and Inward Processing Permit Certificate, the above rates shall be applied as 0%. ♦

APPENDIX 17

(Footnote 22) THE VALUE ADDED TAX LAW

(Law No. 3065, Official Gazette No. 18563 dated 02.11.1984)

[Details not relevant]

SECOND CHAPTER

Exemptions

FIRST SECTION

Exportation exemption

Exportation of goods and services:

Article 11 – 1. The following deliveries and services are exempt from (value added) tax:

1. [Details not relevant]

a) [Details not relevant]

b) [Details not relevant]

c) (**Addition: 3/6/1986 - 3297/3 article**) The value added tax of the goods delivered to them by the manufacturers shall not be paid by the exporters provided that they are exported. This (value added) tax, which is not collected by the taxpayers but will be declared in the relevant period declarations, is levied and accrued and (then) deferred by the tax office.

In case such goods are exported within 3 months from the beginning of the month which follows the delivery date, this deferred tax is cancelled.

If the exports are not carried out in accordance with the above conditions, the deferred tax shall be collected together with the late payment interest determined in accordance with the Article 51 of the Law No. 6183 on Collection Procedure of Public Receivables from the date of accrual. However, if the delivered goods in order to export are not exported due to force majeure stated in the Tax Procedures Law, the deferred tax shall be collected together with the late payment interest applicable for the related periods in accordance with Article 48 of the Law No. 6183 on Collection Procedure of Public Receivables from the date of deferment.(1)

The provisions of Article 32 of this Law shall not apply to those taxes deferred or cancelled in terms of exporters.

The value added tax that will be refunded to the manufacturer who delivers the goods to the exporter cannot exceed the remaining amount after deduction of the tax regarding the change in the tax base against the manufacturer from the tax calculated according to the manufacturer's sales price related to the exported goods.(2)

The Value Added Tax, which should be refunded to the manufacturers who deliver the goods to the exporters, is paid after the export transactions are completed. The amount of tax to be refunded or deferred shall be calculated by comparing the information in the taxpayer's period declarations.

(Addition: 9/4/2003-4842/21 article) If the export cannot be performed within three months due to force majeure or unforeseen circumstances, For the exporter who applies within fifteen days after this three months' period at the latest, an additional period of up to three months may be given by the Ministry of Finance or by the tax offices if the Ministry considers it appropriate.

2. [Details not relevant]♦

APPENDIX 18

(Footnote 23)

(Footnote 23 -1) THE SPECIAL CONSUMPTION/EXCISE TAX LAW

(Law No. 4760, Official Gazette No. 24783 dated 12.06.2002)

[Details not relevant]

SECOND CHAPTER

Exemptions

Other Exemptions

Article 7/A- (Additional: 27/4/2006-5493/1 article) (1)

Items numbered CN code of 2710.19.41.00.11, 2710.19.41.00.13 ve 2710.19.45.00.12 under the List (I) attached to the law, within the framework of the provisions of Law No. 4054 on Protection of Competition and Petroleum Market Law No. 5015, are exempted from the tax at the border gates determined by the Council of Ministers when they are delivered to their tanks of truck, towing vehicle and the semi-trailers having the cooling unit carrying the goods to be exported within the scope of export regime of the Customs Law No. 4458 (not to exceed the standard amount of fuel storage of vehicles and cooler units) only on departure abroad.

(1) The Ministry of Finance is empowered to determine the procedures and principles regarding the exception set out in this article and to apply the exception to the traders in accordance with this article by means of the tax refund method.

(Footnote 23-2) THE VALUE ADDED TAX LAW

(Law No. 3065, Official Gazette No. 18563 dated 02.11.1984)

SECOND CHAPTER

Exemptions

THIRD SECTION

Exemptions in transportation

Transit transportation:

Article 14 – (1) In transit and transportation works between Turkey and foreign countries, the transport works to be determined by the Cabinet of Ministers are exempt from the tax.

(2) [Details not relevant]

(3) (Addition: 27/4/2006-5493/2 article) Under the provisions of the Law No.4054 on Protection of Competition and the Law No. 5015 on Petroleum Market, at the border gates determined by the Council of Ministers, the delivery of diesel fuel to their (diesel fuel) tank of truck, towing vehicle and the semi-trailers having the cooling unit carrying the goods to be exported within the scope of export regime of the Customs Law No. 4458 (not to exceed the standard amount of fuel storage of vehicles and cooler units) are exempted from the tax only on departure abroad.

The Ministry of Finance is empowered to determine the procedures and principles regarding the application of this exemption.

(Footnote 23-3) Cabinet Decree (BKK) – Decision No. 2017/10467

(Official Gazette No.30137, dated 28.08.2017)

On the letter of Ministry of Finance dated 16/6/2017, in accordance with Article 7/A of the Special Consumption Tax Law No.4760 and paragraph (3) of Article 14 of the Value Added Tax Law No.3065, putting "the Decree concerning the Amendment of the Decree of Border Gates Subject to Exemption of Special Consumption Tax and Value Added Tax during the Delivery of the diesel fuel to the vehicles carrying export goods" attached into force, was decided by the Council of Ministers on 19/6/2017.

Recep Tayyip Erdogan
PRESIDENT

Decree regarding the Amendment of the Decree on Border Gates Subject to Exemption of Special Consumption/Excise Tax and Value Added Tax during the Delivery of the Diesel Fuel to the Vehicles Carrying Export Goods

Article 1 - Article 1 of the Decree on the Border Gates Subject to Exemption of Special Consumption Tax and Value Added Tax during the Delivery of the diesel fuel to the vehicles carrying export goods, dated 26/06/2006 and numbered 2006/10784, shall be amended as follows and the attached list shall be added to this decree.

"ARTICLE 1- (1) In accordance with Article 7/A of the Special Consumption Tax Law No.4760 and according to the paragraph (3) of the Article 14 of the Value Added Tax Law No.3065, the Special Consumption Tax and Value Added Tax Exemptions shall be applied on customs areas on land and maritime border gates in the attached list."

Article 2 - The following provisional article shall be added to the Decree.

"PROVISIONAL ARTICLE 1- (1) The application of exemption in Çıldır Aktaş, Dilucu, Kapıköy and Sarp land border gates and Alsancak, Derince, Giresun, Iskenderun, Karasu, Samsun, Trabzon, Yalova and Zonguldak maritime border gates, which are listed in the attached list shall be commenced from the date of the establishment of oil stations and ensuring general security measures at these border gates of customs area determined by the Ministry of Finance upon the positive opinion of the Ministry of Customs and Trade."

Article 3 - This Decision shall enter into force on the date of its publication.

Article 4 - The provisions of this Decision shall be executed by the Minister of Finance.
[Details not relevant]

LIST OF BORDER GATES

No	Land Border Gates	Province
1	Çıldır Aktaş	Ardahan
2	Dilucu	Iğdır
3	Gürbulak	Ağrı

4	Hamzabeyli	Edirne
5	İpsala	Edirne
6	Kapıköy	Van
7	Kapıkule	Edirne
8	Sarp	Artvin
No	Maritime Border Gates	Province
1	Alsancak	İzmir
2	Ambarlı	İstanbul
3	Çeşme	İzmir
4	Derince	Kocaeli
5	Giresun	Giresun
6	İskenderun	Hatay
7	Karasu	Sakarya
8	Kepez	Çanakkale
9	Mersin	Mersin
10	Pendik	İstanbul
11	Samsun	Samsun
12	Tekirdağ	Tekirdağ
13	Trabzon	Trabzon
14	Yalova	Yalova
15	Zonguldak	Zonguldak



APPENDIX 19

(Footnote 24) THE LIST OF TUBITAK (The Scientific and Technological Research Council of Turkey) SUPPORT PROGRAMS

Sitemap: TUBITAK > Funds > Business/Industry >

(For the official website in English: http://tubitak.gov.tr/en/funds/industry/national-support-programmes#funds_industry_ana_sayfa_akordiyon-block_1-0)

National Support Programmes

1511 - Research Technology Development and Innovation Projects in Priority Areas Grant Programme

1601 - Capacity Building for Innovation and Entrepreneurship Grant Programme Scientific Meetings Grant Programme

1512 - Techno-Entrepreneurship Multi-phase Programme

1602 - TÜBİTAK Patent Support Programme

1501 - Industrial R&D Projects Grant Programme

1513 - Technology Transfer Offices Grant Programme

1515 - Frontier R&D Laboratory Support Programme

1507 - SME RDI (Research, Development & Innovation) Grant Programme

1503 - R&D Project Brokerage Events Grant Programme

1505 - University-Industry Collaboration Grant Programme

1514 - Venture Capital Funding Program

1301 - Scientific and Technological Collaboration Networks and Platforms Initiative Projects

1007 - Public Institutions R&D Projects Grant Programme

International Support Programmes

1509 - TÜBİTAK International Industrial R&D Projects Grant Programme

..... - ERA-NET Projects



APPENDIX 20

(Footnote 25) LIST OF THE ORGANIZATIONS IN THE PROJECT APPLICATION TO TUBITAK-TEYDEB (Department of Technology and Innovation Support Programs) SUPPORT PROGRAMS

[Relevant rows are included]

Organization/Company Name	Address	Phone	Fax	E-mail	Scale	Number of Project Application	Page number in the Report
Beslen Makarna Gıda San. Ve Tic. A.Ş.	Gaziantep	342-337 11 24	342-337 11 20	beslen@superonline.com	SME	1	62
Beşsan Makarna Gıda San. Ve Tic. A.Ş.	Gaziantep	342-337 17 77	342-337 42 75	besler@beslermakarna.com	Large	1	63
Nuh'Un Ankara Makarnası Sanayi Ve Ticaret Anonim Şirketi	Ankara	312-2671520	312-2671069	nuh@nuh.com.tr	Large	1	279
Tat Makarnacılık San. Ve Tic. A.Ş.	Gaziantep	342-3372840	342-3372436	tatmakarna@tatmakarna.com	SME	1	361

◆

APPENDIX 21

**(Footnote 27) Cabinet Decree (BKK) – Decision No. 2017/9969
(Official Gazette No.30003, dated 10.03.2017)**

On the letter of Deputy Prime Ministry (Undersecretary of Treasury) dated 24/2/2017 16/6/2017 and numbered 6020, in accordance with Provisional Article 20 of the Law No. 4749 dated 28/3/2002, "the Decree regarding amendment to the Decree on the Treasury Support to be provided to the Credit Guarantee Institutions" attached into force, was decided by the Council of Ministers on 27/2/2017.

Recep Tayyip Erdogan
PRESIDENT

(Cabinet) Decree regarding amendment to the Decree on the Treasury Support to be provided to the Credit Guarantee Institutions

[Details not relevant]

Article 3 - Article 4 of the same decree is amended as follows.

“Article 4- (...) The support provided by the Undersecretariat shall be exercised within the framework of the following general rules and principles.

[Details not relevant]

(2) The total balance of guarantees given by the Institution (KGF) under this decree, the Decree of Council of Ministers dated 14/7/2009 and numbered 2009/15197 and the Decree of Council of Ministers dated 25/2/2015 and numbered 2015/7331, shall not exceed TL 250 billion.

According to provisional Article 20 of the Law No.4749 (on the Regulation of Public Financing and Debt Management), the amount of the fund that can be transferred to the Institution (KGF) by the Undersecretariat (Turkish Treasury) is limited to TL 25 billion. The amount of funds transferred by the Undersecretariat in the framework of the guarantees given within the scope of the Decree of the Council of Ministers dated 14/7/2009 and numbered 2009/15197 and Decree of the Council of Ministers dated 25/2/2015 and numbered 2015/7331, is included in the amount of TL 25 billion.♦