

## **1. What is the legal framework for the FDI in Turkey?**

Foreign direct investments are regulated by the Foreign Direct Investments Law that intends the support and increase of foreign direct investments in Turkey.

## **2. What are the legal developments in FDI in Turkey?**

The most important legal reform in FDI has been the Foreign Direct Investments Law in 2003. Due to this law,

- the “declaration based system” has been implemented instead of the “authorization and approval system”,
- bureaucracy in investment processes has been minimized,
- the minimum foreign capital requirement of 50.000 USD has been abolished,
- differences between the local and foreign investors have been abolished and the concepts of “investors” and “investments” have been extended. In this regard, the Turkish citizens which are resident abroad also are regarded as foreign investors. Moreover, the scope of “investments” has not been stated restrictively.

## **3. What are the incentives and principles regarding the foreign direct investments in the Foreign Direct Investments Law?**

The Foreign Direct Investments Law regulates the following principles:

- Investment freedom and equality principles
- Transfers freedom: Investors may freely transfer net profits, dividend, sale, liquidation and compensation amounts and other amounts which have been stated in the Law through banks or private finance institutions abroad.
- Acquisition of property
- Freedom for determination of dispute resolution such as arbitration, litigation.

#### **4. What are the reasons for the growth of FDI in Turkey?**

There are numerous factors which make Turkey preferable for foreign investors. Above all, the financial stability, steady growth of Turkish economy and the existence of a new and developed infrastructure in telecommunication, energy and transport sectors are the main facts which make Turkey attractive for investors. Moreover, existence of a young and dynamic population, Turkey's location, customs union with the European Union since 1996 and diverse tax incentives for investments play a role in the growth of FDI in Turkey.

#### **5. Which sectors have encouraged the highest amount in FDI in Turkey?**

According to the statistics, the service sectors, especially finance area, real estate and manufacturing industries have attracted foreign investors as of 2011.

#### **6. Is it possible for foreigners to establish a company in Turkey? What kind of investment possibilities does a foreigner have in Turkey?**

A foreign investor is able to establish a new company in Turkey and there is no restriction by laws for foreigners. The company establishment procedures have been accelerated and facilitated by the New Turkish Commercial Code and accordingly, foreign investors are able to establish a joint stock company or a limited liability company even with one shareholder.

Foreign investments can be done by

- establishing a new company: The new code does not require the establishment of "limited liability or joint stock companies" by foreign investors.
- opening of a branch or a liaison office,
- share acquisition according to the Foreign Direct Investments Law.

#### **7. Are there any special investment zones in Turkey?**

There are special investment zones, in which financial and infrastructural incentives are implemented for investors. Special investment zones in Turkey are as follows:

- Technology Development Zones (Technoparks) have been established to support the Research and Development activities and the revenue from these activities in these zones are exempted from income tax.
- Organized Industrial Zones have been planned to provide infrastructural benefits to the investors.

- Free Zones are not subject to customs areas and these provide incentives such as customs duty and VAT exemptions and numerous different financial advantages.

#### **8. What are future prospects/expectations regarding the FDI in Turkey?**

As is known, Turkey's economy is one of the largely developed economies in the world and according to the statistics, the rate of foreign investments has been increasing year per year. A dynamic economy, developed domestic market, developed industry, young population and also its location provide numerous opportunities to the investors. Especially above mentioned legal reforms, minimized bureaucracy and establishment of an equitable investment system have contributed to make Turkey as an attractive area for foreign direct investments. In addition to these facts, the financial stability plays an essential role in development of FDI in Turkey for now and for the future. Due to these factors, numerous incentives, technological and infrastructural developments and especially continuation of financial stability, it is expected that the number of FDI in Turkey will increase in the future.