

Circular

Istanbul, 14 February 2017

Circular No: 24

Subject: Amendments announced on the Regulation for Implementation and Supervision in Supporting R&D and Designing Activities.

The procedure and principles concerning the implementation and supervision of the Law for Supporting Research & Development and Designing Activities no.5746 had been identified through the Regulation published in the Official Gazette dated 10 August 2016.

Amendments specified below have been made on the aforementioned Regulation through the Regulation published in the Official Gazette dated 14 February 2017.

Through the Article 1;

- a. Mail, cargo, delivery and such costs have been included into the scope of R&D expenditures under the topic of "overall costs".*
- b. The statement indicating that consumables such as office supplies and stationery would not be considered as R&D expenditure has been removed from the related section and this refers to a conclusion identifying them among R&D expenditures.*
- c. Legal and scientific advisory services are moved into the context of R&D expenditures under the topic of "outsourced benefits and services".*

Through the Article 2;

Explanation provided on the procedure and principles for R&D deduction implementation that could be applicable pursuant to the Article 89 of Income Tax Law and Article 10 of Corporation Tax Law.

Through the Article 4;

The last clause within the Article 26 of the Regulation, titled "monitoring the pre-competition collaborative projects and supportive payment" has been amended. Pertaining to that, if demanded by the project partners, it's indicated that payments to be made by the Ministry concerning the expenditures within the context of the project could be disbursed as pre-payment in return for a collateral before the periodic payments as long as it does not exceed 20 % of the support amount required for the concerning period in the project contract.

Also, through the amendments within articles 1 and 3, concerning the period spent outside the R&D or design center which is mentioned under the titles "Staff Expenses" within the Regulation and "Incentive Implementation for Income Tax Withholding" within the sub-clause (ç) of Article 10; including the actual travel expenses, terms indicating that benefits obtained through payments in return for expenses under travel, accommodation, allowance topics cannot be entreated for R&D/design deduction and income tax withholding support have been removed from the relevant sections.

Articles 1 and 4 of the Regulation have been enacted as of its promulgation date provided to be taking effect on 1 March 2016 while the other articles have been enacted as of the date of promulgation.

Our explanations provided above include general information on the issue. No responsibility can be claimed against EY and Kuzey YMM ve Bağımsız Denetim A.Ş. due to the implications arising from the context of this document or emerging with respect to its context.

Best Regards,

KUZEY YMM VE BAĞIMSIZ DENETİM A.Ş.