



AFB ENERJİ ENGINEERING DOMESTIC AND FOREIGN TRADE LTD.

REGARDING THE CHANGES MADE ABOUT THE SUPPORT AND INCENTIVES PROVIDED FOR UNLICENSED SOLAR ENERGY (SES) INVESTMENTS

Before the amendments made to the legislation, investments in electricity production from solar energy were supported within the scope of general incentive supports such as VAT exemption and customs duty exemption, but with the Decision on Amendments to the Decision on State Aid in Investments No. 5209, which entered into force with the publication of the Official Gazette dated **February 24, 2022**, investments in electricity production facilities based on solar energy were included within the scope of Regional Incentive, **provided that they are within the scope of unlicensed activities and limited to the contract power in the connection agreement and not less than 240 kW, and thus, in addition**

to the existing VAT exemption and customs duty exemption provided to solar and wind energy investors,

regional supports such as a 30 percent investment contribution rate and insurance premium employer share support for 6 years in energy production were provided. Detailed information on the subject is available in our information circular.

Minimum Conditions Required to Benefit From the Incentive

- To be a completely new investment
- The installed power of the solar power plant to be established must be at least 240 kW

(According to the 9th paragraph of Article 15 of the Presidential Decree dated August 21, 2020, investments in the nature of modernization and investments with a capacity below 240 kW in solar energy electricity generation investments are not supported.)

- To produce electrical energy within the scope of unlicensed activity



Minimum Investment Required For SES Investments

Investments in regions 1 and 2 to be 3 million TL

Investments in regions 3, 4, 5 and 6 to be 1 million 500 thousand TL

Eligibility to Apply For the Incentive

All companies with investment projects that meet the application requirements can apply by checking the province and sector where the investment is located in the Annex 2/B list of the decision.

Determination of Regional Supports to be Applied for Unlicensed SES Investments

All companies with investment projects that meet the application requirements can apply by checking the province and sector where the investment is located in the Annex 2/B list of the decision.

In projects based on unlicensed wind and solar energy investments, investments are supported in all regions without any regional distinction; If the investment is made in the 1st, 2nd and 3rd regions, it will benefit from the regional supports applied in the 4th region, and if it is made in the 4th, 5th and 6th regions, it will benefit from the regional supports applied in the region where it is located.



Relevant Legislation;

Footnote no. 14 added to the table titled "Sector Numbers of Provinces' Sectors That Can Benefit from Regional Support" numbered ANNEX-2B added to the newly published decision:

"(14) Within the scope of unlicensed activity and limited to the contractual power in the connection agreement, investments in electricity generation facilities based on solar energy and investments in electricity generation facilities based on wind energy benefit from the regional supports applied to the 4th region if they are realized in the 1st, 2nd and 3rd regions, and from the regional supports applied to the region in which they are located if they are realized in the 4th, 5th and 6th regions, without providing interest/profit share support."

The Scope of Support

Tax Deduction

For investments made within the scope of incentives, tax reduction will be provided by applying the reduced corporate tax stated on the document exclusively to the profit obtained from the investment until the investment contribution rate stated on the incentive certificate is reached.

	Investment Contribution Rate	Reduced Corporate Tax Rate*
1st, 2nd, 3rd and 4th regions	30%	70%
5th region	40%	80%
6th region	50%	90%



* Since the 2022 corporate tax rate is 23% in the manufacturing sector, the Discounted Corporate Tax to be applied to the income obtained from the investment will be calculated as follows. It has been accepted that the investment benefits from the 4th region supports.

$$\% 23 - (\% 23 \times \% 70) = \% 23 - \% 16,10 = \% 6,90$$

Tax deduction can also be used in the deduction of data calculated for the company's earnings from different activities during the investment period.

However, solar panels and solar panel carrier construction systems to be procured from abroad will not be considered as investment expenditures as per the provision in subparagraph (e) of paragraph 2 of Article 8 of the NOTIFICATION ON THE IMPLEMENTATION OF THE DECISION ON STATE AID IN INVESTMENTS (2012/1) titled Expenses not evaluated within the scope of the incentive certificate and therefore will not benefit from the tax deduction.

Insurance Premium Employer Share Support

For individuals working in investments that are exclusively engaged in energy production, there is an unlimited SSI Employer Premium Support for 6 years in the 1st, 2nd, 3rd, and 4th Regions, limited to 25% of the investment, 7 years in the 5th Region, and 10 years in the 6th Region. (The number of people to be supported within the scope of the investment and other relevant details will be determined by the procedures and principles to be issued.)

The said support will be limited to the portion of the employer premium rate calculated over the minimum wage for years. However, solar panels and solar panel carrier construction systems to be procured from abroad will not be considered as investment expenditures in accordance with the provision in subparagraph (e) of paragraph 2 of Article 8 of the NOTIFICATION ON THE IMPLEMENTATION OF THE DECISION ON STATE AID IN INVESTMENTS (2012/1) titled Expenditures not evaluated within the scope of the incentive certificate, and therefore will not be able to benefit from the SSI Employer Premium Discount application.

VAT Exemption

VAT exemption is applied for machinery and equipment purchases. However, solar panels and solar panel carrier construction systems to be procured from abroad will not be considered as investment expenditures as per the provision in subparagraph (e) of paragraph 2 of Article 8 of the NOTIFICATION ON THE IMPLEMENTATION OF THE DECISION ON STATE AID IN INVESTMENTS (2012/1) titled Expenditures not evaluated within the scope of incentive certificates, and therefore VAT exemption will not be applied.



Customs Duty Exemption

Customs duty exemption is applied for machinery and equipment purchases. However, since solar panels and solar panel carrier construction systems to be procured from abroad will not be considered as investment expenditures in accordance with the provision in subparagraph (e) of paragraph 2 of Article 8 of the NOTIFICATION ON THE IMPLEMENTATION OF THE DECISION ON STATE AID IN INVESTMENTS (2012/1) titled Expenditures not evaluated within the scope of the incentive certificate, customs duty exemption will not be applied.

Interest/Dividend Support

The GES investments announced in this circular will not benefit from interest/dividend support.

Summary Table:

SUPPORT ELEMENTS	REGIONS					
	I	II	III	IV	V	VI
VAT Exemption	YES (Except for solar panels and solar panel carrier construction systems to be supplied from abroad)					
Customs Duty Exemption	YES (Except for solar panels and solar panel carrier construction systems to be supplied from abroad)					
Tax Reduction	70 (1st, 2nd, 3rd, 4th Regions)				80 (5th Region)	90 (6th Region)
Investment Contribution Rate (%)	30				40	50
Insurance Premium Employer Share Support	6 years				7 years	10 years
Employer Share of Insurance Premium Support Limit (Fixed Investment Amount * %)	25				35	No Limit
Stamp Duty and Fee Exemption	YES					
RUSF Exemption	YES					
Interest of Dividend Support	NO					



Expenditures Not Included in the Scope of Support

There is no interest/profit share support within the scope of 4th Region incentives for solar power plant investments. Solar panels and solar panel carrier construction systems to be procured from abroad are not accepted as investment expenditures and are excluded from the scope of the incentive.

Support Period

These supports can only be used within the scope of investment incentive documents to be issued as of 24/02/2022.

Applications will be made electronically via e-tuys.

It can be used within the scope of Investment Incentive Documents.

- - Import List
- - Domestic List
- - Tax Certificate
- - SSI No Debt Letter
- - EIA Letter
- - Project Introduction Document
- - Project Approval to be Obtained from the Electricity Distribution Company
- - Connection Agreement



Provinces by Incentive Regions

1st Region: Ankara, Antalya, Bursa, Eskisehir, Istanbul, Izmir, Kocaeli, Mugla, Tekirdag

2nd Region: Aydin, Balikesir, Bilecik, Bolu, Canakkale (excluding Bozcaada and Gokceada provinces), Denizli, Edirne, Isparta, Karabuk, Kayseri, Kirklareli, Konya, Manisa, Sakarya, Yalova

3rd Region: Adana, Burdur, Duzce, Gaziantep, Karaman, Kirikkale, Kutahya, Mersin, Samsun, Trabzon, Rize, Usak, Zonguldak

4th Region: Afyonkarahisar, Aksaray, Amasya, Artvin, Bartin, Corum, Elazig, Erzincan, Hatay, Kastamonu, Kirsehir, Malatya, Nevsehir, Sivas

5th Region: Bayburt, Cankiri, Erzurum, Giresun, Gumushane, Kahramanmaras, Kilis, Niğde, Ordu, Osmaniye, Sinop, Tokat, Tunceli, Yozgat

6th region: Adıyaman, Ağrı, Ardahan, Batman, Bingöl, Bitlis, Diyarbakır, Hakkari, Iğdır, Kars, Mardin, Muş, Siirt, Şanlıurfa, Şırnak, Van, Bozcaada and Gökçeada

Note: The investor must check the sector number of the province from the EK/2A list and confirm whether it is one of the regionally supported sectors.

For example, in the province of Istanbul, only sectors 7, 14, 31, 32, 34, 35, 37, 42 and 45 can benefit from these supports.