

Turkey



Background

Turkey's general corporate tax rate is 20%.

Nature of incentives

A 100% deduction of R&D expenditure for qualifying R&D projects.

A deduction of 50% of the R&D expenditure increase over the prior year if the number of full-time equivalent R&D personnel exceeds 500.

An exemption of 80% (90% for Ph.D. personnel) of income tax withholding on wages for employees conducting or supporting R&D (except for public employees).

Government payment of 50% of the employer's share of the social security premium for five years until 31 December 2024.

An exemption from stamp duty for all documents prepared for R&D activities.

Recording of grants received from government entities, voluntary trusts and international funds in support of R&D activities in a special fund account instead of being classified as income and added to the tax base.

Grants for new scientists in the form of technology-initiative capital up to TRY 100K.

Special incentives for operating in Technology Development Zones (TDZ):

- Profits derived from software development and R&D activities are exempt from income and corporate taxes until 31 December 2023.
- Deliveries of application software produced exclusively in TDZ are exempt from VAT until 31 December 2023.
- Wages of researchers along with software and R&D personnel employed in the zone are exempt from personal income tax until 31 December 2023. (Support personnel wages are also in the scope of exemption, but the number of support personnel cannot exceed 10% of total number of R&D-related personnel).

The Scientific and Technological Research Council of Turkey (TUBITAK) and Turkish Technology Development Foundation (TTGV) and other related institutions may compensate or give grants for R&D-related expenses, and provide loans for R&D projects. Moreover, TTGV offers long-term interest-free loans for technology development, renewable energy production, energy efficiency improvement and environmental impact-reduction projects.

Turkey offers incremental super deductions and exemptions from employment taxes, as well as government-funded contributions to social security and grants.

Under the Industrial Thesis (SANTEZ) program, direct financial support for new technology adaptation, process development, quality improvement and environmental modification projects to be achieved via university partnerships.

Eligible industries and qualifying costs

The type of industry has no bearing on the availability of the incentives. Qualification is based solely upon the nature of the activities conducted within Turkey. Activities undertaken to achieve technological innovation qualify for the R&D tax incentives. Software activities are limited to new and original concepts.

R&D expenditure must be incurred within Turkey, and include: starting material costs, depreciation and amortization, labor costs (salaries and wages), outsourced benefits and services, duties, taxes and levies on R&D-related activities (such as real estate tax on R&D land or customs duty on imported R&D-related materials, etc.), and other indirect cost for the conduct of qualified research (such as public utility services, transportation expenses, communication expenses, maintenance and repair expenses, insurance expenses, etc.). Allocated G&A expenses are excluded.

IP and jurisdictional restrictions

Tax incentives for R&D are available even if the research is unsuccessful, i.e., does not result in IP. If, however, IP results from qualifying R&D, there is no requirement that the Turkish company own the IP.

Other concerns

R&D deductions may be carried forward indefinitely, but the amounts are limited under a complicated formula set forth in the Tax Procedure Law.

R&D activities must be certified by a Sworn Fiscal Consultant (SFC). A taxpayer that benefits from R&D deductions must provide a SFC certification report to its tax office certifying that its R&D deductions are computed and applied correctly.

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Nature of benefit available	Income tax benefit generally available	Specific pre-approval required from government	Refundable/ Carryforward
Super deduction, income tax withholding incentives, and grants	<ol style="list-style-type: none"> 1. An incremental super deduction comprised of: <ol style="list-style-type: none"> a. 100% deduction of R&D expense for qualifying R&D projects and b. If the number of full-time- equivalent R&D personnel exceeds 500, 50% of the R&D expenditure increase compared to the previous year also can be deducted. 2. An exemption of 80% (90% for Ph.D. personnel) of income tax withholding on wages for employees conducting or supporting R&D (except for public employees). 3. 50% of the employer's share of the social security contribution is paid for by the government for five years 4. Income tax withholding incentives. 5. Exemption from stamp duty for R&D research papers 6. Grants 7. Technology development zone incentives 	Yes	R&D deductions can be carried forward indefinitely but the amounts are limited under a formula set forth in the Tax Procedurals Law.
R&D activities must occur in country	Cap/Limitations on benefits	IP must be retained in country	Industry eligibility restriction
Yes	No	No	No