

### NEW REGULATIONS REGARDING ORGANIZED INDUSTRIAL ZONES

Organized Industrial Zones Implementation Regulation (the "**Regulation**") entered into force on the date of its publication in the Official Gazette dated 2 February 2019 and numbered 30674 and repealed the previous regulation. The Regulation basically simplifies the provisions regarding the establishment and operation of Organized Industrial Zones ("**OIZs**"). In this regard, while certain detailed provisions have been replaced by references to primary legislation, some have been preserved in a more organized manner. The Regulation also introduces certain amendments. In this article, we only refer to the amendments introduced by the Regulation which we consider to be significant to the daily operation of OIZ participants.

#### Terms Regarding Licenses

The Regulation preserves the terms for obtaining the required licenses following the allocation of land and introduces new extension terms in addition to the extension terms foreseen in the previous regulation. Accordingly, the OIZ board is now authorized to extend (i) the 1-year term for obtaining the construction license following the land allocation, for an additional 6-month term and (ii) the 2-year term to commence operations following the construction license's issuance, by obtaining the occupancy permit and business operation license, for an additional 2-year term. In addition, if a participant obtained the construction license and commenced the construction but did not obtain the occupancy permit yet, the Ministry of Industry and Technology (the "**Ministry**") may grant an additional 1-year term to such participant to initiate its activities by obtaining the occupancy permit and business operation license.

The Regulation also grants one more chance to the participants who obtained their construction license before the Regulation's effective date by setting forth a transition provision to enable such participants to comply with the terms above. As per the relevant provision, the participants who obtained the construction license but could not obtain the business operation license before the Regulation's effective date, may initiate the terms (together with the extension terms) for

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obtaining the business operation license by applying to the OIZ within 3 months following the Regulation's effective date.

## **Allocation of Land in Areas with Incomplete Infrastructure**

With regard to the land allocated in areas with incomplete infrastructure, the Regulation precluded investors from demanding extensions to the term for obtaining the required licenses by alleging that the infrastructure was incomplete. Now, for land allocations in an area where infrastructure is not completed in compliance with the certified parceling plan, the participant must undertake to comply with the terms specified above, regardless of whether the infrastructure has been completed or not.

## **New Condition for Land Subdivision**

The Regulation introduces a new condition for land subdivision in addition to the conditions set forth under the previous regulation. Accordingly, an industry parcel with several shareholders may be subdivided so that shareholders may continue their activities in their independent parcels, only if all the shareholders consent to such subdivision.

## **Increased Participation of the Ministry**

To expedite certain procedures in relation to the establishment and operation of OIZs, the Regulation increases the Ministry's participation therein. Accordingly, while a Converted OIZ (Islah OSB) used to gain its legal entity status with the commission's unanimous decision under the previous regulation, as per the Regulation, if the commission cannot reach a unanimous decision, the Ministry is now entitled to make the final decision.

The increased participation of the Ministry also concerns the operation of OIZs' organs. As per the previous regulation, if the application to call for the extraordinary general assembly meeting was not completed in due course, the relevant parties were required to apply to the court for the holding of the meeting. However, with the Regulation, the Ministry is now entitled to grant permission to call for the extraordinary general assembly meeting.

## **Facilities Permitted to Operate in OIZs**

Under the previous regulation, the establishment of facilities generating electricity from the sun and wind for the needs of the OIZ legal entity and its participants were permitted. The Regulation emphasizes that the establishment of the facilities generating energy from the sun and wind other than the ones established for the needs of OIZ legal entity and its participants are not permitted. The Regulation also clarifies that Specialized OIZs may establish facilities generating energy from waste originating from their activities, even if it is not explicitly mentioned in their establishment protocol.

## **Changes in Place Selection Regulation**

In addition to the Regulation, Organized Industrial Zones Place Selection Regulation (the "**Place Selection Regulation**") was published in the same Official Gazette, repealing the previous regulation and introducing certain amendments regarding the selection of places for the

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establishment of OIZs. Before the enactment of the Place Selection Regulation, it was optional to suggest a place in the place selection applications submitted for the establishment of OIZs. However, as per the Place Selection Regulation, aiming to expedite the application processes, it is now mandatory to suggest a place in the application forms.

This article covers only some of the provisions that are set forth under the Regulation and Place Selection Regulation. You may always contact us if you need further information regarding the regulations.

## CONTACT

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