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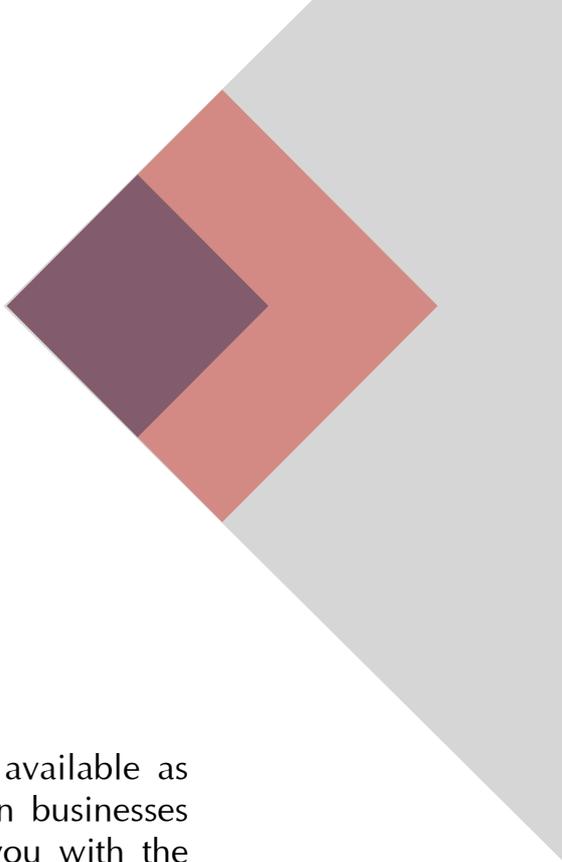


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DOING BUSINESS IN TURKEY

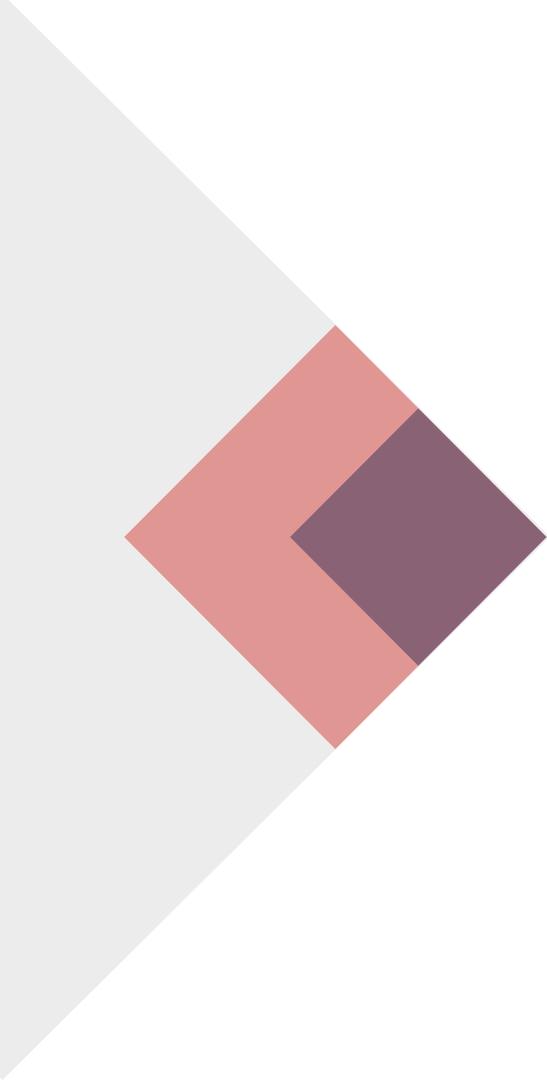
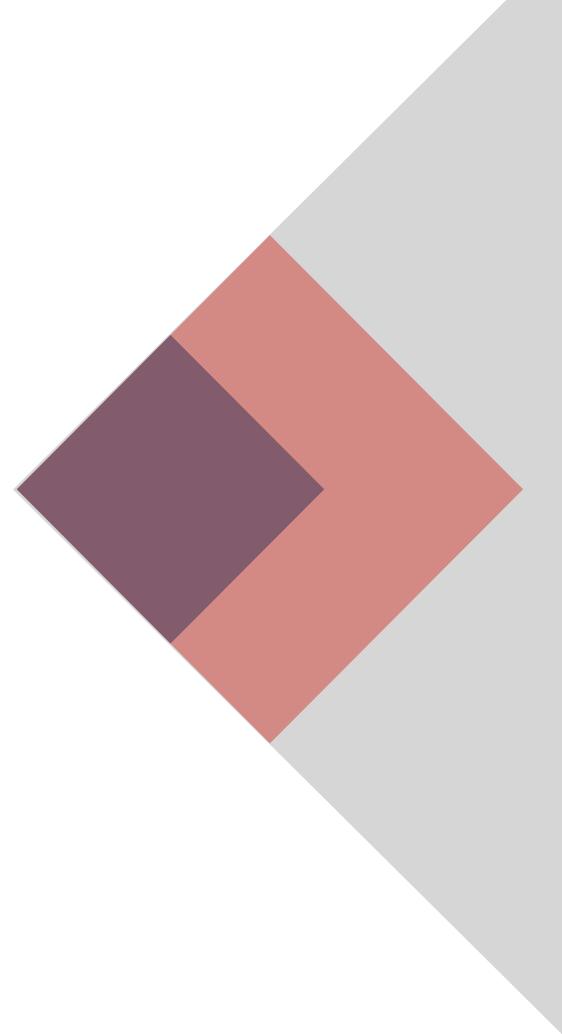
Dear reader,

Let us introduce you this “Doing Business in Turkey” publication prepared by GRATA. The information in the brochure is based on theoretical and practical information available as of 2017. The content of this brochure is oriented to foreign businesses seeking to do business in Turkey. The brochure provides you with the comprehensive information about the main forms of doing business in Turkey, including information on the tax structure, bankruptcy, PPP and frequently asked questions for starting a business in Turkey. Please note that the legislation in Turkey is subject to frequent changes. Therefore if you have decided to do business in Turkey, we will be happy to provide you with further consultations. We hope the information given below will be helpful and useful for you.

**Best Regards,
Grata International**

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About GRATA International

Grata International is an international law firm, founded on April 22, 1992.

Today our clients have 200 professionals in 21 countries at their disposal. GRATA International is a global team representing different countries and nationalities that has legal advising experience in all areas of law.

GRATA International provides legal services across all cities in Kazakhstan. The firm has offices in Russia (Moscow), Kyrgyzstan (Bishkek), Tajikistan (Dushanbe), Uzbekistan (Tashkent) and Azerbaijan (Baku), as well as country desk in Turkmenistan (Ashgabat), and associate offices in Belarus (Minsk), the Czech Republic (Prague), Georgia (Tbilisi), Latvia (Riga), Russia (Novosibirsk, Samara and Kazan), Switzerland (Zurich), Turkey (Istanbul), and Ukraine (Kyiv).

Our competitive advantages are wide network of offices mostly covering Eurasia, optimal price and quality ratio and understanding local mentality of doing business. Clients can gain access to the entire network by enquiring to one offices or representatives of GRATA International. The opportunity to utilize resources without regional boundaries enables us to increase the cost-effectiveness and the efficiency of services provided.

GRATA International has been recognized by leading International ratings: The Legal 500, Chamber Global, Chambers Asia-Pacific, IFLR1000, Who's Who legal, Asia law Profiles.

GRATA International advises clients in the following industries and areas of law around the globe:

- Banking & Finance
- Construction and Infrastructure
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- Natural Resources
- Telecommunication and Transport
- Corporate Law
- Contract Law
- Dispute Resolution
- Environmental Law
- Finance & Securities
- Intellectual Property
- International Trade, Customs and WTO
- Law
- Labour Law
- Licenses & Permits
- Project Finance and Public-Private Partnership (PPP)
- Real Estate
- Restructuring and Insolvency
- Subsoil Use
- Tax Law

The main forms of doing business in Turkey

The current legislation on Foreign Direct Investment explicitly guarantees two principles: freedom to establish business enterprises and equal treatment. In accordance with article 3 (a) of Law on Foreign Direct Investments: "Unless stipulated by international agreements and other special laws: 1. Foreign investors are free to make foreign direct investments in Turkey, 2. Foreign investors shall be subjected to equal treatment with domestic investors." By the virtue of Law no 4875 and most importantly by the reforms put forward by the new Turkish Commercial Code, regardless of having a legal entity, foreign investors might form all types of companies and engage commercial activities in Turkey. In line with the foregoing, foreign companies have three different options for establishing an office in Turkey; by creating subsidiary, opening a branch or setting up a liaison office. Although all corporate forms (Limited Liability Company, Joint-Stock Company, Cooperative Company, Collective Company, Commandite Company) are open to foreign investment, in practice, businessmen and foreign investors often prefer certain forms of incorporation such as a Limited Liability Company (LLC) or Joint-Stock Company (JSC). Under Turkish law, both joint-stock corporations ('Anonim Şirket' - A.Ş. in Turkey) and limited liability companies (similar to 'LLC' in the U.S. and Europe) ('Limited Şirket' - LTD in Turkey) are capital companies.

Limited Liability Partnerships (LLP)

Pursuant to article 573 of the Turkish Commercial Code No. 6102, a limited liability company can be formed by at least one real person and a legal entity shareholder for any economic purpose and scope that are not forbidden by law. Shareholders are not responsible for the debts of the company; the shareholders will be liable to the extent of the paid registered capital. The

registered capital of the Limited Liability Company should be at least 10.000 Turkish Liras. The shares of each shareholder could be 25 TL for each share or multiple of it. Limited Companies are generally used for projects and investments in smaller scale. Bodies of a limited liability partnership are: a) the supreme body of the partnership can be a single shareholder or the shareholders assembly; the General shareholders meeting, which is held at least once a year, or a sole participant as the supreme governing body of an LLP has exclusive competence in respect of specific matters, mainly business, financial, managerial and structural issues the company; b) the executive body (sole or collective) of the company. Daily management of the company is carried out by the Director/General Director (sole executive body) or the Board of Directors (collective executive body), who are elected by the sole participant/general meeting of participants. The powers conferred on the executive body must be reflected in the Company's Articles of Association. In both JSC and LLP company types, fields of activity, operations, and other corporate matters are governed by their company articles of association (AoA - similar to 'certificate of incorporation' and 'bylaws' in other jurisdictions) within the framework set out in the Turkish Commercial Code No. 6102

Joint-Stock Companies (JSC)

In accordance with article 329 of Turkish Commercial Code No 6102, "A joint stock company is a company whose capital is certain and divided into shares and which is solely responsible for its debts as an amount of its assets. Shareholders are solely responsible to the company and their responsibility is limited to their subscribed shares." The company's stock capital is divided into shares and the liability of the shareholders is limited to the subscribed capital and paid by the shareholder. A joint stock company can be established for any economic purpose that is not prohib-

ited by law. At least one shareholder that can be a real person or legal entity and a minimum capital of 50.000 Turkish Liras are mandatory. At least 25 % of the nominal value of the shares subscribed in cash must be paid before registration with Trade Registry and the remaining shall be paid to the company within twenty-four months following the registration. Organs of a JSC:

- a) General Assembly;
- b) Board of Directors;
- c) Supervisory Board.

The highest decision making organ of a JSC is the Shareholders General Assembly ('SGA') where each shareholder is entitled to participate in the meetings which can be held either ordinarily or extra-ordinarily. Ordinary General Assembly meetings must be held within three months of the end of the financial year whereas extra-ordinary meetings of such could be held whenever it is deemed necessary.

The Board of Directors ("Managing Board") is the administrative body of a joint stock company responsible for the management and representation of the company, which cover important issues such as financial matters, preparation and implementation of the company policy. It has the right to exercise all powers not delegated to and reserved for other bodies of the company by law or by the articles of association. The current operations of a JSC are governed by the Board of Directors. Board of directors can be constituted by one or more member and board members are not need to be a shareholder. A Legal entity can be a board member too, but it must be represented by real person. There are no restrictions on nationality or residence of board members. In both company types, the incorporator shareholders could be companies or individuals and they can all be established or resident in foreign countries.

All the necessary documents that will be issued and executed outside Turkey must be notarized and apostilled or alternatively ratified by the Turkish consulate where they are issued. The original executed,

notarized, and apostilled documents must be officially translated and notarized by a Turkish notary.

Branches

Foreign investors are entitled to establish Branches in Turkey so as to engage in activities within the borders of Turkey. Branches may be incorporated only for the same purposes as the parent company. In this respect, branches shall not have separate Articles of Association and consequently shall merely act within the fields of activity of their parent company.

Branches are not a legal entity and are managed by the parent company and represented by the branch manager(s) before third parties who is/are appointed by the parent company. A branch office shall use the same corporate name as that of the parent company by indicating that it is a branch office and also contain the location of the head office and the branch office. A fully authorized commercial representative (branch office manager) residing in Turkey needs to be appointed in order to run day-to-day business of the branch office. A foreign company is required to get permission from the Ministry of Commerce and Industry to establish a branch in Turkey.

Liaison (Representative) Offices In Turkey

Liaison Offices provide a practical way for foreign investors to enter into the Turkish Market. Liaison Offices cannot deal with any commercial or cash generating activities. It can only conduct "non-commercial activities" such as market research, customer services, gathering information, carry out advertising and promotional activities in Turkey and contact with the customers or suppliers of the parent company. A liaison office cannot repatriate funds except for termination or liquidation proceeds of the liaison office. Foreign companies are allowed to establish liaison offices in Turkey subject to the permission of the Ministry of Economy.

Comparative Table

Criteria	Liaison Office	Branch	Limited Liability Partnership (LLP)	Joint Stock Company (JSC)
Legal Status	Not a legal entity	Not a legal entity	Legal entity	Legal entity
Definition	A Liaison Office is a business type which is not allowed to conduct “commercial activities” but is allowed to carry out the activities indicated under the Regulation on the Implementation of Foreign Direct Investment Law.	A branch is a separate subdivision of a legal entity situated outside of its location, which performs all or a part of its functions, including the representational functions. Pursuant to Article 48/3 of Turkish Commercial Code No. 6102 (TCC) every branch must use the parent company name by indicating that it is a branch. In the trade name of Turkey’s branch of a company based abroad, locations of the parent company and branch, and the fact of its being a branch (Θ Şubesi) must be included.	A limited liability company shall be incorporated by one or more real persons or legal entities under a trade name; its basic capital shall be definite and consist of the sum of basic capital shares. Partners shall not be responsible for the debt of the company; they shall be responsible only for paying for the basic capital shares for which they subscribed and for fulfilling their obligations to make additional payments and for secondary performances set forth in the articles of association.	A joint stock company is a company whose capital is certain and divided into shares and which is solely responsible for its debts as an amount of its assets. Shareholders are solely responsible to the company and their responsibility is limited to their subscribed shares.
Founders	Parent Company (local or foreign)	Parent Company (local or foreign)	Pursuant to Article 573 of the TCC, limited liability companies may be established with one or more shareholders; and pursuant to Article 574, the number of shareholders may not exceed fifty. Shareholders may be real persons or legal entities.	One or more shareholder founders are required for incorporation of a joint stock company. Real persons and legal entities (local or foreign) who have subscribed to a share and signed the articles of association are founders.
Potential Activities	Activities of liaison offices in Turkey are limited to non-commercial activities such as: - Market research - Promotion of the goods and services of the parent company - Representation and hosting - Technical support - Communication and information transfer	A branch has the same articles of association with the parent company indicating the scope of activity of the Turkish Branch.	Limited liability company can be incorporated for all kinds of economic purposes and scopes that are not prohibited by law.	Joint stock companies can be incorporated for any economic purposes and scopes not legally prohibited.

Incorporation	Permission is required to establish Liaison Office from Foreign Investment Department under the Turkish Prime Ministry and the permits are granted renewable for three years.	A foreign company is required to get permission from the Ministry of Commerce and Industry to establish a branch in Turkey.	The company shall be established when the founders disclose their will to incorporate a limited liability company in the articles of association drawn up in accordance with law, subscribe the entire capital unconditionally and pay the amount to be contributed in cash fully and immediately.	The company shall be incorporated upon the founders' declaration stating their decision to incorporate a joint stock company in the articles of association approved by a notary and prepared in accordance with law and in which the founders absolutely committed to pay the entire capital
Incorporation Documents	<ol style="list-style-type: none"> 1. Application form, 2. Statement indicating the scope of the works to be carried out by the liaison office and that the office shall not carry out commercial activities and the certificate showing the authority to sign of the executive of the foreign company who signed the statement. 3. Certificate of Activity of the foreign company which is certified by the related Turkish Consulate or in accordance with the provisions of "Hague Convention Abolishing the Requirement of Legalization for Foreign Public Documents" which was drawn up within the framework of The Hague Conference on Private International Law. 4. Activity Report or balance and income table of the foreign company. 5. Power of Attorney, in the event that the procedure for the establishment of the liaison office was carried out by another person. 	<ol style="list-style-type: none"> 1.Petition 2.Decision (Translation and Apostille Approved) 3.Current Residence Certificates/ Residence Permit Document 4. Copy of ID Card / Passport Copy 5.All documents and translations which show the central register of branch opening 6.Operating Certificate (Translation and Apostille Approved) 7. The declaration which shows the Article 122-d of the content of the Regulation and its translation 8. The power of attorney and its translation as the article122-d of the content of regulation 9.Signature Declaration 	<p>Application for registration shall be filed with the Trade Registry where the headquarters are located. The application shall be signed by all managers. The following documents shall be appended to the application:</p> <ol style="list-style-type: none"> a) A certified copy of the articles of association. b) Founder's declaration drawn up in accordance with Article 349 with its appendices, and operational auditor's report prepared in accordance with Article 351. c) The document indicating the persons authorised to represent the company, together with their domiciles and the elected auditor. <p>The following entries shall be inserted into the application:</p> <ol style="list-style-type: none"> a) names, surnames, or titles, domiciles, nationalities of all partners b) basic capital share committed by each partner and total amount they paid c) names, surnames and titles of the managers and whether he/she is a shareholder or a third party d) representation method of the company <p>Other required documents (notarized) for registering are:</p> <ul style="list-style-type: none"> - 3 copies and the original of the articles of association, - 2 copies of the signature documents, - 2 copies of the identification documents of the firm managers, - one copy of the passport for each foreign shareholder, - 3 copies of a notification form of establishment. - the original receipt from the bank, proving that the 0,04% from the capital were deposited to the Competition Authority, - the certificate of deposit of the minimum capital. 	<p>The articles of association, the declaration of founders, fair value reports, agreements with founders and other entities related to incorporation and the transaction auditor report are incorporation documents. All incorporation documents shall be placed in the registration file and a copy of each shall be kept by the company for a period of five years.</p> <p>Other required documents (notarized) for registering are:</p> <ul style="list-style-type: none"> - 3 copies and the original of the articles of association, - 2 copies of the signature documents, - 2 copies of the identification documents of the firm managers, - one copy of the passport for each foreign shareholder, - 3 copies of a notification form of establishment. - the original receipt from the bank, proving that the 0,04% from the capital were deposited to the Competition Authority, - the certificate of deposit of the minimum capital.

Minimum Capital Amount	Not required	There is no minimum capital requirement for the establishment of a branch, but the funds needed for the activities are provided by headquarters.	Registered capital of limited liability company shall be at least TRY10, 000. The nominal value of the shares in the capital should be at least TRY 25 and multiples of 25.	The capital stock representing the entire capital subscribed in the articles of association cannot be less than TRY50, 000. The initial capital cannot be less than TRY100, 000 in non-public joint stock companies which have adopted the registered capital system disclosing the authorisation ceiling given to the BoD.
Payment of shares	Not required	Not required	The entire capital must be contributed in cash fully and immediately.	At least 25 percent of the nominal value of the shares subscribed in cash must be paid before registration and the remaining shall be paid within 24 months following the registration. The entire issuance premium of shares shall be paid before registration.
Registration	For a liaison office permission in Turkey, the relevant company has to apply to the Secretary of Treasury, Foreign Investments Division, Ankara. After an establishment permit is granted by the Foreign Investments Division, Secretary of Treasury, the relevant Liaison office is supposed to register to the local tax office and to send a copy of the tax office registration document back to relevant division of Treasury latest within 1 month Annually, informing the Secretary of Treasury, Foreign Investments Division, Liaison offices should provide Foreign Investments Division with the followings every year latest until end of May, so as to inform the authority about their activities of past year.	Neither the Law nor the Regulation requires permission from the Treasury for the establishment, by foreign legal entities, of a branch in Turkey. Nevertheless, if a foreign legal entity intends to establish a branch in Turkey, an application has to be made to the General Directorate of Domestic Trade of the Ministry of Trade and Commerce (the Ministry) together with the supporting documents. Upon approval of the Ministry, the necessary documents should be submitted to the relevant Trade Registry for registration and announcement on the Trade Registry Gazette.	The entire articles of association shall be registered with the Trade Registry where the headquarters of the company is located and be announced in the Turkish Trade Register Gazette within 30 days from the certification of the founder's signatures by notary public. The company shall acquire a legal personality upon registration with the Trade Registry	The full version of the articles of association of the company shall be registered with the Trade Registry at the location of the company's headquarters and announced in Turkish Trade Registry Gazette within 30 days as of obtaining permission for the incorporation of a joint stock companies from the Ministry of Industry and Trade and other companies incorporated in accordance with sub-clause 1 of Article 335. The company shall acquire legal personality upon registration at the Trade Registry.
Tax Liability	Liaison Office is not subject to income tax because it is not permitted to generate any income from its activities.	A branch is subject to corporate tax only for income generated in Turkey due to limited liability status.	A subsidiary company is treated as a resident company and therefore company's income for the year will be subject to corporate tax, a flat rate of 20% in Turkey.	A subsidiary company is treated as a resident company and therefore company's income for the year will be subject to corporate tax, a flat rate of 20% in Turkey.

Insolvency

For collection of debts in Turkey there are three types of execution proceedings: proceedings without judgement, proceedings with judgement and foreclosure proceedings. Turkey has enabled the Execution and Bankruptcy Law No.2004 with respect to companies, covering debt recovery, restructuring, insolvency and bankruptcy of companies and individuals. Enforcement or execution proceedings are carried out by execution and bankruptcy offices. The so-called “collective enforcement procedure” provided by Turkish Law is the most important of the enforcement options against a debtor. The Bankruptcy Law provides for the following two types of bankruptcy that may be applied to an insolvent debtor: ordinary bankruptcy and direct bankruptcy.

Ordinary bankruptcy

Ordinary bankruptcy involves a creditor bringing bankruptcy proceedings against a debtor. Bankruptcy can only be commenced against merchants. A document evidencing the debt is not necessary. The first step involves a demand to the execution office in the area where the debtor’s principal place of business is registered at the trade registry. Following the submission of the request, the director of the office sends a payment order to the debtor. The debtor can act in one of the following two ways within seven days after notification of the demand:

-If the debtor objects to the payment order, the bankruptcy proceeding will stop. In order to dismiss the objection, the creditor can bring a claim before a commercial court within one year following the debtor’s objection or file a “lifting of objection lawsuit” within six months.

-If the debtor does not object, the debtor must pay the amount requested in the payment order within seven days.

The commercial court declared the debtor bankrupt, if the debt is not deposited or paid within seven days. The debtor's oth-

er creditors can apply to the commercial court to cancel the bankruptcy request, on the basis that there are no legal grounds for the debtor's bankruptcy. The bankruptcy decision announced by the execution can be appealed within ten days. The creditors can also apply to the court during the judgment process before the bankruptcy decision is granted. Following the announcement of the court’s declaration of bankruptcy in the Trade Registry Gazette, other creditors may object to the bankruptcy within fifteen days. The bankruptcy becomes conclusive, after the expiry of those ten days, or finalisation of the appeal. Also the claimant (creditor) will be ordered to pay at least 20% of the claimed amount to the defendant (debtor) as compensation, in case the court finds that the debt does not exist and the claimant was unjustified in commencing execution proceedings. On the other hand, the court will order the defendant to pay compensation not less than 20% of the claimed amount, if the court decides in favour of the claimant and cancels the objection of the defendant.

Finally, the Execution and Bankruptcy Law provides that, where the liabilities of a company exceed its assets, the board of directors (the “BoD” for joint-stock corporations) or board of managers (the “BoM” for limited liability partnerships) or any of the company's creditors may seek bankruptcy postponement. Upon receipt of a petition for bankruptcy postponement, the commercial court will appoint a trustee while granting a decision on the postponement of bankruptcy. This trustee must prepare an inventory of the assets and liabilities and is entrusted with the authority of the BoD or BoM. During the initial stage, the court is authorized to order an interim injunction, typically imposing a stay where all execution proceedings are also suspended and no new execution proceedings can be initiated. Further the court appoints an expert to evaluate whether the company was entitled to bankruptcy post-

ponement by examining the ratio of assets to liabilities. If the applicant is found to be entitled to bankruptcy postponement protection, the expert evaluates the proposed recovery plan. If the court finds the recovery plan is not found feasible, the court directly rules on the bankruptcy of the company followed by liquidation and distribution of the liquidation proceeds to the creditors. If the recovery plan is found to be feasible, the court grants the postponement. The period of postponement is a maximum of one year. However, this period may be extended annually by the commercial court up to five years. An average bankruptcy postponement proceeding generally takes one-and-a-half years to finalize.

Recapitalisation

Even after the opening of the bankruptcy proceedings, the creditors, the bankruptcy office or the bankruptcy administration still have the opportunity of applying to the bankruptcy court and presenting a recapitalisation plan.

Should this application be approved, the bankruptcy proceedings will be temporarily suspended and a compulsory administrator will be appointed. The bankruptcy proceedings will only be continued if recapitalisation fails.

Direct bankruptcy

The process is called direct bankruptcy when a bankruptcy claim is brought before a commercial court, without previously applying for a payment order. The creditor as well as the debtor can directly file a lawsuit for bankruptcy. Creditors may directly request debtor's bankruptcy from the competent commercial court in the following circumstances;

- The debtor does not have a permanent address;
- The debtor is hiding in order to not pay his debts;
- the debtor is engaged in, or attempting to engage in, fraudulent acts that infringe the

rights of its creditors;

-the debtor hides his assets during execution proceedings;

-The creditors are explicitly or implicitly informed by the debtor that due receivables may never be paid;

-The proposed concordatum is not granted, or the concordatum period is cancelled or terminated;

-The debt could not be paid through execution of a court verdict;

-Indebtedness of capital companies;

-Termination of restructuring through conciliation or breach of its project

A debtor can apply to a court to declare itself bankrupt. This can occur in two circumstances:

-The debtor applies to the commercial court to declare itself bankrupt on the basis that it is unable to pay its debts ("Voluntary bankruptcy")

-The debtor must apply to the commercial court for bankruptcy ("Obligatory bankruptcy") if:

an attachment is ordered against a debtor which results in the debtor losing one-half of its assets;

other debtor's remaining assets are insufficient to meet its other debts which will be due and payable within one year.

Public-Private Partnership (PPP)

What are the possible options to implement a public-private partnership (PPP) infrastructure project in Turkey?

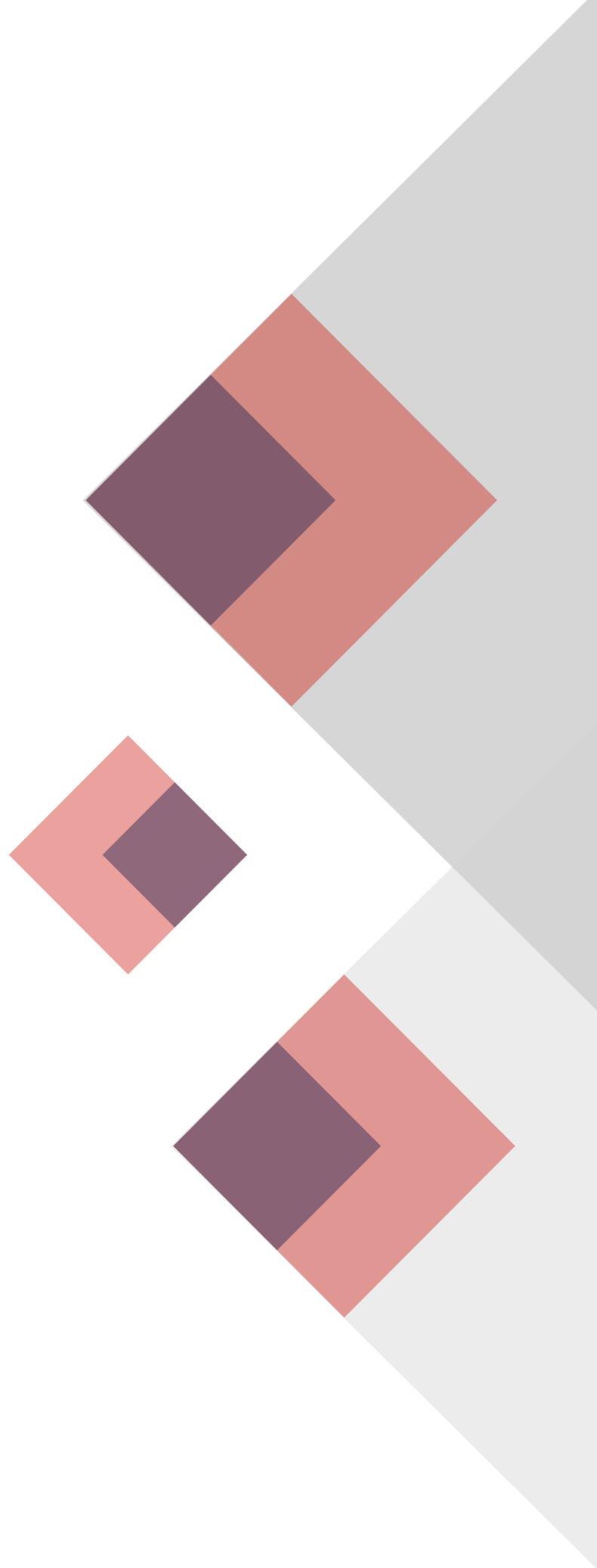
Public Private Partnership has been used successfully in Turkey in the past and it is expected to gain even more importance in the future. According to PPP professionals, Turkey is the second most attractive market globally for PPP projects in the medium to long term. There is not a single act for Concessions or PPPs. Instead, there are number of Laws and Regulations governing PPPs in different sectors. Primarily Public Concessions Act dated 1910 (Menafii Umumiyeye M̄teallik İmtiyazat Hakkında

Kanun) from the Ottoman Era constitutes the basic foundation of the transfer of the services qualified as concession to the private sector and is still in force. The Turkish Constitution did not define the concession agreement. Pursuant to the Constitution Court decision and to the Public Concessions Act dated 1910 the agreement was defined, "agreement made by the administration with a legal person who is a joint stock company for institution and operation of a public service for long term, against a fee to be profits and losses to belong to the partner investor. There is a Draft Law on Fulfilment of Investments and Services through Public and Private Partnerships ("Draft Law") constituting a general policy framework for PPPs. The draft Law defines PPP models as investment models where public and private sectors share the cost, risk and rewards in delivering a service or facility for the public. However, these Draft, drafted by the State Planning Organization in November 2007 is at a relatively early and premature state. Especially from 1980s to present time, the legal regulations on PPP models regarding their various sectoral implementations continued to rise. Legislations regulating the granting of concessions and constituting a Concessions/ PPP framework for Turkey are as follows;

Build-Operate-Transfer:

a.Law No.3996 (Official Gazette: 13 June 1994, no 21959), Law on Having some Investments and Services as Build-Operate-Transfer Model, regarding the realization of certain infrastructure and public services with the BOT model ("BOT Law"). The BOT model has been commonly used in several projects in Turkey. The most well-known BOT projects can be listed as the Marmaray Bosphorus Tunnel, the Zafer Airport in Kütahya, the İstanbul-İzmir Motorway Project, the Zeşme Marina in İmir, the Yuvacık power plant in Kocaeli, th and the Yamula power plant in Kayseri.

b.Law on Commissioning Institutions about Electricity Generation, Conducting, Distri-



bution and Trade other than Turkish Electricity Administration No.3096, regarding the generation, transmission, distribution and sale of Electricity by private undertakings ("Electricity Law").

c. Law No.3465 on building, maintenance and operation of the Highways. ("Highways Law")

Build-Operate:

d. Law No.4283 on Building and Operating Power Plants with Build-Operate-Transfer Model and Regulating Energy Sale.

Build-Lease-Transfer:

e. Law on Building, Restoration and Getting Service with Public-Private Sector Cooperation by Ministry of Health and Amending Some Law and Decree Law Education Campuses No. 6428 was published In the Official Gazette on 9 March 2013. The new law replaced Supplemental Article 7 of Law No. 3359 and its regulation for implementation. The new legislation, to a large extent, decreases the burden and risk undertaken by companies involved in PPP projects. It brings legal certainty and introduces a mechanism through which lease payments can be adjusted according to changes in the foreign exchange rate. Healthcare PPPs in Turkey most frequently use the Build-Lease-Transfer (BLT) Model. Under the BLT model, the project company contracts or renews healthcare facilities, and subsequently leases it to the government for a set amount of time. During the contract period, in addition to getting regular lease payments from the government, the project company also has the right to develop and operate non-healthcare facilities. The Ministry of Health of Turkey has planned that there will be 35 city hospitals and integrated health campuses in 22 different cities of Turkey through PPP. Three projects on the Construction Phase are:

1. Ankara Bilkent Integrated Health Campus
2. Ankara Etlik Integrated Health Campus
3. Kayseri Integrated Health Campus

f. Decree law Concerning the Organization and Duties of the Ministry of National Education No. 652, regarding education.

Transfer of Operation Rights:

g. Law No. 5335 amending certain Laws including provisions related to the lease and/or transfer of operating rights of Airports and privatization (including transfer of operation rights) of assets owned by Turkish Railroads (including ports). Turkey has the ambitious intention of increasing the capacity of its airports from 165 million to 400 million of travellers in 2023. PPP has been an irreplaceable tool to do so and it has fit very well in the management of the Turkish Airports since they were opened to the Transfer of Operating Rights (TOR) in 2005, under the scope of Law 5335 on the Transfer of Operation Rights of Airports and Passenger Terminals

Long-Term Lease:

h. The Privatization Law No.4046.

i. Law No. 5335 amending certain Laws including provisions related to the lease and/or transfer of operating rights of Airports and privatization (including transfer of operation rights) of assets owned by Turkish Railroads (including ports).

Other relevant legislation:

j. Law on Principles About Arbitration in Conflicts Comes out of Concession Documents Listing the Terms of a Contract and Contracts about Public Services No.4501 regarding the application of International Arbitration on Concession Agreements.

Main functions of the bankruptcy offices are as follows:

- Supervising the bankruptcy administration's activities
- Executing interim measures of protection
- Keeping the books of the bankrupt person's or entity's assets
- Inviting creditors to the creditors' first meeting and carrying out the liquidation process if the first creditors meeting cannot be convened.

The bankruptcy procedure takes at least one year. If the debtor appeals the bank-

ruptcy decision it will take an additional six to eight months if the debtor appeals the bankruptcy decision (see above, Initiation). How long liquidation of the assets and payment of creditors will take depends on the assets, the number of creditors, and pending claims filed by or against the bankrupt company.

k. Law on Concession about Public Interest No.576 related to the concessions (This is a narrow framework dating from before the Republic of Turkey but still in effect).

Major Ongoing PPP Projects in Turkey

The 3rd Bosphorus Bridge and the Northern Marmara Motorway Project

Istanbul 3rd Airport

Gebze-Orhangazi-İzmir Motorway Project (Incl. Izmit Bay Crossing and Approach Roads)

Bilkent Integrated Health Campus Project

FAQs for opening a company in Turkey

1. How is business activity performed in Turkey by foreign investors?

Foreign legal entities may do their business in Turkey through either registering a branch/liaison office in Turkey or establish a joint stock company/limited liability company in line with Turkish Commercial Code No.6102, according to Foreign Direct Investment Law No.4875. A subsidiary is a legal entity and you need a minimum capital share that is different in accordance to the type of company that is chosen to set up. A branch/liaison office is a structural subdivision of a foreign legal entity located in the territory of Turkey and is not a legal entity.

2. What is the most popular form of incorporation for a legal entity in Turkey?

All corporate forms are open to foreign investment, but the most popular form of

incorporation in Turkey would be a Limited Liability Partnership (LLP). For activities such as banking, insurance etc., a Joint Stock Company (JSC) is the mandatory form of company. The main differences between a JSC and a LLP are as follows: the minimum capital required for a Limited Liability Company is 10.000 Turkish Liras opposed to 50.000 Turkish Liras for a Joint Stock Company. The structure of a LLP is simpler and more flexible. A Joint Stock Company is more suitable for large businesses.

3. What types of activities require license?

At the present time in Turkey some certain types of activities in the following areas are subject to licensing: industry, use of nuclear energy, turnover of poisonous substances, technical safety, transport, weapons and military equipment, communication, agriculture, public health service, gambling, finance, construction, alcohol and tobacco products and the import and export of goods.

Activities subject to licensing may only be performed after the relevant license has been obtained. Transactions made without the relevant licenses may be found void and may be challenged in court. Activities without the relevant license may entail administrative fines and income seizure.

4. Are there any investment preferences for investors?

Foreign investors can benefit from incentives, such as corporate tax reduction, other tax benefits and exemptions, if they set up a company in special investment zones. There are three types of special investment zones in Turkey, namely; Technology Development Zones ("TDZ"), Organized Industrial Zones ("OIZ") and Free Zones ("FZ"). TDZ's are areas designed to support Research and Development activities and attract investment in high-technology fields. OIZ's are designed to allow companies to operate within an investor friendly environment with ready-to-use infrastructure and social facilities. FZ's are special sites

within the political border of the country, considered to be outside the customs area and designed to increase the number of export-focused investments. Investment incentives could be granted in the following forms:

- Customs Duty Exemption;
 - Value Added Tax ("VAT") exemption;
 - Corporate tax reduction;
 - Social security employer/employee premium contribution;
 - Allocation of land
 - Interest support on the financing
 - Income withholding tax
 - VAT refund
- purpose of travel.

5. Is trademark protection required and possible?

The registration of a trademark is optional. The only authorized public enterprise for a Turkish trademark registration is the Turkish Patent Institute. Application period is completed approximately within 12 months starting from the appeal to Turkish Patent Institute. The protection begins from the application date. The protection period for a registered trademark is 10 years and should be renewed every 10 years for the extension of protection.

6. Is a work permit required in order to work in Turkey?

In order to perform Labour activity in Turkey, foreign citizens have to obtain a work permit. Applications for work permits can be made inside or outside Turkey. Foreigners residing outside Turkey shall apply to the Turkish Consulates in their country. The online application should be filed in 6 days and direct application to the Ministry should be filed in 10 days. Foreigners with a valid residence permit can apply directly to the Ministry of Labor and Social Security. The actual period required for obtaining the work permit is around 30 days after submitting the necessary documents. Work permits are organized under 4 main headings:

1. Working permission for a definite period of time (Article 5 of Law on the Work Permit for Foreigners No. 4817);
2. Working permission for an indefinite period of time (Article 6 of Law No.4817);
3. Independent working permission (article 7 of Law No. 4817);
4. Exceptional working permission (Article 8 of Law No. 4817).

Working permission for a definite period of time is given to be valid for at most one year. Duration of the working permit may be extended up to three years, on condition of working in the same workplace or enterprise and in the same job. Holders of a long-term residence permit pursuant to Law on Foreigners and International Protection, No. 6458, or those foreigners that have resided in Turkey uninterruptedly for at least eight years with a resident permit, or that have legally worked for total eight years may be granted working permission for an indefinite period of time. Independent working permission may be given by the Ministry to the foreigners, who will work independently, on condition that they have resided in Turkey legally and uninterruptedly for at least five years.

According to Article 55 of the Regulation on the Implementation of Law on Work Permits For Foreigners the following foreign nationals are exempted from the work permit requirement;

- 1) Foreign nationals deriving from their rights to be exempted from work permit requirement under bilateral and multilateral agreements in which Turkey stands as a party,
- 2) Foreign nationals that live abroad permanently and enter Turkey temporarily to either engage in cultural, scientific and artistic activities for less than one month or in sport activities for less than four months.
- 3) Foreign nationals who come to Turkey temporarily for less than 3 months, in order to perform assembling, maintenance or training of imported machines and equipment and those coming to deliver equip-

ment or to repair damaged equipment, as long as they provide supporting documents relevant to their.

4) Foreign nationals who enter Turkey for training purposes related to exported or imported goods and services.

5) Foreign nationals who come to Turkey temporarily for less than 6 months, to perform shows or similar activities in the fairs and circuses outside of the borders of Certified Tourism Investments and Establishment, as long as they provide supporting documents relevant to their purpose of travel.

6) Foreign nationals who come to Turkey temporarily in order to improve their knowledge and experience in universities or public institutions and organizations, for a period limited to their education which does not exceed 2 years, provided that the situation is supported with relevant documentation.

7) Foreign nationals regarding whom a reasoned offer is made by the relevant authorities about their abilities to render significant contributions to Turkey in socio-cultural, technological and education fields, for a period that does not exceed six months.

8) Foreign nationals who come to Turkey within the context of programs executed by the Centre of European Union Education and Youth Programs (Turkish National Agency).

9) Foreign interns participating in international internship programs of which the scopes and duration are agreed by Ministry of Labor and Social Security, Ministry of Interior, Ministry of Foreign Affairs and a Higher Education Institution.

10) Tour Operator Representatives coming to Turkey for a period that does not exceed eight months within a calendar year.

11) Foreigner soccer players, other sportsmen and coaches who come to Turkey with the approval of Turkish Football Federation and General Directorate of Youth and Sport for a period determined in their contracts.

12) Seafarers having endorsement certificate, which is recognized according to bilateral protocols under the International Convention on Standard of Training, Certification and Watchkeeping for Seafarers ȳ Regulation I / 10 and who work in ships that are operating outside the cabotage zone and registered with the Turkish International Ship Register.

13) Foreign Experts assigned in projects within the context of EU-Turkey Financial Co-operation programs.

7. Are there any free economic zones in Turkey?

Beginning by 1987, there are several free trade zones in Turkey. Currently, there are 21 free trade zones: Istanbul Atatürk Airport Free Zone (Yeşilköy-Istanbul), Istanbul Leather Industry Free Zone (Tuzla-Istanbul), Istanbul Stock Exchange Free Zone (Emirgan-Istanbul), Istanbul Thrace Free Zone (3atalca-Istanbul), Tubitak Marmara Research Center Technology Free Zone (Gebze-Kocaeli), Trabzon Free Zone (Port-Trabzon), Samsun Free Zone (Port-Samsun), Rize Free Zone (Rize), Mersin Free Zone (Mersin), Mardin Free Zone (Mardin), Kocaeli Free Zone (Gölcük-Kocaeli), Kayseri Free Zone (Kayseri), İzmir Menemen Free Zone (Menemen-İzmir), Antalya Free Zone (Antalya), Aegean Free Zone (İzmir), East Anatolia Free Zone (Erzurum), Denizli Free Zone (3ardak-Denizli), Bursa Free Zone (Gemlik-Bursa), Gaziantep Free Zone (Başpınar-Gaziantep), European Free Zone (3orlu-Tekirdağ), Adana Yumurtalık Free Zone (Ceyhan-Adana). Turkish Free Zones are tax free zones. Income generated through activities in the Zones are exempted from income tax, corporate tax and VAT. The Free Trade Zones of Turkey allow investors to participate in all areas of business that private Turkish companies do.

8. How are disputes settled in Turkey?

If the parties cannot reach an agreement by negotiations, they may apply to the Turkish court or an international arbitration court

depending on the relevant agreement between the parties. The Istanbul Chamber of Commerce and the Union of Chambers of Commerce, Industry, Maritime Trade and Commodity Exchanges of Turkey currently provides services for domestic arbitration. Turkey's legal system is based on civil law. Civil procedure is governed by the Code of Civil Procedure No.6100, dated 01.10.2011. There are also some specific procedural rules regulated by the Turkish Commercial Code and the Code of Labour Courts, etc. Moreover, the parties may also settle disputes through a mediator.

9. Are arbitral awards enforceable in Turkey?

Yes, foreign arbitral awards are enforceable in Turkey according to the International Private and Procedure Law No.5718 dated 12 December 2007 and Convention on the Recognition and Enforcement of Foreign Arbitral Award ("New York Convention") which is ratified by Turkey on 2 July 1992 and entered into force on 30 September 1992. For the purpose of enforcement of final awards by parties, it is necessary to bring an action to the Civil Court of first instance. The following documents should be submitted to the Turkish Court:

- a) The original or a duly certified copy of the arbitration agreement or the arbitration clause,
- b) The duly authenticated original award or a duly certified copy of the formal enforceable final arbitral of such a decision having binding force as an arbitration awards, (hence, a request in relation to awards which do not finally settle the dispute may be denied by the Court),
- c) If the documents mentioned above are not in the official language of the Country in which the award is relied upon (here in Turkish), the applicant shall provide a (Turkish) notarized (or approved by a diplomatic or consular agent) official sworn translation of these documents.

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