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THE EXAMINATION OF VENTURE CAPITAL INVESTMENT TRUSTS IN TERMS OF TAX LEGISLATION AND INVESTMENT STRATEGIES[1]

GİRİŞİM SERMAYESİ YATIRIM ORTAKLIKLARININ VERGİ MEVZUATI VE YATIRIM STRATEJİLERİ AÇISINDAN İNCELENMESİ

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ABSTRACT: The legal infrastructure of venture capital investment trusts in Turkey has been enacted with the amendments made in the Capital Markets Law No. 6362. Within the scope of the law, partnerships that mainly invest their capital to venture capital investments are defined as "venture capital investment trusts". Venture capital investment trusts (VCIT) make significant contributions to the introduction of new technologies to the economy by investing directly or indirectly in ventures. The purpose of this study is to examine the legal regulations made in the Turkish tax system for VCITs and the investment strategies implemented by VCITs. In the study, document analysis, which is one of the qualitative research methods, was used. Laws and annual reports, which are data sources, were evaluated in accordance with the content analysis method. The study consists of two parts. In the first part, the situation of VCITs against tax laws is discussed. In the latter part, the 2021 annual reports of publicly quoted VCITs were analyzed using the MAXQDA 2020 qualitative data analysis program and the investment strategies of the companies were evaluated. In the study, it has been determined that significant tax advantages are provided to VCITs with the regulations made in the tax legislation. In addition, the results of qualitative data analysis demonstrate that VCITs mainly invest in technology & innovation-based domestic ventures in line with their targets and strategies.

Keywords: Venture Capital, Turkish Tax Legislation, Investment Strategies, Qualitative Research

ÖZ: Türkiye'de girişim sermayesi yatırım ortaklıklarının yasal alt yapısı 6362 sayılı Sermaye Piyasası Kanunu'nda yapılan yeniliklerle oluşturulmuştur. Kanun kapsamında sermayelerini esas olarak girişim sermayesi yatırımlarına yönelten ortaklıklara "girişim sermayesi yatırım ortaklıkları" adı verilmiştir. Girişim sermayesi yatırım ortaklıkları (GSYO), girişimlere doğrudan veya dolaylı olarak yatırım yaparak yeni teknolojilerin ekonomiye kazandırılmasında önemli katkılar sağlamaktadır. Bu çalışmanın amacı, GSYO'lara yönelik Türk vergi sisteminde yapılan düzenlemeleri ve GSYO'ların uyguladığı yatırım stratejilerini

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incelemektir. Çalışmada, nitel araştırma yöntemlerinden biri olan doküman analizi kullanılmıştır. Veri kaynağı olan kanunlar ve faaliyet raporları içerik analizi yöntemine göre değerlendirilmiştir. Çalışma iki bölümden oluşmaktadır. Çalışmanın birinci bölümünde GSYO'ların vergi yasaları karşısındaki durumu ele alınmıştır. İkinci bölümde, halka açık GSYO'ların 2021 faaliyet raporları MAXQDA 2020 nitel veri analiz programı kullanılarak analiz edilmiş ve şirketlerin yatırım stratejileri değerlendirilmiştir. Çalışmada, vergi mevzuatında yapılan düzenlemelerle GSYO'lara önemli vergisel avantajlar sağlandığı belirlenmiştir. Ayrıca, nitel veri analizin sonuçları, GSYO'ların belirledikleri hedef ve stratejileri doğrultusunda ağırlıklı olarak teknoloji & inovasyon tabanlı yerli girişimlere yatırım yaptığını göstermektedir.

Anahtar Kelimeler: Girişim Sermayesi, Türk Vergi Mevzuatı, Yatırım Stratejileri, Nitel araştırma

1. INTRODUCTION

Venture capital is a financing model that plays an important role in bringing new technologies and sectors into the economy. The biotechnology industry emerged as a result of investments in Genentech and Amgen companies in the 1970s. Due to the investments made in the software sector in the following years, the concept of electronic retailing emerged today (Kumar and Sharma, 2020: 27-28). KPMG's "Venture Pulse Q4-2021" report shows that venture investments in the world have reached 171.4 billion dollars and investments are mainly made in technology companies such as fintech, health and biotech, B2B services, cleantech, mobility, auto-tech, cybersecurity (KPMG 2022: 5). These developments also enable the development of the venture capital model, which is an alternative financing model.

The introduction of the venture capital financing model into the legal system in Turkey was with the Capital Markets Law No. 6362. Joint stock companies established within the framework of this Law and directing their capital to venture capital investments are defined as "venture capital investment trusts".

The purpose of this study is to examine VCITs in terms of tax legislation and investment strategies. For this, initially, the structure of VCITs is explained. Then, the regulations enacted in Turkish tax legislation for VCITs were examined and 2021 annual reports of publicly quoted VCITs were analyzed using the MAXQDA 2020 qualitative data analysis program. In the conclusion part, the remarks of the findings were made.

2. VENTURE CAPITAL

Venture capital has become an increasingly important source of capital for entrepreneurs who do not have access to traditional sources of finance. The venture capital is a financial model that provides financial resources in exchange for the shares of non-public companies (Klingler-Vidra, 2018:48). In this model, venture capital is expressed as "smart money" because venture capitalists transfer their experience, knowledge and connections as well as providing capital to the investee (Pradhan et al, 2018:16).

There are four parties in the venture capital model: investors, venture capital firm, investees and stock exchange. Investors are individuals or institutions that invest their savings in shares issued by venture capital partnerships to be used in financing for entrepreneurs. The venture capital company provides funds in the form of equity to the entrepreneurs that it deems appropriate with the funds obtained from individuals and institutions. Investees are the party that obtains funds in the form of equity capital, which will enable them to implement their inventions or new business models. The stock exchange is the party that enables the shares of the entrepreneur company to gain value and then mediates the sale of these shares to provide high returns with the funds transferred by the investors and venture capital companies to the investee (Çonkar, 2017: 105; Bağcı and Kılıçaslan, 2020: 228).

We can basically collect venture capital investments under five main headings as seed stage, initial stage, early stage, advanced stage and exit stage. These are explained below (İlgün, 2019:18-22).

The seed stage is also known as the core capital stage. At this stage, financial support is provided to the entrepreneur to implement a new idea or invention. Since the product or service has not yet been commercially shaped, this stage is expressed as difficult and risky. Therefore, investments are not preferred by experienced venture capitalists at this stage.

In the initial phase, the product or service that the entrepreneur will offer to the market is at the project stage. With the financial support provided at this stage, the commercialization of products or services will be ensured. Venture capitalists take high risk because of high return expectations from their investments at this stage. Therefore, this stage is the most preferred by investors.

In the early stage, the entrepreneurial company needs funds to create the brand image of its product or service and to increase its market share. At this stage, the venture capitalist provides both financial and managerial support to the entrepreneur.

In the advanced stage, the entrepreneurial company has a certain share in the market with the goods or services it produces. The funds provided in this phase are used to meet the capital needs of the company, such as increasing the production capacity and sales, and reaching the target of entering new markets.

The exit phase is the phase when the venture capitalist decides that he has earned the expected profit from the venture and exits the investment. Venture capitalists use four methods when exiting their investments: public offering, strategic sales, sales to financial partners and sales back to company partners. Initial public offering is the preferred method when the venture reaches the desired size, profitability, and performance. This method has not yet been employed in the Turkish ecosystem. In the strategic partner sales method, it can become a partner in an eligible strategic joint venture or wholly own it. It is the most common method in the Turkish ecosystem and is mostly employed by strategic partners established abroad. The method of selling to a financial partner is preferred in an environment where a public offering is not likely and if it cannot find a strategic partner. Here, all or part of the venture shares can be sold to the funder. The method of selling back to company partners is less profitable than other exit methods. Venture capitalists may prefer this method at the point in which the founders of the venture do not have a purpose of exit and achieve success that can continue without additional funding (HUBVC 2021 Annual Report,15-16; HDFGS 2021 Annual Report, p.14).

3. VENTURAL CAPITAL INVESTMENT TRUSTS IN TURKEY

With the Communiqué Serial: VIII, no: 21, dated 6 July 1993, prepared by the Capital Markets Board (CMB), venture capital was enabled to be established as an investment trust (Ziraat VCIT Annual Report 2021, 9). Venture capital entered our legal system with the Capital Markets Law No. 6362. In Articles 48 and 49 of the Law, principles regarding the establishment and operating conditions of securities, real estate, venture capital investment trusts are explained. Within the scope of this Law, regulations regarding venture capital investment partners were made with the Communiqué on Principles Regarding Venture Capital Investment Trusts (CMB III-48.3) published in 2013. In the Communiqué, explanations were made on many subjects from the establishment of venture capital partnerships to their operating principles. Accordingly, venture capital investment partnerships must be established according to the following conditions (CMB III-48.3, articles 5, 6 and 18):

- Establishment as a joint stock company with registered capital,
- The initial capital in the establishment is equal to the amount determined by the CMB,
- Payment of partnership shares in cash,
- Having the phrase “venture capital investment partnership” in the trade name,
- Compliance of the contract with the provisions of the CMB Law and communiqué,
- The founder and existing partners have not been convicted of bankruptcy, bribery, theft, fraud, tax evasion,
- Members of the board of directors and the general manager must meet the education and experience conditions specified in the communiqué,
- Commitment to the CMB that the initial capital or 25% of the issued capital will be offered to the public or sold to qualified investors within the framework of the principles determined in the communiqué,
- At least one of the founding or existing partners is the lead investor.

In the law, the leading shareholder is defined as the partner or partners who own at least 25% of the capital. Real or legal entities can be leading shareholders. The real entity must have at least five years of experience in the field of industry and commerce and the current value of the total current & real estate assets must be at least 10 million TL. The legal entity must have at least three years of operating history, and the equity in the independently audited financial statements must meet the maximum requirement of 100 million TL and the total assets of 200 million TL (CMB III-48.3, article 7).

VCITs must manage at least 51% of their portfolio into venture capital investments. They can invest in capital market and monetary market instruments traded in secondary markets unless they exceed 49% of their portfolio value. They can participate in the management of investees in their portfolio and provide consultancy services to them. In addition, they can become partners of consultancy companies established in Turkey and abroad to provide consultancy services to venture capital companies (CMB III-48.3, article 22).

4. LITERATURE

When the studies in the literature on venture capital are examined, it is determined that the subject is handled in terms of tax, financial performance and industry. These studies are summarized below.

Elmas and Yılmaz 's (2016) study on 401 businesses in Istanbul, they found that businesses have very little information about venture capital, which is an alternative financing method. In the studies of Çonkar (2017), and Demir & Yumuşak (2018), it was emphasized that integrating the venture capital model into Participation Banks, which is one of the interest-free finance methods, would be an alternative solution to meet the financial needs of businesses.

Aktaş (2012) stated that the venture capital model in Turkey is insufficient in his study in which he comparatively examined the venture capital model in Turkey and the UK. Münyas (2017) examined the structure of venture capital investment trusts established between 2008 and 2016 with the permission of the CMB. In the study, it has been determined that there has been an increase in the activities of venture capital investment trusts in Turkey over the years. Aydın (2015) and Kükrer (2017) examined VCITs in terms of taxation in their studies. In these studies, the tax regulations made for VCITs are explained within the framework of existing laws.

Uygurtürk and Soylu (2016) analyzed the financial data of the VCITs quoted on the Istanbul Stock Exchange (ISO) for the period of 2013-2015 using the Copras method. It has been determined that the financial performances of VCITs are different by the years examined in the study. Aktaş and İlgün (2019) analyzed the financial data of the VCITs traded on the ISO for the period of 2012-2017 using the Data Envelopment Analysis method. It has been determined that Gözde, Reha and Verasatürk VCITs have the highest efficiency in the periods examined in the study.

In the study of Bağcı and Kılıçaslan (2020) in which they analyzed the financial data of the VCITs quoted on the ISO for the period of 2012-2016 using the Critic and Oreste methods, Hedef VCIT was determined as the company with the best financial situation. Aktaş and Darwish (2020) compared the financial performances of real estate investment trusts and VCITs in Turkey by analyzing the financial data of the 2014-2019 periods. In the study, it has been determined that real estate investment trusts make more risky investments and use longer-term debt compared to VCITs.

Wu and Xu (2020) examined the impact of venture capital on small and medium-sized enterprises (SMEs) in China. In the study, it was determined that the venture capital model contributed significantly to the establishment of the accounting system in SMEs and the preparation of financial statements within the framework of standards, and this reduced the information asymmetry between SMEs and banks. Hegeman and Sorheim (2021) examined the way VCITs investing in cleantech startups in Norway made these investments. For this, it examined 26 company cases between 1999 and 2012. In the study, it has been determined that investors see cleantech as an opportunity for sustainable growth and are motivated by the idea of improving their competitiveness.

In his study, Battisti et al. (2022) analyzed the data of 100 American and European companies in the Fortune Global 500 ranking from 2015 to 2019 in order to examine the relationship between corporate venture capital and corporate social responsibility performance. In the study, it has been determined that the venture capital model has a positive effect on the environmental and social development of companies. In addition, it is emphasized in the study that thanks to this model, large companies gain competitive advantage for a sustainable future as a result of investing in technology-based start-ups with high growth potential, as well as entrepreneurs obtain capital to develop their activities. Prado and Bauer (2022) investigated the effects of startup acquisitions of Big Tech platforms such as Google, Amazon, Apple, Facebook, and Microsoft on venture capital investments in the world. Within the scope of the research, 32,367 venture capital agreements and 392 start-ups purchased by Big Tech platforms between 2010 and 2020 were examined. In the study, it has been determined that Big Tech start-up acquisitions have a positive effect on venture capital activities worldwide, especially in the United States and Europe, but this effect is short-term. Frimpong et al. (2022), examined 20 years of 23 European countries to reveal the impact of venture capital investments on the growth of the European health sector. In the study, it has been determined that making venture capital investments in the health sector improves people's life expectancy, fertility rate and reduces the death rate.

5. RESEARCH METHOD

In this part of the study, the purpose and method of the research is explained.

5.1. Purpose and Scope of the Research

The purpose of the study is to examine the VCITs in terms of tax legislation and investment strategies. For this purpose, the study consists of two parts. Initially, the regulations enacted in the Turkish tax legislation for VCITs were examined. In the latter part, the 2021 annual reports of publicly quoted VCITs were analyzed using the MAXQDA 2020 qualitative data analysis program, and the investment strategies of the companies were examined. Since the annual reports of all non-public VCITs cannot be accessed, the population of the research is publicly quoted VCITs.

5.2. Method of the Research

In the research, data were collected through document analysis, one of the qualitative research methods. Document analysis includes the analysis of written materials containing information about the facts and cases that are aimed to be investigated. The basic condition of this method is to find and examine the documents related to the subject and to make the necessary arrangements to reach a synthesis that will reveal certain situations or opinions (Yıldırım and Şimşek, 2016: 187-188). In the first part of the study, laws and regulations related to VCITs were obtained from the Turkish Presidency Legislation Information System. For the analysis of the second part, the 2021 annual reports of the publicly quoted VCITs were obtained from the public disclosure platform.

5.3.Analysis of Data

The research data obtained by document review were analyzed by content analysis method. In content analysis, it is necessary to conceptualize the collected data first, then organize it logically according to the emerging concepts and determine the themes that explain the data accordingly. With this technique, the data is analyzed in four stages: coding the data, finding the themes, organizing the codes and themes, defining, and interpreting the findings (Yıldırım and Şimşek, 2016: 242). In the study, four steps determined in the content analysis method were considered. Annual reports were transferred to the MAXQDA 2020 data analysis program. The titles that make up the content of the annual reports are classified according to 2 main themes (investment strategies, investment areas), 5 main codes (investment, investment duration, investment exit, foreign venture, and domestic enterprise) and 51 sub-codes, in line with the literature. Then, the statistics of the codes were created and interpreted in the program.

6. FINDINGS of the RESEARCH

In this part of the study, the findings obtained from the research data are explained.

6.1. General Information About VCITs

As of December 2021, there are 6 publicly quoted venture capital investment trust companies in Turkey. The titles registered and market values of these companies are given in Table 1. As seen in the table, the companies with the highest market value are Gözde VCIT and Vertu VCIT, respectively.

Table 1: Information on Venture Capital Investment Trusts (2021**)**

Code	**Title**	**Maximum Registered Capital (TL)**	**Market Value (TL)**
GOZDE	Gözde Venture Capital Investment Trust Inc.	2.000.000.000	3.484.250.000
HDFGS	Hedef Venture Capital Investment Trust Inc.	300.000.000	729.600.000
HUBVC	HUB Venture Capital Investment Trust Inc.	70.000.000	273.000.000
ISGSY	İş Venture Capital Investment Trust Inc.	250.000.000	621.855.158
RHEAG	RHEA Venture Capital Investment Trust Inc.	207.750.000	76.036.500
VERTU	VERUSATÜRK Venture Capital Investment Trust Inc.	250.000.000	1.284.400.000

Source: https://www.spk.gov.tr/SiteApps/Yayin/AylikIstatistikBultenleri (05.07.2022)

Apart from the publicly quoted VCITs described above, 10 more VCITs, which are Egeli & Co. Agriculture VCIT, KOBI VCIT Inc., Öncü VCIT Inc., SNK VCIT Inc., Ziraat VCIT Inc., HİVC VCIT Inc., İhlas VCIT Inc., Allbatross VCIT Inc., Techmine VCIT Inc., and Bulls VCIT Inc., have been operating. Since these VCITs are not publicly quoted, they were not included in the research.

6.2. Taxation of VCITs

The taxation of the VCITs should be examined in terms of VCITs as well as real and legal entities investing in VCITs. In this context, tax regulations are discussed under two headings and the subject is explained below.

VCITs are corporate taxpayers as capital companies. All earnings of fully liable VCITs are exempt from Corporate Tax in accordance with Article 5 of the Corporate Tax Law No. 5520. According to paragraph 3 of Article 15 of the Law, regardless of whether this exempted income is distributed or not, 15% income tax withholding is required, while this rate is applied as 0% in VCITs with the Decision of the Council of Ministers (Decision of the Council of Ministers No. 2009/14594).

Within the scope of "Law No. 5746 on Supporting Research, Development and Design Activities", VCITs can deduct all their research and development expenditures for the pursuit of a new technology and information from their earnings (Article 3).

According to the "Regulation Amending the Implementation and Audit Regulation on Supporting Research, Development and Design Activities", which entered into force in 2022, corporate taxpayers benefiting from R&D incentives are obliged to invest in venture capital companies in Turkey in the amount of 2% of the discount amount. Companies will monitor this amount in a temporary account in liabilities and will be invested in VCITs until the end of the year. Accordingly, the obligation to be transferred cannot exceed 20,000,000 Turkish liras on an annual basis (Article 25).

Legal and real entities who keep their books based on balance sheet can allocate 10% of their period earnings as “venture capital funds” to invest in venture capital investment partners established in Turkey and can deduct this fund amount from their tax bases (Corporate Tax Law, article 10/g, Income Tax Law, article 89/12). This fund, which is allocated as venture capital, must be kept in a temporary account in liabilities and invested in venture capital investment partners until the end of the year the fund is allocated. This fund is subject to tax if it is used for any other purposes or when it expires. With this regulation, taxpayers were allowed to participate in venture capital investment partners in Turkey, which are subject to the regulation and supervision of the Capital Markets Board (Tax Procedure Law, article 325/a).

Real entities are subject to withholding tax at a rate of 0% over their earnings from trading in VCIT stocks (Income Tax Law, Provisional Article 67/d). Half of the dividends earned by real persons are exempted from income tax, and the remaining amount is declared with an annual declaration if the taxpayer exceeds the declaration limit for that year (Income Tax Law, article 22/3; article 86/1c). Since the dividends obtained by legal entities from VCITs are considered within the scope of the "participation income exemption", they do not pay corporate tax on these earnings. 75% of the profits of legal persons in VCIT stock purchase and sale transactions are exempt from corporate tax. However, in order to take advantage of the exception, these shares must remain in the assets of the corporation for at least 2 years (Corporate Tax Law, article 5/1a; 5/1e).

6.3. Findings on Investment Strategies of VCIT Companies

Investment Strategies of VCITs

The findings regarding the investment entry strategies of the VCITs within the scope of the research are explained below. In addition, the findings are summarized in Table 2.

Hedef VCIT stated that it aims to invest in enterprises that are dynamic, innovative, have a high growth potential, but have problems in providing the necessary financial resources at the investment and growth stage, and comply with the definition of SME. The company stated that it aims to invest in entrepreneurs who will create technological differences in the initial and early stages. Gözde VCIT stated that it aims to invest in non-food companies that need financial and operational restructuring and that promise high financial returns. The company stated that it aims to invest in startups at the early growth stage. HUB VCIT has stated that it aims to invest in sectors with growth potential and only early-stage technology entrepreneurs who have a competitive advantage in these sectors. RHEA VCIT stated that it aims to provide growth financing to medium-sized companies that have a strong position in the sector in which it operates, have completed the formation of products and/or services to a certain extent, and can achieve sustainable growth. The company stated that it aims to invest in entrepreneurs operating in niche areas with competitive products and services at an early stage. Verasaturk VCIT aims to invest in startups that create a competitive advantage, that will make a difference in local, regional and global markets, have completed the product or service process with successful track records, have improved customer relations and are preparing for growth. The company stated that it aims to invest in the advanced stages of technology and innovation-oriented initiatives. İş VCIT stated that it aims to invest in medium-sized enterprises with a successful track record and growth-oriented vision. The company aims to invest in ventures established in Turkey and preferably with international connections in the future.

Table 2: Investment Entry Strategies of VCITs

Coding System	Seed Stage	Initial Stage	Early Stage	Advanced Stage
GOZDE			1	
HDFGS		1	1	
HUBVC			1	
ISGSY				1
RHEAG			1	
VERTU				1
TOTAL	**0**	**1**	**4**	**2**

The following findings related to the exit time from their investments and the methods they use to exit have been observed when the companies within the scope of the research were examined.

Hedef VCIT has stated that they have made an investment decision according to the criteria that can be withdrawn from their investments in 5-6 years, HUB VCIT in 4-9 years. RHEA VCIT and Is VCIT stated to their shareholders that they determined the exit time by taking the high compound return into account. Verasaturk VCIT and Gözde VCIT did not provide information on how they determined the exit period from their investments in their annual reports. It was determined that RHA VCIT, Verusaturk VCIT, Hedef VCIT and İş VCIT did not exit their venture investments in 2021. HUB VCIT has transferred its shares to the founding partner of the company by using the method of selling back the software company, which is a partnership at the subsidiary level. The company has also transferred the shares of a mechatronics company, which has a partnership at the affiliate level, to the partners of the company established with the new title. Gözde VCIT has transferred its shares in the mining sector to a strategic buyer. It has been determined that companies do not use public offering and sales to financial partners when withdrawing their investments in 2021 (Table 3).

Table 3: Exit Strategies of Investments by VCITs (2021)

Coding System	Not Withdrawn	Public Offering	Sales to Strategic Alliance	Sales to Financial Partner	Back Sale to Company Partners
GOZDE			1		
HDFGS	1				
HUBVC			1		2
ISGSY	1				
RHEAG	1				
VERTU	1				
TOTAL	4	0	2	0	2

Investment Areas of VCITs

In this section, it has been examined in which sectors VCITs invest in line with the targets and strategies they have determined. The findings obtained in the research are explained below [1].

As of 2021, HUB VCIT has partnerships with 39 entrepreneurial companies. The company owns different proportions of minority shares in 19 of them, and these companies are early-stage investees. The company made 16 of its 39 investments to foreign technology startups and 23 to domestic technology startups. Due to these investments, we can state that the company has the most investment in both technology and foreign ventures among the VCITs. RHEA VCIT has investments in 7 entrepreneurial companies as of 2021. One investment of the company is in the logistics sector abroad. Other investments are in energy, machinery industry, and technology sectors in Turkey. The company's investments are mainly in the energy sector. Verasaturk VCIT has investments in 7 local entrepreneurial companies as of 2021. The company has invested in startups in energy, technology, food & beverage, and healthcare. Gözde VCIT has investments in 8 local entrepreneurial companies as of 2021. The company has investments in packaging, shoe retailing, banking, fast moving consumer goods, discount marketing, machinery industry and technology. As of 2021, Hedef VCIT has investments in 7 local entrepreneurial companies. The company has investments in firms in the fields of energy, logistics, health, sports, and technology. As of 2021, İş VCIT has investments in 6 local entrepreneurial

[1] Investment Areas of VCITs are presented in Appendix 1.

companies. The company has investments in startups in the fields of health, sports, tourism, and technology.

7. CONCLUSION

Entrepreneurship plays an important role in economic prosperity and social stability in many countries. For example, in Açcı's (2018) study examining the existence of the relationship between innovation, entrepreneurship and economic growth in OECD countries, it was found that there was a positive relationship between them. While entrepreneurs create wealth in the local economy with the businesses they establish, they also contribute to productivity and innovation with the business areas they create. On the other hand, the business literature draws attention to the issue of financing as the most important problem faced by entrepreneurs in both developed and developing countries (Keskin, 2018; Pasumarti and Patnaik, 2020). At this point, venture capital emerges as an important factor in meeting the financial needs of technology-based startups.

Venture capital also plays an important role in financing sustainable growth. Pradhan et al. (2020) emphasized that there is a strong relationship between venture capital investments in Europe and the spread of information and communication technologies, strengthening innovation and sustainable economic growth. Guo and Jiang (2022) found that venture capital-supported manufacturing enterprises in China outperformed enterprises that did not receive venture capital support in patent activities, new product sales, exports, and added-value creation. Maiti (2022) stated that countries need to develop clean technologies and renewable energy infrastructures to reach the goal of zero carbon emissions, and the current incentives are not enough to finance them. In this context, in the study examining the effect of venture capital investments of 23 countries on green growth between 2007 and 2015, it was found that venture capital investments were effective in increasing environmental technology innovation and renewable energy supply. Hua et al. (2023), in a study investigating the effect of venture capital investments on air pollution in China between 2003 and 2016, it was found that venture capital investments significantly reduced air pollution. This result is explained as venture capital investments in green innovation and green businesses help improve local air quality.

The legal structure of venture capital partnerships in the Turkish legal system has been entered into with the regulations made in the Capital Market Law. The regulations enacted in the tax legislation for venture capital partnerships and real and legal entities investing in these partnerships aim to increase the interest in venture capital investments. All incomes of VCITs, which are corporate taxpayers, are exempted from corporate tax and are not subject to income tax regardless of whether this exempted income is distributed or not. On the other hand, to encourage this model, taxpayers who keep books on a balance sheet basis can allocate 10% of their period earnings as venture capital funds to invest in venture capital investment partners and deduct this from the tax base. In addition, with the latest regulation, the obligation to invest in venture capital companies at a rate of 2% of the discount amount that corporate taxpayers benefit from R&D incentives will play an important role in the development of the entrepreneurship ecosystem in our country.

The assessment of the findings obtained in the second part of the research is as follows:

- In line with the strategies they have determined, VCITs have preferred to make their investments at an early stage.
- Although the exit period of the investments of the VCITs varies according to the strategy they determine, the average period is 9 years.
- VCITs generally used the methods of selling to strategic partners and selling back to company partners when withdrawing their investments.
- VCITs mainly invested in technology and innovation-based domestic initiatives.
- HUB VCIT is the company that invests the most in entrepreneurs. In addition, the company is investing the most in foreign ventures and technology-based ventures.

The most important contribution of the research to the literature is to examine the legislation on VCITs in line with current developments, and to determine the investment strategies and investment areas of publicly quoted VCITs. In the second part of the research, focusing only on publicly quoted VCITs and examining the 2021 annual reports of these companies should be considered as an important limitation. In the next studies on this subject, the effects of investments made by VCITs in entrepreneurs in terms of the economic and sustainability performances can be examined. In addition, the tax advantages provided to VCITs in Turkey and the tax advantages provided in other countries can be examined comparatively.

Ethical Declaration

In this study, all the rules stated in the “Higher Education Institutions Scientific Research and Publication Ethics Directive” were followed.

Ethics Committee Approval

The author declare that the research is one of the studies that does not require ethical committee approval.

Conflict of Interest and Funding

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APPENDIXS

Appendix 1: Investment Areas of VCITs

Coding System / **INVESTMENT AREAS**	**HUB**	**RHEA**	**VERTU**	**GOZDE**	**HEDEF**	**IS**	**Total**
FOREIGN VENTURE							**17**
TECHNOLOGY							
Digital Identity	1						1
Smart City Management Systems	1						1
loT Platform	1						1
SME activities	2						2
Game Platform	1						1
Mobile Communication	1						1
Educational Technologies	2						2
Software	5						5
Health Devices	1						1
Artificial Meat Production	1						1
LOGISTICS		1					1
DOMESTIC VENTURE							**57**
PACKAGING				1			1
SHOE RETAIL				1			1
BANKING							
Participation Banking				2			2
ENERGY		3	1		1		5
FAST CONSUMPTION				1			1
DISCOUNT MARKETING				1			1
LOGISTICS		1			1		2
MACHINERY IND.				1			1
HEALTH							
Health Services			1				1
Health Supplies					1	1	2
SPORT					1	1	2
TECHNOLOGY							
Health Technologies	2	1					3
Mobile Game	1						1
Electronic Survey	1						1
Technology Investment Activities	1						1
Energy Management Systems	1						1

Security Technologies	2						2
Media Technology	1						1
B2B Business Model	1						1
Image processing technologies	1						1
Cosmetics Industry Technologies	1						1
Cloud Services	1						1
Smart Clothing Technologies	1						1
Social Media Sales System	1						1
E-Commerce	1						1
Software	2	1	4				7
Computer Programming Activities					1		1
IT Audio and Communication Systems						1	1
Financial Technologies	1				1		2
Cryptocurrency Exchange					1		1
Distribution of Technological Products				1			1
Data Center Management	4					1	5
TOURISM							
Food and Beverages			1				1
Gastronomy						1	1
Travel Agency						1	1
TOTAL	**39**	**7**	**7**	**8**	**7**	**6**	**74**