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INVESTMENT SUPPORT AND
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**YOUR ONE-STOP-SHOP
IN TURKEY**

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FREE ZONES IN TURKEY

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FREE ZONES IN TURKEY



Source: Republic of Turkey - Prime Ministry - Undersecretariat for Foreign Trade, General Directorate of Free Zones

A. GENERAL OUTLOOK

Turkish Free Zones (FZs) are special investment areas specified by the Council of Ministers where all types of industrial, commercial and certain types of service activities are encouraged through certain tax exemptions and incentives. FZs are within the political borders of Turkey, but they are considered and treated outside the customs borders of Turkey.

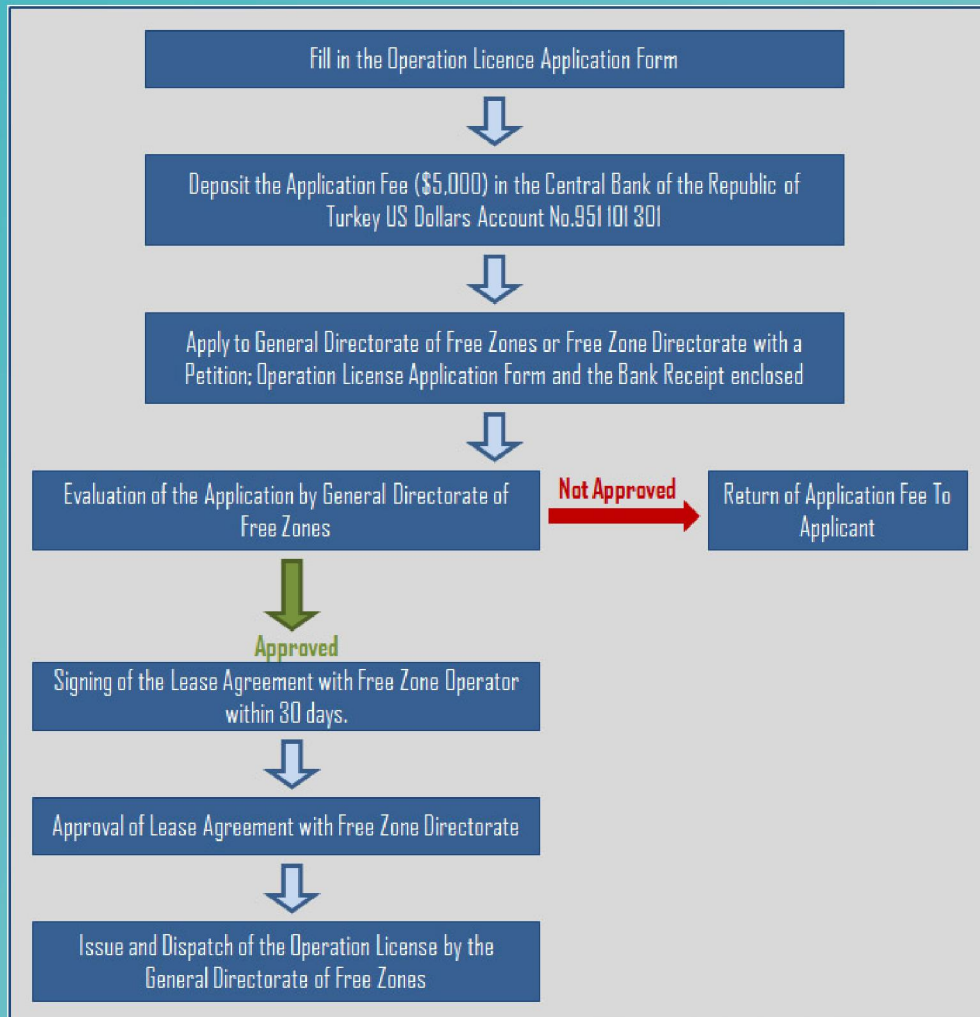
There are 19+1 FZs, which are currently operating in Turkey as of August 2009.

Free Zones are established in Turkey with the following specific objectives:

- ü Increasing export-oriented investment and production,
- ü Accelerating the inflow of foreign direct investment and technology,
- ü Increasing the utilization of external finance and trade possibilities,
- ü Developing international trade.



APPLICATION PROCESS FOR OPERATION LICENSE IN FREE ZONES



Source: Republic of Turkey - Prime Ministry - Undersecretariat for Foreign Trade, General Directorate of Free Zones

B. HOW TO OPERATE IN FZs

All investors are free to construct their own operation facilities in the FZs, while zones have also available office spaces or warehouses on rental basis with attractive terms.

It is possible both for foreign or local investors to operate in FZs regardless of their residency status. All field of activities open to local companies are also open to foreign companies. In all cases, to start a business in FZs, an "Operation License" has to be obtained from Undersecretariat of Foreign Trade General Directorate of Free Zones (GDFZ). Documents required for an application are as follows:

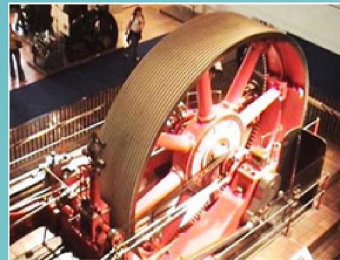
- A descriptive information about the Applicant and its Free Zone operation,
- Authorization document and specimen signature of the signatory as well as power of attorney and specimen signature of the representative of the firm (if any)
- The original receipt of application fee deposited to the Central Bank of Turkey and its copy

- Turkish Trade Registration Gazette that announces the establishment of the Applicant Firm showing its current capital composition (for foreign firms Trade Registration Document ratified by the related Turkish Consulate)
- Last three years' balance sheets and income statements
- Documents related to the foreign currency brought into Turkey in the last three years (if any)
- If the company plans to make production in the FZ, a flow of production
- The list of customs tariff numbers of the goods that will enter or leave the zone.

If the application is accepted by the GDFZ, an Operation License is granted for an appropriate period usually varying between 10-30 years (up to 99 years for the very special projects) taking into consideration the request of investor, the type of activity to be conducted, the amount of investment and other issues as applicable for each FZ.



C. ADVANTAGES OF THE FZs



1. Manufacturing companies operating in Free Zones are **exempt from corporate tax**. The earnings of manufacture companies, which are generated from the sales of goods that are produced within the FZs, shall be exempt from corporate tax until the end of the year, in which Turkey becomes a full member of the European Union (EU).
2. Manufacturing companies in FZs are exempt from **income withholding tax on salaries of personnel employed**. In order to be eligible for this incentive, the manufacturing company must export at least 85% of the total FOB value of the products manufactured within the FZ. This exemption shall be provisionally applicable until the end of the year, in which Turkey becomes full member of the European Union (EU). However, this income tax exemption does not cover the withholding tax to be imposed on dividends to be distributed. Accordingly, dividends to be distributed shall be subject to 15% dividend withholding tax.
3. All free zone users can buy goods and services from Turkey **without paying VAT**.
4. There is **no customs tax for the goods and equipments** brought into the Zone.
5. The transactions and arranged documents related to the activities carried out in the zones by the manufacturer users are **exempt from stamp duties and fees**.
6. The revenue and earnings from Free Zone activities can be **freely transferred to Turkey or abroad without any permission**.
7. The goods in free circulation can be sent to Turkey or to the EU countries from the Free Zones without any customs duty payment. Moreover, no customs duty is applied on the goods of third country origin at the entrance into the Free Zones and exit to the third countries.
8. Since Free Zones are part of the **Turkey-EU Customs Territory**, the goods in **free circulation** can be sent to the EU Countries by a Certificate of Origin (Form A). Customs duties for the goods of third country origin are also not paid at the entry into the Free Zones. However, the goods of third country origin that are not in free circulation can be sent to the EU countries by a Certificate of Origin (Form A), only after the customs duties are paid over the rates determined in the Common Customs Tariff.
9. **The goods can remain in the Zones without any time limit**.
10. Foreign exchange gains to be derived from collections of receivables from customers as well as income derived from additional charges made to customers for their late payments shall benefit from income/corporate income tax exemption, provided that they are related to the FZ activities within the scope of the operation license.
11. It is free to transfer profits, sale and liquidation proceeds obtained in FZs to the other parts of Turkey as well as abroad.



D. GOVERNMENTAL BODY IN CHARGE OF FZs

**Undersecretariat of the Prime
Ministry for Foreign Trade**

*[Dı Ticaret Müste arlı ı Serbest
Bölgeleer Genel Müdürlü ü]*

Address:

nönü Bulvarı No:36 Emek /ANKARA

Phone: +90 (312) 212 58 87

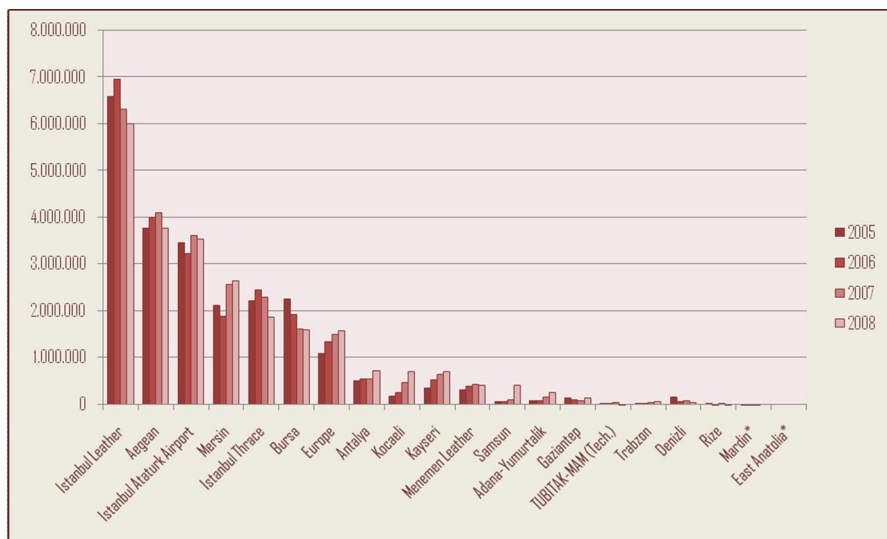
+90 (312) 212 52 11

Fax: +90 (312) 212 89 06

Web: www.dtm.gov.tr



**E. STATISTICS: ANNUAL TRADE VOLUME OF THE FZs
(2005-2008, in USD, thousands)**

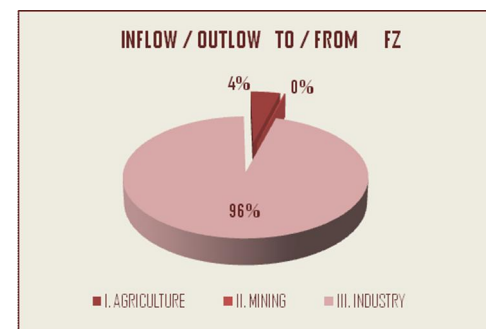


Source: Undersecretariat of the Prime Ministry for Foreign Trade

FZ NAME	2005	2006	2007	2008
Istanbul Leather	6.591.374	6.952.940	6.312.273	6.001.678
Aegean	3.766.021	4.001.498	4.092.781	3.763.964
Istanbul Ataturk Airport	3.454.024	3.220.486	3.618.897	3.539.000
Mersin	2.128.181	1.884.005	2.556.331	2.637.921
Istanbul Thrace	2.209.771	2.444.484	2.290.343	1.862.771
Bursa	2.262.270	1.933.293	1.619.125	1.604.603
Europe	1.084.377	1.333.360	1.498.721	1.575.653
Antalya	505.262	550.719	545.511	729.233
Kocaeli	182.730	254.808	467.128	705.309
Kayseri	362.405	520.142	646.906	702.948
Menemen Leather	314.865	383.072	423.836	41.922
Samsun	58.638	54.593	95.775	406.402
Adana-Yumurtalik	84.885	77.110	160.757	263.148
Gaziantep	132.432	93.910	72.786	143.306
TUBITAK-MAM (Tech.)	14.842	30.414	47.056	11.715
Trabzon	15.514	13.587	38.762	67.114
Denizli	169.278	65.900	74.784	43.584
Rize	20.824	7.955	11.561	6.784
Mardin*	5.134	1.751	112	-
East Anatolia*	-	-	-	-
TOTAL	23.362.827	23.824.027	24.573.445	24.478.055

Source: Undersecretariat of the Prime Ministry for Foreign Trade

**F. STATISTICS: BREAKDOWN OF THE TRADE VOLUME BY SECTORS
(2008, in USD, thousands)**



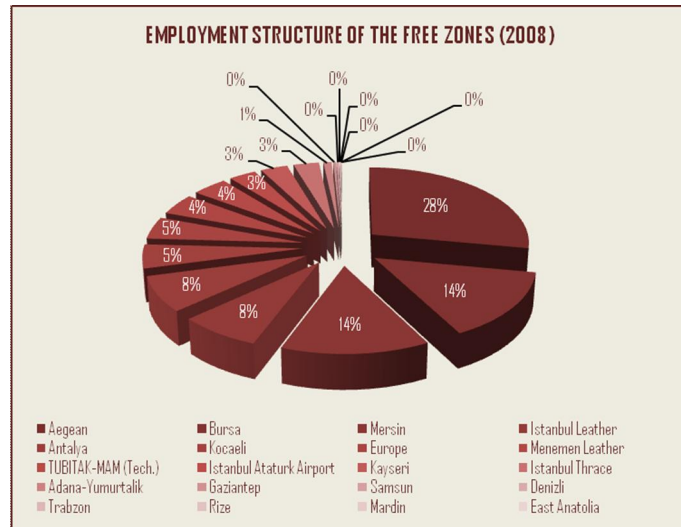
Source: Undersecretariat of the Prime Ministry for Foreign Trade

SECTOR	INFLOW TO FZ	OUTFLOW FROM FZ	TOTAL
I. AGRICULTURE	498.268	504.516	1.002.784
A. Vegetables	435.137	475.583	910.720
B. Livestock	57.491	23.635	81.126
C. Fishery Products	1.995	1.514	3.509
D. Forestry Products	3.645	3.784	7.429
II. MINING	22.568	22.505	45.073
III. INDUSTRY	10.921.537	12.608.662	23.530.199
A. Processed Agricultural Products	568.747	652.038	1.220.785
B. Processed Petroleum Products	104.133	98.582	202.715
C. Industrial Products	10.248.657	11.858.042	22.106.699
TOTAL	11.442.373	13.135.683	24.578.056

Source: Undersecretariat of the Prime Ministry for Foreign Trade



G. STATISTICS: EMPLOYMENT STRUCTURE OF THE FREE ZONES (2008)

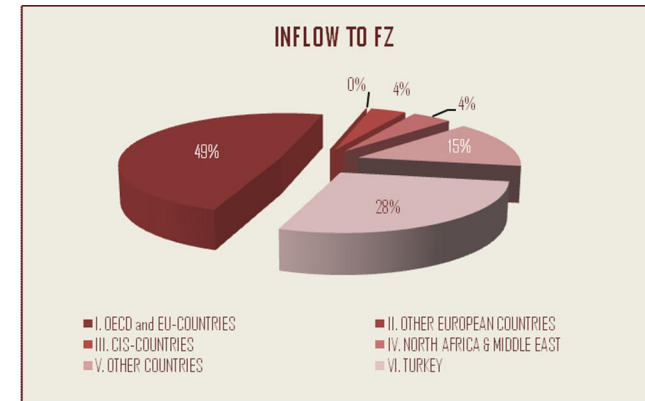


Source: Undersecretariat of the Prime Ministry for Foreign Trade

FZ NAME	WORKERS	ADMIN. STAFF	OTHERS	TOTAL
Aegean	13.406	732	3	14.141
Bursa	5.690	1.115	450	7.255
Mersin	5.266	695	894	6.855
Istanbul Leather	2.441	732	648	3.821
Antalya	3.288	515	-	3.803
Kocaeli	2.137	246	167	2.550
Europe	2.064	320	-	2.384
Menemen Leather	1.862	258	147	2.267
TUBITAK-MAM (Tech.)	1.658	358	40	2.056
Istanbul Ataturk Airport	113	1.455	11	1.579
Kayseri	1.442	102	15	1.559
Istanbul Thrace	821	616	38	1.475
Adana-Yumurtalik	370	115	-	485
Gaziantep	108	53	-	161
Samsun	83	29	4	116
Denizli	27	31	-	58
Trabzon	43	6	8	57
Rize	7	6	-	13
Mardin	3	1	2	6
East Anatolia	-	-	-	0
TOTAL	40.829	7.385	2.427	50.641

Source: Undersecretariat of the Prime Ministry for Foreign Trade

H. STATISTICS: BREAKDOWN OF THE TRADE VOLUME BY COUNTRY (2008, in USD, thousands)



Source: Undersecretariat of the Prime Ministry for Foreign Trade

COUNTRIES	INFLOW TO FZ	OUTFLOW FROM FZ	TOTAL
I. OECD and EU-COUNTRIES	5.567.655	3.515.794	9.083.449
A. EU (27) Countries	4.124.078	3.205.621	7.329.699
B. Other OECD Countries	1.443.577	310.173	1.753.750
II. OTHER EUROPEAN COUNTRIES	10.026	35.992	46.018
III. CIS-COUNTRIES	462.758	704.437	1.167.195
IV. NORTH AFRICA & MIDDLE EAST	524.131	825.082	1.349.213
V. OTHER COUNTRIES	1.682.953	792.254	2.475.207
VI. TURKEY	3.194.849	7.262.124	10.456.973
TOTAL	11.442.372	13.135.683	24.578.055

Source: Undersecretariat of the Prime Ministry for Foreign Trade





I. STATISTICS: LAND AVAILABLE AT THE FREE ZONES (2009, July)

	LOCATION	NAME	ABBREVIATION	TOTAL LAND	AVAILABLE LAND	AVAILABLE LAND	AVERAGE LAND PRICE
				(SQM)	(SQM)	(% TO TOTAL)	(USD/SQM)
1	ADANA	ADANA YUMURTALIK FREE TRADE ZONE - TOROS	TAYSEB	4.500.000	2.813.496	58,76%	2,00
2	IZMIR	AEGEAN FREE ZONE	ESBAS	2.200.000	192.976	8,77%	3,67
3	ANTALYA	ANTALYA FREE ZONE	ASBAS	433.985	5.469	1,26%	2,42
4	BURSA	BURSA FREE ZONE	BUSEB	825.000	52.168	6,32%	165,00
5	DENIZLI	DENIZLI FREE ZONE	DENSER	430.000	254.964	59,29%	20,00-50,00
6	ERZURUM (NOT ACTIVE)	EAST ANATOLIAN FREE ZONE	-	-	-	-	-
7	TEKIRDAG	EUROPE FREE ZONE	ASB	2.000.000	966.735	48,34%	65,00
8	GAZIANTEP	GAZIANTEP FREE ZONE	GASBAS	1.404.467	695.214	49,50%	65,00
9	ISTANBUL	ISTANBUL ATATURK AIRPORT FREE ZONE	ISBI	180.152	50.000	27,75%	13.31-20.00
10	ISTANBUL	ISTANBUL LEATHER AND INDUSTRY FREE ZONE	DESBAS	460.000	0	0,00%	5,50
11	ISTANBUL	ISTANBUL THRACE FREE ZONE	ISBAS	387.500	40.612	10,48%	400,00
12	IZMIR	IZMIR MENEMEN LEATHER FREE ZONE	IDEBAS	1.760.000	109.196	6,20%	3,40
13	KAYSERI	KAYSERI FREE ZONE	KAY-SER	6.905.000	3.700.000	53,58%	14,00
14	KOCAELI	KOCAELI FREE ZONE	KOSBAS	678.834	160.000	23,57%	4,40 (+DOWN PAYMENT OF 200 \$/m2)
15	MARDIN	MARDIN FREE ZONE	MASBAS	-	147.969	-	-
16	MERSIN	MERSIN FREE ZONE	MESBAS	786.000	27.069	3,44%	2,66
17	RIZE	RIZE FREE ZONE	RISBAS	55.000	53.900	98,00%	3,00
18	SAMSUN	SAMSUN FREE ZONE	SASBAS	73.000	12.660	17,34%	5,00
19	TRABZON	TRABZON FREE ZONE	TRANSBAS	38.000	17.000	44,74%	4,00
20	KOCAELI	TUBITAK MARMARA RESEARCH CENTER TECHNOLOGY FREE ZONE	TUBITAK-MAM	360.000	17.197	4,78%	5,5 (Infrastr. Participation Fee of 89 USD/m2)
TOTAL:				23.476.938	9.316.625		

Source: Based on the Information provided to ISPAT by the Free Zones' Administrations



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