

## Circular

February 3, 2021

Circular No: 13

**Subject: Law numbered 7263 including the amendments with respect to R&D and innovation activities of Technology Development Zones and R&D/Design centres has been published.**

The following amendments have been made with respect to R&D and innovation activities of Technology Development Regions and R&D/Design centres with the “Law on making Amendments on Technology Development Zones Law and Certain Laws” published on Official Gazette dated February 3, 2021.

### **Common regulations made towards Technology Development Zones and R&D/Design Centres**

- Incentive periods granted with respect to Technology Development zones and R&D/Design centres have been extended until 31.12.2028.
- The income amount, which is TL 1 million and more, exempted based on annual declaration at Technology Development Zones and the reduction amount, which is TL 1 million and more, benefitted based on annual declaration at R&D/Design centres which are corporate taxpayers shall transfer 2% of such amounts to their fund accounts. The obligation to transfer such amount shall be limited to TL 20 million on an annual basis.
- Hours spent by the related personnel out of the Zone shall be considered in scope of income tax withholding incentive provided not exceeding 20% of their total working hours which are subject to income tax withholding incentive in terms of enterprises located at R&D Design Centres and Technology Development Zones. Such rate can be increased up to 50% by the President.
- The requirement to work at least 1 year, listed under hours spent out of the Zone in scope of postgraduate education, has been abolished in terms of R&D Design Centres and Technology Development Zones.
- It is stipulated to cancel the income tax, which is calculated based on wages of R&D, design and support personnel employed at enterprises located at R&D Design Centres and Technology Development Zones, through being deducted from the tax accrued based on withholding tax return.
- The definition of “Fundamental Sciences” applicable for R&D Design Centres and Technology Development Zones has been amended as “Supported Programs” in addition to expansion of fundamental sciences definition.

## **Regulations made towards Technology Development Zones**

- Capital supports provided by income and corporate tax taxpayers in order to be used for the financing of projects which shall be made in terms of fields, deemed appropriate by Ministry of Industry and Technology, to those carrying out activities at Technology Development Zones shall be subject to reduction in terms of determination of commercial profit and profit of the company on the condition that not exceeding 10% of declared income or profit of the company and 20% of shareholder's equity. The upper limit of such reduced amount has been increased to TL 1.000.000 from TL 500.000.
- Expenses towards R&D building, workshop and machinery, equipment and software included in such places and expenses with respect to hatching programs, technology transfer office services technology cooperation programs which are carried out/shall be carried out by administrative company shall be met from the budget of Ministry limited to determined allowance for the purpose of assistance.
- Additional support shall be provided to those employing PHD student R&D personnel for 2 years and to those employing intern limited to allowance determined on budget of ministry for the firms located at Technology Development Zones.
- Support personnel number which can benefit from assistance and incentives based on wages for Technology Development Zones firms whose total personnel number is up to 15 shall be applied as 20% of the total personnel number.
- Hatching centre can be opened in case of approval of Ministry upon the decision of Evaluation Committee out of the zone locations by the administrative company of Technology Development Zones.
- Starting and operating a business license is issued by the provincial directorates of the Ministry in the framework of related legislation in terms of administrative company of Technology Development Zones and firms carrying out R&D and design activities at the Zone and it is subject to inspection in this scope.
- It is stipulated that the agreement shall be deemed to be terminated in case entrepreneurs carrying out activities at Technology Development Zones do not present a new project in scope of the requirements determined with the directive as of the completion date of their projects and submit information and documents, of which they are obliged to submit to administrative company in scope of related legislation, in due time.

## Regulations made towards R&D/Design Centres

- “Venture Fund Assistance” has been included in the Law with the new paragraph added to Law numbered 5746 and it is mentioned that support budget can be transferred from the budget of Ministry of Industry and Technology to venture capital funds in order to support technology, technological development and innovation activities.
- It is also mentioned that compliance inspections towards R&D/design centres can be performed by administrative companies of technology development zones authorized by Ministry of Industry and Technology or the Ministry itself.
- Regulation with respect to performance of determinations regarding the fulfilment of requirements foreseen under the law in terms of R&D/design centres as of 2 years period at the latest is amended as making such determinations as of 3 years period.

*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.