

## **Organized Industrial Zones (OIZ)**

Organized Industrial Zones are areas with necessary infrastructure dedicated to industry. The aim of these Zones is to ensure that industrial activities are carried out in appropriate places; to act as guides towards urbanization; to prevent environmental problems; to benefit from information and informatics technologies; and to enable manufacturing industries to locate and develop according to a pre-defined plan. There are 107 OIZs in Turkey, with their site selection, their expropriation, and their infrastructure completed.

### **Definition of an OIZ**

Organized Industrial Zones Code No. 4562 dated April 12, 2000 regulating establishment, building and operation of OIZ's defines them as follows:

'OIZ's are places for the manufacture of goods and provision of services, established, and operated in accordance with the provisions of the OIZ Act, by equipping lands which have approved boundaries with the necessary infrastructure, technoparks and social facilities as may be required. They are designated for a particular industry under a certain plan and a certain system. The aim of this system is to ensure that industrial activities are carried out in appropriate places, to act as guides towards urbanization, to prevent environmental problems, to benefit from information and informatics technologies, and to enable manufacturing industries to locate and develop according to a pre-defined plan.' OIZs are grouped as mixed and expert zones.

### **The establishment and operation of OIZs**

Code No. 4562 rules that OIZ's shall be established upon the Ministry's approval at locations deemed to be appropriate in accordance with the Site Selection Bylaw. Rules and principles for the establishment, building, and operation of OIZ's are set out by the OIZ Implementation Bylaw which came into force on its publication in the Official Gazette No. 24713, dated April 1, 2002.

### **Objectives for the establishment of OIZs**

- To regulate the industry,
- To contribute to the planned development of cities,
- To ensure efficiency and increased profitability in production by gathering together industrialists working in similar fields, and, as a result, to encourage spin-offs, under a common plan,
- To extend the industry to underdeveloped regions,
- To regulate the use of agricultural land for industrial purposes,
- To establish a healthy, inexpensive, and reliable infrastructure and common social facilities,
- To protect the environment by the use of common waste treatment facilities,
- To enable the zones to govern themselves under state supervision.

Organized Industrial Zones help prepare the industrial infrastructure for investment (roads, drinking water, water for business use, electricity, communications, waste treatment). Industrialists thus move to these zones with infrastructure to start up their operations.

### **OIZs in Turkey**

There are 107 OIZs in Turkey, with their site selection, expropriation, and the infrastructure completed.

There are a further 144 OIZ's where the site selection and the registration are complete, but the establishment and infrastructure works are still in progress. The geographical distribution of 107 OIZs providing full services, and 144 OIZs with infrastructure activities still in progress (There are total 251 OIZs) is indicated below.

| <b>Geographical Distribution of Active OIZs</b> |            |
|---|------------|
| Marmara   | 20         |
| Aegean  | 14         |
| Mediterranean                                   | 13         |
| Central Anatolia                                | 17         |
| Black Sea                                       | 23         |
| Eastern Anatolia                                | 10         |
| South East Anatolia                             | 10         |
| <b>TOTAL</b>                                    | <b>107</b> |

#### **Fields of activities in the OIZs**

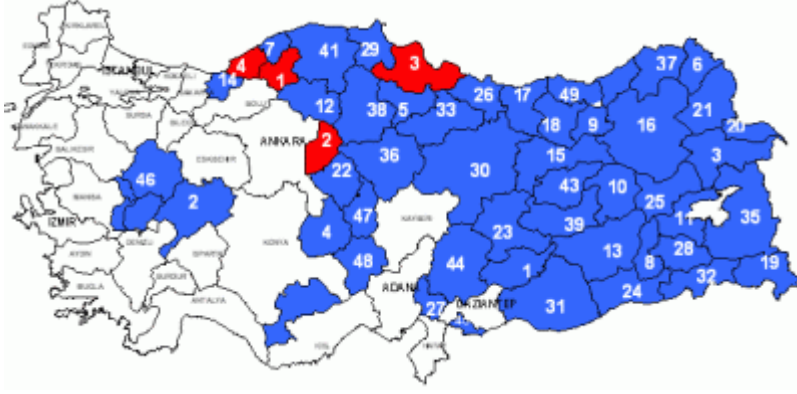
Foodstuffs; beverages; tobacco and tobacco products; textile and clothing; forestry; paper; printing; leather and leather products; rubber; plastics; chemicals; petrochemicals; petroleum products; fertilizers; cement; kiln-dried clay and cement supplies; glass; iron and steel; non-iron metals; metallic goods; non-electrical machinery; agricultural tools and equipment; optical equipment; professional, scientific, measurement and control equipment; electrical appliances; electronics; land vehicles; railway rolling stock; shipbuilding; aircrafts.

#### **Incentives for companies operating in OIZs**

According to Code No. 5084 on the Encouragement of Investments and Employment and the Amendment of Certain Acts, investors operating in OIZ's located in provinces with a GDP less than US Dollars 1,500 are eligible for the following incentive measures:

- 100% exemption from income tax calculated on the wages of the workers employed,
- 100% Treasury subsidy for the employer's share of the workers' insurance premiums,
- Up to 50% Treasury subsidy for the electricity expenses of enterprises operating in OIZs and physically and permanently employing minimum ten workers in the fields of stock farming (including aqua farming and chicken farming), greenhouse cultivation, certified seed propagation, and cold storage; and those employing a minimum of thirty employees in the fields of the manufacturing industry, mining, tourist accommodation facilities, education or health.
- Free land allocation (this incentive also applies to the provinces included in Code No. 5084, and other provinces in Regions of High Priority Development).

The map below indicates the provinces where OIZ's benefit from the incentives under Code No. 5084.



**Provinces where free landlots are provided in OIZs along with tax, insurance premium and energy supports**

|    |            |    |           |    |               |
|----|------------|----|-----------|----|---------------|
| 1  | Adiyaman   | 18 | Gumushane | 35 | Van           |
| 2  | Afyon      | 19 | Hakkari   | 36 | Yozgat        |
| 3  | Agri       | 20 | Igdir     | 37 | Artvin        |
| 4  | Aksaray    | 21 | Kars      | 38 | Corum         |
| 5  | Amasya     | 22 | Kirsehir  | 39 | Elazig        |
| 6  | Ardahan    | 23 | Malatya   | 40 | Karaman       |
| 7  | Bartın     | 24 | Mardin    | 41 | Kastamonu     |
| 8  | Batman     | 25 | Mus       | 42 | Rize          |
| 9  | Bayburt    | 26 | Ordu      | 43 | Tunceli       |
| 10 | Bingol     | 27 | Osmaniye  | 44 | Kahramanmaraş |
| 11 | Bitlis     | 28 | Siirt     | 45 | Kilis         |
| 12 | Cankiri    | 29 | Sinop     | 46 | Kutahya       |
| 13 | Diyarbakir | 30 | Sivas     | 47 | Nevşehir      |

|    |          |    |           |    |         |
|----|----------|----|-----------|----|---------|
| 14 | Duzce    | 31 | Sanliurfa | 48 | Nigde   |
| 15 | Erzincan | 32 | Sirnak    | 49 | Trabzon |
| 16 | Erzurum  | 33 | Tokat     |    |         |
| 17 | Giresun  | 34 | Usak      |    |         |

Source: Ministry of Industry and Trade

Ref:5018

**Provinces where free landlots are provided in OIZs**

|   |           |
|---|-----------|
| 1 | Çanakkale |
| 2 | Karabük   |
| 3 | Kırıkkale |
| 4 | Samsun    |
| 5 | Zonguldak |

Source: Ministry of Industry and Trade

Ref:5017

Other advantages, granted to OIZ's, not included in Code No. 5084,:

- Enterprises in OIZs are exempt from real estate tax, waste water charges, building construction duty, and the use-of-building permit charge,
- Customs Duty, Public Housing Fund and VAT exemptions apply to investments for which an incentive certificate is issued,
- Wherever deemed appropriate by the Undersecretariat of the Treasury, and regardless of whether or not an incentive certificate is issued, credits may be granted from budgetary resources for research and development investments, investments for environmental protection, investments to be carried out in Technological Development Regions, priority technology investments, investments for Regional Development, and investments to be moved from Developed Regions to Regions of Special Purpose,
- In addition, the Small and Medium Scale Industry Development Organization (SMIDO) supports the investment projects of investors in OIZ's at a rate of 60% for developed regions, 70% for normal regions, and 80% for High Priority regions.

## **Investing in OIZs**

Land allocation in Organized Industrial Zones is made by the committee of entrepreneurs acting as the General Council of the relevant zone. The relevant organized industrial zones' administration authority should be contacted in connection with the allocation of land.

Real or Legal Persons intending to request an allocation of land from an OIZ should apply to the Committee of Entrepreneurs with an application file which includes the following information and documents:

- An application letter,
- Size of the requested land,
- A Certificate of Domicile and a Trade Registry Certificate, if any; for Real and Legal Persons not domiciled in Turkey, similar documents approved by the representatives of the Republic of Turkey,
- A Production Flow Chart and an explanatory report about the intended investment together with information including the type of production, the units of production, quantity of water to be consumed, electrical energy required, waste water, emissions, sources of solid and hazardous waste; and reference literature on the subject if the said investment will be carried out for the first time in Turkey,
- The potential amount of import and export, if any,
- The number of people to be employed,
- Written information and documents indicating if the applicant has had the same investment in another place.

The following are the basic criteria required for the allocation of land in OIZs.

The business should:

- conform to the terms of the establishment protocol of the OIZ
- indicate in the written submission to the Governor's Office following the site selection that it conforms to sector limitations (if applicable)
- conform to the sector classification of the OIZ's if the zone is designated as a specialized zone in the establishment protocol,
- not be a repair shop, warehouse, storehouse, or workshop with no specific production program,
- not be a small scale industry that falls under the small industrial site category (not qualifying as a factory)
- not use electricity and water in excess of what could be provided by the OIZ
- not be a facility defined as inappropriate to be established in an OIZ.

Applications for the allocation of land are assessed by the Committee of Entrepreneurs. Where the request is found to be acceptable, the land allocated and the terms for allocation are specified to the relevant parties in writing.

For more detailed information you can visit the websites of the Ministry of Industry and the Higher Board of Organized Industrial Zones.