CGS Center
Corporate Governance & Sustainability Center

Turkey's New Policy on Property Sales to Foreigners

The lifting of the reciprocity principle enables foreign citizens to purchase land in Turkey without having previously signed a reciprocity agreement. Before the law, the nationals of 89 countries did not have the right to own property in Turkey since Turkish citizens are not entitled to a similar right in their countries, among which are Russia, the Gulf countries and Central Asian states.
According to the law the limit to a piece of land that a foreign national can possess is raised from 25,000 square meters (2.5 hectares) to 300,000 square meters (30 hectares).

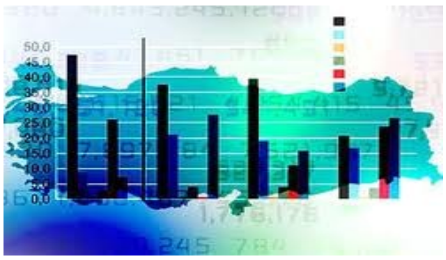
Turkey welcomes you

Angel Investors and Tax Exemption in Turkey

Good news for people with a great idea but not enough capital to support it. It is recently announced that investors in this category will be eligible for a 75 percent tax exemption.
According to the announcement, investors who invest in firms that have a project idea yet insufficient capital as "angel investors have been provided a 75 percent tax exemption. It is also added that over the past five years, they have ensured those who received financial support from the Ministry of Science, Industry and Technology, The Scientific and Technological Research Council of Turkey (TUBITAK) or Turkey's Small and Medium Enterprises Development Organization (KOSGEB) will be subject to a 100 percent tax exemption.

Economic Profile of Turkey

Over the last years, the economy of Turkey has performed significantly with its steady growth. A robust macroeconomic strategy together with major structural reforms and prudent fiscal policies has been in force since 2002. This made Turkey one of the major recipients of FDI in its region and integrated the Turkish economy into the globalized economies. Between 2002 and 2011 the economy reached an average annual real GDP growth rate of 5.2 percent, while reforms have made Turkey's macroeconomic fundamentals stronger.



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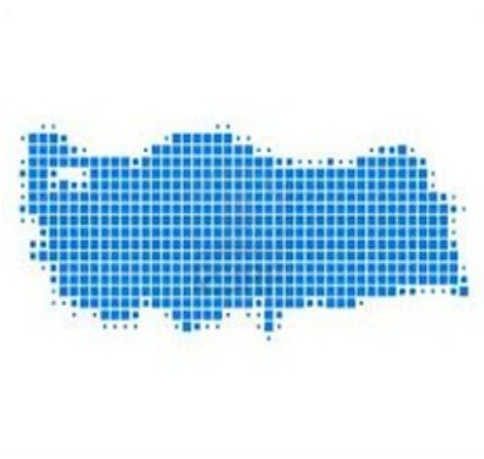
Angel Investors and Tax Exemption in Turkey

In recent years, the latest global finance crisis led companies to develop new methods regarding entrepreneurship and access to investment. Turkey is regarded as a significant market in this respect. After US and Europe, angel investors are increasing their activities in Turkey and angel investment model becoming a preferable way of funding for small and medium companies.

Although small and medium enterprises in developed countries are still suffering from not having enough business loans with banks reluctant to provide loans to start-ups, and venture capital firms preferring to keep their risks at minimum and invest in already established companies, many new start-ups were able to receive financing from angel investor.

Angel investment is a good method of funding for small and medium firms. Angel investors are generally individuals who are independently wealthy and provide financial backing for small start ups or entrepreneurs. The capital angel investors provide can be a one-time injection as seeding money or ongoing support for the development of the company. In return for their investment, these individuals become a part owner or a shareholder in the company they have invested in. Depending on the amount of risk associated with the business, the percentage of ownership of an angel investor changes. They also give their expertise to provide mentoring to the entrepreneurial teams in which they invest.



Good news for people with a great idea but not enough capital to support it. It is recently announced that investors in this category will be eligible for a 75 percent tax exemption. According to the announcement, there is good news for the investors who invest in firms that have a project idea yet insufficient capital. It is announced that "angel investors have been provided a 75 percent tax exemption”. It is also added that over the past five years, they have ensured those who received financial support from the Ministry of Science, Industry and Technology, The Scientific and Technological Research Council of Turkey (TUBITAK) or Turkey's Small and Medium Enterprises Development Organization (KOSGEB) will be subject to a 100 percent tax exemption.

The tax exemption will be valid until December 31, 2017. In Turkey, angel investors are able to invest minimum 20.000 TL and maximum 1.000.000 TL in start-ups. In case of more than one angel investor being interested in investing in a company, the total amount of investment can be maximum 2.000.000 TL.

Angel Investors and Tax Exemption in Turkey

However, in order benefit from tax exemption; angel investors need to obtain "Individual Participation Investor Licence" from Undersecretariat of Treasury. In order to have this license to be an angel investor, two year revenue of the candidate must be over 200.000 TL or needs to have personal wealth of 1.000.000 TL. Other conditions of being able to become angel investor are;

- having at least two years of experience as fund manager, manager or equivalent positions in a investment company,
- having worked as a deputy director general or in higher positions in the last five years, in a company that has an annual turnover of 50 million.

Tax exemption also necessitates that angel investors need to keep the share of the invested company at least for two years. In other words, investment is not supported for speculative purposes. In addition, angel investors will not be able to benefit from the tax exemption if the company they invest belongs to their family member or owns by them.

After completing all the necessary criteria, one can receive the licence which is valid for five years and extendable within five-year periods.

By a growing class of experienced entrepreneurs and business people are stepping in as angel investors, in order to fill the funding gap in economy. It is thought that the economy is likely to rise in future, as the financial sector recovers. These developments are very important for the technology, internet and new economy investments in Turkey. Angel investors' importance will continue to be critical in overcoming the financial and growth challenges facing entrepreneurs, in turn, contributing to innovation and job creation.

Turkey's New Policy on Property Sales to Foreigners

The Turkish Parliament has passed the long-awaited draft law that eases the restrictions on property purchases by foreigners. Under this new law all foreigners (with a few exceptions) and companies which are 50 per cent owned by international entities will legally have the right to own property and land. According to the law the limit of a piece of land that a foreign national can possess is raised from 25,000 square meters (2.5 hectares) to 300,000 square meters (30 hectares). This limit is increased to double upon authorization by the Council of Ministers.

Under the new legislation, foreign buyers must provide construction plans before a purchase is made. Individuals and businesses will need to submit project proposals for vacant land to the Ministry of Environment and Urbanization within two years. If approved, the project will be sent to the local land registry office. This is to prevent the practice of mass land buying and holding which restricts the progression for developing areas of Turkey. The law also allows for the purchase of up to 10 percent of the total area of densely populated towns. Foreign companies may purchase land only as allowed by law.

The lifting of the reciprocity principle enables foreign citizens to purchase land in Turkey without having previously signed a reciprocity agreement. Before the law, the nationals of 89 countries did not have the right to own property in Turkey since Turkish citizens are not entitled to a similar right in their countries, among which are Russia, the Gulf countries and Central Asian states.

This Law does not exclude the previous law in relation to the approval by the General Staff and Provincial Governors for Military clearance in military zones and security areas of Turkey.

With the approval of new legislation regulating the sale of Turkish land to foreigners, tourism centers have received more attention from prospective buyers, leading experts to predict a rise in property and housing prices as the demand increases. Due to a major shift in Turkish law that regulates land sales to foreigners, more buyers and tourists from the US, Central Asian, Middle Eastern and other surrounding countries are expected. The nationals of these countries are expected to show strong interest in channelling their investments to the country, contributing to the country's fight against unemployment and the current account deficit as well as to its exports. It is expected to at least double the amount of the foreign direct investment in Turkey, at around USD 2.5 billion annually. The government's plan will help the country lower its CAD and create more jobs for its young population.

Sources: http://www.invest.gov.tr
http://www.istanbulinvestments.com
http://www.articlesnatch.com

Economic Profile of Turkey

Over the last years, the economy of Turkey has continued its steady growth. A robust macroeconomic strategy together with major structural reforms and prudent fiscal policies has been in force since 2002. This made Turkey one of the major recipients of FDI in its region and integrated the Turkish economy into the globalized economies. Between 2002 and 2011 the economy reached an average annual real GDP growth rate of 5.2 percent, while reforms have made Turkey's macroeconomic fundamentals stronger.

In contrast to Europe, Turkey has been expanding economically in the last 10 years. As the GDP levels more than tripled to USD 772 billion in 2011, up from USD 231 billion in 2002, GDP per capita soared to USD 10,444, up from USD 3,500 in the given period. In 2007 Turkey's GDP increased by 4.7 %. In 2008 and 2009 Turkey was able to avoid the damage that could have been resulted from the global economic crisis. Although from the third period of 2008 Turkish economy went through downsizing period and country's GDP decreased by 0.7% at the end of the year. After the third quarter of 2009 Turkey's economy emerged from the period of downsizing and has achieved a process of strong and lasting recovery. Following the global crisis, Turkey's GDP reached to the second highest growth rate and in 2010 Turkish economy grew by 9.2 % putting Turkey among the fastest growing countries in the world for the year. GDP first time went over one trillion Turkish Lira and became TL 1,105,000,000,000 or USD 735,800,000.

In addition to steady growth in economy, Turkey also reined in its public finances; the European Union defined between 2002 and 2011 general government nominal debt stock fell from 74 percent to 39.4 percent. Thus, since 2004 “the 60 percent EU Maastricht criteria” for public debt stock has been meeting by Turkey.

In a similar way, from 2002 to 2011, there has been a decrease in the budget deficit from more than 10 percent to less than 3 percent, which is one of the EU Maastricht criteria for the budget balance.

In 2011 Turkey's GDP was USD 772,298 million, which suggests that the Turkish economy became the sixteenth biggest economy among 30 OECD countries. Despite the fact that many economies have been suffering from the global financial recession, important progress in such a short period of time have registered Turkey on the world economic scale as an exceptional emerging economy in 2011.

GDP in 2011 has increased by 17.8% to Turkish Lira 1,294,893 million at current prices and increased by 8.5% to Turkish Lira 114,874 million at constant prices. Real economic growth rates (based on GDP - production approach) in Q1, Q2, Q3 and Q4 in 2011 were 11.9%, 9.1%, 8.4% and 5.2% respectively. For the year 2011 as a whole, Turkey became the second country by 8.5% growth rate after China.

Economic Profile of Turkey

The structural reforms, accelerated by EU accession process, have led Turkey to make comprehensive changes in a number of areas. The most important purposes of these endeavours have been to enhance the function of the private sector in the country's economy, to increase the resiliency and efficiency of the financial sector, and to position the social security system on a concrete basis. Due to rapid growth in economy there has been an increase in the number of enterprises in the private sector this created many job opportunities.

- Institutionalized economy fuelled by USD 110 billion of FDI in the past nine years and 13th most attractive FDI destination in the world (2012 A.T. Kearney FDI Confidence Index)
- 16th largest economy in the world and 6th largest economy compared with EU countries in 2011 (GDP at PPP, IMF-WEO).
- Robust economic growth over the last nine years with an average annual real GDP growth of 5.2 percent.
- GDP reached USD 772 billion in 2011, up from USD 231 billion in 2002.
- Sound economic policies with tight fiscal discipline.
- Strong financial structure resilient to the global financial crisis.
- Rapid recovery from the global financial crisis.

In addition, according to the OECD, Turkey is expected to be the fastest growing economy of the OECD members in 2011-2017, with an annual average growth rate of 6.7 percent.

Turkey's economy is driven by modern industry and commerce along with a traditional agriculture sector. Country's largely free-market economy is added dynamism by banking, transport, and communication, and an emerging cadre of middle-class entrepreneurs. Such that, the automotive, construction, and electronics industries, are becoming more important and expanding production range beyond the county's well-known textiles and clothing sectors.

Due to its positioning on the map, Turkey is also an important player in the energy business. Despite the fact that Turkey's energy production is limited, being located on major pipelines gives the country a big advantage. Since May 2006, the Baku-Tbilisi-Ceyhan pipeline has been carrying the oil through Turkey, which brings up to 1 million barrels per day from the Caspian to market. Several gas pipelines projects also are moving forward to help transport Central Asian gas to Europe through Turkey.

Turkish economy has achieved strong growth, triggered by trade and foreign investment. Further economic and judicial reforms and prospective European Union membership are expected to boost Turkey's attractiveness to foreign investors.

AUGUST - SEPTEMBER 2012 - ISSUE: 8

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