

NEW INVESTMENT INCENTIVE SYSTEM AND ITS IMPACTS

At a time when global trade is being reshaped, supply chains are being forced to diversify regionally, and the technological and green transformation is transforming business models, Turkey has radically updated its investment environment with the new "Decree on State Aid for Investments" (hereinafter the Decree), published on May 30, 2025. Our goal in this article is to provide investors with an overview of the new investment incentive system and its key issues.

I. OVERVIEW OF THE NEW INVESTMENT INCENTIVE SYSTEM

Purpose and Philosophy

The new investment incentive system completely abolished the previous investment incentive system, which was implemented in 2012. The attraction center program, implemented for underdeveloped regions and earthquake zones, has been extended until the end of 2026, and applications are ongoing. Furthermore, the new investment incentive system paves the way for significant support for investments in medium and high-technology sectors, placing significant emphasis on digital transformation and green transformation investments as a focal point of the system.

An important point is that similar support elements, available only in the 5th and 6th development regions of the old investment incentive system, will also be available in medium and high-technology regions such as Ankara and Istanbul. Additionally, in the new period, the ministry and development agencies will be soliciting applications for large-scale investments through calls for applications and providing large-scale investment incentives to successful investments

■ **AHMET SUNGUR**
MÜSİAD Ankara Yönetim Kurulu Üyesi



The architecture of the new investment incentive system is based on two main pillars. These are:

Turkey's Century Development Initiative

Consists of three programs (Technology, Local Development, and Strategic Initiative).

The Sectoral Incentive System

Includes the "Priority Investments" and "Target Investments" subsystems.

Each incentive heading, in addition to the regional incentive base, is equipped with elements such as customs duty exemptions, VAT exemptions, tax reductions, interest/dividend support, machinery support, investment site allocation, and SSI premium support. The most significant difference from the previous period is that investments under certain headings can now receive support between 15-25% of the machinery support.

II. VISION OF THE SECOND CENTURY OF Türkiye

Conceptual Framework

The phrase "Turkish Century" emerges within the framework of a vision of high value-added production, international competitiveness, and sustainable development. This vision manifests itself through three concrete programs:

1. Technology Initiative Program
2. Local Development Initiative Program
3. Strategic Initiative Program

These programs work in conjunction with regional incentives and offer cumulative advantages to investors.

2.1 Technology Initiative Program

The Technology Initiative Program's primary focus is supporting medium- and high-technology products, according to Eurostat classification. Additionally, the program will only accept applications based on calls issued by the Ministry of Industry and Technology, and successful projects will receive investment incentive support in this area. Additionally, under this heading, companies will have the option to choose between interest or dividend support and machinery support. A brief overview of the available support headings is provided in the table below

VAT Exemption		✓
Customs Duty Exemption		✓
Tax Reduction	Investment Contribution Rate (%)	50
	Tax Reduction Rate (%)	60
Employer's Share of Insurance Premium Support		8 Years (12 Years in Region 6)
Insurance Premium Support		10 Years Only Valid in Region 6
Interest or Dividend Support	Support Rate**	% 40
	Maximum Support Amount	240 Million TL
	Maximum Support Rate	20% of Investment
Machinery Support*	Support Rate	% 25
	Maximum Support Amount	240 Million TL
	Maximum Support Rate	15% of Investment
Investment Location Allocation		✓

* Machine support is not provided for investments that benefit from interest or dividend support.

**This refers to the Central Bank of the Republic of Turkey (CBRT) one-week repo auction interest rate valid on the date of loan disbursement.

2.2 Local Development Initiative Program

The primary goal of the Local Development Initiative Program can be described as activating the potential of provinces lagging behind in the socio-economic landscape of our country.

While similar to the Technology Initiative Program, the Local Development Initiative program is managed by Development Agencies. Each development agency identifies four "local investment topics" within its region, issues calls for applications, and successful investments are supported. Similarly, under this program, companies have the right to choose the most appropriate option for them, including interest and dividend support and machinery support. A brief summary of this program can be found in a table.

VAT Exemption		✓
Customs Duty Exemption		✓
Tax Reduction	Investment Contribution Rate (%)	50
	Tax Reduction Rate (%)	60
Employer's Share of Insurance Premium Support		8 Years (12 Years in Region 6)
Insurance Premium Support		10 Years Only Valid in Region 6
Interest or Dividend Support	Support Rate**	% 40
	Maximum Support Amount	240 Million TL
	Maximum Support Rate	20% of Investment
Machinery Support*	Support Rate	% 25
	Maximum Support Amount	240 Million TL
	Maximum Support Rate	15% of Investment
Investment Location Allocation		✓

* Machine support is not provided for investments that benefit from interest or dividend support.

**This refers to the Central Bank of the Republic of Turkey (CBRT) one-week repo auction interest rate valid on the date of loan disbursement.

2.3 Strategic Move Program

The Strategic Move Program is a program specifically developed to support sectors focused on products that are heavily imported into our country. The overall focus of the program is to break foreign dependency on critical products and support high value-added and R&D investments. Under this program, an investment plan of 100 million TL is required for investments in high-technology products, and a minimum of 200 million TL for medium-technology sectors. The most important evaluation criteria for determining the sectors to be supported are imports of at least \$50 million or more of the product in question in the previous year, and an export-to-import ratio of less than 70%. Furthermore, 20% of the investment must be equity capital, and the value-added ratio must exceed 30%. Additionally, applications for this program must be submitted to the Development Bank of Turkey under the guidance of the Ministry, and the feasibility study must yield a positive result. Finally, unlike the other two, this section supports digital transformation and green transformation investments of 50 million TL or more. To summarize this section briefly:

VAT Exemption		✓
Customs Duty Exemption		✓
Tax Reduction	Investment Contribution Rate (%)	40
	Tax Reduction Rate (%)	60
Employer's Share of Insurance Premium Support		8 Years (12 Years in Region 6)
Insurance Premium Support		10 Years Only Valid in Region 6
Interest or Dividend Support	Support Rate**	% 30
	Maximum Support Amount	180 Million TL
	Maximum Support Rate	15% of Investment
Machinery Support*	Support Rate	% 25
	Maximum Support Amount	180 Million TL
	Maximum Support Rate	15% of Investment
Investment Location Allocation		✓

* Machine support is not provided for investments that benefit from interest or dividend support.

**This refers to the Central Bank of the Republic of Turkey (CBRT) one-week repo auction interest rate valid on the date of loan disbursement.

III. PRIORITY AND TARGET SECTORS

3.1 Priority Investment Incentive System

The priority and target sectors heading is a continuation of the previous investment incentive system. Investment topics falling under the priority sectors heading are listed under "Priority Investments," and support for areas outside this heading is blocked. Numerous sectors and topics are supported under this heading, including solar power plant investments tailored to company needs, investments for the mass production of products resulting from R&D projects, environmentally licensed investments, ports, thermal tourism, educational facilities, licensed warehousing, and soilless greenhouses. However, the most striking aspect of the priority investments incentive system is that investments approved for digital transformation and green transformation, but under 50 million TL, are supported under this heading. Before sharing the summary table, the most important point to note regarding this issue is that while this heading provides interest and dividend support, it does not provide machinery support. To summarize the priority investments heading in a short table:

VAT Exemption		✓
Customs Duty Exemption		✓
Tax Reduction	Investment Contribution Rate (%)	30
	Tax Reduction Rate (%)	60
Employer's Share of Insurance Premium Support		0 – 1 – 2 – 4 – 8 – 12 years (Graduated in Regions 1-6)
Insurance Premium Support		Valid only in Region 6 for 10 years
Interest or Dividend Support	Support Rate**	% 25
	Maximum Support Amount	24 million TL
	Maximum Support Rate	10% of Investment
Investment Location Allocation		✓

* This refers to the Central Bank of the Republic of Turkey (CBRT) one-week repo auction interest rate effective on the date of loan disbursement. Exception: Investments in electricity generation, energy distribution and storage, and gas fuel transmission are not eligible for tax deductions or interest rate support.

3.2 Target Investment Incentive System

This program, which supports strategically important sectors only in regions 4, 5, and 6, offers support elements from priority sectors at a 10-point tax disadvantage. Additionally, one of the program's main objectives is to shift a portion of Turkey's production capacity to southeastern Anatolia and to provide employment and supply chain depth. Only the sectors listed in Annex 3 are supported under the program, and investment projects that do not meet these sectors and the specified criteria are not supported. To summarize briefly:

VAT Exemption		✓
Customs Duty Exemption		✓
Tax Reduction	Investment Contribution Rate (%)	20
	Tax Reduction Rate (%)	60
Employer's Share of Insurance Premium Support		0 – 1 – 2 – 4 – 8 – 12 years (Graduated in Regions 1-6)
Insurance Premium Support		Valid only in Region 6 for 10 years
Interest or Dividend Support	Support Rate**	% 25
	Maximum Support Amount	24 million TL
	Maximum Support Rate	10% of Investment
Investment Location Allocation		✓

IV. THE STRATEGIC IMPORTANCE OF DIGITAL AND GREEN TRANSFORMATION

INCENTURING DIGITAL TRANSFORMATION

Digital transformation is a strategic priority for both modernizing production processes and gaining an advantage in international competition. In the new incentive system, digital transformation:

- Support is provided without an upper limit for intangible investments.
- Digitalization projects of 50 million TL or more are automatically included in the Strategic Move program.
- Areas such as data analytics, artificial intelligence applications, and digital twin technology are supported within the scope of the Technology Move program.

This has made industrial digitalization a public policy accessible not only to large enterprises but also to SMEs. One of the strengths of the new investment incentive system is the support provided to large-scale green transformation and digital transformation investments at the strategic move program level

INTEGRATION OF GREEN TRANSFORMATION AND SUSTAINABILITY POLICIES

The European Green Deal, the Carbon Border Adjustment Mechanism (CBAM), and net-zero targets have made it necessary for Turkish industry to transition away from carbon-intensive production. The new investment incentive system offers special opportunities for green investments to support this transformation:

- Investments that reduce the carbon footprint are directly included in the Strategic Moves.
- Renewable energy investments are supported only for self-consumption.

•Investments in areas such as recycling, energy efficiency, and waste reduction are among the priority areas.

With this support structure, the investment incentive system has also become the financial infrastructure of sustainable development.

V. CONCLUSION AND EVALUATION

The new investment incentive system not only provides financial advantages to investors but also ensures the channeling of public resources towards multidimensional development goals. This system, designed in line with the Turkish Century vision, ensures the reshaping of industrial policies in an integrated manner with green and digital transformation.

Turkey's new investment incentive architecture dated 2025 has established a balanced structure between strategic guidance (Turkish Century programs) and sectoral focus (Priority-Target Systems). Furthermore, significant support has been provided to medium and high-technology sectors, paving the way for Development Agencies to assume a more significant role in this area in the new period. Furthermore, the new incentive system attaches great importance to sustainability, a key issue facing us in exports to the European Union, and to digital transformation, a necessity for our companies to remain competitive in global markets.

The effective implementation of this system in the coming period will not only lead to increased production but also to qualified employment, domestic technology, and sustainable growth. In short, the May 30, 2025 Decision is not merely a routine revision updating incentive rates; it is a comprehensive set of policies that reposition Turkey's development model along a green-digital axis. When the private sector correctly interprets this system, it will both comply with global sustainability norms and achieve significant advantages in financing costs.