

Circular

Istanbul, 9 April 2018

Circular No: 45

Subject: Regulations introduced for the tax incentives legislation through the laws no. 7103 and 7104.

Summary: The regulations introduced for the tax incentives legislation through the Law no.7103 published in the second repetitive Official Gazette dated 27 March 2018 and the Law no.7104 published in the Official Gazette dated 6 April 2018 are summed up in brief as below:

. Regulations through the Law no.7103:

- Article 280/A containing the new arrangements designed for the valuation of foreign currencies put in as capital by transferring from abroad has been added to the Tax Procedures Law (VUK).

- Depreciation will be calculated for new machinery and equipment acquired by the VAT taxpayers with industrial registry certificate solely to be used in manufacturing industry and pursuant to the concerning laws, new machinery and equipment acquired by the VAT taxpayers until the end of calendar year 2019 solely to be used in R&D, innovation and design activities and new machinery and equipment acquired with investment incentive certificate until the same date by taking the half of their useful life into consideration.

- Deliveries of new machinery and equipment to VAT taxpayers with industrial registry certificate solely to be used in manufacturing industry, technology development sites within the scope of the Law no.4691 and to the companies dealing with innovation and design activities in R&D-design centers within the scope of the Law no.5746 will be exempted from VAT until 31 December 2019.

- Deliveries of goods and services performed concerning the infrastructure investments within Organized Industrial Sites and lower scaled industrial sites and construction of workplaces at lower scaled industrial sites and the economical operations formed by those sites have been exempted from VAT.

- Investments for the Akkuyu nuclear power plant will be entitled to benefit from incentives and supports proposed in the Decision for State Supports on Investments enacted through the Council of Ministers Decision no.2012/3305 for nuclear power plants.

- Amendments have been made on the authorizations assigned to the Council of Ministers and Ministry of Finance regarding the exemption implementation on the income derived from sale, transfer or leasing of the intangible rights in Technology development sites.

. Regulations through the Law no.7104:

- Permanent VAT exemption has been introduced for the deliveries of new machinery and equipment to the companies dealing with innovation and design activities in R&D-design centers within the scope of the Law no.5746 and technology development sites within the scope of the Law no.4691 solely to be used in these activities regardless of a time limit.

- Game software designed by the ones dealing with activities within technology development sites and specialty technology development sites have been taken into the scope of VAT exemption.

The effective dates for the provisions above is indicated within our circular.

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.