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## **TÜRKİYE'DE GİRİŞİM SERMAYESİ FONU VE GİRİŞİM SERMAYESİ YATIRIM FONU ORTAKLIKLARINA YAPILAN YATIRIMLARA SAĞLANAN VERGİ AVANTAJLARININ ANALİZİ**

### **Özet**

Girişim Sermayesi Fonları 2000'li yılların başında dünya çapında sıkça adı duyulan yatırım araçlarından biridir. Ancak, Türkiye'de Fonların kullanım alanı, 31.05.2012 tarih ve 6322 sayılı Amme Alacaklarının Tahsil Usulü Hakkında Kanun İle Bazı Kanunlarda Değişiklik Yapılmasına Dair Kanununun 15. maddesi ile 213 sayılı Vergi Usul Kanununa 325/A maddesi eklenmesi ile olmuştur. Bu çalışmada, girişim sermayesi fonunun genel çerçevesi ve özellik gösteren konuları tartışılacaktır. Çalışmanın amacı girişim sermayesi fonunu ve girişim sermayesi yatırım ortaklıklarının fon yatırımlarının indirimi konularını yasal çerçeveleri dikkate alarak analiz etmektir. Son olarak çalışmada, bu alandaki çalışmalar taranarak ortaya konmuş ve iyi uygulama örneklerinden yola çıkarak girişim sermayesi ve girişim sermayesi yatırım ortaklıklarının fon yatırımlarının indirimi başarısının geliştirilmesi için öneriler geliştirilmiştir.

**Anahtar Kelimeler:** Girişim sermayesi fonu, yatırım fonu ortakları, gelir vergisi, kurumlar vergisi, vergi indirimi

## ANALYSIS OF THE PRIVATE EQUITY FUND AND TAX CREDIT ON THE PRIVATE EQUITY TRUST INCORPORATIONS IN TURKEY

### Abstract

Private Equity Funds (PAIFs) are tools of the highly mentioned investment vehicles worldwide in the early 2000s. However, the utilization of PAIFs has increased in Turkey was made with the addition of the Article 15 of the Law on the Amendment of the Law on the Collection of Public Receivables and Law No. 6322 dated 31.05.2012 and the Article 325 / A on the Tax Procedural Law No: 213. This paper involved a general framework and the most remarkable characteristics of Private Equity Funds. It aimed to discuss the private equity fund and private equity trust incorporations with reference to Turkey legislation. Finally, the paper explored a set of conditions and policies need to support the success of the private equity fund and the tax credit on private equity trust incorporations as a government incentives based on best practices and the field research.

**Keywords:** Private equity fund, private equity trust incorporations, income tax, cooperation tax, tax credit.

### Introduction

What the entrepreneurship system needs to do to work well has often been a matter of a debate. The most important problems of the entrepreneurs is one of the researches done in this context. Research shows that the most important problems faced by entrepreneurs during their operations are access to the finance. Entrepreneurs have access to a variety of financial instruments to access financing. One of them is Private Equity Fund and Private Equity Trust Incorporations.

Based on the principle of securing high returns in proportion to the high rate of return of the investments from invested businesses in the middle and long term, Venture Capital is offered as an early stage to firm the financing option providing rapid growth potential by generating business idea. Private Equity Funds are commonly investing resources in small-sized businesses, which generally have a young, dynamic, rapid growth and high profitability potential, but suffer from the financial resources required to realize investment and growth (Ertürk, 2014).

Private Equity Funds (PAIFs) are innovative funds created to support companies located in Turkey and also to support companies in creating or improving the infrastr-

structure of innovation, knowledge and technology development and value added activities.

In line with this, it was added to the 15th the Article of The Provisions of The Law No. 6183 on Collection Procedure of Public Receivables and the Article 325 / A, entitled " Private Equity Funds ", was added after the Article 325, which regulates the subject of "Amortization" in the third part of the third book entitled "Appraisal" of the Tax Procedure Law. In order to acquire the shares of the regulated Private Equity Funds , it is possible to determine the " Private Equity Funds " from the related period earnings. It is also possible to allocate the fund from the earned income or declared income and to reduce the separated fund at the rates prescribed in the law. In a sense, they have the opportunity to use a portion of the tax they will pay for businesses as a source.

The regulation on venture capital investment trusts and venture capital investment funds was made with the addition of the Article 15 of the Law on the Amendment of the Law on the Collection of Public Receivables and Law No. 6322 dated 31.05.2012 and the Article 325 / A on the Tax Procedural Law No: 213.

In addition, the Article 36 of Law No. 6322, and the Article 5520 of the Law on Corporations Tax No. 10 (g) have been added. With the aforementioned provision, the advantage of allowing the taxpayers of the corporations to allocate the private equity fund from the related period earnings is provided.

Our aim in this study was to demonstrate the principles and procedures of taxation of private equity fund and venture capital investment trusts and venture capital investment funds in terms of taxpayers. Moreover, to explore a set of conditions and policies need to support the success of the private equity fund and tax credit on private equity trust incorporations as a government incentives. Moreover, in the conclusion section, suggestions were given for the development and dissemination of venture capital and private equity trust incorporations taking into consideration the legal legislation and application in force.

### **Definition and scope**

Entrepreneurship is defined as "creating something new with value by devoting necessary time and effort, assuming the accompanying financial, psychic and social risks and receiving the resulting rewards of monetary and personal satisfaction of independence"(Hisrich, 2005) . In other words, entrepreneurship is a concept that expresses the ability of the individual to reach creativity, innovation and risk as well as to reach targets, plan and manage projects in the past (Ceyhan, 2015).

In other words, entrepreneurship is an umbrella term that helps to better understand the opportunities that may arise in the realization of the social and commercial activities of employees and individuals in daily life, working life and society. On

the other hand, venture capital is a unique form of finance capital with special implications for high-technology economic development (Ceyhan, 2015).

A private equity fund is a pooled investment fund financed by private investors who are only exposed to limited liability and usually they make less liquid investments and may require an investor to lock their money with the fund for a period of 3-10 years. In this framework, private equity fund, investors with funding surplus can also be expressed as a long-term investment for the formation and operation of small and medium-sized enterprises with high development potential (Gökmen, 2012).

The private equity fund is an initiative to support venture companies in the creation or development of product and / or technology production infrastructures resulting from these activities for the purpose of developing innovative products, processes, information and technology that can provide an added value and improving production processes refers to the mutual funds and legal entities established to support venture companies located in Turkey, which have the potential to contribute to the development and resource needs(Yüce, 2013).

According to the capital market legislation, the "venture company", having been established or will be established in Turkey, and bearing the development potential and needs resources, the venture company is also called as "Venture Company", the private equity fund which is established as venture capital investments, venture capital investment partnership " (Netek, 2012).

#### **Factors determining the level of venture capital development**

The Venture Capital model first appeared in the United States. Venture Capital investment is being made in the USA with an average annual amount of 25 billion US Dollars. The sum of US Venture Capital investments between 2008 and 2013 is around US \$ 160.7 billion. The total number of companies operating in the US as of the end of 2010 is 791, and the number of funds established by these companies is 1.183 (Yüce, 2013).

The factors that determine the level of development of a venture capital in a country can be gathered under the following headings (Ertürk, 2014).

#### **Economic structure of the country**

The applicability of the private equity fund, the size and growth rate of the economy and the general welfare level of households directly influence the number of new companies established. As the economy grows, new companies have been established and new opportunities for the Venture Capital have been emerging. Furthermore, with the increase in wealth, savings have been rising and the amount of funds flowing into the Venture Capital is has been increasing.

### **Current country entrepreneurship culture structure and investment opportunities**

The R & D and innovation capacity of countries are important for the development of Venture Capital, where households quickly adapt to new Technologies, as well as the ease of setting up a new company, managing the company and making it easier to liquidate. It is also important for the development of the Venture Capital.

#### **Capital structure of the country**

The existence of a developed securities exchange where the public offering process is easy is useful for the exit of the Venture Capital from investments. The liquidity of the stock market, size, and number of public offerings, mergers and acquisitions, ease of access to finance is an important factor for investors.

#### **Tax system**

The impact of taxes on the sector is a controversial issue. However, low corporate tax rates, tax incentives for the Venture Capital investors, and reduction of administrative liabilities on the Venture Capital are positive factors. To encourage the establishment of new companies in some countries, income tax rates are held higher than corporate tax rates.

#### **Investor protection and corporate governance principles**

Private equity funds are built on complex legal contracts. The legal protection of the investors and the completion of court proceedings as soon as possible are important factors for investors. In this framework, establishment of a strong legal infrastructure, protected by investors and copyrights, the introduction of sound corporate governance principles, and presence of equipped subsidiaries (investment banks, audit and consultancy firms, law firms) increase the effectiveness of the Venture Capital.

#### **Human resources and community environment**

The quality of education in a country directly determines the quality of human capital. Structuring the education system towards entrepreneurial training is important for increasing in the activities of the Venture Capital. Raising the number of university programs to support research, innovation, and cultures is also beneficial in increasing the culture and capacity of entrepreneurship. The labor market is not flexible, bribery, corruption, excessive informal economy, and -high bureaucratic obstacles affect the Venture Capital negatively.

#### **Legal arrangement**

After the Article 15 of Law No:6322 amending the Procedure Law on Collection of Public Claims and the amendment in the third part of the third book entitled "Appraisal" of the Tax Procedures Law, the Article "Private Equity Fund " 325 / A has been added (Bayraktaroğlu, 2017).

The "Private Equity Fund" added to the Tax Procedures Code allowed taxpayers to participate in private equity trust incorporations, which are subject to the regulation and supervision of the Capital Markets Board and which established or to be

established in Turkey, as stakeholders or in the case of the purchase of private equity funds. It is made possible to allocate the fund from the related period profit or declared income and to lower the separated fund at the rates prescribed in the law (Karakaş, 2012). Funds may be withdrawn from the relevant period earnings or declared in order to purchase capital of private equity trust incorporations that will be established in Turkey subject to the regulation and supervision of the Capital Market Board or for the purchase of private equity fund shares (Akarca, 2012).

According to the Article; "Fund for the establishment of venture capital established or to be established in Turkey subject to the regulation and supervision of the Capital Markets Board or for the acquisition of shares of venture capital investment funds", the fund can be allocated. This fund will not exceed 10 percent of the corporate income or declared income and 20 percent of the equity capital.

The amounts set as the Private equity fund are held in a temporary account on a passive basis. However, if there is no investment in venture capital investment trusts or venture capital investment funds until the end of the year when the taxpayers have left the fund, unpaid tax is collected together with the interest of late payment.

The fund may be transferred to another account in any form other than the purpose, withdrawn from operation, distributed to shareholders, transferred to the headquarters of limited taxpayers, or transferred from the capital of the business, liquidation, transfer or division of the business or the venture capital shares or venture capital investment funds if it is not reused for the purpose stated in this item within six months from the date of such transaction.

The venture capital system has two different forms in practice. In this context, it is possible to structure an venture capital system "in the form of funds" as well as in the form of "investment partnerships".

Pursuant to the authorization granted by the Articles 52 and 54 of the Capital Markets Law No. 6362, the procedures and principles regarding the establishment, activity principles and rules of venture investment partnership and private equity fund are regulated by the Capital Markets Board. In this scope, the "Communiqué on Principles Regarding Venture Capital Investment Trusts" issued by the Capital Markets Board and the "Communiqué on Principles on Venture Capital Investment Funds" are available.

Venture capital investment partnership can not do business and transactions that are contrary to the principles and limits of activity investment company and venture capital investment and portfolio limitation mentioned in the related communiqué 20, 21. and 22. Venture capital investment partnership is subject to the supervision of the Capital Markets Board.

#### **Status against tax legislation**

With the amendment made in accordance with VUK 325 / A, entitled "Private equity fund", which was added to the Article 15 of Law No. 6322 and entered into force

on 15.06.2012, both the Income Tax Law and the Corporate Tax Law have been amended.

### **Income tax law**

What can be downloaded on the declaration is stated in the Article 89 of the Law of Income Tax. According to the Article 12 (12), which is added to the Article 89 of the Income Tax Law by Law No. 6322 and the Article 325 / A of the Tax Procedures Law, the amount deducted as the private equity fund shall be declared on the condition of being shown separately on the corporation tax declaration.

According to the clause 12 added to the first paragraph of the 89th the Article of the Income Tax Law, it is possible to make discounts on the declaration so that the amount allocated as Private equity fund is limited to 10% of declared income. However, the total amount of funds to be deposited does not exceed 20% of the equity capital.

### **Cooperation Tax Act**

According to paragraph (g) of the 10th the Article of the Article 10 titled "Other Discounts" of the Tax Law no. 6322, the portion of the amount declared as "Private equity fund" does not exceed 10 percent of the income declared, provided that the corporations are shown separately on the tax declaration will be deducted from the corporate income. The principles regarding the deduction of the private equity fund have been determined at the General Communiqué of Tax No.7 Institutions. According to the said communiqué;

- 10% of the declared income and the total amount of funds not exceeding 20% of own capital,
- Investing in venture capital investment trusts or funds established or to be established in Turkey until the end of the year when the Fund departs and subject to the regulation and supervision of the Capital Market Board,
- It is necessary that the amount of the funds to be separated is shown separately in the corporation tax declaration of the relevant year.

The amount declared in determining the amount of deduction shall be added to the commercial balance sheet profit or loss as unrecognized expenses and deducted from previous year losses and all deductions and exemptions. In other words, since the private equity fund will be deducted from the related period profits, the amount to be credited to a special fund account will be determined at the end of the accounting period. In this framework, the process of receipt of funds into the fund account must be made until the beginning of the following accounting period, and until the date on which the corporation tax declaration is issued. In this way, the amount of the profit to be deducted will be reflected in the general results accounts of the relevant period and the deduction from the deduction will be available by showing in the relevant line of the corporation tax declaration. Therefore, it is not possible to allocate funds and benefit from discounting during temporary taxation periods.

### **Discount of fund investments of interest capital investment transactions**

As stated in the regulations of the Communiqué on Funds for Private equity trust incorporations (III-48-3), venture capital must be established as private equity trust incorporations in accordance with the registered capital system in the status of joint stock companies. Accordingly, the definition of the partnership is, in summary, an institution established to issue its shares in order to operate a portfolio consisting of capital market instruments and other assets and rights to be determined by the Capital Markets Board, or which is transformed by the amendment of the articles of association. In addition, it is a capital market corporation established to register activities within the limits set forth in the Article 48 of the Capital Markets Law and other activities permitted by the Capital Markets Board.

Private equity trust incorporations have been established and issued with registered capital and are mainly oriented towards venture capital investments. Venture capital, on the other hand, can be defined as the direct and indirect partnership of venture companies and the purchase of debt instruments by venture companies. In other words, we can collect the venture capital under two headings as lenders to the venture companies and being direct and indirect partnership of the venture companies. The direct partnership with venture companies means the purchase of shares of these companies (Akdoğan, 2013).

In accordance with the Article 4/1 of the Communiqué on Principles Regarding Private Equity Funds; "Private equity fund is managed by portfolio management companies and venture capital portfolio management companies in order to operate a the portfolio consisting of the assets and transactions stated in the third paragraph of the same article, in accordance with the principles of faithful ownership, and with the money or participation shares collected for the participation share from qualified investors, is an asset that is established on a regular basis with the bylaws and does not have legal personality.

### **In terms of the capital markets legislation**

Pursuant to the authorization granted by the Articles 52 and 54 of the Capital Markets Law No. 6362, the procedures and principles regarding the establishment, principles and rules of enterprise investment partnership and private equity fund are regulated by the Capital Markets Board. In this scope, the "Communiqué on Principles Regarding Private Equity Trust Incorporations" issued by the Capital Markets Board and the "Communiqué on Principles on Private Equity Fund" are available.

Venture capital is a capital market institution established to export its shares for the purpose of operating a portfolio or to convert its shares through an amendment to the articles of association, consisting of private equity trust incorporations, venture capital investments, capital market instruments and other assets and rights to be determined by the Capital Market Board, according to the Communiqué on Principles Regarding Venture Capital Partnerships. The private equity trust incorporations is a joint stock company subject to the registered capital system, which can also be found in



other activities permitted by registration within the framework of the activities stipulated in the Capital Markets Law (Subaşı, 2015).

The partnerships can be established as private equity trust incorporations or they can be transformed into private equity trust incorporations by changing the basic contracts of the joint ventures in accordance with the provisions of the relevant legislation.

The Partnership;

- Establishment as a registered capital joint stock company, being a joint stock company with registered capital or being a joint stock company subject to the capital stock system and applying to the Capital Markets Board for transferring to the registered capital system,

-The amount of the existing paid-up or issued capital and equity capital in the financial statements prepared in accordance with the regulations of the Capital Markets Board and in the audited financial statements is not less than 20,000,000 TL,

- In the establishment and transformation, cash payment of shares and full and cash payment of share certificates,

- In the trade title, the presence of "Private Equity Trust Incorporations"

- If the founding partners or existing shareholders meet the conditions stipulated in the communiqué,

- The fact that the Articles of Association conform to the provisions of the relevant legislation or that the Company has applied to the Capital Markets Board to amend the existing Articles of Association in accordance with the provisions of the relevant legislation,

- The members of the board of directors and general manager must carry the conditions stipulated in the communiqué,

- The fact that 25% of the initial capital / issued capital is to be offered to the public or to be sold to qualified investors within the time and basis determined in the communiqué has been committed against the Capital Markets Board,

- At least one of the founder or existing shareholders is the leading shareholder, is mandatory.

Private equity trust incorporations can not conduct business and transactions contrary to the principles and procedures of investing in entrepreneurship and venture capital and portfolio limitation principles stated in the Articles 20, 21 and 22 of the communiqué. The private equity trust incorporations is subject to the supervision of the Capital Markets Board.

According to the Article 4 of the Communiqué on Principles Regarding Private Equity Funds; Private equity funds is determine; money or shares of the company collected from participation of qualified investors in accordance with the provisions of the

law, shareholders account, portfolio management companies that obtain permission from the Capital Markets Board to operate the portfolio consisting of the assets and transactions mentioned in the third paragraph in accordance with the principles of fiduciary property and entities that are established by the portfolio management companies of the venture capital with a by-law and which do not have a legal personality. The venture company refers to companies that are established or will be established in Turkey, carrying development potential and needing resources (Çabur, 2015).

Funds are established on an annual basis with the permission of the Capital Markets Board, subject to the fund regulation and issuance document, and the fund's assets are separate. Funds are not subject to any business other than the purpose of operating the portfolio consisting of assets and transactions and are subject to the supervision of the Capital Markets Board through all accounts and transactions. In addition, venture capital investments to venture companies are made under a contract to be signed between the parties. In particular, it is mandatory to include information on the partnership and the rights and obligations of the venture company in the agreement, especially the management aspect of the venture company. In particular, it is mandatory to include in the agreement information on the partnership and the rights and obligations of the venture company, especially the management aspect of the venture company (Subaşı, 2015).

The venture capital company is responsible for the representation, management, supervision of its management and its activities in accordance with the provisions of the bylaws and issuance documents, in order to protect the rights of the shareholders of the fund. Furthermore, the venture capital company shall be entitled to use the rights arising out of and in accordance with the legislation, the bylaws and the export document on its behalf and on the funds account for the assets belonging to the franchisee. The venture capital company is represented by the board of directors.

According to the Article 18 of the Communiqué on Principles Regarding Private Equity Funds; it is necessary the venture companies to aim bring or to improve the tools, materials, services or new products, methods, systems and production techniques which have the potential of industrial, agricultural application and commercial market. In other words, they should be able to accomplish these objectives with management, technical or capital support. In this context, funds can only invest in anonymous and limited companies. As of the investment date, it is obligatory for the venture companies, which are limited companies, to complete the conversion process to the joint stock company within one year following the date of initial investment.

#### **Calculation of private equity fund discount amount**

It is possible for the taxpayers of the corporation taxpayers to allocate the private equity fund from the period profit of the relevant period for the purpose of capitalization of the venture capital investment trusts established in Turkey subject to the regulation and supervision of the Capital Market Board or for the purchase of venture capital investment fund shares.

Morover, the private equity fund to be calculated should not exceed 10% of the declared corporate income and 20% of the total capital of the institution as a whole.

According to this; 10% of the amount obtained by deducting the unacceptable expenses for the profit or loss on the balance sheet as of the end of the period, all the deductions of previous years and exemptions are deducted as the private equity fund.

Other considerations in calculating the amount of the venture funds discount are as follows;

- Since the private equity fund is to be deducted from the related period profits, the amount to be transferred to a special fund account in the liabilities is determined at the end of the accounting period. Accordingly, the receipt of the funds into the fund account must be made until the beginning of the following accounting period, until the date on which the corporation tax declaration is issued. In this way, the amount of the profit to be deducted will be reflected in the general results accounts of the related period and the deduction is also given by showing in the related line of the corporation tax declaration,

-According to the Article 325 / A of the Tax Procedures Code No: 213, the amounts allocated as private equity funds must be kept in a temporary account in a passive manner. It is only possible to create funds in a technical sense only on the basis of the balance sheet. Therefore, it is not possible for the taxpayers who are subject to the operating principle to allocate the private equity fund,

- The private equity fund to be applied for each accounting period is calculated separately for the private equity fund that has been set aside in the previous years, but not for the subsequent periods as well,

-It is not possible to segregate the private equity fund during the temporary taxation periods and to take advantage of the discount,

- Investments in private equity funds or investment funds are required until the end of the year when the funds are allocated, in order to keep the amounts allocated as private equity funds on a temporary basis in passive taxpayers,

- In case of non-investment, the tax to be accrued due to the deduction amount is collected from the taxpayer together with the interest of late payment. According to my opinion, even if a tax loss occurs, the tax penalty will not be calculated even if a tax loss occurs.

#### **Related to the supply of discount right for private equity fund**

In our legislation, in addition to the company requirements mentioned above, 25% of the venture capital companies require the initial or issued capital to be publicly listed. The issuance of an undertaking related to a public offering is also a requirement for establishment procedures. In this respect, in order to sell the shares of the companies through public offering, it is necessary to invest at least a venture capital within 18 months after the registration of the institutions or the amendments of the articles of

association to the trade register, and within three years they have to form an investment capital investment portfolio. If public offering is done through capital increase, minimum 25% of the capital after the increase should be offered to public. The continuous provision of 25% public stake in venture capital is a legal requirement (Dünya, 2014).

There are some issues that can not benefit from the discounted private equity fund discount, which is taken into consideration by the taxpayer institutions by considering the corporate capital and the equity size, which constitute an obstacle to the use of the right.

Accordingly, the provisions of the General Communiqué of the Tax Code No. 7, Serial No. 7, Regarding the Amounts of Funds to be Treated as Private Equity Funds, as well as Investment in Venture Capital Investment Trusts or Funds, until the end of the year when the Private Equity Funds was set aside (Subaşı, 2015);

- Transferring to another account in any form other than the purpose,
- Withdrawal from operation,
- To be distributed to partners,
- Transferring the limited taxpayers to the main center,
- The liquidation, transfer or division of the business,
- Investments in venture capital investment trusts or venture capital investment funds should not be reused for the same purpose within six months from the time of dismissal, subject to taxation without being associated with other earnings during the period when such transactions are made or during the period of employment.

Therefore, the fund amounts allocated during the related accounting period will be taxed without being related to the loss for the period in which it is declared, and to the past year losses, discounts and exemptions.

### **Conclusion and recommendations**

It is seen that in today's developed countries a special taxation regime is adopted in the taxation of capital market instruments. In this framework, companies need to support the resource needs of companies in order to develop or support the development of innovations, knowledge and technology, and the creation of value added activities.

Private equity fund has entered into our tax legislation with the enforcement of Law No. 6322, which was published in the Official Gazette dated June 15, 2012 and numbered 28324, which regulating the private equity trust incorporations to create private equity fund by allocating certain part of their profits to be used in the purchase of shares and share certificates . The principles related to implementation are set out in the General Communiqué on Taxation of Enterprises No. 7 Series.

However, the "private equity fund" created on the basis of this practice is an exception in nature. However, the law has placed this arrangement among the discounts, not the exceptions. As it is known, depending on whether the exceptions and discounts are different from each other in the determination of the purpose, the purpose and function of the income subject to taxation; it is possible to state that the exemption of the private equity fund is not appropriate for tax law.

Private equity trust incorporations are aimed at promoting entrepreneurship and innovation, financing projects that companies can not realize due to lack of resources and reducing the risks that firms face. These investments are designed to meet the financing needs of entrepreneurs with a dynamic, innovative, productive, and high growth potential in this framework and of the visionary entrepreneurs who are in need of financial resources to realize growth. Nowadays, it is possible to say that the venture capital, which has become increasingly popular as an alternative investment method in developing countries, has also developed in Turkey in recent years.

In order for the private equity fund to be discounted, the amount of fund allocated in the relevant year should not exceed 10% of the declared income and the total amount of funds must not exceed 20% of equity capital. Furthermore, it is necessary to invest in private equity trust incorporations or funds be established in Turkey until the end of the year when the fund is separated and subject to the regulation and supervision of the Capital Market Board and the amount of the funds to be withdrawn must be shown separately in the corporate tax returns of the relevant year. In case of violation of the mentioned conditions, the tax to be accrued due to the deduction amount is collected from the taxpayer together with the interest of the delay.

The main characteristics of successful programs for the development of venture capital in world practice are (Sayılğan, 2014)

- It is offered with additional government support, such as tax incentives,
- The obstacles in front of foreign private equity funds are eliminated and partnership with foreign funds is encouraged,
- Individual pension funds are allowed to invest in the sector,
- An advanced Small and Large Scale business is increasing the success rate of the public offering market,
- The state does not guarantee investments and does not undertake the risk of the investor. In this way, inefficient investments can be prevented,
- There is no direct public involvement in the management of the funds.

Depending on the research related to the study, it is possible to present the following proposals, by taking into account the legislation and practice in force.

- It is seen as an important problem that the internationally accepted limited partnership model is missing in the Turkish legislation. It is possible to say that the Private Equity Trust Incorporations model is mainly influenced by the limited number

of Private Equity Funds established up to now, due to the fact that the model (limited partnership) which is widely applied in the world is not fully implemented in Turkey (Sayılğan, 2014).

- Thus, facilitating the establishment of internationally compatible private equity fund and strengthening the legal infrastructure that guarantees investor rights are important factors in increasing the number of private equity fund and investment volume in Turkey.

- Although the Venture Capital Investment Fund included in the Capital Markets Law is more flexible, it is seen as an important shortcoming that all the issues are regulated by notices and the conditions for fund managers are heavy.

- It appears that the legal regulations on Private Equity Funds are built on complex legal contracts.

- For this reason, the protection of investors' rights and the completion of the court process as soon as possible will facilitate the way in which companies finance financing through equity participation.

- In the Turkish tax legislation, we can say that taxation of the Private Equity Fund and Private Equity Trust Incorporations is caused by different laws and confusion due to being included in subregions. Especially it is beneficial for the taxation of the fees to be paid to the investment management companies of the Venture Capital Investment Fund and for the application of the taxation of the investors after the departure to be more clear and understandable.

- For this reason, it is beneficial that the tax burden should be at least equal to that of other countries in order to make new arrangements in the tax legislation, collect in one place, be well informed and ensure international competition.

- The efficiency of the system has not been achieved due to the fact that the capital market in Turkey and the institutional investors have not been sufficiently developed. Accordingly, the introduction of publicly-funded Private Equity funds or similar Programs will be beneficial for the increase in resources for the Venture Capital. In addition, local Private equity funds will be effective in increasing the efficiency of capital reinforcement. KOSGEB, TÜBİTAK, Undersecretariat of Treasury and TBK are still able to provide such resources and other public institutions and organizations are also working on this area (Sayılğan, 2014). But here the system must be seen as a whole. Because, if the system is evaluated as a whole and conditions are not established and necessary legal regulations are not made, systematic problems will lead to inefficient use of public resources even though billions of public supports are given to Venture Capital sector,.

- In order to support the entrepreneurship, KOSGEB, TÜBİTAK and the Ministry of Industry, and Science and Technology have implemented very important support programs in the last 5 years. Supporting the early stage entrepreneurship brought about the problems of commercialization of entrepreneurs' products. The Trea-

sury has realized the most significant change in Venture Capital today by developing the Individual Participation Capital System (Angel Investment Program), which was implemented for the first time in Turkey, and the Upper Fund (funds fund) programs. For this reason, it will be beneficial for the institutions and organizations to continue their activities.

- Ensuring that Turkish citizens are required to work at the level of expertise in the promotion of publicly funded funds will increase the quality of existing capital in the sector by providing Private Equity funds that have achieved international success and Private Equity funds established by Turkish citizens through joint venture investments and encouragement.

- With the amendment made in the Capital Markets Law, the problems experienced by private equity funds have been tried to be solved and up to 10% of their income has been exempted from tax, subject to the amendments to the tax laws and to the extent that institutions do not exceed 20% of the capital of the funds that they transfer to Private Equity funds.

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