

ISTANBUL FINANCIAL CENTER LAW

Law No. 7412
Adoption Date : June 6, 2022
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Purpose and scope

ARTICLE 1- (1) The purposes of this Law are to increase the financial competitiveness of the Republic of Türkiye in the international arena, to contribute to the development and deepening of financial markets and products and services, to strengthen the integration with international financial and capital markets, and thus to make Istanbul Financial Center one of the leading global financial centers.

(2) This Law regulates the area of the Istanbul Financial Center, the provisions regarding the management and operation of the Istanbul Financial Center, the activities carried out in the Istanbul Financial Center and the incentives, deductions, exceptions and exemptions for these activities.

Definitions and abbreviations

ARTICLE 2 - (1) In the implementation of this Law;

a) The term financial activities refers to the relevant activities, services and transactions specified within the scope of:

- 1) Law No. 1567 on the Protection of the Value of Turkish Currency dated 20/2/1930,
- 2) Law No. 4632 on Private Pension Savings and Investment System dated 28/3/2001,
- 3) Banking Law No. 5411 dated 19/10/2005,
- 4) Bank Cards and Credit Cards Law No. 5464 dated 23/2/2006,
- 5) Insurance Law No. 5684 dated 3/6/2007,
- 6) Financial Leasing, Factoring, Financing and Savings Financing Companies Law No. 6361 dated 21/11/2012,
- 7) Capital Market Law No. 6362 dated 6/12/2012,
- 8) Law No. 6493 on Payment and Securities Settlement Systems, Payment Services and Electronic Money Institutions dated 20/6/2013,

b) Financial institutions: Legal entities engaged in financial activities, their branches, liaison offices, representative offices and national wealth funds,

c) IFC: The Istanbul Finance Center Region as determined by the attached list and the coordinated sketch (Attachment No.1),

ç) Out-of-scope area: Located within the boundaries of IFC, the area consisting of shopping malls, hotels and similar places outside the office area and designated for purposes other than office use,

d) Participant: Real persons and legal entities their branches and representative offices, ordinary partnerships, liaison offices, regional management centers and sovereign wealth funds that will operate in the office area by obtaining a certificate of participation.

e) Certificate of participation: Allowing the participant to benefit from the relevant independent section and common areas in the office area; the document in which the procedures and principles regarding the issuance, suspension and cancellation are determined in the implementing regulation,

f) Office area: The area that can be used within the boundaries of the IFC, by obtaining a certificate of participation, and consists of independent sections dedicated to office use,

g) Managing company: A joint stock company established by the Türkiye Wealth Fund in order to use the duties and authorities given under the Law and operating under the provisions of private law,

Area and certificate of participation

ARTICLE 3 – (1) The area determined according to the sketch and list numbered as Attachment (1) identifies the boundaries of IFC where the activities within the scope of this Law and other relevant laws will be carried out.

(2) Articles 6, 7 and 8 shall not be implemented for the out-of-scope area.

(3) Certificate of participation is issued by the Finance Office of the Presidency of the Republic of Türkiye for the participants to operate in the office area.

(4) The procedures and principles regarding the certificate of participation including the issuance of certificate of participation, the exemption conditions for the certificate of participation, the issues related with the suspension and cancellation of the certificate of participation are regulated in the implementing regulation.

One stop bureau

ARTICLE 4 - (1) A one stop bureau, where the relevant units of public institutions and organizations will take charge, is established in order to make applications such as permits, licenses and approvals regarding the activities of the participants, as well as permits and approvals for their employees and their dependents, and to speed up the application processes.

(2) At the one stop bureau; representatives of the Ministry of Labor and Social Security, the Ministry of Environment, Urbanization and Climate Change, the Ministry of Treasury and Finance, the Ministry of Interior, the Ministry of Commerce and, if deemed necessary by these ministries, their registered, relevant, associated organizations or representatives of these public institutions and organizations that are under the control of these ministries, and representatives of the relevant district municipality will take part.

(3) Without prejudice to the provisions of the relevant legislation, the one-stop bureau is administered and managed by the Finance Office of the Presidency of the Republic of Türkiye in order to monitor the transactions to be carried out in the IFC and to ensure coordination between public institutions and organizations. In case of need, different ministries, public institutions and organizations can also be included in the one-stop bureau. The procedures and principles regarding the operation of the one stop bureau are regulated in the implementing regulation.

Financial service export

ARTICLE 5 - (1) Financial services provided by the financial institutions operating in the IFC with a certificate of participation to persons residing abroad are considered as financial service export, provided that the services are ultimately benefitted abroad.

(2) Derivative transactions, portfolio asset purchases and asset sales carried out by financial institutions on their own behalf and activities carrying the savings of local residents abroad will not be considered as financial service export.

Exceptions and discounts on taxes and other financial liabilities

ARTICLE 6 - (1) For the activities, transactions and transactions relating to the activities that are realized at IFC by financial institutions that have been granted certificate of participation, which qualify as financial service export;

a) 75% of the profits generated by the financial activities will be deducted from income in the calculation of the corporate income tax base, provided that it is separately shown on the corporation tax return.

b) Money received in favor of these transactions will be exempt from the banking and insurance transaction tax.

c) All transactions related to the financial services exports will be exempt from all charges and all papers issued for these transactions will be exempt from stamp duty.

(2) Employees of financial institutions that have a certificate of participation at IFC; 60% of the monthly gross salaries for those with at least 5 years of professional experience abroad, and 80% of the monthly gross salaries for those with at least 10 years of professional experience abroad will be exempt from income tax. The exemption will apply to the monthly salary of employees who have not worked in Türkiye in the last three years before working at the IFC.

(3) All transactions relating to the leasing of the real estate in the IFC will be exempt from all charges. The papers issued in connection with the said transactions will also be exempt from stamp duty.

(4) The deductions and exemptions mentioned above will also apply to the regional treasury and financial management centers of the participants who are actively operating in at least three countries.

Joint Provisions

ARTICLE 7 - (1) The Ministry of Treasury and Finance is authorized to determine the regulations under which the participants may keep their books and documents in foreign currency, without being bound by the restrictions in the Tax Procedure Law No.213 dated 4/1/1961 and the Turkish Commercial Code No. 6102 dated 13/1/2011.

(2) Article 1 and Article 3 of the Law No. 805 dated 10/4/1926 on Compulsory Use of Turkish in Economic Institutions shall not apply to all kinds of transactions, contracts and communications arranged within the scope of the activities carried out by the participants among themselves and at the IFC.

(3) Within the scope of the activities carried out by the participants at the IFC, the choice of law can be made freely in all kinds of transactions and contracts made subject to private law, provided that the activities of the participants are not contrary to the legislation to which they are subject to.

(4) The provisions of this article are also applied to the regional treasury and financial management centers of the participants who are active in at least three countries.

Employment of foreign nationals

ARTICLE 8 – (1) The regional treasury and financial management centers of the participants who are actively operating in at least three countries and participants who are to operate at IFC, can employ foreign national personnel upon permission from the Ministry of Labor and Social Security pursuant to the International Labor Law No. 6735 dated 28/7/2016. Work permit applications to be made in this context shall be evaluated as exception within the context of Article 16 of the Law No. 6735.

Provisions on immovables

ARTICLE 9 - (1) The immovables in IFC can only be used for the purposes determined in its project and management plan. The Ministry of Environment, Urbanization and Climate Change is authorized to make, have it made and approve all types and scales of spatial plans, parcellation plans, land and plot arrangements, geological and geotechnical surveys, micro-zoning, maps and urban design projects in the IFC.

(2) The IFC management plan and operation project are prepared by the managing company and registered ex officio.

(3) Upon the cancellation of a certificate of participation for any reason, the lease agreement made by the participants to operate in the IFC shall be terminated automatically. If the lease agreement is annotated on the title deed, the annotation is canceled upon the request of the managing company. The provisions of the Law No. 3091 dated 4/12/1984 on the Prevention of Encroachments on the Possession of Immovable Property shall apply to the evacuation of the immovables subject to the lease agreements terminated in this way.

Regulation

ARTICLE 10 - (1) The procedures and principles regarding the implementation of this Law and other matters shall be regulated in the implementing regulation issued by the President.

Additional exemption for corporate tax and fees

PROVISIONAL ARTICLE 1 - (1) The 75% rate in subparagraph (a) of the first paragraph of Article 6 is applied as 100% for the corporate earnings of the corporations for the taxation periods of 2022 to 2031. These periods cover the accounting periods that begin within the relevant years for institutions designated as special accounting periods.

(2) For a period of five years following the effective date of this Law, the financial activity fees, due under the Fees Law No. 492 dated 2/7/1964, shall not be charged to headquarters and branches of financial institutions in IFC, which have obtained a certificate of participation. Any fees accrued as of the effective date of the law shall be not abated, and any fees already collected shall not be refunded.

The transitional provision regarding the management of the Istanbul Financial Center Region

PROVISIONAL ARTICLE 2 - (1) At IFC, except for the operation and management of all infrastructure and superstructure, the leasing of free sections and areas, and the areas allocated to the relevant institutions which belong to the public administration, in line with the functions determined in the zoning plan, all sorts of management activities, namely roads, squares, green areas, parks and similar places reserved for public services will be carried out by the managing company for a period of twenty years.

(2) Within the scope of the Property Ownership Law No. 634 dated 23/6/1965, the power and authority of the board of property owners, the board of block representatives and the collective building representatives board will be used by the managing company for the immovables in IFC for twenty years.

Entry into force

ARTICLE 11 - (1) This law enters into force on the date of publication.

Enforcement

ARTICLE 12 - (1) Provisions of this Law shall be executed by the President.

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