

Law No : 3218

Approved : June 6, 1985

Amended : June 20, 2001

SECTION ONE

GENERAL PROVISIONS

Objective and Scope

Article 1- This Law encompasses the matters related to the establishment of free zones; the determination of their location and boundaries; their management; the determination of the scope of their activities; their operation; and the establishment of the installations and facilities within the zone; with the objective of increasing export-oriented investment and production in Turkey; accelerating the entry of foreign capital and technology; procuring the inputs of the economy in an economic and orderly fashion and increasing the utilization of external finance and trade possibilities.

Authority

Article 2- The Council of Ministers is empowered with the authority to determine the location and boundaries of free zones.

The Council of Ministers grants permission for the establishment and operation of free zones to public institutions and agencies, resident or non-resident real persons or legal entities.

Definitions

Article 3- In the implementation of this Law:

- a. "Operator" signifies the public institution and agency; the resident and non-resident real persons or legal entities operating the free zone.
- b. "User" signifies the real and legal person bearing an Operating License and having a specific place of business within the free zone.
- c. "Foreign exchange" refers to all currencies, or all types of accounts or bills, considered as being convertible by the Central Bank of the Republic of Turkey.

Activities

Article 4- All kinds of industrial, commercial and service activities approved by the Economic Affairs Supreme Coordination Council may be carried out within free zones.

Any authority regarding prices, quality and standards granted to public institutions and agencies by laws or other legislation will not be valid in the free zones.

SECTION TWO

ORGANIZATION OF THE FREE ZONES

Principles Related to the Organization of the Zone

Article 5- Land and facilities needed within the declared free zones can be acquired pursuant to the provisions of the Expropriation Law.

Domestic or foreign real persons or legal entities may be active within the free zones on the condition that an operating license has been granted to them by the Under secretariat for Foreign Trade (UFT). All other permits and licenses regarding the use of land as well as the design, construction and utilization of buildings and installations within the free zone shall be issued and supervised by the regional directorate.

Security services for the free zones shall be provided by the police.

Exemptions and Incentives

Article 6- The free zones are deemed to be outside of the customs borders.

Legislative provisions pertaining to taxes, levies, duties and to customs and foreign currency obligations are not applicable in these zones.

During the investment and production stages of their activities, operators and users can qualify for incentives to be determined by the Council of Ministers.

Income and revenues generated in the free zones through activities of real persons and legal entities with full or limited tax liability in Turkey, are exempt from income and corporate taxes, provided that the transfer of such income and revenues into Turkey is documented pursuant to foreign exchange regulations.

Revenues and Expenditures of Free Zones

Article 7- (Amended with the Law No. 4684, dated January 20, 2001) Revenues of Free Zones are as follows:

- a. Fees paid for operating licenses and permits;
- b. Fees paid in advance amounting to 0.05 per cent of the CIF value of goods entering and leaving the zone.
- c. Payments which will be collected according to the contracts made with real persons and legal entities managing the free zone.
- d. Other incomes providing from the activities of the zone.

After that incomes are transferred by the related administration to real persons due to the established contracts, the rest of the revenue is deposited to a special account opened at the Central Bank of the Republic of Turkey. After that the necessary returns and refusals are made, the rest of the amount will be deposited to the account of the central accountant which makes the payments of the Prime Ministry Under Secretariat for Foreign Trade. 90 % of this amount would be registered to the general budget as revenue while 10 % of it would be registered to the general budget as a special income for the establishment, maintenance and repair, development of free zones as well as the development of training and research activities and the support of the foreign trade. This amount which is registered to the general budget as a special income is registered by the Ministry of Finance as a special fund appropriated to the Prime Ministry Under Secretariat for Foreign Trade. The Ministry of Finance is empowered to register as a special income to the budget of the next year the rest of this special fund which has not been spent within the year.

Goods destined to the free zone that originate from Turkey, goods utilized during the investment and construction stages as well as instruments, tools and equipment which do not belong to users and brought temporarily into the free zone for repair and maintenance purposes and goods brought into the free zone for sub-contracting activities are exempt from payments specified in paragraph (b) of this Article. But this fee will be collected from the added value created during repair and maintenance and sub-contracting activities.

SECTION THREE

GOODS AND SERVICES

Goods in the Free Trade Zones

Article 8- Trade conducted between the free zone and other regions of Turkey is subject to the foreign trade regime. Upon request, goods originating from Turkey of less than 500 US dollars value may be exempted from export procedures. The foreign trade is not applicable for trade conducted between the free zones and other countries or free zones.

Foreign Exchange and Services

Article 9- All payments related to free zone activities are made in the form of foreign exchange. The Council of Ministers may decide that payments be also made in the form of Turkish Lira.

Shipping and port services in the free zones are provided either by the operator or assigned to public institutions and agencies or to real or legal persons.

SECTION FOUR

LABOUR AND SOCIAL SECURITY, REPEALED AND INAPPLICABLE

PROVISIONS, REGULATIONS

Labor and Social Security Provisions

Article 10- Foreign managers and qualified personnel can be employed by firms operating in the free zones. Related principles are specified by governing statutes. The provisions of the social security regulations of the Republic of Turkey are applied in the free zones.

Repealed Provisions

Article 11- The Free Zones Law No. 6209 dated December 21, 1953, is hereby repealed.

Inapplicable Provisions

Article 12- In the free zones, all provisions of

- Municipality Law No. 1580 except paragraphs 5, 22, 25, 32 and 47 of Article 15;

- Passport Law No. 5682,

- Law No. 5683 for Foreigners Traveling and Residing in Turkey and Law No. 2007 on Professions and Services Allocated for Turkish Citizens including its Annexes and Amendments,

- Foreign Investment and Encouragement Law No. 6224,

- Law No. 2677 on the Implementation of Duties and Services at the Civilian Airports, Ports and Border Gates

and provisions of other laws contrary to this Law shall not be applicable.

Free Zones Governing Regulation

Article 13- (Amended with the Law No. 4684 dated January 20, 2001) Matters in this Law of which arrangement has been left to the governing regulation, as well as the organization, duties, authority and responsibilities of those operators which will be active in the free zones, and the granting and the cancellation of the operating licenses that will be provided to these operators and users; the maintenance of their industrial and commercial registers; the payments they will make to the account, the principles governing the conduct of activities in the free zone; the zone entry permits and identity cards; permission for residence, work principles and other matters pertaining to the operation of the free zones will be determined by the governing regulation.

Interim Article 1- For a period of 10 years following the commencement of operations in the free zones the strike, lockout and mediation provisions of Law No. 2822, dated May 5, 1983, shall not be applicable in the zones.

However, any disputes arising within the context of collective bargaining during this period shall be resolved by the Supreme Arbitration Council.

Interim Article 2- This Law will be effective for each free zone upon the commencement of that free zone's operations.

The date of commencement of operations shall be when the construction of the perimeter fence, tower and gate have been completed and the regional directorate, police and customs units have assumed their duties.

Entry into Force

Article 14- This Law shall go into effect on the date of its publication.

Execution

Article 15- The provisions of this Law shall be enforced by the Council of Ministers.