

Free Zones

Free zones, considered to be outside the customs area although they are inside the political borders of the country, are special areas designed to increase the number of export-focused investments. Within the free zones, legal and administrative regulations on commercial, financial and Economic fields applicable in the rest of Turkey are either not implemented at all or are partially implemented, and more extensive incentives are given for industrial and commercial operations. Twenty-one free zones are operational in Turkey.

Laws and regulations applicable to free zones

Free Zone Law No. 3218 published in the Official Gazette No. 18785 dated June 15, 1985, and the Free Zones Implementation Regulation published in the Official Gazette No. 21520 dated March 10, 1993, include the provisions for the establishment, the siting and boundary identification, the administration, the fields of activity, and the operation of free zones They also deal with the construction of buildings and facilities in these zones.

Definition of free zones

Free zones can generally be described as sites considered to be outside the customs area although they are inside the political borders of the country. Within these free zones legal and administrative regulations in commercial, financial and economic fields applicable in the rest of Turkey are either not implemented at all or are partially implemented, more extensive incentives are given for industrial and commercial operations, and which are physically separated from other regions of the country.

Functions of free zones

The functions of free zones are:

- To create the suitable areas for the import of foreign capital and technology into Turkey
- To conveniently procure the raw materials and intermediary goods required by industrialists at the desired amount and without delay
- To facilitate the low-cost production and export of goods on the basis of the incentives and advantages provided
- To facilitate the transit trades of goods from one foreign country to another
- To create new employment opportunities
- To act as a stepping-stone for the facilitation and acceleration of exporting Turkish export products.

Free zones in Turkey

A total of 21 free zones are operational in Turkey. A list of these zones is given below:

- Mersin, Antalya (1987),
- Aegea (İzmir), İstanbul Atatürk Airport (1990),
- Trabzon (1992),
- İstanbul Leather and Industry, East Anatolia (Erzurum), Mardin (1995),
- İSE International Securities (1997),
- İzmir Menemen Leather, Rize, Samsun, İstanbul Thrace (İstanbul), Kayseri (1998)
- Europe (Çorlu-Tekirdağ), Gaziantep, Adana-Yumurtalık (1999)
- Bursa, Denizli, Kocaeli (2001)
- Tübitak-Marmara Research Center, Technology (Kocaeli) (2002)
- Sakarya İpekyolu (2007)

Potential activities in free zones

Potential activities have been identified as e.g. production, commerce, assembly and dismantling, maintenance and repair, banking, underwriting, financial leasing, warehousing, and office renting, and many others.

Incentives and advantages provided in free zones

Profits on the sale of products manufactured by individuals or corporate bodies using free zones as of February 6, 2004 and operating under a production permit, will be exempt from income or corporation tax until the end of the taxation period of the year in which European Membership is realized.

The Corporation Tax General Communiqué - Serial No. 85 issued by the Ministry of Finance in connection with the regularizations made in Law No. 5084, and Free Zones Law No. 3218, was published in the Official Gazette No. 25573, dated September 4, 2004 and became effective on the same date. This Communiqué clarifies the rules concerning the implementation of tax exemptions which will continue until 2009, for users with Permits obtained before February 7, 2004. It also clarifies the income and corporation tax exemptions which will benefit, until EU membership, the free zone users who have obtained or will obtain Production Permits

- An operation permit is given for a term of 10 years to leaseholder companies which will operate in a rented prepared business office (this is for 15 years to those in the production field) and 20 years to investor-user companies who will become operational after constructing their own business premises (this is for 30 years to those in the production field).
- Profits from free zone activities may be transferred to overseas countries or to other parts of Turkey without any special permit.
- Since free zones are considered outside the customs area, the provisions of the foreign trade regulation will be applicable for trade between free zones and other areas of Turkey. In other words, goods sold by Turkey to free zones are subject to Export regulations, and goods sold by free zones to Turkey are subject to import regulations. Free zone users can purchase goods and services from Turkey at export prices (VAT-free). On the other hand, the provisions of the Foreign Trade Regulation are not applicable to trade between the free zone and other countries, nor is it applicable to trade between free zone areas.
- Since the free circulation status of the goods, of Turkish or EU origin, or in free circulation in Turkey or EU countries, do not change when brought to free zones, no customs duty is paid at their entry to Turkey or into EU member countries. Furthermore, no customs duty on goods from a third country of origin is paid on entry to a free zone. Nor is there custom duty on the dispatch of such goods to a third country other than Turkey or EU countries. Customs duty however, is payable at the rate specified in the Common Customs Tariff for third country of origin goods not freely circulating and dispatched by free zones to Turkey or EU countries.
- Since free zones are considered a part of the "Turkey-EU Customs Union Customs Area", Turkey or EU origin products and products freely circulating in Turkey can be dispatched to the EU under an A.TR Certificate. Third country of origin products, on the other hand, may be dispatched to the EU under an A.TR Certificate after entering into free circulation by paying the Customs Duty at the rate identified in the Common Customs Tariff to the free zone customs office.
- All Companies, domestic and foreign, benefit equally from the incentives and advantages provided in free zones.
- Authorizations concerning price, quality, and standards, granted to public institutions and organizations, are not applicable in free zones.
- All bureaucracy for the process of application and operations has been reduced to a minimum. Free zones are operated by private sector companies.

Making investments in free zones

An Operating Permit must be obtained from the Undersecretariat of Foreign Trade, the Free Zones General Directorate in order to start operations in free zones.

To obtain an Operating Permit the following documents are required:

- An Operating Permit Application Form and a photocopy, to be obtained from the Free Zones General Directorate, the relevant free zone directorate, or the free zone operator/promoter-operator company
- A written presentation giving details of the applicant and about the proposed operation to be carried out
- An authorization certificate and a sample signature of the applicant, and the authorization certificate and the authenticated signature of the company's representative (if any),
- The Turkish Trade Registry Gazettes where the applicant company's establishment and the latest capital and shareholding structure was published, and/or the Chamber of Commerce and/or the Industry Registry Records (for foreign companies, a copy of the valid establishment document, certified by the representative office of the relevant country in Turkey),
- The company's balance sheet, and profit and loss statement for the last three years,
- The original and one photocopy of the bank statement giving evidence of the deposit of the application fee at the Central Bank (the sum of 5,000 USD will be deposited in Dollar (\$) Account No. 951 101 301 at the Turkish Republic Central Bank),
- Documents indicating the amount of foreign exchange brought into Turkey (if any) during the last three years

These documents, along with a written application, must either be sent by registered return mail directly to:

Dış Ticaret Müsteşarlığı Serbest Bölgeler Genel Müdürlüğü 06510 Emek / ANKARA – TÜRKİYE, or it must be delivered to the relevant **Free Zone Directorate**.

Following the assessment made by the General Directorate, those Companies deemed suitable to receive an Operating Permit will, within 30 days, sign a rental contract with the free zone operator/promoter-operator company, in the case of renting an empty space; or with any organization holding a leasing license in the area, in the case of renting a prepared business premises.

Companies can purchase land or business premises in free zones where the public sector has title to the property of the lands in such a free zone. Following the assessment to be made by the General Directorate, those companies deemed suitable to receive an operating permit will, within 30 days, sign a sales contract with the free zone operator/promoter-operator for the purchase of land or business premises.

One copy of the contract approved by the relevant free zone directorate will be sent to the Free Zones General Directorate. An operating permit will be drawn up for those who complete a rental and/or sales contract within the permitted period.

After receiving the Operating Permit, investors/users will apply to the Zone Directorate to get a 'Construction Permit' for the implementation of the construction plans. After the completion of construction work, an 'Occupancy Permit' will be obtained and operations can then start. Application Fees for the Operating Permit will be returned to those who are not found suitable to receive an Operating Permit.

For more detailed information you can visit the website, Undersecretariat of Foreign Trade.