

Company  
**LOGO**



Republic of Turkey  
Ministry of Economy

# **INVEST IN TURKEY**



December, 2014

Republic of Turkey Ministry of Economy  
General Directorate of Incentive Implementation and Foreign Investment



Republic of Turkey  
Ministry of Economy



# INVESTMENT IN TURKEY

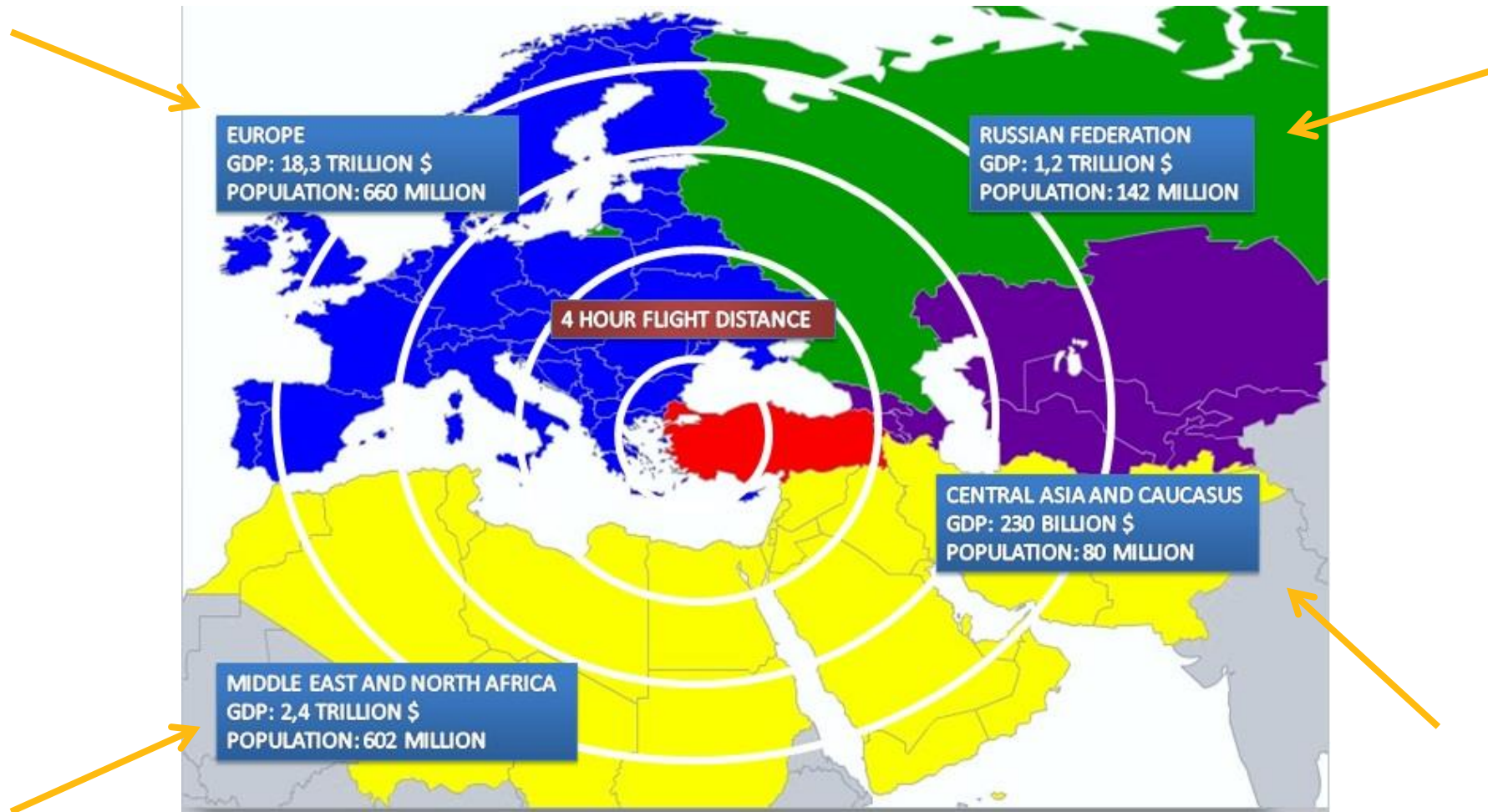
*Ismet INCE*  
*Foreign Trade Expert*  
*General Directorate of Incentives and*  
*Foreign Investment*  
**MINISTRY OF ECONOMY**

# General Economic Outlook

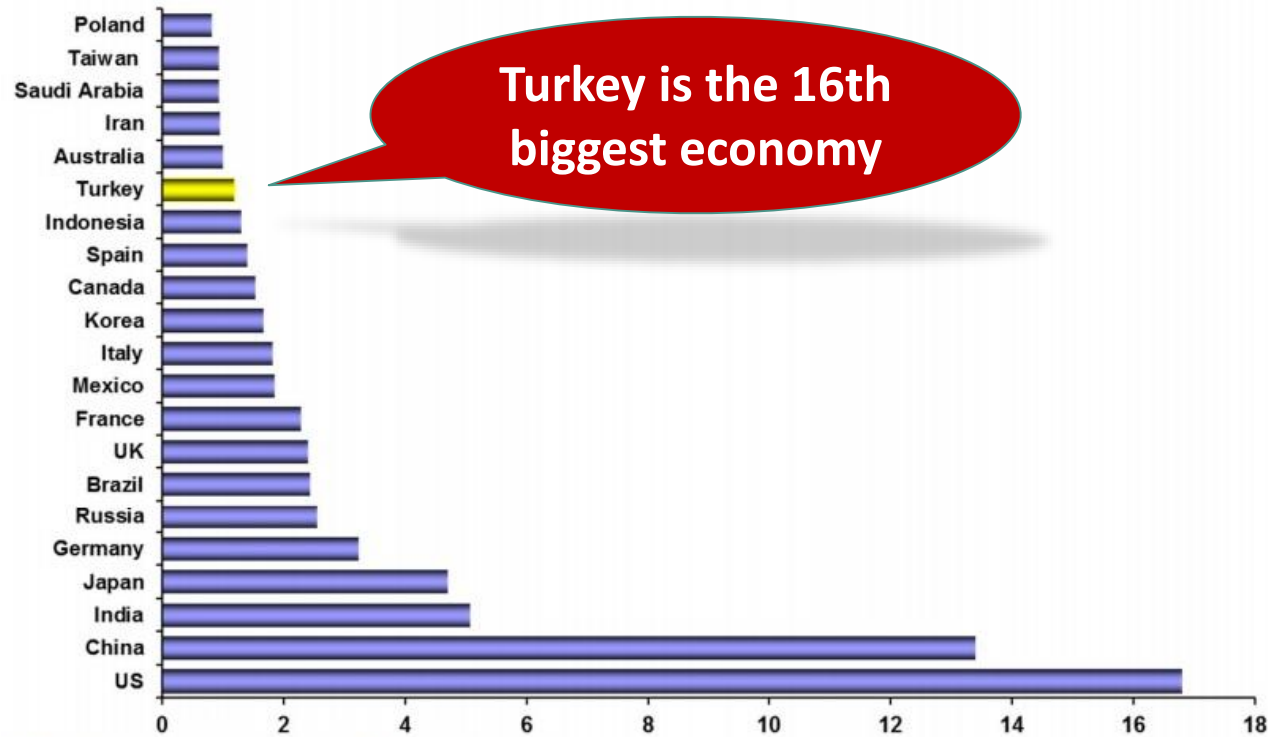
- *Location*
- *Market Size*
- *GDP Growth*
- *GDP Per Capita*
- *Demographics*
- *Foreign Trade*
- *FDI Figures*
- *Logistics*
- *Turkey as an Energy Corridor*
- *Future Perspective*



## Where is Turkey?



## World's Biggest Economies (GDP based on Purchasing Power Parity, Trillion Dollar, 2013)

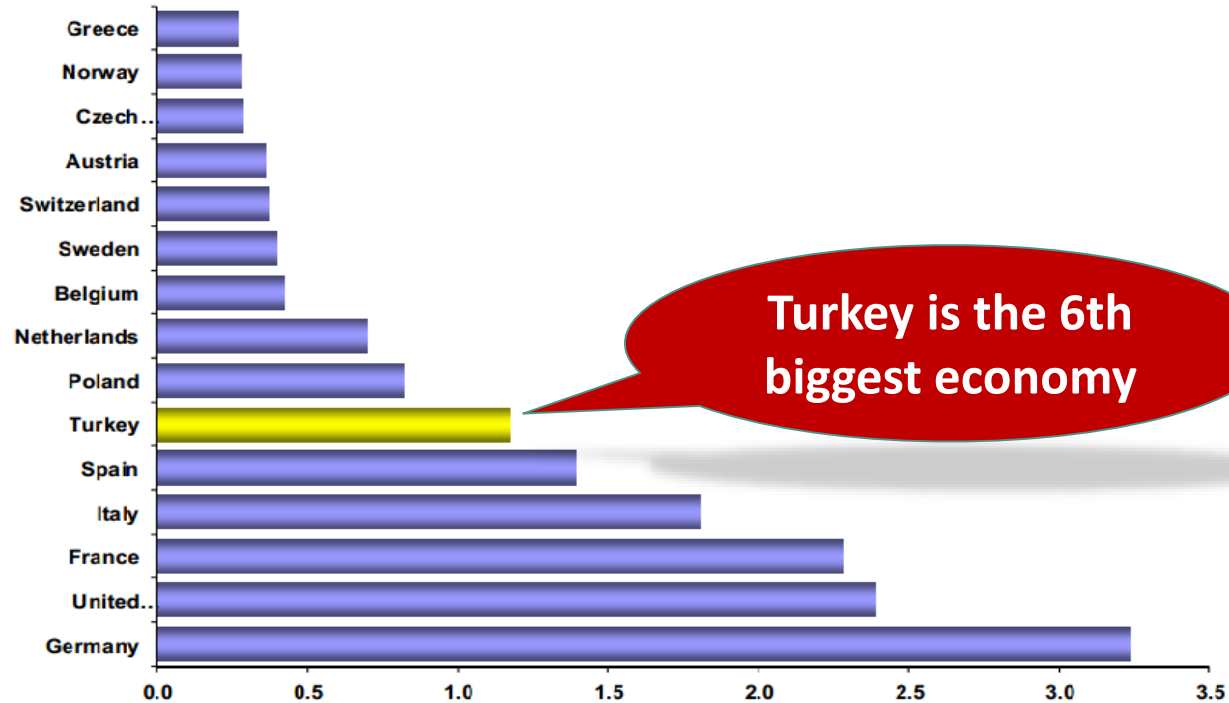


Note: China, Iran, Italy, Korea and Turkey 2013 estimates.

Source: IMF, World Economic Outlook, April 2014



## Europe's Biggest Economies (GDP based on Purchasing Power Parity, Trillion Dollar, 2013)



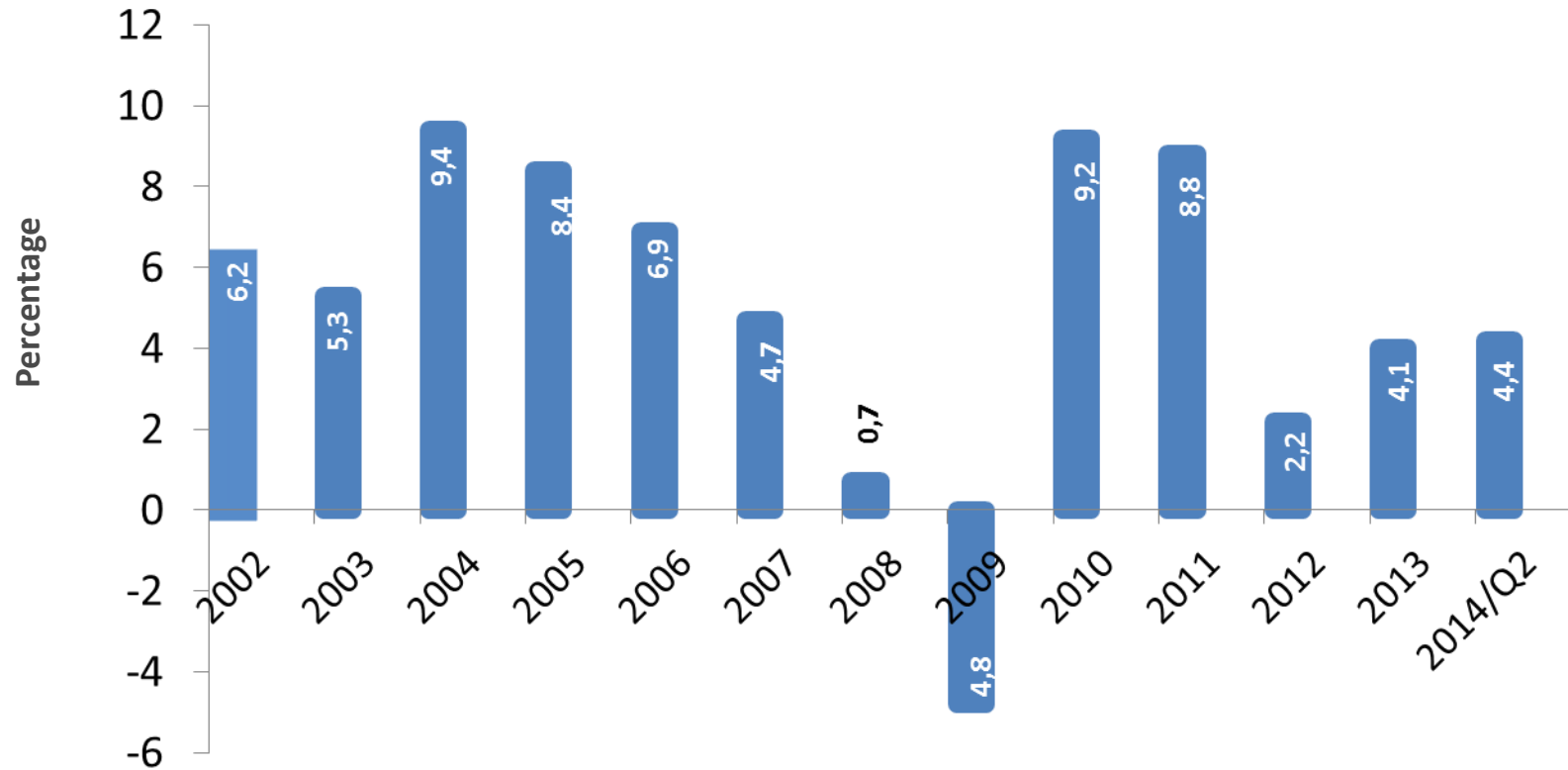
Note: Sweden, Italy, and Turkey 2013 estimates.

Source: IMF, World Economic Outlook, April 2014



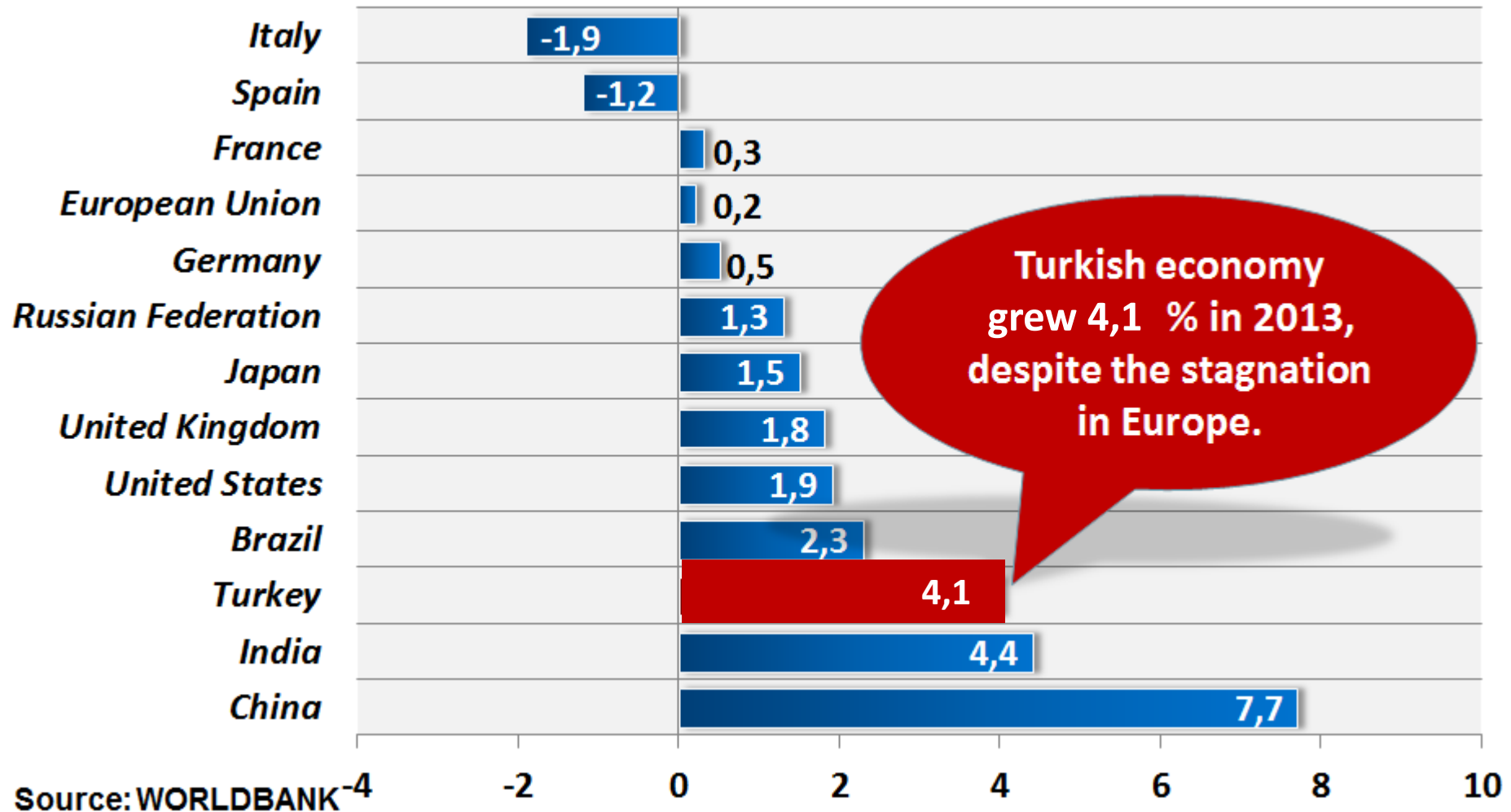


## GDP Growth (%)



Source: TURKSTAT

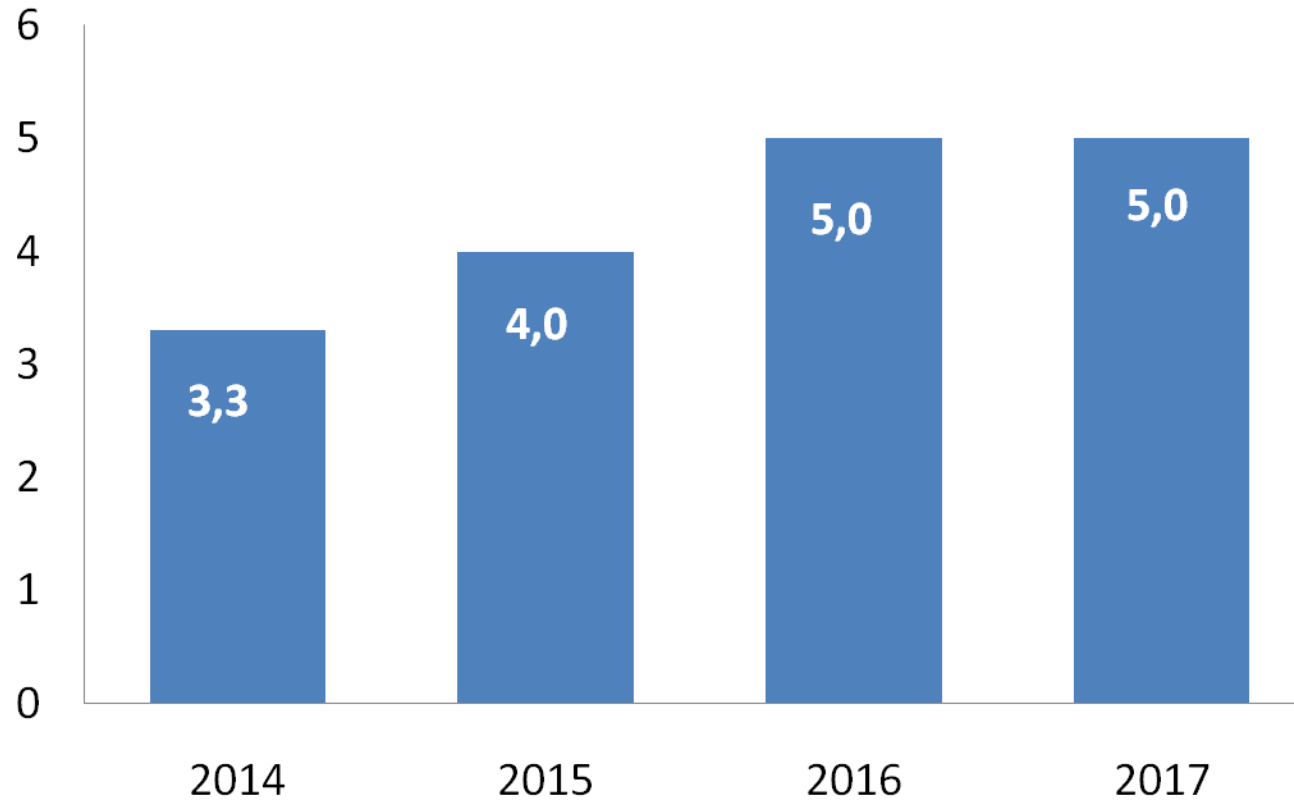
## GDP Growth of Selected Economies, 2013 (%)





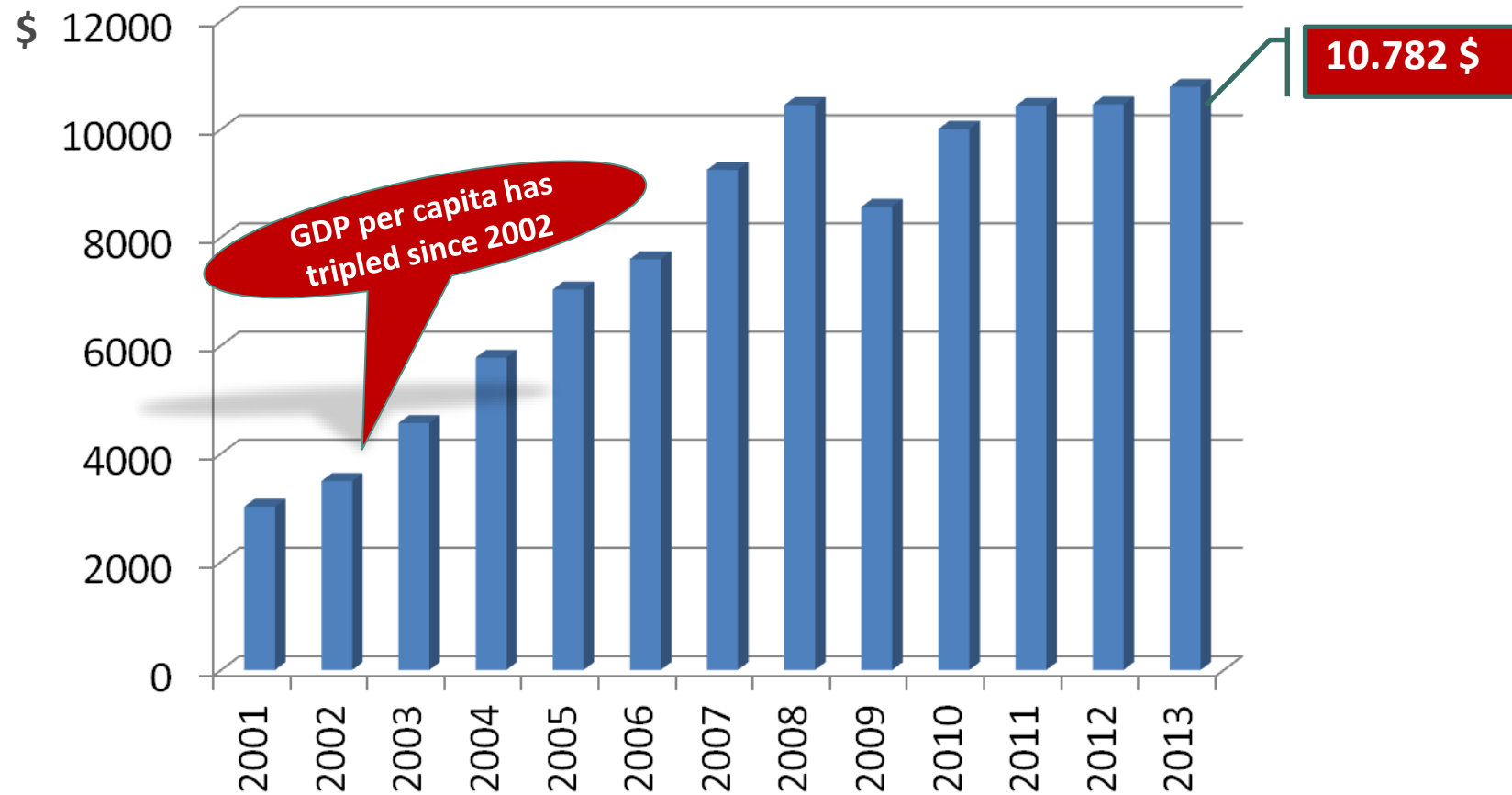


## GDP Growth Rate Projections of Turkey (%)





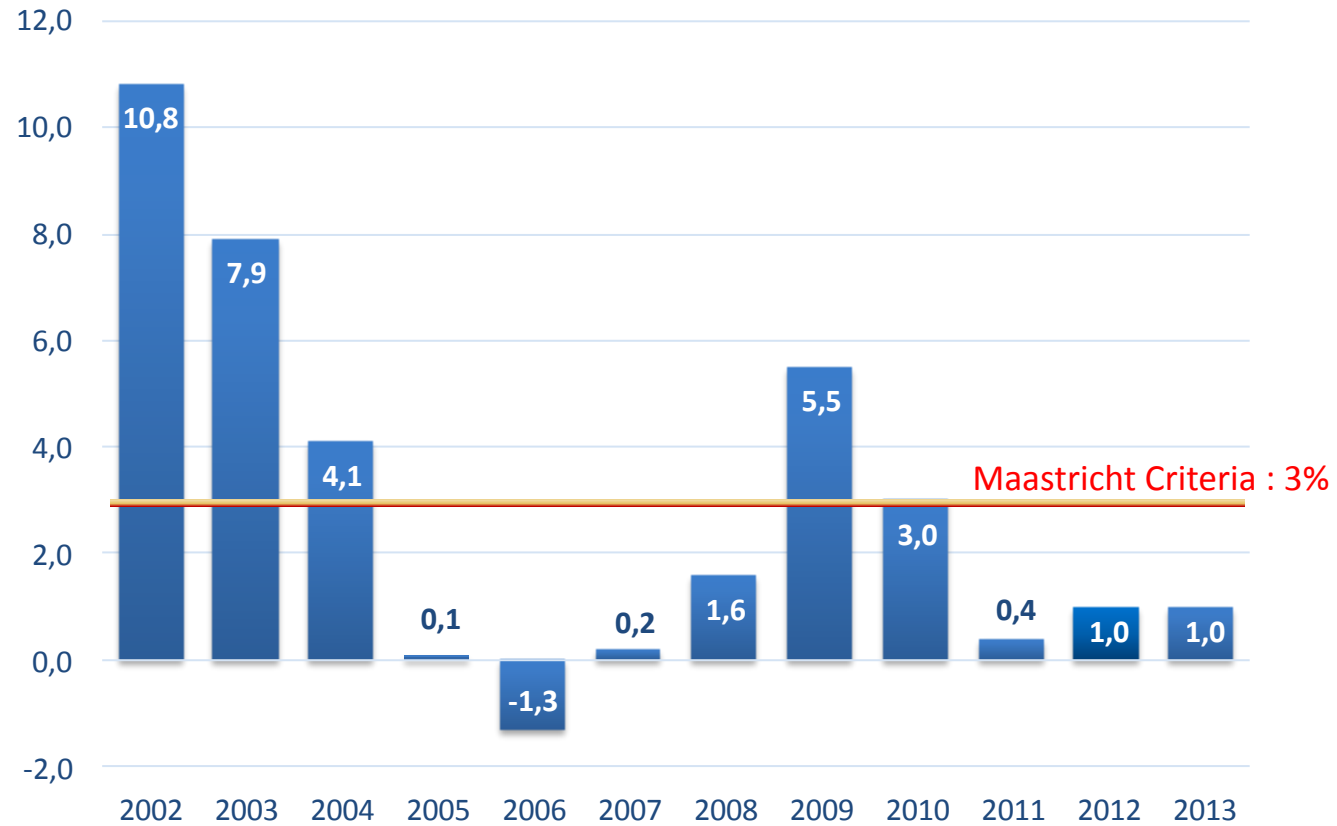
## GDP Per Capita (\$)



Source: TURKSTAT



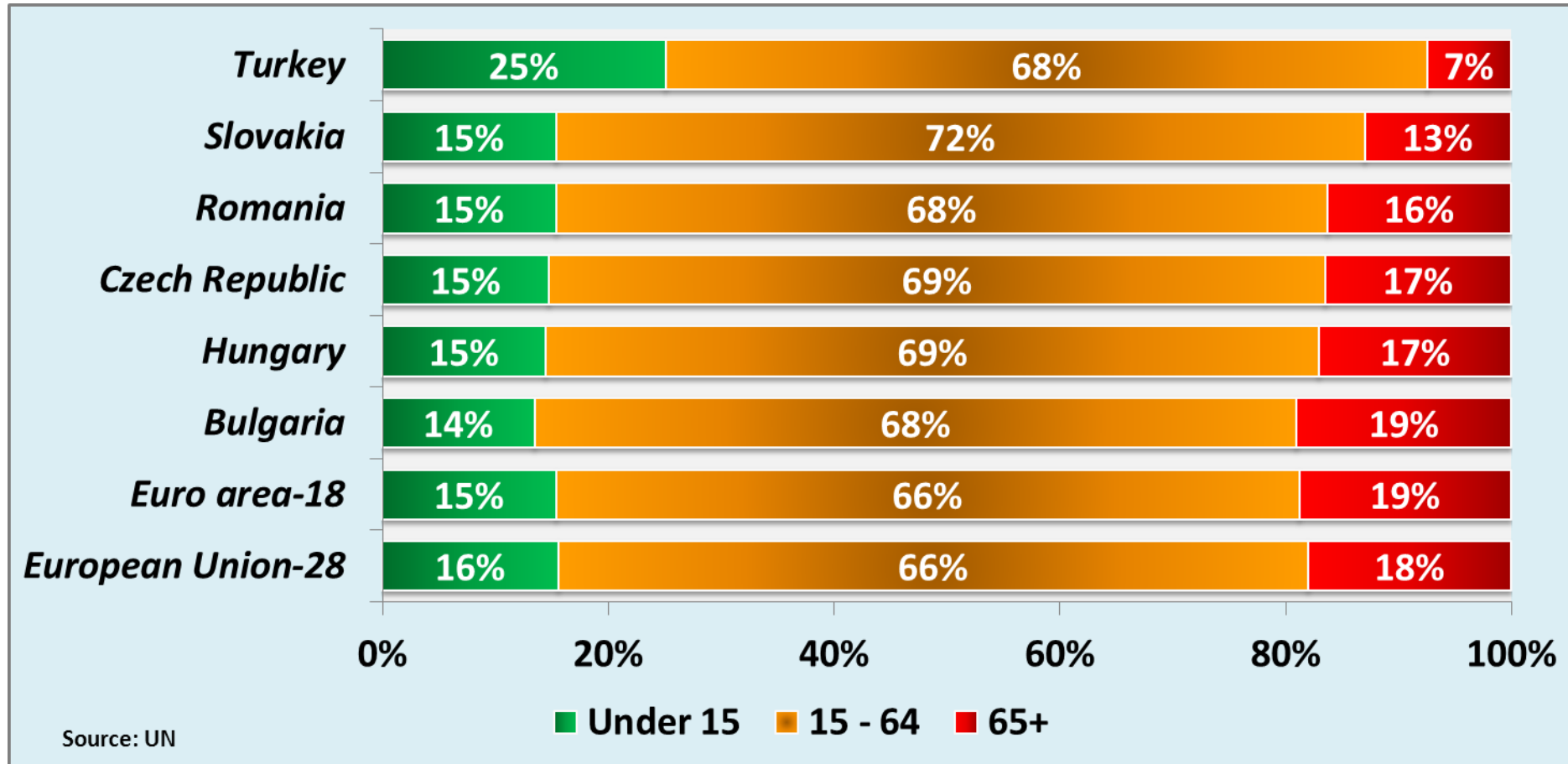
## Budget Deficit to GDP ratio



Source: Ministry of Development

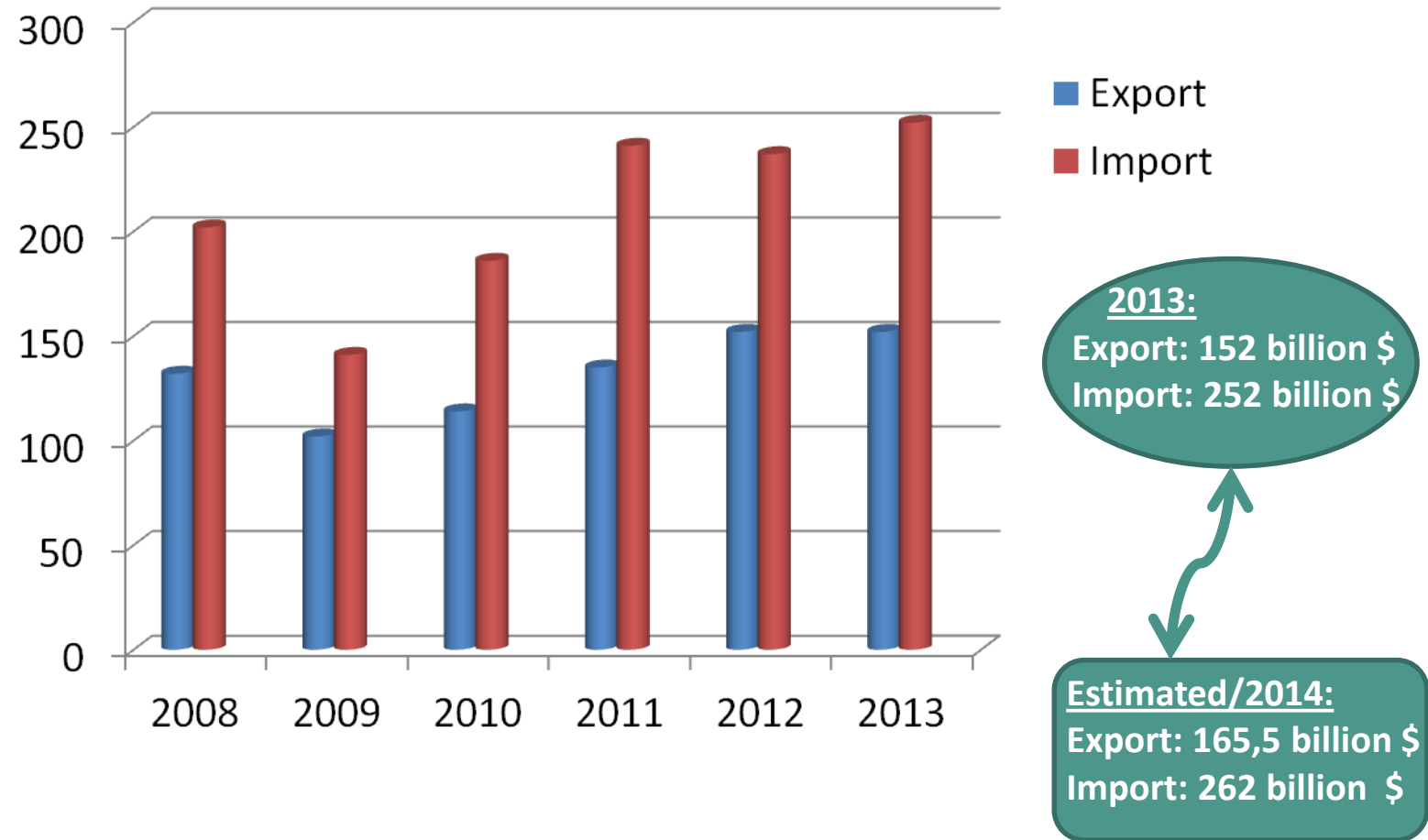


## Demographics (Age Classes), 2013





## Foreign Trade of Turkey (Billion \$)



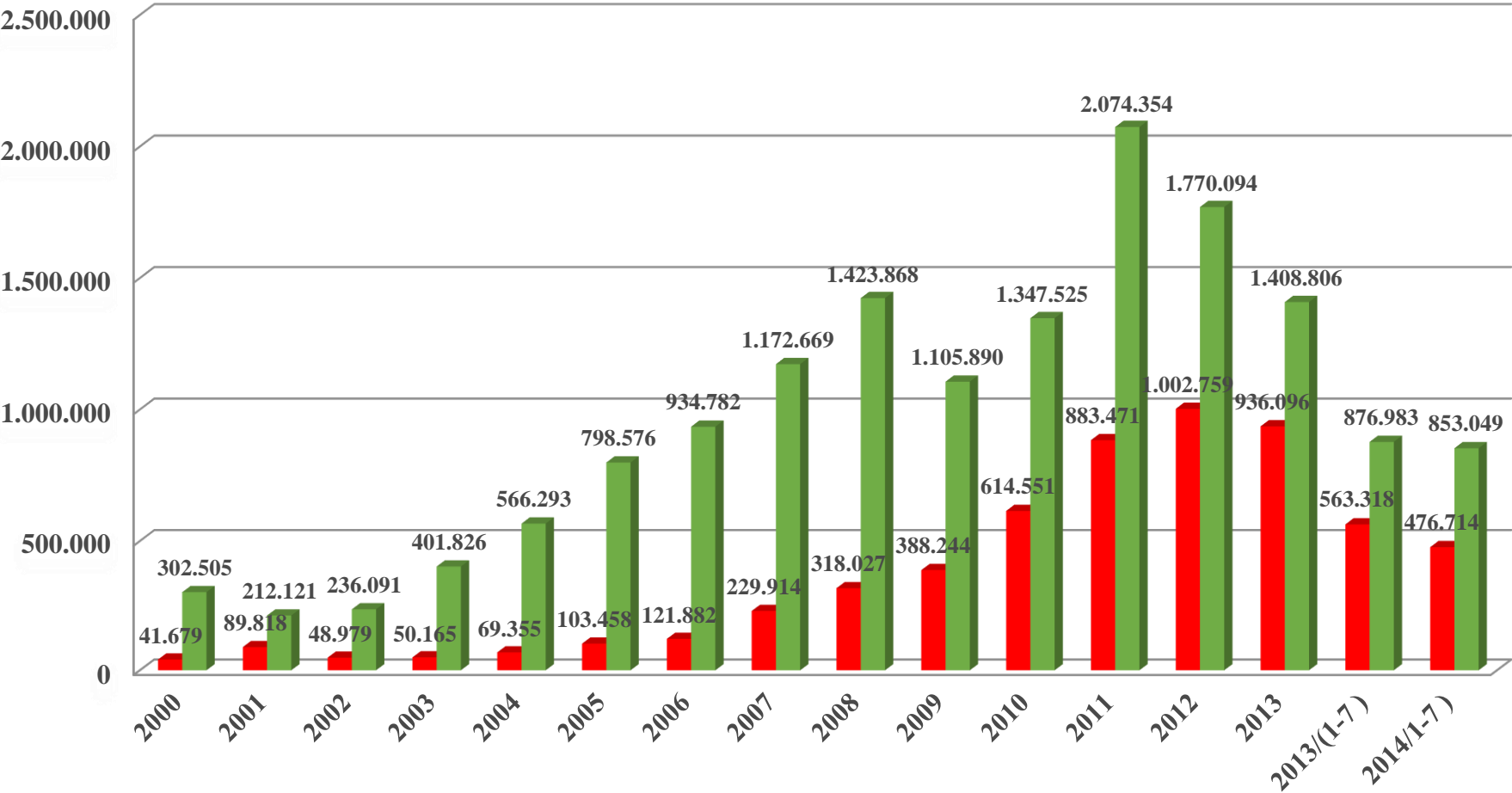
Source: TURKSTAT

## Distribution of Trade According to Country Groups

	Export	Import	Exp Share%	ImpShare%
Countries (2013)	151.803	251.661	100,0%	100,0%
<b>A- EUROPEAN UNION</b>	<b>63.040</b>	<b>92.458</b>	<b>41,5%</b>	<b>36,7%</b>
B- TURKISH FREE ZONES	2.413	1.268	1,6%	0,5%
C- OTHER COUNTRIES	86.350	157.935	56,9%	62,8%
<b>1- OTHER EUROPEAN</b>	<b>14.214</b>	<b>41.319</b>	<b>9,4%</b>	<b>16,4%</b>
<b>2- AFRICA</b>	<b>14.146</b>	<b>6.031</b>	<b>9,3%</b>	<b>2,4%</b>
North Africa	10.042	3.508	6,6%	1,4%
Other Africa	4.104	2.523	2,7%	1,0%
<b>3- AMERICAS</b>	<b>9.711</b>	<b>18.981</b>	<b>6,4%</b>	<b>7,5%</b>
North America	6.580	13.953	4,3%	5,5%
Mid-America and Carribean	1.004	1.362	0,7%	0,5%
South America	2.127	3.666	1,4%	1,5%
<b>4- ASIA</b>	<b>47.591</b>	<b>76.862</b>	<b>31,4%</b>	<b>30,5%</b>
Near and Middle East	35.575	22.214	23,4%	8,8%
Other Asia	12.017	54.648	7,9%	21,7%
<b>5- Australia and New Zealand</b>	<b>538</b>	<b>1.318</b>	<b>0,4%</b>	<b>0,5%</b>
<b>6- Other Countries and Territories</b>	<b>149</b>	<b>13.424</b>	<b>0,1%</b>	<b>5,3%</b>



## Foreign Trade Figures between Brazil and Turkey

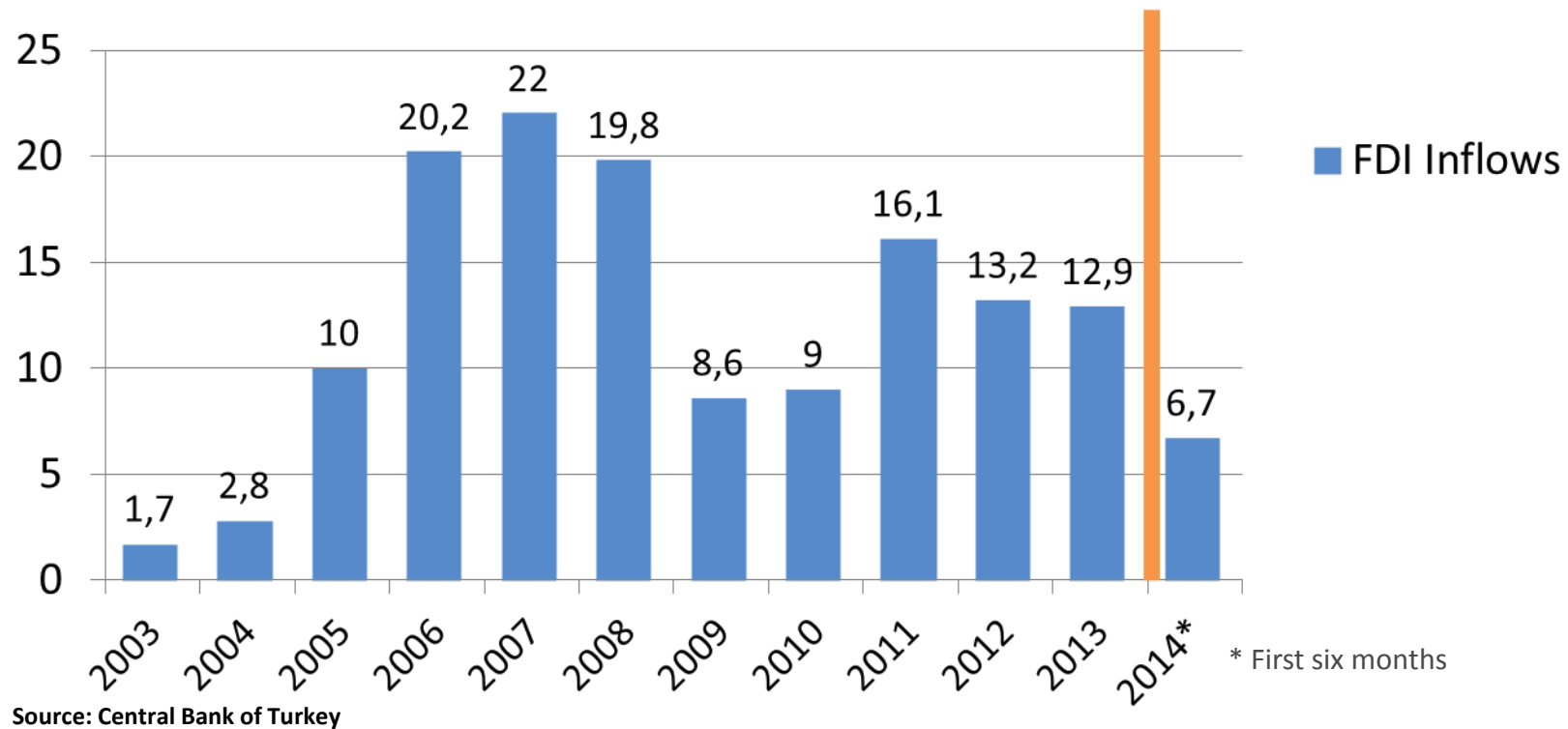


Source: Ministry of Economy



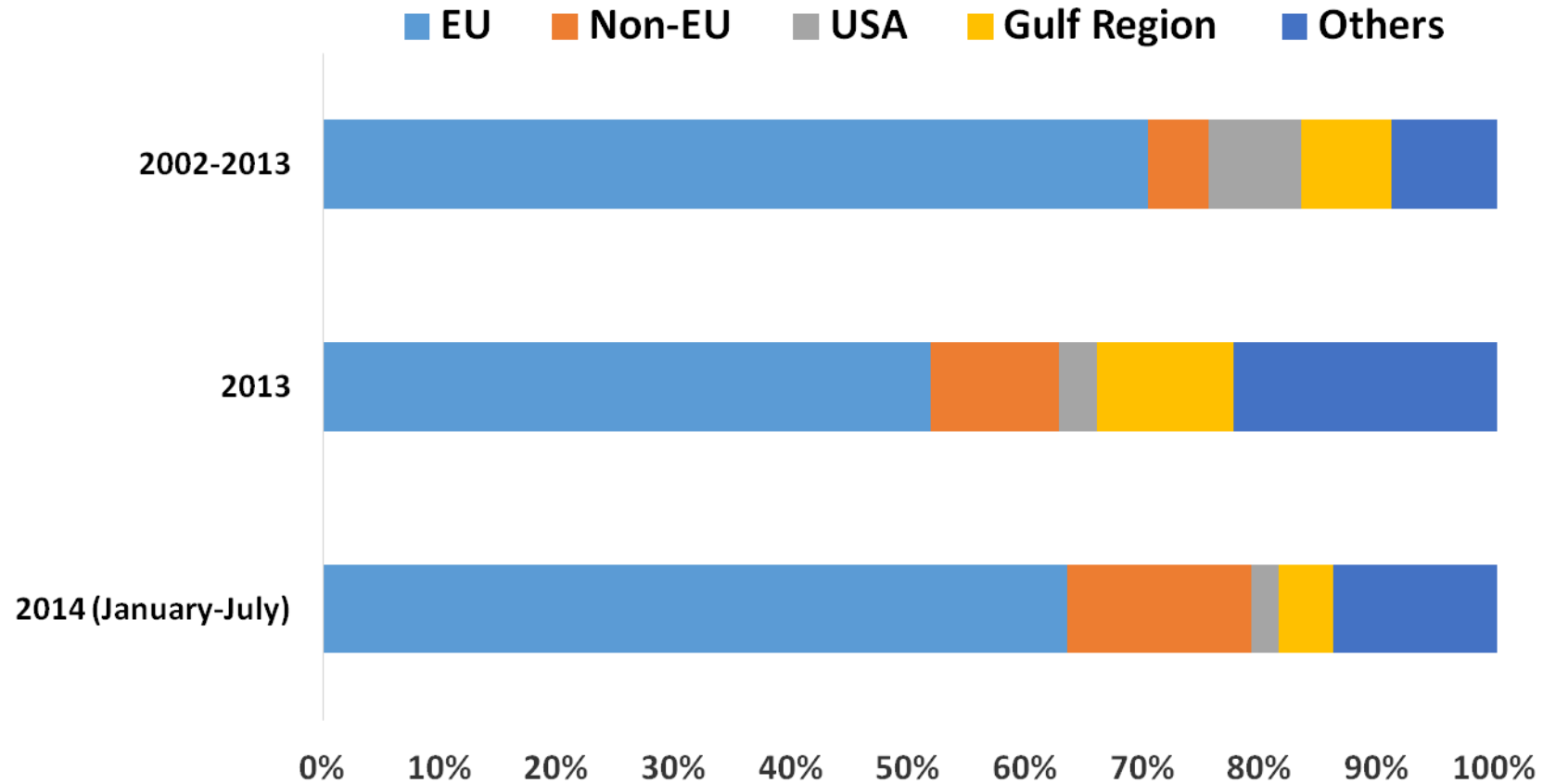


## FDI Figures (Billion \$)



	FDI inflows	Number of Foreign Capital Companies
• 1923-2002 :	15 billion USD	6.000
• 2003-2013 :	135 billion USD	36.465

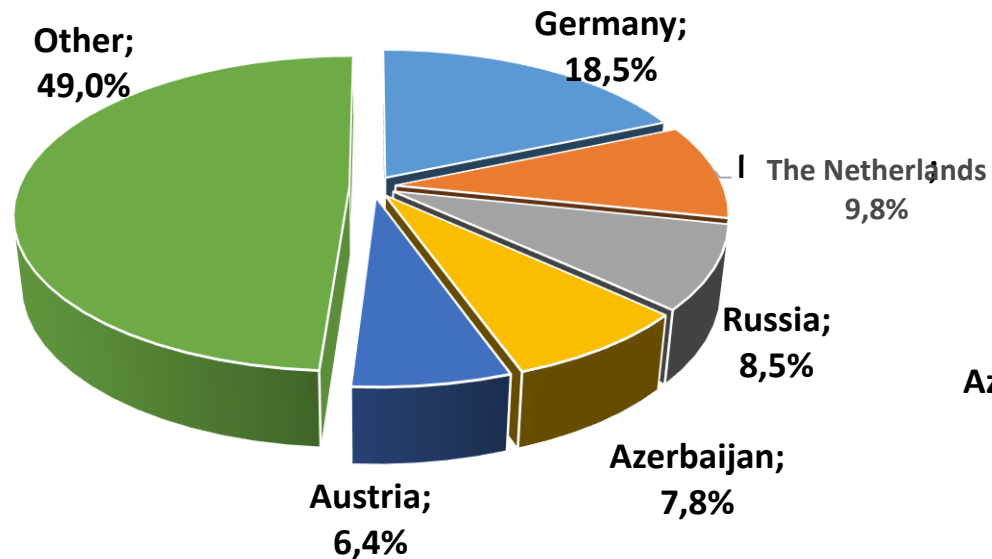
## Share of Country Groups for FDI Inflows to Turkey



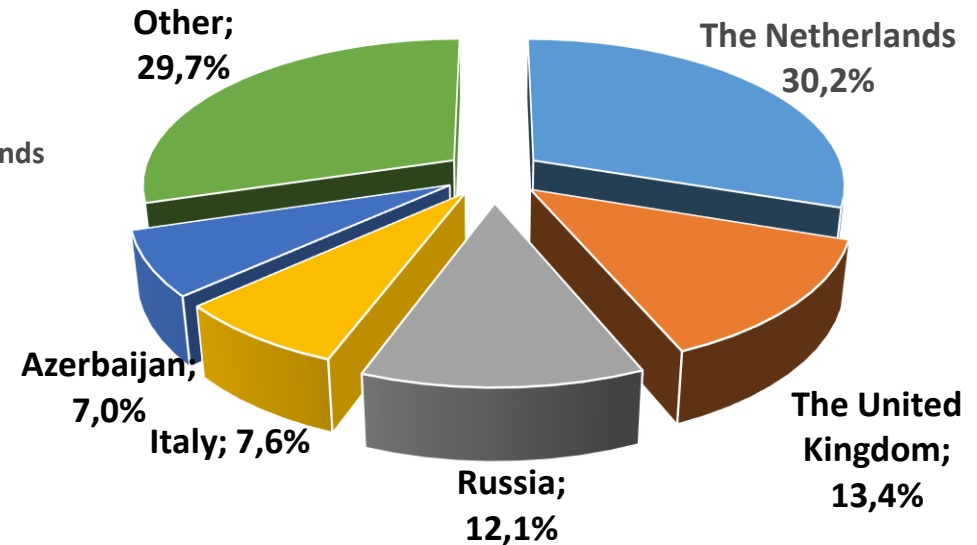
Source: CBRT

## Shares of Country Group in FDI Inflows

Top Five Home Countries in 2013



Top Five Home Countries in 2014  
(As of end of July)

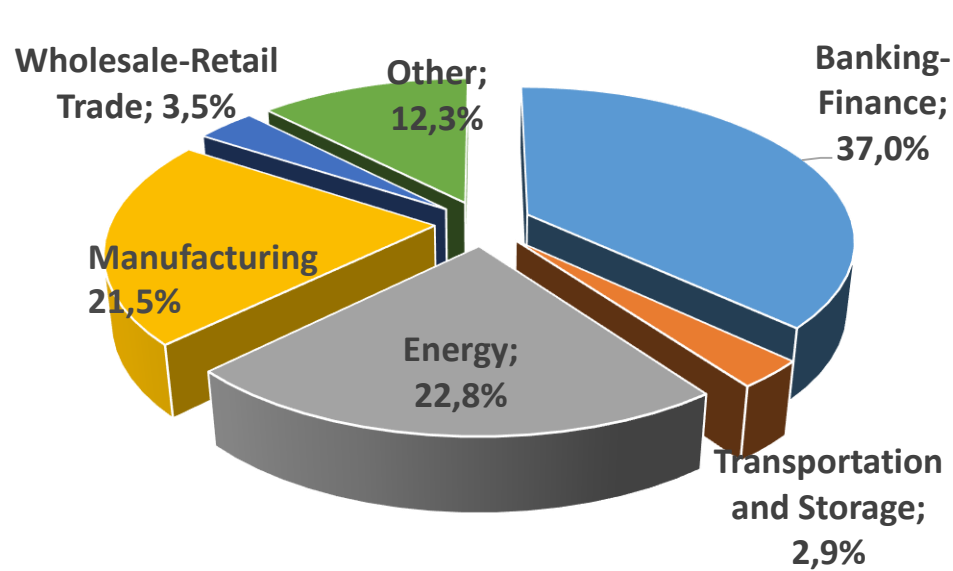


Ordering is based on equity capital inflow

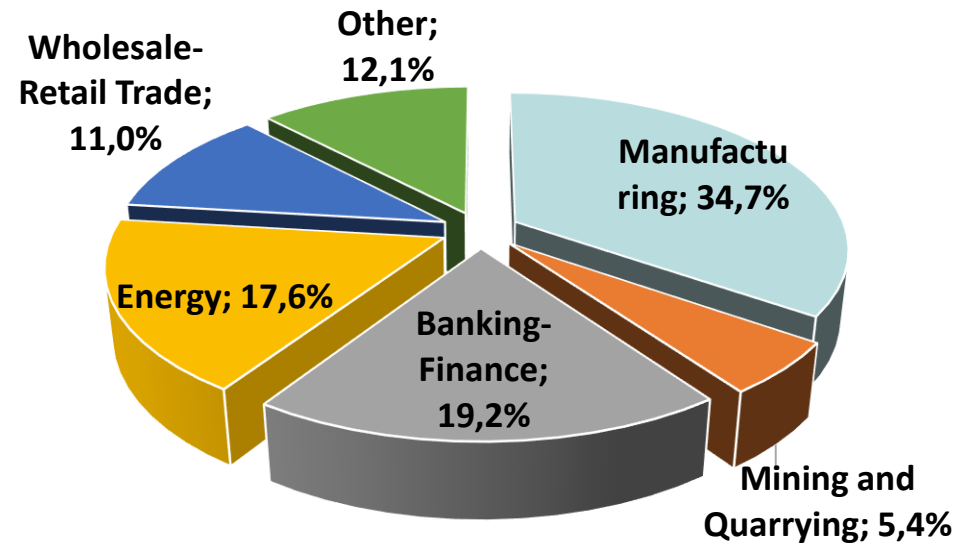
Source: CBRT

## Shares of Sectors in FDI Inflows

Top Five Sectors in 2013



Top Five Sectors in 2014  
(As of the end of July)



Ordering is based on equity capital inflow

Source: CBRT



## FDI Flows **Turkey** from **Brazil**

Year of Payment	Brazilian FDI in Turkey (million \$)
2002- 2005	-
2006	1
2007	467
2008	52
2009	7
2010	7
2011	5
2012	4
2013	0
<b>TOTAL</b>	<b>543</b>



## Sectoral Breakdown of Companies with Brazilian Capital

Sector	Number of Companies
Wholesale and Retail Trade	6
Manufacturing Industry	2
Real Estate, Leasing and Business Operations	3
Construction	1
Hotels and Restaurants	2
Electricity, Gas and Water Supply	2
Training Services	1
Other Social and Personal Services	1
<b>TOTAL</b>	<b>18</b>

Source: Ministry of Economy



## Logistics

- Europe's biggest truck fleet
- 45 thousands trucks and 1,420 companies
- 1.2 million flights in 2013
- 2.6 million tonnes freight and 149.5 million passengers
- 25 th biggest fleet in the world
- 52 airports (3rd Airport in Istanbul under construction) and 76 sea ports
- Total length of divided highways will reach 15 thousand kilometers.
- 2 High-speed rail lines in operation, 3 more lines under construction.



## Logistics – High Speed Railways



## Logistics – Highways



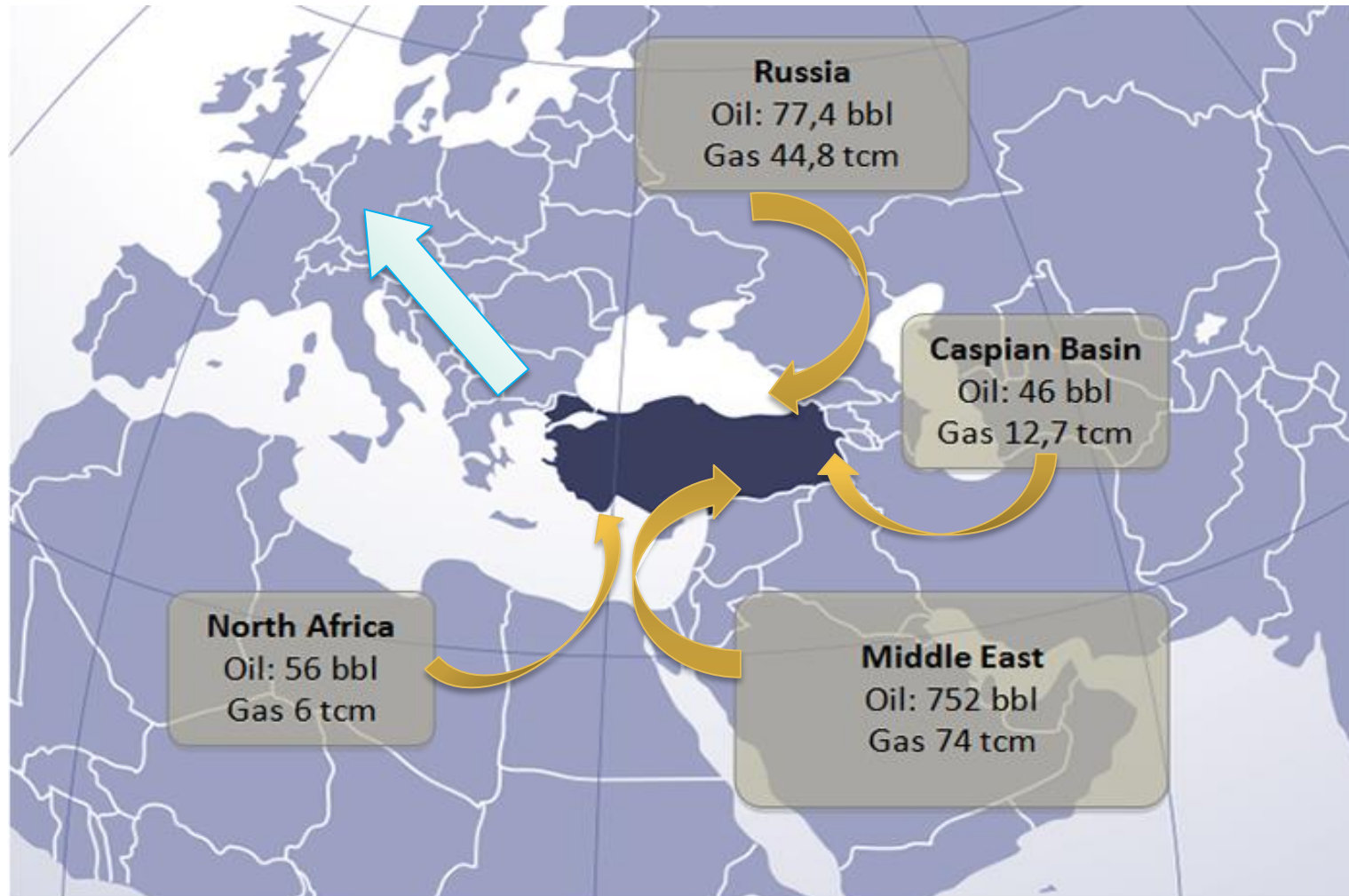


## Logistics - International Flights



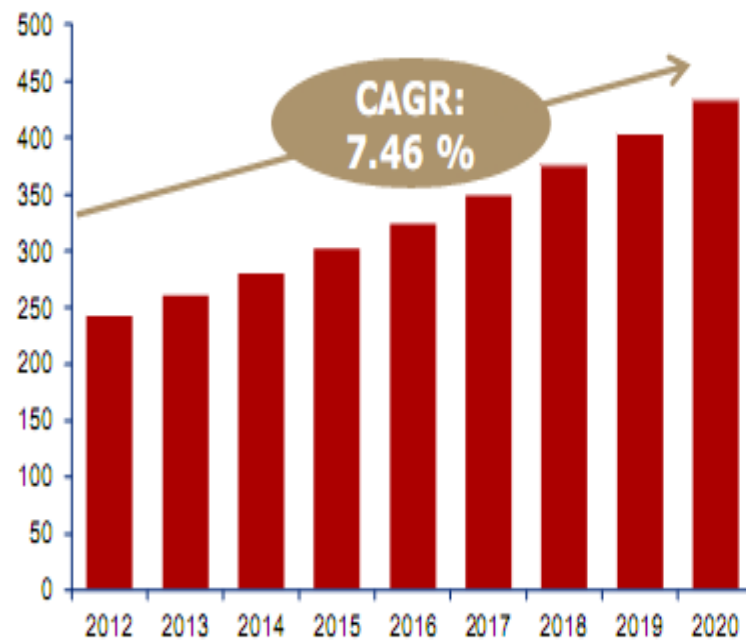
***Turkish Airlines is flying to more countries and international flight destinations than any other airline in the world!***

## Turkey as An Energy Corridor



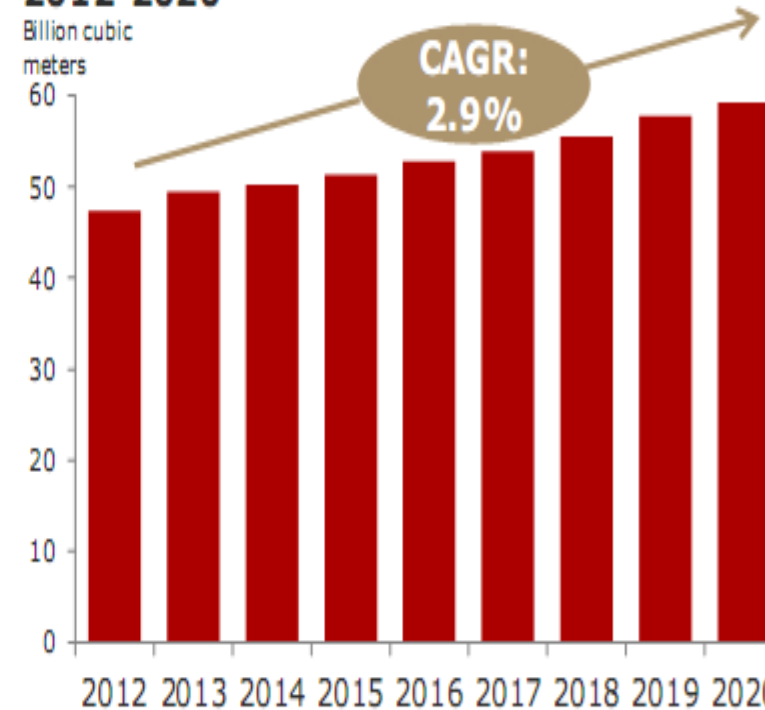
## ENERGY MARKET

Turkish Gross Domestic Electricity  
Consumption Forecast (TWh) 2012-2020



Source: EIU

Turkish Natural Gas Demand Forecast from  
2012-2020



Source: Ministry of Energy and Resources

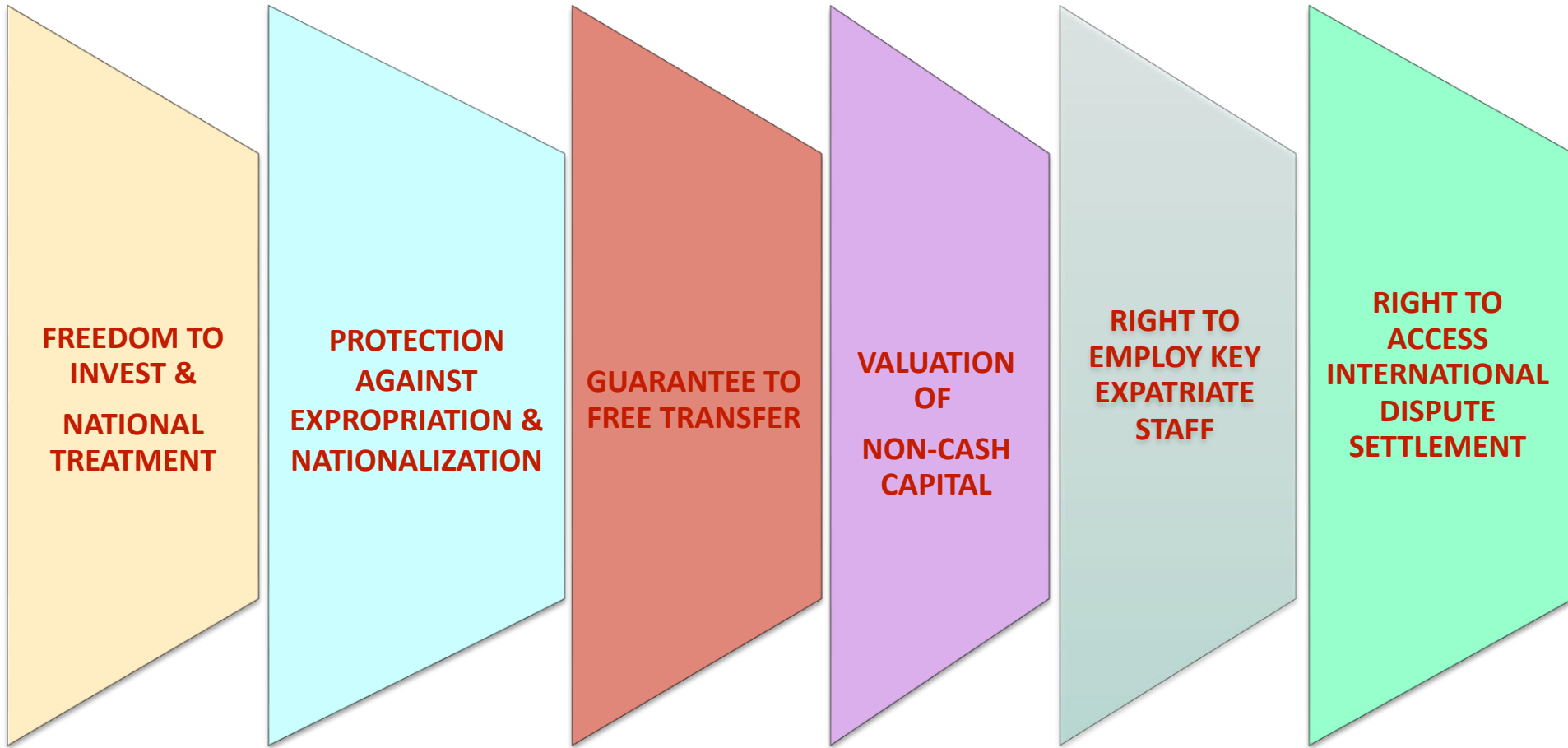


# Investment Environment

- *Main Principles of FDI Regime*
- *Establishing a Company*
- *Real Estate Acquisition*
- *International Investment Agreements*



## Main Principles of FDI Regime

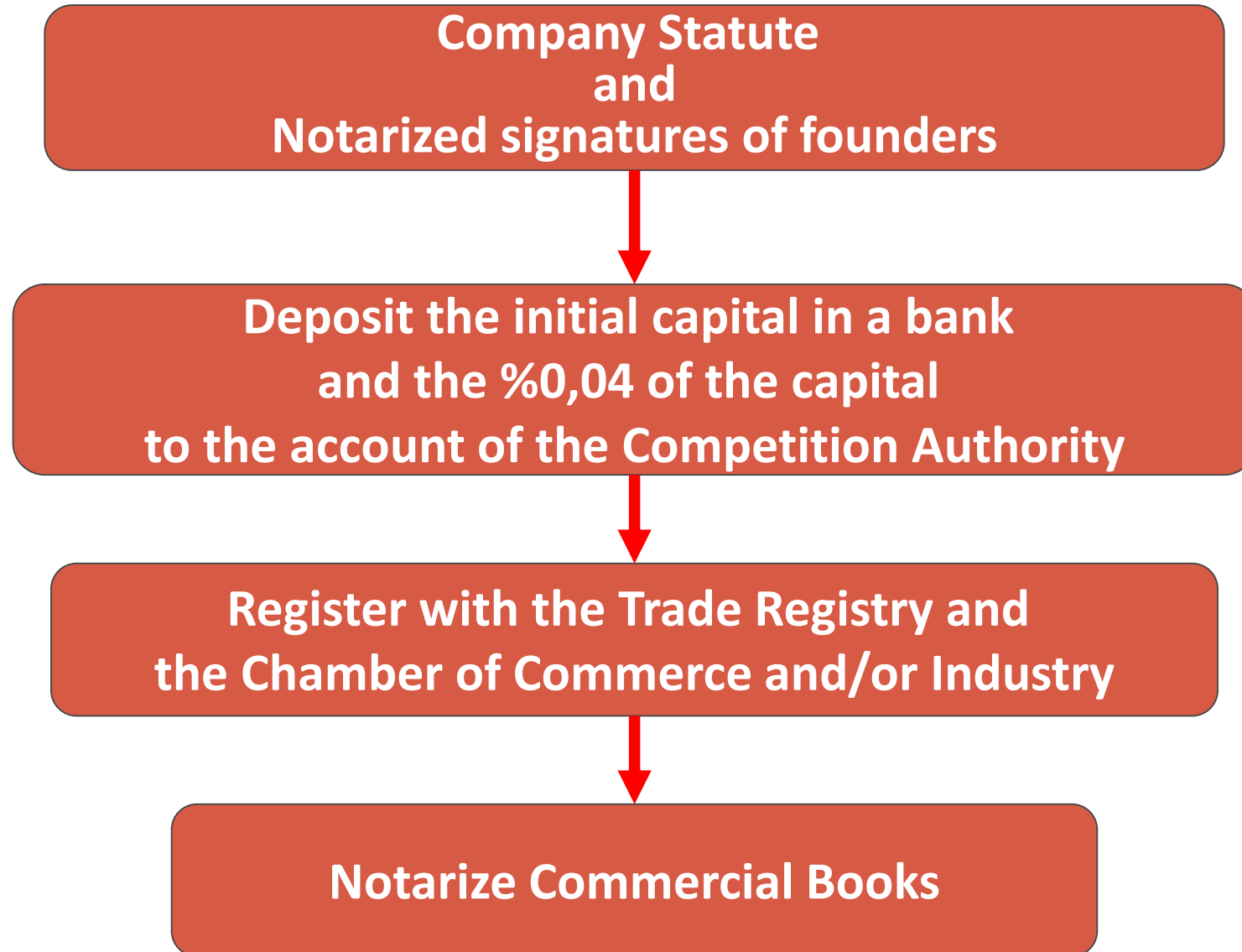




## Main Principles of FDI Regime



- ✓ Easy Company establishment,
- ✓ Starting and operating a business on equal terms with local investors according to new Commercial Code,
- ✓ All types of companies are allowed.





## International Agreements

### CUSTOMS UNION WITH THE EU

### FREE TRADE AGREEMENTS WITH 21 COUNTRIES

- EFTA
- Israel
- Macedonia
- Bosnia and Herzegovina
- Palestine
- Tunisia
- Morocco
- Egypt
- Albania
- Georgia
- Montenegro
- Serbia
- Chile
- Jordan
- Lebanon
- Mauritius
- South Korea
- Malaysia
- Singapore
- Peru
- Japan

### BILATERAL INVESTMENT TREATIES WITH 94 COUNTRIES

### DOUBLE TAXATION AGREEMENTS WITH 80 COUNTRIES

## Legal Framework of Turkey-Brazil Investment Relations

- Avoidance of Double Taxation Treaty  
signed 2005, entry into force 2012.





## Real Estate Acquisition

### For Real Persons

- No reciprocity requirement
- Acquisitions up to 30 hectares are allowed
- Requirement to develop a project within two years in case the acquisition of a vacant land
- Total area of real estates can not exceed 10% of the privately owned land in the town

### For Foreign Companies

- Acquisition according to the provisions of special laws

### For Turkish Companies With Foreign Capital

- Companies controlled by foreign investors can acquire real estates to conduct business activities listed in the Articles of Association
- Permission requirement for the acquisitions in military zones and special security zones
- Exemptions for special cases

## Liaison Offices

Liaison office operation permits are granted for **maximum 3 years' duration**.

The permits may be prolonged for **maximum 5-10 years** each time according to the activity fields.

**Regional Management Headquarter** permits are granted for **10 years' duration**.

Liaison offices cannot **carry out commercial activities or generate an income**.



## Liaison Offices

- ✦ Liaison Offices, in their first application, are granted operation permits of 3 years at most.
- ✦ For extensions, offices are required to make an application before the expiration of their permissions.
- ✦ The permits obtained for market research or promotion of products or services of the foreign company are not extended.













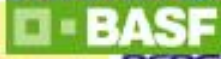





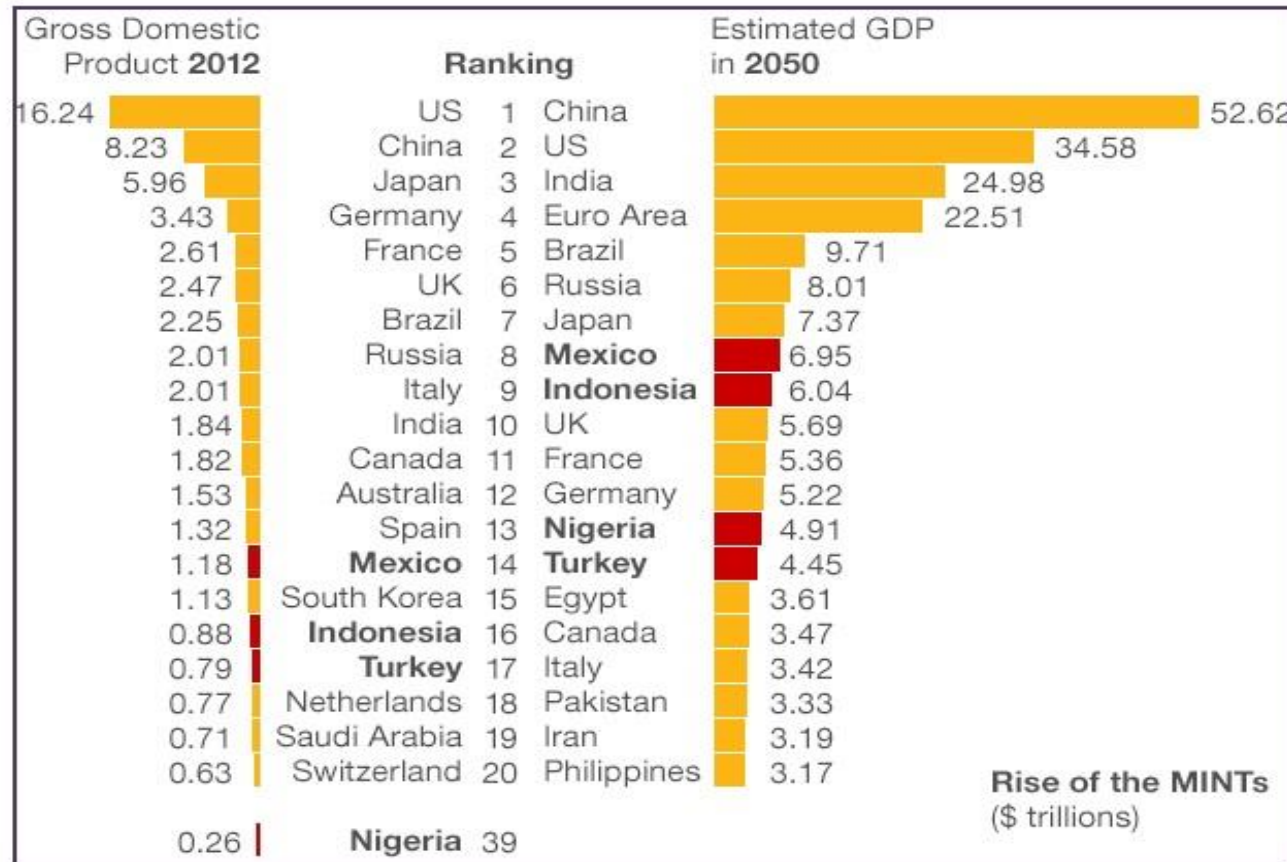
## Liaison Offices



Extension Field of Activity	Duration (Years)
Representation and Hosting	5
Control, Inspection and Provision of Local Suppliers	5
Technical Support	5
Communication and Transfer of Information	5
Regional Management Headquater	10

MNCs		Number Of Countries Managed From Turkey
	Coca Cola	94
	GE Healthcare	80
	Microsoft	80
	Intel	67
	Unilever	36
	Verifone	30
	GlaxoSmithKline	30
	Schneider Electric	27
	Ericsson	22
	Cargill	20
	Pfizer	20
	Volvo	18
	BASF	18
	PepsiCo	14

## Future Perspective Next Economic Giants – MINT Countries



Source: World Bank, Goldman Sachs

# ***BUSINESS PRACTICES***

- *Corporate Taxation*
- *Free Zones*
- *Labour Costs*
- *Energy Costs*



## Corporate Taxation



Corporate Tax Law No: 5520 has been enacted on 21 June 2006

The corporate income tax rate is 20 %.

*The normal fiscal year-end is December 31st.*

*The calendar year is not appropriate because of the business, permission can be obtained from the Ministry of Finance for an alternative fiscal period.*



Tax benefits and incentives in Technology Development Zones, Industrial Zones and Free Zones could include total or partial exemption from Corporate Income Tax.



## FREE ZONES

### Free Zones Are Fenced-in Regions That;

- Have special regulatory treatment for the operating users in order to promote exports of goods and services;
- Are regarded as outside the domestic tariff area; thus, subject to no customs duty or value added tax;
- Operate under a single bureaucratic window;
- Offer a more convenient and flexible business environment



## Free Zones' Main Advantages

- **Facilitation of foreign trade (No customs duties and VAT)**
- No lengthy customs duty procedures
- **No limitation on transfer of profits**
- No time limitation for warehousing
- **Easy access to EU countries (Customs Union)**
- Reduced bureaucratic procedures
- **Strategic location**
- Favorable infrastructure standards
- **Supply chain management**
- **Tax Incentives (Only For Manufacturer Users )**
  - » No Income or Corporate Tax
  - » No Income Tax for the Workers of Users that Export more than 85% of Total Production





- Number of Free Zones: **19**
- Total Users/Companies: **3.205**
- Total Trade Volume: **22,5** Billion USD
- Total Investments Received: **3** Billion USD

## Labour Costs

**Working  
Hours:**

**45 hours in a week  
11 hours a day at most**





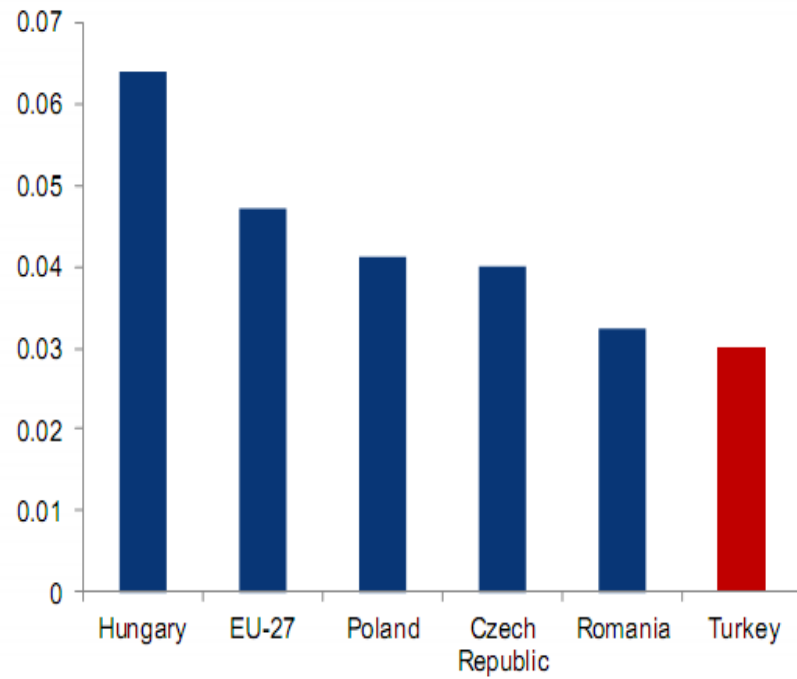
Minimum Monthly Wage (gross and net)	
	US Dollar
Net Minimum Wage	399
Gross Minimum Wage	508
• Social Security premium payment (14%)	71
• Payment for unemployment insurance fund (1%)	5
• Income tax (15%)	29
• Stamp tax (0,66)	4
Total Deduction	109
Cost For Employer	
Gross minimum wage	508
Employer's share of social security premium (15.5%) *	79
Employer's payment for unemployment insurance fund (2%)	10
TOTAL COST FOR EMPLOYER	597

\*As regards premiums that are paid in due time, as an incentive, a four-point reduction is applied (down from 19.5% to 15.5%).

Source:  
invest.gov.tr

## Competitive Energy Costs compared to European Countries

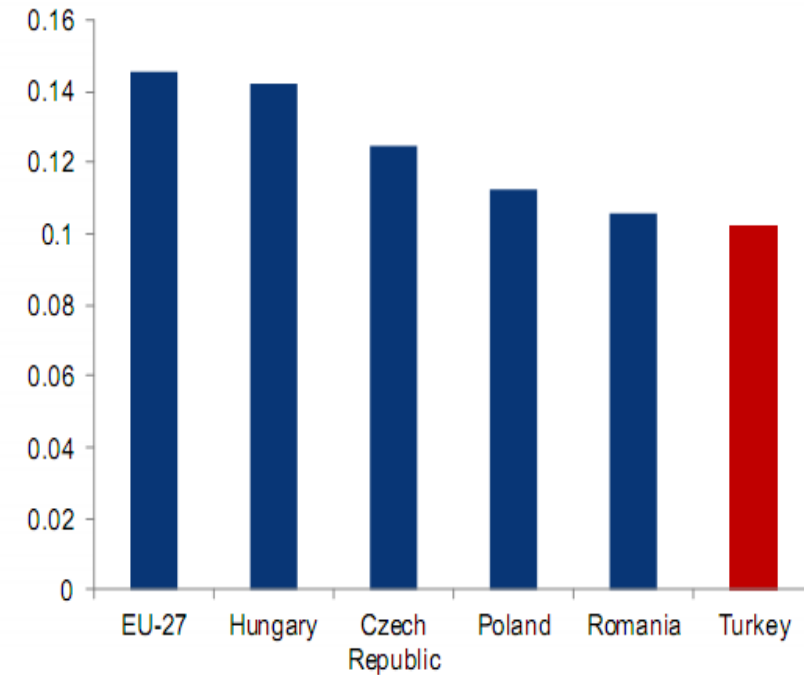
Comparison of natural gas prices (€ per kwh) \*



\* as of 1H12

Source: Eurostat

Comparison of electricity prices (€ per kwh) \*



Source: Eurostat