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Client Alert

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A new law to incentivise and facilitate investments in Turkish market

A new law has been published in the Official Gazette dated 9 August 2016 in connection with the 10th development plan of the Turkish government

A new law has been published in the Official Gazette dated 9 August 2016 in connection with the 10th development plan of the Turkish government. The law introduces amendments to certain codes which are intended to create a more favourable investment environment in Turkey and attempts to eliminate ambiguities and reduce costs.

The most extensive restructuring under the new law has been made to the tax codes (including in relation to stamp tax, income tax, corporate tax, VAT, property tax) and to the law on charges in order to establish a more investor friendly regime. Major changes to the tax codes and laws include:

- enhanced incentives for sukuk (Islamic bonds) and financial lease transactions with broad tax and fee exemptions ranging from corporate tax to property tax;
- expansion of the scope of the stamp tax exemption to new transactions and documents (e.g. share transfers);
- limiting applicability of stamp tax to only one original copy (as opposed to each original);
- tax deductions for R&D projects;
- tax exemptions for the market activities of pension funds, mutual funds, venture-capital investment funds and trusts;
- exemptions from taxes and charges for investments with investment incentive certificates;
- exemptions from charges for certain arbitration proceedings; and
- recognition of unified system for tax and social security declarations.

In addition to the changes to the current tax regime, the new law also amends various other codes, including the Turkish Commercial Code, to introduce:

- more restrictive conditions for the acceptance of postponement of bankruptcy with new application methods and time periods;
- more comprehensive requirements for issuance and use of cheques in a bid to enhance the tradable nature of cheques in daily commercial life;
- reduction in company and branch establishment costs;
- recognition of issuance of bank letters of guarantee with electronic signature; and
- changes in the social security legislation in relation to contributions and premium payments.

The purpose of the changes to the legislation is mainly to support the investment climate in Turkey with decreased transaction costs, create a more equal environment for all types of financial institutions, increase investments in interest-free financial products, attract international investments, establish a clearer and more transparent tax regime for potential investors, and encourage R&D activities.

The amendments take effect on various different dates between 2016 and 2018.

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