

## COMPARISON OF WORKPLACES' OPENING PROCESSES IN THE FREE ZONE AND ORGANIZED INDUSTRIAL ZONE

### 1. Operational Activities

- **Free Zone:** Free zones are zones established for the purpose of **promoting foreign trade** and they are regulated by **Law No. 3218 on Free Zones ("FZ")**. Enterprises located in these zones can carry out production, trade and service activities abroad. Free zones are focused on foreign trade activities and overseas production. Customs procedures and permits are easier for bringing goods to the free zone, processing them there and then sending them abroad. However, domestic sales in Free Zones may be prohibited by the relevant Free Zone Directorate. Although the legislation does not stipulate an explicit restriction in this regard, the attitude of the directorate should be learned by contacting the free zone directorate where the factory is to be established.
- **Organized Industrial Zones:** Organized industrial zones are zones established in certain areas for **industrial production** in Türkiye, governed by the Ministry of Industry and Technology and subject to **Law No. 4562 on Organized Industrial Zones ("OIZ")**. These zones are residential areas organized for enterprises to carry out **production activities**. Activities such as production and processing are essential, but there is no obligation to export.

### 2. Procedure for Obtaining an Activity License in FTZ and a Workplace Opening and Operation Permit in OIZ

- **Free Zone:** Companies that will operate in Free Zones must fill in the "**Activity License Application Form**". This form is submitted to the General Directorate of Free Zones. The factory that will operate in the Free Zone must obtain an "activity license", not a "workplace opening and operation license". An application must be filed with the relevant free zone directorate.

The relevant directorate conducts an inspection in terms of activity and available space in the free zone. In the case of application, the process progresses according to the activity and export volumes of the applicant company. In practice, a response (positive or negative) may be received approximately in **2 (two) months**. After the issuance of the license, the authority visits the workplace for an audit within 1 (one) month. In the case of a rejection, the application fee is refunded. In the guideline published by the General Directorate of Free Zones in November 2023 regarding "Activity License Application Procedures", the required documents are listed as follows (as of December 2024). Please note that these documents may change at the timing of the application and therefore needs to be checked in respect of updated information:

- Activity License Application Form and a photocopy,
  - Signatory's authorization certificate and signature circular,
  - Turkish Trade Registry Gazettes in which the establishment announcement of the applicant company and its latest capital and shareholding structure are published, and Chamber of Commerce and/or Chamber of Industry registration,
  - Balance sheet, profit and loss statement of the company for the last three years,
  - Original and a photocopy of the bank receipt showing that the application fee has been deposited in the Central Bank of the Republic of Türkiye,
  - Document showing the amount of foreign currency brought to Türkiye in the last three years.
- **OIZ:** Pursuant to Article 6 of the Regulation on Workplace Opening and Operation Licenses ('**OIZ Regulation**'), no workplace may be opened and/or operate without a workplace opening and operation license duly obtained from the competent authorities.

If the factory is relocated/moved to another address, a new license is required (Workplace opinion no. 71188846-045.02-4471437). The required documents for the operation license vary according to the relevant OIZ. The required documents are listed on the websites of the OIZs, so each OIZ has its own list of required documents. Since most of the documents on the list are based on the same legislative provisions (e.g. Regulation on Workplace Opening and Operation Licenses), there may be a slight

difference for each OIZ. When a specific Organized Industrial Zone is selected, it is more useful to request a complete list.

Within the scope of Article 4/14 of the OIZ Law, workplace opening and operation licenses are issued and inspected by the OIZ. The fees incurred during the issuance of the opening and operation license are collected by the OIZ. Other than this, no special exceptions are granted in terms of operation licenses. In practice, after all the required documents are duly submitted, the evaluation process/issuance of the license takes **1.5 months if the process goes without problems**. There is no time limit specified in the OIZ Regulation for the OIZ Directorate to respond. In practice, it is accepted that bureaucratic procedures and correspondence are faster in OIZs than in non-IZ areas.

### 3. **Infrastructure and Support Services**

- **Free Zone:** Infrastructure and services in free zones are organized more in line with the needs of foreign trade. Outward-oriented support such as **customs procedures** and **logistics services** are stronger.
- **OIZ:** In OIZs, infrastructure focuses more on internal services such as **electricity, water, natural gas and security** services for industrial production.

### 4. **Employees and Occupational Health and Safety**

- **Free Zone:** Since businesses in free zones are especially engaged in foreign trade-oriented activities, occupational health and safety regulations are usually under the supervision of the local OSGB (Joint Health and Safety Unit).
- **OIZ:** Occupational health and safety inspections are also conducted for enterprises in OIZs but are more supervised and managed by local and regional government.

### 5. **Tax Incentives and Supports**

- **Free Zone:** Within the scope of Article 6 of the Free Zones Law, if the goods produced in free zones are exported, the provisions of the legislation on taxes, duties, fees, customs and foreign exchange taxpayers are not applied. Exemption is granted. For this, a certain volume of exports is required. For example, the wages paid to the personnel employed are exempt from income tax provided that at least 85% of the FOB value of the products produced is exported abroad. In addition, users who meet the high technology criteria are provided with rental support and credit support within the scope of Article 3 of the "Decree on Supports to be Provided in Specialized Free Zones".
- **OIZ:** Free Zones do not receive the same discount as for export goods. Obligations such as VAT and customs duty apply in all cases. However, corporate tax reductions and some investment incentives may be provided for the development of industry. Generally, general production incentives apply, not special incentives for exports.

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*If you have any questions regarding our note above, you can always contact us.*

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#### **Contact**

**Burcu Dal Gökalp**

*Partner*

[bdg@guner.av.tr](mailto:bdg@guner.av.tr)

**Yiğit Narin**

*Associate*

[yn@guner.av.tr](mailto:yn@guner.av.tr)

#### **Güner Law Firm**

Eski Büyükdere Cad.

Giz 2000 Plaza No: 7

Kat: 4 D: 15 34398 Maslak,

Sarıyer, İstanbul, Turkey

T +90 212 282 4385

F +90 212 282 4305

[info@guner.av.tr](mailto:info@guner.av.tr)

[www.guner.av.tr](http://www.guner.av.tr)