

Investing in Turkey

Gün + Partners talks about how new developments in Turkey's economy reignite the appetite for foreign investment into the region.

It is without a doubt that countries across Europe and the Middle East have experienced a flood of difficulties over recent years. Turkey has also experienced tough times, particularly in 2016 due to the increase in terrorist attacks, failed coup attempt, the ongoing state of the emergency situation and political instability in Turkey's neighbouring countries. These political issues have generated uncertainties surrounding the Turkish economy, which resulted in a decrease in confidence for foreign investment in Turkey.

Despite these challenges, Turkey, with its strong domestic market and growing economy, remains a centre of attraction for foreign investors. Figures published by the Central Bank of the Turkish Republic have revealed that foreign direct investment increased to 50.1 per cent in the first half of 2017 when compared to the

same period in 2016, and has now reached USD4.1 billion. While European investors remain significant players in relation to foreign direct investment into the country, substantial investment is now emerging from the Gulf countries. Gulf investors are mainly focusing on Turkey's financial sector, tourism and construction and real estate.

It has been officially revealed that one in every 10 tourists from the UAE chooses Turkey as their next holiday destination, making UAE one of the top markets for the Turkish tourism industry. To meet this growing demand, there are now more than 100 weekly flights from the UAE to Turkey, and further tourism attractions have also been introduced.

Turkey's geographical position presents a significant advantage for investors seeking to spread their activities across Europe, the Middle East and CIS countries. As the similarities grow in line with the Gulf countries, many global companies also regard Turkey as an important operation centre and, therefore, manage their operations from the region. Furthermore, Turkey's liberal foreign investment policy, which guarantees equal treatment of foreign and local investors, provides confidence to foreign investors. Turkey signs various bilateral and multilateral agreements to establish a favourable environment for economic cooperation by defining standards of treatment for investors and their investments, whilst also offering unique opportunities to foreign investors thanks to its membership to the Customs Union since 1996 and Free Trade Agreements signed with 27 countries.

In line with Turkey's increasing endeavours to facilitate foreign investment, the Turkish legislator places great emphasis on taking special care of foreign investments following the promotion of a number of legislative interventions over recent years. The general aim is to bring the relevant legislation more in line with



European legislation to create a transparent and more familiar legal environment for foreign investors.

With the new Turkish Commercial Code enacted in 2012 (the “TCC”), foreign investors are becoming increasingly attracted to the country due to the many improvements that have been made in respect of transparency, reliability and companies’ auditing processes. Among other initiatives, the TCC has enabled foreign investors to establish a business in Turkey without the need for a Turkish business partner. On the other hand, the TCC has also provided favourable options for foreign investors who wish to engage with a Turkish business partner by enabling them to regulate their relationship according to their requirements and needs.

Following settlement of this steady legal ground as a result of the TCC, in 2016, the Law Amending Certain Laws for Improvement of the Investment Environment numbered 6728 was published (the “Amendment Law”) to encourage both local and international investors by reducing investment related costs and creating a more investor-friendly environment. In light of this, the Amendment Law made a number of amendments to different laws including but not limited to companies law, enforcement and bankruptcy law, and various tax laws including stamp tax law. As a significant novelty, the Amendment Law reduced the liabilities of investors concerning stamp duty that applies to a wide range of papers including agreements. Investors have been finally relieved from paying large amounts of taxes.

As of January 2017, foreign investors can now obtain Turkish citizenship and its combined benefits (such as the access to all Schengen Zone countries, full and excellent medical assistance) providing they meet the stated requirements.

In parallel to the Turkish legislator, the Turkish government is also taking important steps to attract more foreign investors into Turkey with the establishment of the Istanbul Finance Centre. According to a recent announcement made by a top economy official, the Government aims to allow foreign investors to issue foreign exchange-based securities as part of the Istanbul Finance Centre project to enable them to have leading roles within the country’s

capital market. Another recent development that will be of interest to foreign investors is the establishment of the Istanbul Arbitration Centre (“ISTAC”) which is already providing new and efficient ways to resolve commercial disputes whilst aiming to strengthen Istanbul’s position as a regional and international finance centre.

Complimenting these initiatives and ongoing legislative developments, Turkey also has an extensive investment incentive regime increasing foreign investors’ appetite to invest in Turkey. For example, investors can benefit from various investment schemes (i.e. general, regional, large-scale or strategic investment schemes) according to the scope of their planned investments. Each of these investment schemes provides valuable benefits to foreign investors such as VAT exemption, customs duty exemption, tax reductions, social security premium supports, income tax withholding allowance, interest rate support, land allocation and VAT refund.

It is of course not easy for investors to invest in an uncertain environment, however, since concrete steps have been taken to overcome such gloom, we believe that Turkey presents a unique opportunity for foreign investors and has a high investment potential for the future with the ongoing support of the Turkish legislator and the Turkish government. Considering the efforts made between Turkey and the Gulf countries to further develop bilateral relations and increase investments and joint projects in tourism, transport, finance and trade services, it is no doubt that foreign investors will continue to benefit from the opportunities and incentives that Turkey offers in light of its increasingly advanced legal environment. 🇹🇷



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