

INCENTIVES FOR INVESTORS

Investment Incentives Applied Under the Incentive Law

The following incentives are applied to investments with Incentive Certificates, regardless of whether an investor is local or foreign. Incentive Certificates are granted from the State Planning Organization.

- **Investment Allowance**

Investment allowance is 200% on the initial fixed capital investment expenditure for the investments to be made in the Development Priority regions determined by the State Planning Organization in the development plans and / or annual programs.

Investment allowance is 100% on the initial fixed capital investment expenditure for the investments in other sectors and regions.

Güzelyurt, Lefke, İskele and Geçitkale were determined as Priority Development Regions by the Council of Ministers.

- **Exemption from Custom Duties and Funds**

Import of machinery and equipment concerning the project are exempt from every kind of custom duties and funds in accordance with Incentive Certificate.

- **The Rate VAT for the imported and locally purchased machinery and equipment**

Zero rate VAT is applied for both the imported and locally purchased machinery and equipment in accordance with the Incentive Certificate.

- **State Owned Land and Building Lease**

State owned land and building lease is possible for the investments that are granted Incentive Certificate in accordance with the regulations in force.

- **Exemption from Construction Licence Fee**

Investments that are granted Incentive Certificates are exempt from all kinds of taxes and fees related with construction licence.

- **Reduction of Stamp Duty for Capital Increase**

Reduction of stamp duty concerning capital increase is provided for the investments that are granted Incentive Certificate.

- **Reduction of Fee on Mortgage Procedures**

Reduction of stamp and registration fees is applied on mortgage procedures necessary when using bank credit for the investments that are granted Incentive Certificate.

- **Incentives Applied under the Tax Legislation**

Allowances are given for capital expenditure incurred on the acquisition of plant and machinery, fixtures and fittings owned and used by a person or corporate body in trade or business or scientific research (excluded private saloon type vehicle).

Allowances are also given on existing buildings or on the construction, extension or adaptation of buildings owned and used by a person or corporate body. In total, tax allowance is given equal to the cost of an asset plus the investment allowance.

Initial (Investment) Allowance rate is 20%.

Investment allowance rate can be increased up to 100% or new rate, which is not less than legal rate, can be determined by the Council of Ministers with the recommendation of Ministry of Finance for the investments in Priority Development Regions and in sectors with special importance specified under the Incentive Law and the Tourism Industry Incentive Law.

If there are regulations concerning investment allowances under special Incentive Laws, the rates and principles are applied in accordance with Incentive Law concerned instead of applying the allowance rates in accordance with Income Tax Law.

Initial allowances and annual depreciation allowances are deducted before setting net chargeable incomes.

- **Other Allowances:**

- Expenditures on company formation are amortized in five years.

- Expenditure on patent and patent rights

- The purchased tools and fixtures which have the values not exceeding the monthly gross minimum wage at the beginning of the year, may not be subject to depreciation and the payments for these tools and fixtures may be immediately recorded as expense.

Twenty percent of earnings of corporate bodies from exports of goods and services is exempt from corporation tax. But the exempted amount cannot exceed the amount equal to 80% of net income which is obtained from exports.

The exports of all goods and services are exempt from VAT. According to the legislation the exporters can claim credits or refunds for the VAT paid on their inputs.

Air, land and sea transportation services, from TRNC to foreign country, from foreign country to TRNC or from foreign country to foreign country via the TRNC, except passenger transportation services which are provided by transportation corporations in the TRNC, are exempt from VAT. According to the legislation carrier can claim credits or refunds for the VAT paid on their inputs.

Services provided in ports or airports for the sea or air transportation vehicles used in the production of income are exempt from VAT.