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Türkiye increases ratio for time spent outside of Technology Development Zones and R&D centers

- *Companies established in Technology Development Zones (techno parks) and Research and Development (R&D) Centers in Türkiye benefit from certain incentives as outlined in this Alert.*
- *Specifically, the ratio for the time spent outside of techno parks and R&D Centers was increased to 75% from 50%. This ratio is applicable with respect to the total number of personnel or total time spent by personnel, for the purposes of the income withholding tax incentive on wages.*
- *Taxpayers meeting the requisite conditions may benefit from the various tax incentives.*

Türkiye's Presidential Decision No. 5806, published in the *Official Gazette* dated 21 July 2022, increases the ratio for the time spent outside of Technology Development Zones (techno parks) and Research and Development (R&D) Centers to 75% from 50%. This ratio is applicable with respect to the total number of personnel or total time spent by personnel, for the purposes of the income withholding tax incentive on wages.¹ This ratio is applicable until 31 December 2023.

Companies established in techno parks and R&D centers in Türkiye benefit from certain incentives that are detailed below.

Certain tax incentives provided under the Technology Development Zones Law No. 4691 (Law No. 4691)

- Earnings obtained by corporate taxpayers operating in techno parks exclusively from software and R&D activities in designated techno parks are exempt from corporate tax until 31 December 2028.
- Wages related to the duties of researchers, software developers, R&D and support personnel who are working in techno parks will be exempt from income withholding tax until 31 December 2028. In addition to this, time spent outside of these zones are regarded as within the scope of the income withholding tax

exemption provided that the ratio does not exceed 75% of the total number of personnel working or the total number of times working in these areas.

- 50% of the insurance premium (employer share) calculated over the wages of the employees is funded by the budget of Ministry of Treasury and Finance.
- Deliveries and services of system management, data management, business applications, sectoral, internet, mobile and military command control application software produced in technology development zones by entrepreneurs operating in these zones are exempt from Value Added Tax (VAT) (Provisional Article 20 of the VAT Code No. 3065).
- Acquisitions of new machinery and equipment to be used exclusively for software and R&D activities are exempted from VAT.
- Goods imported to be used in research related to R&D and papers and transactions made within this scope are exempt from stamp tax, fees and customs duty.
- The stamp tax exemption applies on the documents issued in relation to the wages of the personnel.
- Half of the originally announced depreciation rates and depreciation periods can be used for new machinery and equipment acquired to be used exclusively for software and R&D activities.

Certain tax incentives provided under the Supporting R&D and Design Activities Law No. 5746 (Law No. 5746)

- R&D and design expenditures made in R&D centers and techno parks can be subject to a 100% tax deduction until 31 December 2028.
- Income withholding tax incentives will be applied as 80-90-95% depending on the employees' graduate or post-graduate degrees. In addition to this, time spent outside of these zones are regarded as within the scope of the income withholding tax exemption provided that the ratio does not exceed 75% of the total number of personnel working or the total number of times working in these areas.
- 50% of the insurance premium (employer share) calculated over the wages of the employees is funded by the budget of Ministry of Treasury and Finance.
- Goods imported to be used in research related to R&D and papers and transactions made within this scope are exempt from stamp tax, fees and customs duty.
- The stamp tax exemption is applicable for documents issued with respect to all kinds of R&D and innovation activities. Moreover, the stamp tax exemption also applies on the documents issued in relation to the wages of the personnel.
- Acquisitions of new machinery and equipment to be used exclusively for software and R&D activities are exempted from VAT.

- Half of the originally announced depreciation rates and depreciation periods can be used for new machinery and equipment acquired to be used exclusively for software and R&D activities.

For additional information with respect to this Alert, please contact the following:

Kuzey Yeminli Mali Müsavirlik A.S., Istanbul

- Ates Konca, *International Corporate Tax Advisory Leader* | ates.konca@tr.ey.com
- Serdar Altay, *Global Compliance and Reporting Leader* | serdar.altay@tr.ey.com

Ernst & Young LLP (United States), Turkish Tax Desk, New York

- Gamze Durgun | gamze.durgun1@ey.com

Endnotes

1. Normally, the incentive applies when people work and spend time inside the techno parks and R&D Centers. Under the exemption to this, the rule allows that a maximum of 75 out of 100 people can work outside of the techno parks or R&D Centers or a maximum of 75 out of 100 hours can be spent outside of techno parks or R&D Centers to benefit from the incentives. The ratio was previously 50%.

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