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Istanbul Financial Center Law: Various Exemptions for Participants

Istanbul Finance Center Law ("Law", Law No. 7412) which regulates the management and operations of the Istanbul Finance Center ("IFC"), was published in the Official Gazette on June 28, 2022.

Pursuant to the Law, participants who obtain a participation certificate for operating in the IFC can benefit from various tax exemptions, incentives, and discounts. These exemptions are especially applicable for Financial Service Exports ("FSE") carried out at the IFC. FSE are financial services provided by the participants of the IFC to real and legal entities residing abroad. The Law regulates the following exemptions and incentives which applies to FSE carried out at the IFC:

- ▶ 75% (and 100% for the years between 2022-2031) of the earnings generated from FSE are deducted from the corporate income tax, provided that it is shown separately on the corporate tax return,
- ▶ Payments received in favor of FSE transactions are exempt from the banking and insurance tax,
- ▶ Transactions related to FSE are exempt from all kinds of fees, also the documents issued related to these transactions are exempt from the stamp tax,
- ▶ Real estate leasings at the IFC are exempt from fees, also the documents issued related to these transactions are exempt from the stamp tax.

Furthermore, the Law regulates income tax exemptions regarding the monthly salaries paid to certain personnel working at the IFC. Exemptions mentioned below are only applicable for employees who worked outside Turkey in the last 3 years before they start working at the IFC;

- ▶ 60% exemption for those who have at least 5 years of professional experience abroad, and
- ▶ 80% exemption for those who have at least 10 years of professional experience abroad.

According to the Law, participants at the IFC are able to keep their legal books and documents in foreign currency. There shall be no obligation to have transactions and agreements in Turkish for activities carried out at the IFC. In addition, participants shall be free to choose the governing law for any private law transactions and agreements among themselves.

With various financial incentives and accelerated application procedures, the Law mainly aims to attract Turkish and international financial institutions into the IFC, thereby aiming to make Istanbul a leading international financial hub.

CONTACT US

Beybi Giz Plaza No: 1 Office: 43
Maslak, Istanbul, Turkey
+ 90 (212) 215 30 00
info@gurulkan.com
www.gurulkan.com