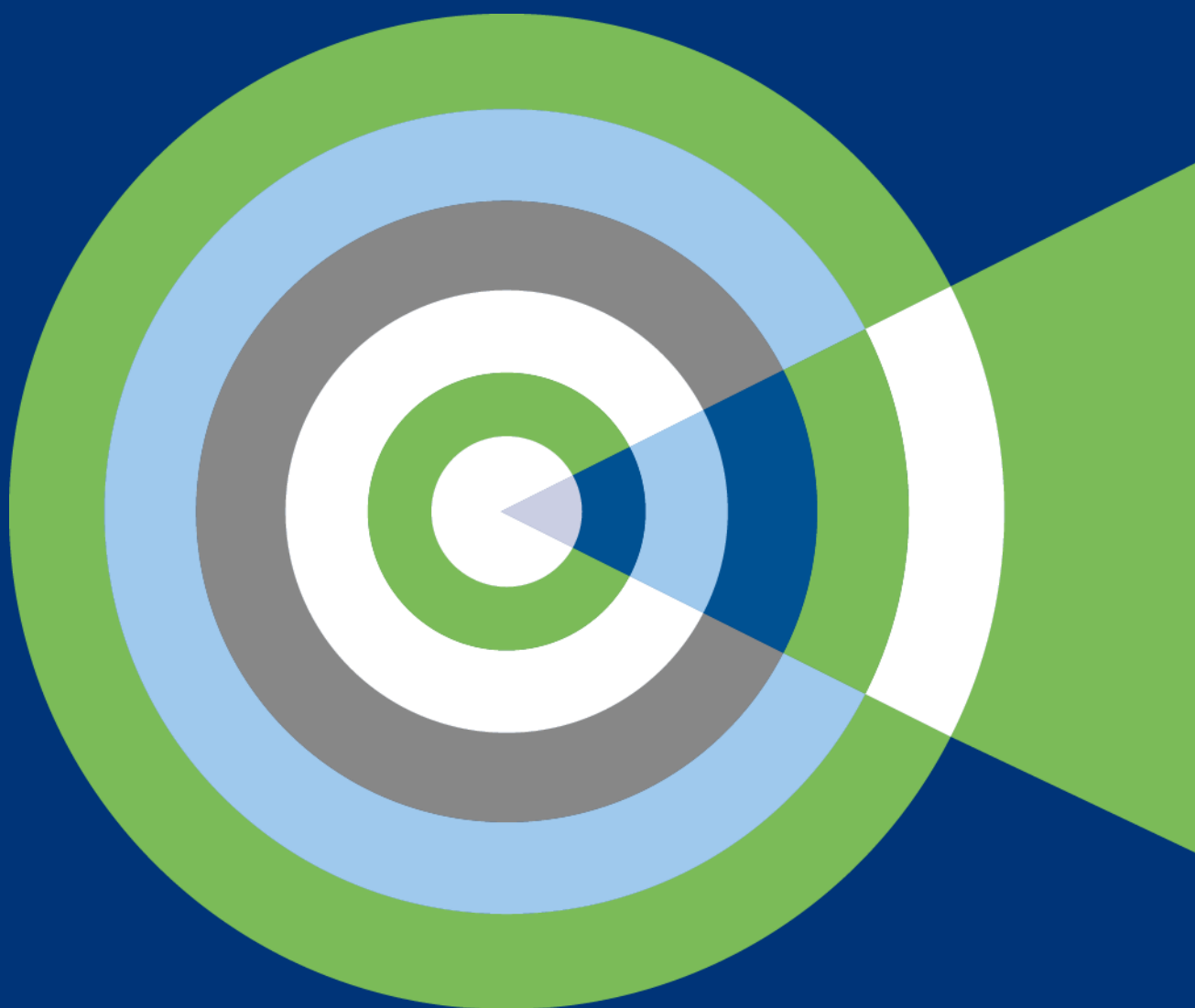


DOING BUSINESS

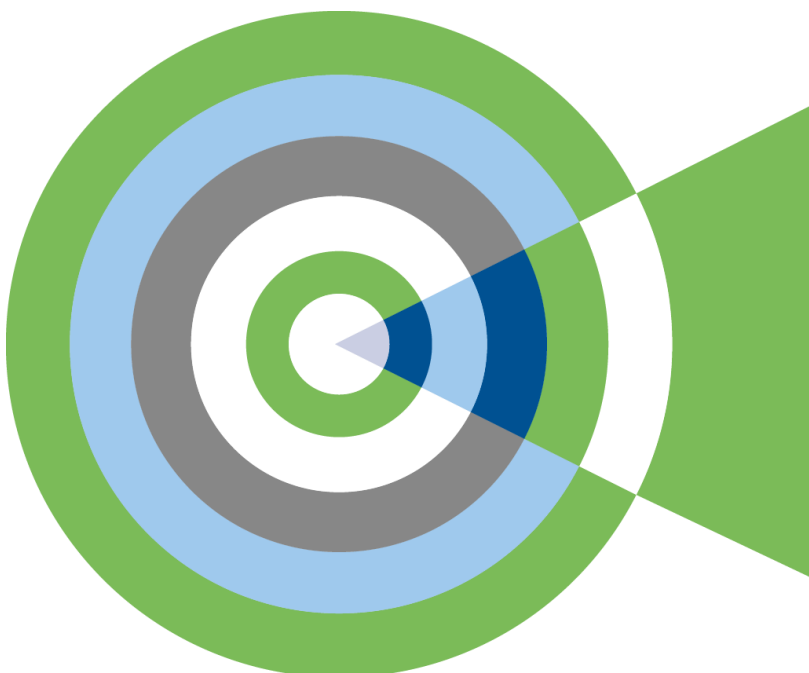
IN TURKEY



The network
for doing
business

CONTENTS

1 – Introduction	3
2 – Business environment	4
3 – Foreign Investment	8
4 – Setting up a Business	19
5 – Labour	26
6 – Taxation	30
7 – Accounting & reporting	33
8 – UHY Representation in Turkey	34



1 – INTRODUCTION

UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in around 100 countries throughout the world.

Business partners work together through the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in Turkey has been provided by the office of UHY representatives:

UHY UZMAN SWORN IN CPA AND INDEPENDENT AUDITING INC.

Büyükdere Cad. Kervangeçmez Sk. Osman Keçeli İş Merkezi
No:3/3 K:4
Mecidiyeköy, İstanbul
Turkey

Phone +90 212 272 56 00
Website www.uhy-uzman.com.tr
Email uzman@uhy-uzman.com.tr

You are welcome to contact Şenol Çudin (senol@uhy-uzman.com.tr) for any inquiries you may have.

A detailed firm profile for UHY's representation in Turkey can be found in section 8.

Information in the following pages has been updated so that they are effective at the date shown, but inevitably they are both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at June 2021.

We look forward to helping you do business in Turkey.

2 – BUSINESS ENVIRONMENT

The Republic of Turkey is ideally located in south-eastern Europe/Asia Minor and the country covers an area of 783,562 square kilometres (302,535 square miles).

Turkey borders the Black Sea, Georgia and Armenia to the north-east, Iran to the east, Iraq to the south-east, the Syrian Arab Republic and the Mediterranean to the south, the Aegean Sea to the west and Greece and Bulgaria to the north-west. Asia Minor (or Anatolia) accounts for 97% of the country's area and forms a long wide peninsula of 1,650 kilometres (1,025 miles) from east to west and 650 kilometres (400 miles) from north to south.

Temperatures in the capital city, Ankara, vary between -4°C (25°F) and 30°C (86°F). Marmara and the Aegean and Mediterranean coasts enjoy a typical Mediterranean climate with hot summers and mild, wet winters. East of the country is mountainous with warm summers and very cold, snowy winters. The south-east has very hot summers and cold winters. The coast of the Black Sea is the wettest part of the country, especially in the north-east.

BACKGROUND

POPULATION

The country's population was 83.1 million as at January, 31 2020. The population growth rate is 0,0139 % and 92.8% of the population lives in urban areas.

Turkish is the official language, but English is widely understood and spoken in the main business and tourist areas.

The majority of the population practises the Muslim religion, mostly Sunni, and there is a very small Christian minority. Turkey's secular state guarantees complete freedom of worship for non-Muslims.

CURRENCY

The official currency is the Turkish Lira (TL). The exchange rate is around 1 USD = 8,70 TL and 1 EUR = 10,53 TL.

Banks are open mainly Monday to Friday, but some are open daily in shopping and tourist areas. ATMs are widely available in major cities and tourist areas. Major credit cards are widely accepted; the most popular are Visa or MasterCard. Traveller's cheques can be exchanged at some banks and currency exchange offices, but are not as welcome as cash or credit cards. USD or EUR cheques are preferred .

TIME

Local time is GMT + 2 (GMT + 3 from the last Sunday in March to the last Sunday in October.)

POWER SUPPLY

Electricity is 220 volts AC, 50Hz. The European two-pin plug is standard.

TELECOMS

The international country dialling code for Turkey is + 90. The outgoing code is 00. City / area codes are in use; for example, Istanbul Asia (Asia Side) is (0)216 and Istanbul Avrupa (Europe Side) is (0)212. GSM (900 and 1800) networks cover most of the country.

COUNTRY MEMBERSHIP

Turkey is a member of the United Nations (UN), Organisation of Islamic Cooperation, European Union (EU) (Candidate), International Labour Organization (ILO), International Monetary Fund (IMF), World Bank (WB) and the World Trade Organization (WTO).

ECONOMIC ENVIRONMENT

Turkey has a booming economy, with sustainable economic growth.

The statistics below give an overview of the Turkish economy:

- Gross domestic product has risen from USD 230 billion in 2002 to USD 717 billion in 2020
- The economy has seen an annual average growth of 1.8% in real GDP.
- It is estimated to have grown around 5% in 2021
- The economy is the 19th largest in the world and the sixth largest economy in the EU in 2020
- Inflation rate is 14.6% for 2020.
- Unemployment rate is 12.6% for 2019.

POLITICAL SYSTEM

Turkey is a republican parliamentary democracy.

The politics of Turkey takes place in the framework of a strictly secular parliamentary representative democratic republic, where the president of Turkey is the head of government. The president of Turkey is the head of state, a position which holds a largely substantial power.

Turkey's political system is based on a separation of powers. Executive power is exercised by the Council of Ministers. Legislative power is vested in the Grand National Assembly of Turkey. The judiciary is independent of the executive and the legislature. Its current constitution was adopted on 7 November 1982 after the Turkish constitutional referendum.

THE EXECUTIVE DEPARTMENT

The function of the head of state is performed by the president (*Cumhurbaşkanı*). A president is elected every five years on the principle of universal suffrage according to the current constitution. The president does not have to be a member of parliament, but he/she must be over 40 years old and hold a bachelor's degree.

Executive power rests with the president, and the Council of Ministers (*Bakanlar Kurulu*). The ministers don't have to be members of parliament. The prime minister is appointed by the president and approved through a vote of confidence (*güvenoyu*) in the parliament.

THE LEGISLATIVE DEPARTMENT

Legislative power is invested in the 550-seat Grand National Assembly of Turkey (*Türkiye Büyük Millet Meclisi*), representing 81 provinces. The members are elected for a four-year term by mitigated proportional representation with an election threshold of 10%.

To be represented in parliament, a party must win at least 10% of the national vote in a national parliamentary election. Independent candidates may also run and to be elected, they must win only 10% of the vote in the province from which they are running. (This threshold is set to be reduced.)

THE JUDICIAL DEPARTMENT

The freedom and independence of the judicial system is protected within the constitution. There is no organisation, person or institution which can interfere in the running of the courts, and the executive and legislative structures must obey the courts' decisions. The courts, which are independent in discharging their duties, must explain each ruling on the basis of the provisions of the Constitution, the laws, jurisprudence and personal convictions.

The judicial system is highly structured. Turkish courts have no jury system; judges render decisions after establishing the facts in each case based on evidence presented by lawyers and prosecutors. For minor civil complaints and offences, justices of the peace take the case. This court has a single judge. It has jurisdiction over misdemeanours and petty crimes, with penalties ranging from small fines to brief prison sentences. Three-judge courts in the first instance have jurisdiction over major civil suits and serious crimes. Any conviction in a criminal case can be taken to a court of Appeals for judicial review. The juvenile courts have their own structure.

All courts are open to the public. When a case is closed to the public, the court has to declare the reason. Judge and prosecution structures are secured by the constitution. Except with their own consent, no judge or prosecutor can be dismissed, have his/her powers restricted or be forced to retire. However, retirement age restrictions do apply. A judge can also be audited for misconduct with the Ministry of Justice's permission, in which case a special task force of justice experts and senior judges is formed.

The High Council of Judges and Public Prosecutors (HSYK) is the principal body charged with responsibility for ensuring judicial integrity and determines a professional judge's acceptance and court assignments. The Minister of justice is the natural head of the Council according to the current constitution.

Turkey adopted a new national 'Judicial Networking System' (UYAP). Court decisions and documents (case info, expert reports etc.) will be accessible via the Internet.

Turkey accepts the European Court of Human Rights' decisions as a higher court decision. Turkey also accepts as legally binding any decisions on international agreements.

There are several supreme courts with different areas of responsibility:

- *Yargıtay* acts as the supreme court of judiciary tribunals (criminal and civil justice)
- *Danıştay* is the highest of the administrative courts

- *Anayasa Mahkemesi* examines the constitutionality of laws, decrees having the force of law (*decret-loi*), changes of parliamentary by-laws and several other acts of the parliament
- *Sayıştay* (Court of Accounts) is the court which examines the incomes and expenses of the administrative bodies and which acts in the name of parliament
- The Military Court of Cassation (*Askeri Yargıtay*)
- The Military High Court of Administration (or the Supreme Military Administrative Court) (*Askeri Yüksek İdare Mahkemesi*) are the highest bodies to which appeals against decisions of military courts are made.

3 – FOREIGN INVESTMENT

There are many reasons to approach Turkey with a long-term perspective beyond the current economic difficulties affecting the world.

As a candidate for EU membership, Turkey is one of the largest countries in Europe, with a dynamic and young population of 77.6 million. Turkey is the 17th largest economy in the world with a fully convertible currency and liberal trade and payment regimes. The country's financial sector is fully integrated with the global system, with state-of-the-art management, information technology and marketing techniques. The early 2000s saw sweeping reforms coupled with political stability, ushering in a new era for Turkey in which its position has been upgraded to that of a first-class emerging market.

REASONS TO INVEST

Turkey is strategically located where East and West, Asia and Europe and Islam and Christianity meet.

On the one hand, Turkey has adopted the universal values of democracy with a well-functioning parliamentary system, and on the other, it has deep-rooted and well-established relations and bonds with Islamic and Asian societies. This unique geopolitical position presents both challenges and opportunities for Turkey.

Turkey has strong relations with Western powers and has seats at leading global organisations, including the UN Security Council, NATO, the Council of Europe, the Islamic Development Bank (IDB) and the Organization of the Islamic Conference (OIC). Turkey has peaceful relations with all regional powers despite the fact that the region has a delicate balance of power.

As one of the fastest growing markets, Turkey offers vast opportunities. As an emerging market, Turkey had a high average growth rate of 7% (between 2002 and 2007), before the emergence of the current financial crisis. Unlike the pre-2001 crisis, when Turkey had boom and bust cycles every three to five years, high interest rates, double-digit inflation up to 70% annually, a cumbersome debt burden and weak public finances, Turkey's growth records since 2002 have been stable and sustainable.

Turkey is one of the most successful 'globalisers' in terms of its trade and financial integration due to the 'trade creation effect' of the country's openness. Turkey's exports rose from USD 30 billion in 2001 to USD 180 billion by the end of 2019. The same process also triggered a rise in Turkey's import volumes. After this phenomenal rise, the share of exports and imports rose to almost 20% and above 25% of GDP, respectively.

Turkey's recent efforts in attracting foreign capital resulted in a phenomenal increase in the volume of both foreign direct investment (FDI) and long-term capital. FDI amounted to USD 19 billion, USD 21 billion and USD 15 billion in 2006, 2007 and 2008, respectively.

One of the remarkable effects of this change is visible in automotive industry investments. From the main industry players (Ford, Fiat, Daimler, MAN, Hyundai, Renault and Toyota) to the supply industry, hundreds of global automakers have rushed to establish production facilities in Turkey. In addition to strong domestic demand, automotives have been the largest export sector for the past three years.

Other major sectors which have attracted foreign capital include services such as those in the finance, telecommunications and retail industries. The share of foreign banks in total banking assets in Turkey was less than 5% until recently. Within a couple of years, the share of foreign ownership has increased to 40%.

Energy and agriculture will dominate the FDI agenda in the coming era. This is because of expanding economic activities and the industry's structural transformation. In fact, among others, energy investments and Turkey's fast-developing industrial structure will continue to create vast opportunities for project financing and development banking. For this reason, several development banks continue to offer extensive facilities and loans to investors in Turkey. It is no coincidence that Turkey is one of the largest debtors of international financial institutions.

Parallel to global warming and rising demand for food, agriculture has become a strategic sector all over the world. Turkey's geographic position brings incomparable opportunities to create an agricultural boom by the next decade. With its large lands appropriate for cultivation, well-developed irrigation systems, sound infrastructure, and proximity to the most demanding markets in the Gulf region, Russia and Europe, Turkey will become one of best agricultural locations to invest in all across the world.

Tourism will continue to become the most strategic service sector. Turkey's brand name is growing rapidly. Tourism income reached USD 34,5 billion in 2019. The rate of increase in the number of visitors as well as the rate of increase in per capita tourism revenue is significantly above other countries. Turkey's potential for tourism revenues could reach at least USD 50 billion within 10 years thanks to the country's historical, cultural, religious and health-oriented richness and climate conditions.

In overview, the main reasons to invest in Turkey are its:

- Successful economy
- Population size
- Qualified and competitive labour force
- Liberal and reformist investment climate
- Infrastructure
- Central location
- Position as an energy corridor and terminal of Europe
- Low taxes and incentives (see the following section)
- Customs union with the EU since 1996
- Large domestic market.

INVESTMENT INCENTIVES

Turkey's new investment incentive system, launched in April, 2012, became effective by the "Council of Minister's Decree No. 2012/3305 on Government Subsidies for Investments" of June 15, 2012. The Regulation No. 2012/1 defines procedures and principles for the implementation of the Decree.

The new Investment Incentive Program that is vital for Turkey's 2023 vision as well as for the production and export-oriented growth strategy aims to:

- steer savings into high value added investments,
- boost production and employment,
- encourage large scale and strategic investments with high R&D content for increased international competitiveness,
- increase foreign direct investments,
- reduce regional development disparities,
- promote investments for clustering and environment protection,

in line with the objectives set in development plans and annual programs.

Supports provided by this new Investment Incentive Program will be available for all investments with an incentive certificate granted after January 1, 2012.

In order to further accelerate investment decisions, the new Investment Incentive Program grants more advantageous supports for investments to be initiated by the end of 2015. Spending at least 10% of the investment amount (minimum 5 million TL for the investments over 50 million TL) will suffice for the investment to be considered as started.

INCENTIVE INSTRUMENTS

Investments are supported through 4 different incentive schemes and 9 different incentive instruments designed within the scope of the new program. Contributions provided to investors through incentive instruments depend on the characteristics of the investment and applicable schemes. This chapter elaborates on the scope of incentive instruments in order to clarify the details of such contributions. There are concrete examples, presented below, for providing investors with more information on the incentive instruments:

SCHEMES/SUPPORTS	<u>General Investment Incentive Scheme</u>	<u>Regional Investment Incentive Scheme</u>	<u>Large Scale Investment Incentive Scheme</u>	<u>Strategic Investment Incentive Scheme</u>
VAT Exemption	•	•	•	•
Customs Duty Exemption	•	•	•	•
Tax Deduction		•	•	•
SSP* Support (Employer's share)		•	•	•
Income Tax Withholding Support**	•	•	•	•
SSP Support** (Employee's Share)		•	•	•
Interest Rate Support***		•		•

Land Allocation		•	•	•
VAT Refund****				•

* SSP: Social Security Premium

** Provided that the investment is made in Region 6.

*** Provided that the investment is made in Regions 3, 4, 5 or 6 within the frame of the Regional Investment Incentive Scheme

**** For strategic investments with a minimum fixed investment amount of 500 Million TL.

SCHEMES

Investment Incentive Schemes According to Regional Development Level

Regional and Large Scale Investment Incentive Schemes of the new program provide support to investments in different provinces at varying rates and terms according to regional and provincial development levels. Both schemes grant different amounts of support according to the regional map identifying 6 different regions.

Regions In The Investment Incentive Program

Within the scope of the new Investment Incentives Program, all provinces in Turkey have been grouped into 6 regions according to the level of economic and social development as indicated by the 2011 socio-economic development index of the Ministry of Development. Investment Incentive Schemes based on regional development level offer the most advantageous rates and terms to Region 6 and less advantageous ones to Region 5, 4, 3, 2 and 1 respectively.

REGION 1	REGION 2	REGION 3	REGION 4	REGION 5	REGION 6
Ankara	Adana	Balıkesir	Afyonkarahisar	Adıyaman	Ağrı
Antalya	Aydın	Bilecik	Amasya	Aksaray	Ardahan
Bursa	Bolu	Burdur	Artvin	Bayburt	Batman
Eskişehir	Çanakkale*	Gaziantep	Bartın	Çankırı	Bingöl
İstanbul		Karabük	Çorum	Erzurum	Bitlis
İzmir		Karaman	Düzce	Giresun	Diyarbakır
Kocaeli	Denizli	Manisa	Elazığ	Gümüşhane	Hakkari
Muğla	Edirne	Mersin	Erzincan	Kahramanmaraş	Iğdır
	Isparta	Samsun	Hatay	Kilis	Kars
	Kayseri	Trabzon	Kastamonu	Niğde	Mardin
	Kırklareli	Uşak	Kırıkkale	Ordu	Muş
	Konya	Zonguldak	Kırşehir	Osmaniye	Siirt
	Sakarya		Kütahya	Sinop	Şanlıurfa
	Tekirdağ		Malatya	Tokat	Şırnak
	Yalova		Nevşehir	Tunceli	Van
			Rize	Yozgat	Bozcaada and Gökçeada
			Sivas		
8 Provinces	13 Provinces	12 Provinces	17 Provinces	16 Provinces	15 Provinces

* excluding Bozcaada and Gökçeada

ELIGIBILITY

Who can benefit from investment incentives?

- Real persons, ordinary partnerships, stock corporations, cooperatives, joint ventures;
- Public institutions and agencies,
- Public professional organizations,
- Associations and foundations,
- Turkish branches of foreign based companies

can benefit from supports extended under the Investment Incentives Program of Turkey provided that they satisfy all criteria set for each scheme.

As per Law No. 4875 on Foreign Direct Investments, companies established in Turkey by real persons of foreign nationality and/or by legal persons according to the laws of foreign countries are eligible for benefiting from all supports within the scope of the Investment Incentives Schemes under equal conditions with domestic investors, as they are also classified as Turkish companies. Thus these companies are considered as stock corporations and supported by the Investment Incentives Program. “Branches”, without company status, founded in Turkey in accordance with the Turkish Commercial Law by foreign companies based in other countries can also benefit from these supports.

Incentive schemes granted by the new program can be applied by a real person of foreign nationality through a joint-stock or limited liability company, and by a foreign company based in foreign countries through a joint-stock, limited liability company or a branch established in Turkey

RESEARCH AND DEVELOPMENT (R&D) SUPPORT

RESEARCH AND DEVELOPMENT LAW

The R&D Law provides special incentives for R&D investment projects in Turkey if a minimum of 50 personnel are employed in an R&D centre. The incentives within the new law will remain in effect until 2024 and include:

- 100% deduction of R&D expenditure from the tax base if the number of researchers exceeds 500 and in addition to the 100% deduction, half of the R&D expenditure increase incurred in the operational year compared to the previous year will also be deducted
- Income withholding tax exemption for employees (in effect until 31 December 2023)
- 50% social security premium exemption for employers for a period of five years
- Stamp duty exemption for applicable documents
- Techno-initiative capital for new scientists up to TRY 100,000
- Deduction from the tax base of certain funds granted by public bodies and international organisations.

SUPPORT FOR TECHNOLOGY DEVELOPMENT ZONES (TDZ)

The advantages of setting up in Technology Development Zones are:

- Offices ready to rent and infrastructure facilities provided
- Profits derived from software development and R&D activities are exempt from income and corporate taxes until 31 December 2023

- Deliveries of application software produced exclusively in TDZs are exempt from VAT until 31 December 2023
- Wages of researchers along with software and R&D personnel employed in the zone are exempt from personal income tax until 31 December 2023
- 50% of the employer's share of the social security premium will be paid by the government for five years until 31 December 2024.

TUBITAK (SCIENTIFIC AND TECHNOLOGICAL RESEARCH COUNCIL OF TURKEY) AND TTGV (TURKISH TECHNOLOGY DEVELOPMENT FOUNDATION)

Both these bodies compensate or grant R&D related expenses and capital loans for R&D projects.

Types of projects eligible for TUBITAK incentives are:

- Concept development
- Technological research & technical feasibility research
- Laboratory studies in the translation of a concept into a design
- Design and sketching studies
- Prototype production
- Construction of pilot facilities
- Test production
- Patent and licence studies
- Activities concerning the removal of post-sale problems arising from product design.

SUPPORT FOR SMALL/MEDIUM-SIZED ENTERPRISES (SME)

SMEs are defined as companies employing less than 250 employees and earning less than TRY 25 million in revenue or turnover per year.

Incentives granted to SMEs include:

- Exemption from customs duties
- VAT exemption for imported and domestically purchased machinery and equipment
- Credit allocation from the budget
- Credit guarantees support
- Support from the Small and Medium Sized Industry Development Organisation (KOSGEB) – www.kosgeb.gov.tr

In order to meet the financial needs of SMEs, a TRY 1 billion fund was transferred to the Credit Guarantee Fund (KGF) by the Treasury to create credit capacity worth TRY 10 billion.

The guarantee limit is TRY 1,000,000 per SME and TRY 1,500,000 for the risk group to which SMEs are related. The KGF covers up to 80% of the loan.

KOSGEB makes significant contributions to strengthening SMEs by various support instruments in financing, R&D, common facilities, market research, investment sites, marketing, export and training.

INDUSTRIAL THESIS (SANTEZ) PROGRAM

Direct financial support is available for new technology adaptation, process development, quality improvement and environmental modification projects to be achieved via university partnerships:

- Up to 75% of the project budget could be supported by direct grants
- Support is offered for three years, with a possible extension of six months
- Laboratory analysis and test materials and equipment are supported
- The application file can be approved within 4 months and the project supervision committee is independent.

LOANS FOR TECHNOLOGY DEVELOPMENT PROJECTS

The Technology Development Foundation of Turkey (TTGV) offers long term interest-free loans for technology development, renewable energy production, energy efficiency improvement and environmental impact-reduction projects.

This provides exemplary support for environmental projects and offers a:

- Maximum contribution rate of 50% per project
- Maximum budget of USD 1 million per project
- Pay-back term of four years in total after a project's execution, including a one-year grace period.

TRAINING SUPPORT

ISKUR, the National Recruitment Agency, may support vocational training projects for a maximum period of six months, including:

- Direct salary support for interns and unemployed candidates who are registered at ISKUR (a partial wage of TRY 15/day) during the pre-employment training session
- Social security premium expenses (for occupational accidents and occupational diseases) are covered by ISKUR
- Program expenses such as the trainer's fee
- Energy and water bills are partially paid for by ISKUR.

The total amount is calculated by the cost per trainee and the employer must bill ISKUR for the services given. ISKUR considers the employer (company) the legal party in this training program. A certain number (percentage) of trainees must be employed after the program.

The Ministry of National Education cooperates with:

- Vocational schools offering the desired programs can be opened according to a decision of the Ministry
- The general cost of a trainee team for adapting requested programmes present at vocational high schools.

STATE AID FOR EXPORT

The main aims of this scheme are to encourage exports and to increase the competitiveness of companies in international markets.

This specific package mainly covers R&D activities, market research, participation in exhibitions and international fairs, and expenditure for patents, trademarks and industrial design.

INTELLECTUAL PROPERTY (IP)

Due to its candidature for the European Union, which has advanced to accession in 2005, Turkey has further extended its scope of legislative and administrative activities.

In this context, Turkey has signed various international conventions in several legal areas and has become a member of the World Intellectual Property Organization (WIPO). It is also a party to numerous related conventions.

International treaties to which Turkey is a party are the Paris Convention for the Protection of Industrial Property, the Trademark Law Treaty, the WIPO Convention, the Madrid Protocol and World Trade Organization Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).

TRADEMARKS

INTELLECTUAL PROPERTY AND TRADEMARK REGISTRATION IN TURKEY

Intellectual Property refers to creations of the mind. The protection of intellectual property by law is aimed at motivating people to utilise their ability to invent, produce, initiate, innovate and improve.

Intellectual property, like physical property, should and can be protected. Legally protected intellectual property is divided into two categories:

- Industrial Property, which includes trademarks, industrial designs, patents and utility models, semi-conductors etc.
- Copyright, which includes literary and artistic works. The Decree-Law 556/1995 on the protection of trademarks, which entered into force on 27 June 1995, is the main legislation governing trademarks and it includes a registered trademark protection system for goods and services, guarantee marks and collective marks.

Non-registered trademarks are protected under the provisions of the Turkish Commercial Code concerning unfair competition. The responsibilities and controls of the Turkish Patent Institute, which is the authority in charge of protection of trademarks and relevant applications, were updated in 2003 by a law, numbered 5000.

TRADEMARK CATEGORIES IN TURKEY

In Turkey, the followings categories of IP product are recognised for trademark registration by regulations:

- Any sign capable of graphical representation, including words or slogans and including the names of people
- Graphic designs
- Series of letters or numbers
- The shape of the product or its packaging
- Any combination of the above-mentioned items
- Trademarks are available to protect any certification mark which is certified as to quality, country of origin, method of manufacture and ingredients.

TRADEMARK REGISTRATION

The process for trademark registration is set out below.

- a) Application for trademark – any real person or corporation can apply for trademark registration, but only via an attorney registered within the Turkish Patent Institute.
 - An appropriate application requires the following documents and information to be submitted:

- An Authorisation of Agent form signed by the client, authorising the lawyer to act on his behalf
 - Where the applicant is a legal entity, the Authorisation of Agent form must also bear the company's seal
 - Full details of the applicant's name, address and nationality. The nature of the business is also required in cases where the applicant is a corporation
 - A clear reproduction and/or description of the goods (or services) which will include colours, forms and dimensional figures if relevant. The category/class of the application shall also be specified
 - A certified document by the relevant authority to confirm the priority right if available, under the Paris Convention, with a certified translation in Turkish.
- b) Assessment of the application – upon the submission of a complete application to the Registrar, the Registrar first appoints a filing date, then issues a registration number to the mark and conducts a search in order to establish its eligibility for registration
- c) Acceptance – if the trademark is accepted conditionally, with some modifications imposed, then the applicant may request in writing the reasons behind the Registrar's decision to impose conditions and have a right to be heard before the Registrar via his lawyer against such imposition by setting out the respective reasons
- If the Registrar accepts the trademark unconditionally, and or the applicant accepts the trademark conditionally, then the trademark is published in the Official Bulletin of the Turkish Patent Institute, upon the payment of the relevant publication fee
 - If there is an objection by third parties within the prescribed timeframe to the trademark, then the applicant has the right to reply to such third party objections. If there is no such objection, the trademark is registered and the Certificate of Registration is due for issuance
- d) Rejection – trademarks will be rejected on absolute grounds as provided by the law, such as lack of distinctive character and/or use of a geographical name and/or reflecting a national emblem. A trademark will also be rejected based on similarity to an 'earlier' registered trademark or 'earlier' application
- Upon rejection by the Registrar, the applicant may appeal to the Re-examination and Evaluation Board. If, after this step, the Registrar maintains the rejection of the mark, then the applicant, via his/her lawyer, may request for judicial review of the Board's decision under article 53 of the Decree Law No. 556.

DURATION OF TRADEMARK

A successfully registered trademark is protected from the date of filing rather than the date of its eventual registration. A trademark is initially registered for ten years. Thereafter, it must be renewed every ten years in order to remain valid, with an applicable renewal fee. A reminder is usually sent to the owner of the trademark by the Turkish Patent Office. Failure to renew a trademark will result in its removal from the Turkish trademark register.

SCOPE OF TRADEMARK PROTECTION

- a) Registered trademarks – use of registered trademarks by third parties can be restrained. Failure or refusal to stop infringement is dealt with by bringing an action for an injunction and/or damages. The court may grant other reliefs according to its discretion, such as requesting submission of accounts evidencing any profits made by the infringing party as a result of the infringement
- The registered owner needs only to show that his trademark is used without authority and s/he does not have to prove any actual damage to his business

b) Unregistered trademarks – these are not protected under the Decree Law. However, use of unregistered trademarks by another party may be brought before the court under the provisions of the Unfair Competition Law.

PATENTS

LEGAL PROSPECTS OF PATENTS

Turkish provisions concerning patents are contained in the Decree-Law No 551 pertaining to the Protection of Patent Rights as amended by Decree Law 566, in force since 1995, Law N° 4128 in force since 1995, Law N° 5194 in force as from 25 June 2004 and the by-law implementing the Decree-Law, in force as from 5 November 1995 and as amended on 6 December 1998.

In addition to the organisations and convention concerning industrial property in general, Turkey is party to the Paris Convention, the Patent Cooperation Treaty (PCT), the Strasbourg agreement and the Budapest Treaty on the Deposit of Micro-organisms, as well as the European Patent Convention. Turkey has also signed the Patent Law Treaty.

DURATION OF PATENTS

Patents are granted for 20 years, to any invention (in any field of technology) which is novel, involves an inventive step and is susceptible to industrial applications. Inventions which are contrary to public order or morality, plant and animal varieties or breeding processes are not patentable. Utility models may also be protected as per the same legislation.

Inventions need to be novel and present industrial applicability. The duration for consensual patents i.e. without substantial examination, is of seven years and ten years for utility models. A grace period of 12 months before the filing of the patent application is granted, during which the provision of certain information does not prevent the patentability of the item to which this information refers. The provisions of the Paris convention concerning priority rights are applicable, for 12 months from the date of filing.

APPLICATION FOR PATENTS

To obtain a patent, the application is lodged with the Turkish Patent Institute (TPI). A formal examination of the application is performed before publication, but no substantial examination. A search report may be produced by the TPI (for a limited number of classes of the IPC) or another patent institute upon demand to the TPI and by choice of the applicant.

Third parties may formulate observations on the report or objections to the patentability. In the latter case, a substantive examination is performed. In 2005, the large majority of patents granted in Turkey came through the European Patent Convention system (2025 patents out of 2853).

Pharmaceuticals can be patented in Turkey since 1999. Specific issues concerning the transitional periods for regulatory data protection for pharmaceuticals are dealt with under the screening report in chapter 1 – ‘Free movement of Goods’.

Administrative appeals are possible and may be lodged with the re-examination board of the TPI, until the patent is granted. A re-examination of an application rejected is possible twice. An appeal for a third re-examination, or an appeal against a patent which is granted, may be made to the court.

ADMINISTRATIVE BODY

Turkey has been member of the European Patent Organisation since 2000 and participates in European Patent Organisation bilateral, as well as multi-lateral cooperation programmes.

The Turkish Patent Institute is the main administrative body. It is responsible for granting patents and utility models, registering designs, and dealing with trademarks, circuits' topographies and geographical indications. In 2005, the Institute received around 60,000 trademark applications and registered slightly less than 35,000. Around 5,300 applications for designs were received and more than 5,200 were registered in the same year. Design registrations requests are predominantly of Turkish origin.

The TPI also manages on-line instruments and searchable databases.

EXCHANGE CONTROL

Turkey has a liberal foreign exchange system. Although responsibility for exchange control rests with the Under-secretariat of the treasury of the prime minister's office, administration is delegated to the Central Bank of Turkey.

The Turkish Lira is fully convertible, at least from the Turkish side, to the extent the country is recognised by the IMF as having achieved article 8. (Under article 8, no limitation may be imposed on the buying and selling of foreign exchange within the scope of current items in the balance of payments. Profits from these transactions must be freely convertible.

Companies and individuals are free to open foreign exchange accounts and transfer funds abroad through banks or special finance houses. For transfers exceeding USD 5,000, the bank or special finance house involved must inform the central bank within 30 days of the transfer. This disclosure requirement applies to foreign exchange deposits but does not apply to import, export or intangibles transactions.

Turkish companies are allowed to grant cash loans denominated in Turkish Lira or another foreign currency to their parent companies, participations and other group companies abroad. As a result, cash pooling arrangements are acceptable.

4 – SETTING UP A BUSINESS

Turkey's regulatory environment is extremely business-friendly. A business can be established in Turkey irrespective of nationality or place of residence.

It is possible to establish a company in just one day by applying to the relevant trade registry office with the required documents. The company receives its 'legal entity' status upon registration with the trade registry.

A company (foreign investor) can enter the Turkish market by setting up a new company or buying a current company (and its brand). The second option is often recommended, because it allows the company to acquire existing distribution channels and market share.

TYPES OF COMPANIES

Companies can be incorporated or unincorporated.

Incorporated companies are as follows:

- Joint-stock company (A.S)
- Limited liability company (Ltd.)
- Commandite company
- Collective company

Unincorporated companies are as follows:

- Joint-venture
- Business association
- Consortium

COMPANIES WITH SPECIAL LEGISLATION

Companies with special legislation attached include banks, private finance institutions, insurance companies, financial leasing companies, factoring companies, holding companies, companies operating foreign currency exchange offices, companies dealing with public warehousing and publicly held companies subject to the Capital Markets Law. Companies which are founders and operators of free zones are subject to a permit from the Ministry of Industry and Trade.

JOINT STOCK COMPANIES

For these companies, stock capital is divided into shares and the liability of the shareholders is limited to the capital subscribed and paid by the shareholder. One shareholder (real persons or legal entities) and a minimum capital of TRY 50,000 are mandatory. The mandatory company bodies include a general assembly, a board of directors and a supervisory board.

LIMITED COMPANIES

These companies are established with one person or legal entities and the liability of the shareholders is limited to the capital subscribed and paid by the shareholder. A minimum capital of TRY 5,000 is mandatory. Unlike joint stock companies, no stock certificate is issued.

COMMANDITE COMPANIES

These companies are established to operate a commercial enterprise under a trade name. Whereas the liability of some shareholders is limited to the capital subscribed and paid by the shareholder (or commanditer), for some shareholders there is no limitation of liability. Legal entities can only be commanditer. No minimum capital is required. The rights and obligations of the shareholders are determined by the articles of association.

COLLECTIVE COMPANIES

These companies are established to operate a commercial enterprise under a trade name. The liability of none of the shareholders is limited only to the capital subscribed and paid by the shareholder. No minimum capital is required. It is mandatory that all the shareholders be real persons. The rights and obligations of the shareholders are determined by the articles of association.

COMPANY ESTABLISHMENT PROCEDURES:

Three copies of articles of association (one original copy), which are notarised, should be prepared. Following the notarisation of the articles of association, within 15 days at the latest, an application to the relevant trade registry office with the required documents (set out below) is needed.

The document requirements for establishing a company are as follows:

- A company establishment petition and a notification form, duly filled in and signed by persons authorised to represent the company. The list of the documents to be procured, and forms to be filled in, can be downloaded at www.sanayi.gov.tr and www.hazine.gov.tr
- Notarised signatures of persons authorised to represent the company together with the company trade name
- A letter of commitment in accordance with Article 29 of the Trade Registry Regulation
- The bank receipt indicating that 0.04% of the company capital has been deposited in the account of the Turkish Competition Authority at a state bank or the Central Bank of the Republic of Turkey
- Certified copies of the ID certificates of the real person founders and their residence certificates (if they have Turkish citizenship)
- In cases where there are any real persons of foreign citizenship among the founders of the company, a Xerox copy of his/her passport needs to be presented together with the passport itself or its notarised copy
- In cases where the foreign shareholder(s) is a legal entity, the original copy of the certificate of activity issued by the competent authorities and approved by the relevant Turkish Consulate or apostil led and its notarised translation
- In cases where there are any rights and movable/immovable assets to be put in as capital for a company to be established, an expert report of the assessment made to ascertain the value of these and the related court decision for the expert assignment.

CORPORATE GOVERNANCE

A foreign company may perform business in Turkey in one of the following ways:

- Operate as a contractor
- Establish a branch
- Establish a subsidiary.

Effective from August 2003, the registration and foundation procedures relating to Turkish subsidiaries have been simplified and the requirement for obtaining permission from the Turkish Foreign Investment Department is no longer required.

Turkish subsidiary companies can be founded by way of registration with the local Trade Registry. Upon filing of the documents with the local Trade Registry as requested, it may take two or three days to finalise the establishment procedures.

However, establishment and change in the articles of association of joint stock corporations, depending on the scope of their activity, may still require the approval of the Ministry of Industry and Commerce. And the establishment of a branch in Turkey is subject to the permission of the Ministry of Industry and Commerce. Upon the permission of the Ministry, the branch can be registered with the local Trade Registry.

JOINT-STOCK CORPORATIONS AND LIMITED LIABILITY COMPANIES

Joint-stock corporations (*Anonim Sirket – A.S.*) and limited liability companies (*Limited Sirket – Ltd.*) are the most common forms of subsidiary companies under Turkish Commercial Law.

In the following types of businesses, the company structure must be a corporation (A.S.) by the related laws and decrees:

- Banking and insurance
- Reinsurance,
- Securities, real estate and venture capital investment companies
- Intermediary institutions (brokerage houses)
- Financial leasing, factoring and consumer financing.

JOINT-STOCK CORPORATIONS

SHAREHOLDERS' LIABILITY

Liabilities of shareholders are limited to the capital committed to the joint-stock corporation (AS), for both tax and legal purposes.

NUMBER OF SHAREHOLDERS

A.S. companies can be formed by one person. These shareholder may be individual or corporate body, resident or non-resident.

ARTICLES OF ASSOCIATION

An A.S. company should have articles of association which include the trade name, shareholders, seat and business purpose or object of the firm, the amount of the capital and the amount subscribed by each shareholder. Further, the amount of share capital, the nominal value of each share, the mode and terms of payments, the mode of convening general meetings, time of meetings and conditions concerning voting, are also stated in the articles of association. The duration, if it is of a limited nature, and method of publications concerning the company are also mentioned in the articles of association.

MANAGEMENT

There are two administrative bodies in the A.S. – the board of directors and the general assembly. The board of directors is composed of at least three persons, who are shareholders or representatives of the legal shareholders, designated by the articles of association or elected by the general meeting. The board can also delegate its authorities in full or partially to a board member or to a general manager appointed from outside of the company. The general assembly, consisting of shareholders, convenes as ordinary or extraordinary. The details are explained in the section below on annual meetings.

SHARE CAPITAL

The minimum capital requirement for an A.S. company is TRY 50,000. It is possible to allocate the shareholding percentages freely among the shareholders. The following assets may be treated as capital for foreign investors:

- Cash
- Machinery, equipment, parts, tools and goods as capital in kind
- Intangible assets (patents, trademarks etc.)
- Profits obtained from foreign investment and principals of foreign loans and interest thereon and other financial rights
- Natural resources exploration and manufacturing rights
- Shares in other companies.

ANNUAL MEETINGS

As mentioned, the general assembly, consisting of shareholders, convenes as ordinary or extraordinary. The board of directors normally calls a general meeting of shareholders within three months following the end of accounting year. An extraordinary shareholders meeting can be called by the board of directors, auditors or by the holders of at least 10 % (which can be diminished by the articles of association) of the share capital, if there are due reasons for doing so. The general meeting is to be held at least once a year within three months following the end of the financial year.

The meeting is held generally at place where the A.S. has its statutory seat, unless the articles of association provide otherwise. If there is no restriction in the articles of association, voting right is computed by the participation rate. The owner is entitled to one vote for each participation with a nominal value of TRY 0.01. Decisions are made by a simple majority of votes, which represents more than one half of the share capital. The statutory rights of the general meeting include decisions on the appointment of board members, directors and auditors, approval of the accounts and financial statements, distribution of profits and determination of the remunerations to the auditors, amendments to the articles of association and liquidation of the company. Except for certain important issues, such as a change in the scope of the company activity, the decisions are made by a simple majority of existing votes.

Companies listed on Istanbul Stock Exchange, banks, insurance companies and other financial institutions are to be audited by independent auditors qualified under the Law governing the accounting profession in Turkey.

DISSOLUTION

An A.S. company may be dissolved in one of the following cases:

- The expiration of the term for which it has been constituted by the articles of association
- The realisation of the object of the company or the impossibility of its realisation
- The loss of two thirds of the share capital or the requisition of creditors for this reason
- The realisation of any cause for dissolution provided for by the articles of association
- Bankruptcy of the company.

LIQUIDATION

Except in cases of merging with another company and conversion into a limited liability company or transfer to a public law corporation, the dissolved company shall enter into liquidation. In the absence of any liquidators having been designated by the articles of association or by a resolution of the general meeting, the board of directors shall carry on the winding up operations. The board of directors shall have the names of the liquidators entered in the Trade Register and advertised three times at intervals not exceeding one week. The creditors of the company shall be called upon to apply within one year and present their documents. The official liquidation formalities to be executed with the local authorities take around 12–18 months and all the fiscal requirements should be met during the liquidation period.

LIMITED LIABILITY COMPANY (LLC)

NUMBER OF SHAREHOLDERS

A limited liability company (LLC) can be formed by one but no more than 50 persons. These shareholders may be individuals or corporate bodies, residents or non-residents.

SHAREHOLDERS' LIABILITY

Liability of shareholders is in principle limited to the capital contributed to the limited liability company. Nevertheless, shareholders of a limited liability company are responsible for the tax and social security liabilities of the company, if it is in default and if the tax office cannot collect outstanding taxes from the assets of the company. In other words, each shareholder is responsible for the unpaid taxes according to their shareholding ratio in the company capital.

ARTICLES OF ASSOCIATION

A LLC should have articles of association which include the trade name, shareholders, seat and business purpose or object of the company, the amount of the capital and the amount subscribed by each shareholder. The duration of the company and method of publications concerning the company shall also be mentioned in the articles of association.

MANAGEMENT

The shareholders' assembly is the supreme body of the limited company which consists of the shareholders of the company. The company is represented and managed by the manager or managers appointed by the shareholders' assembly. The managers can be either resident in Turkey or abroad and they can be foreigners or local persons. In the absence of any provisions contrary to the articles, the shareholders are authorised and obliged to administer the business of the company in the capacity of manager and to represent the company. The management and representation of the company may also be entrusted to non-shareholders, in accordance with the articles of association or the resolution of the general meeting.

SHARE CAPITAL

The minimum capital requirement for a limited liability company is TL 10.000. It is also possible to allocate the number of shares freely among the shareholders.

The following assets may be treated as capital for foreign investors:

- Cash
- Machinery, equipment, parts, tools and goods as capital in kind
- Intangible assets (patents, trademarks etc.)
- Profits obtained from foreign investment and principals of foreign loans and interest thereon and other financial rights
- Natural resources exploration and manufacturing rights
- Shares in another company.

The capital of a LLC is not issued in the form of certificates. The minimum participation is TRY 25 or any higher amount divisible by TRY 25. Any transfer of ownership must be notarised and also conditional to any other restriction, if any exists in the articles of association.

ANNUAL MEETINGS

Shareholders meetings of an LCC are normally called by the managers or by the holders of at least 10 % of the share capital, once a year in the course of the three months following the closing of the financial year. The statutory rights of the general meeting include decisions on, or amendment of, the articles of association, the approving of financial statements and determination of the destination of net profits.

DISSOLUTION

A LLC company may be dissolved in the following cases:

- The expiration of the term for which it has been constituted by the articles of association
- A decision of the shareholders' assembly
- A court decision based on the application of the shareholders
- Other considerations stated in related laws, such as the impossibility of the realisation of the establishment, the loss of two-thirds of the share capital, the realisation of any cause of dissolution provided for by the articles of association and bankruptcy of the company.

LIQUIDATION

Except for cases of merging with another company or in the event of a conversion into another form of a company or transfer to a public law corporation, the company shall be dissolved through a formal liquidation process. In the absence of any liquidators having been designated by the articles of association or by a resolution of the shareholders' assembly, the company's manager(s) shall carry out the liquidation formalities. The company managers shall have the names of the liquidators registered with the Trade Register and announced three times at intervals not exceeding one week. The creditors of the company shall be called upon to apply within one year and present their documents. The official liquidation formalities to be executed with the local authorities take around 12–18 months and all the fiscal requirements should be met during the liquidation period.

5 – LABOUR

LABOUR RELATIONS

CONDITIONS OF EMPLOYMENT

Employment in Turkey is mainly governed by the Turkish Labour Law and Trade Union Law.

The retirement age is 60 for man and 58 for woman.

Under the new Turkish Labour Law, there are four different types of job contracts:

- For 'temporary' and 'permanent' work
- For 'a definite period' or an 'indefinite period'
- For 'part-time' work
- For 'work-upon-call'.

Job contracts do not have to be concluded in a specific format. However, if a job contract is signed for a definite period, it must be concluded in writing. Job contracts are exempt from stamp tax and other duties.

Any kind of discrimination among employees with respect to language, race, gender, political opinion, philosophical approach, religion or similar criteria, is prohibited by law. Discrimination based on the gender of an employee is prohibited when determining the amount of remuneration for employees working in the same or equivalent jobs. Should the principle of equality be violated, the employee who is subject to discrimination can request monetary compensation.

WORKING HOURS AND OVERTIME

Under the Labour Law, the maximum normal working hours are 45 hours per week. In principle, 45 hours should be split equally among the working days. However, under the rules introduced by the new Labour Law, working hours may be distributed unevenly over the working days provided that the total daily working hours do not exceed 11 hours a day and that the parties agree on the uneven distribution of the working hours over the working days.

Hours exceeding the limit of 45 hours per week are to be paid as 'overtime hours'. Payment for overtime hours must be 1.5 times the regular hourly wage/salary. Instead of the overtime payment, employees may be granted 1.5 hours of free time for every overtime hour worked. Overtime hours worked during weekends and public holidays are to be paid at twice the regular hourly rate.

These rates are the minimum set by law and may be increased on the basis of a collective or bilateral agreement between employees and the employer. The total number of overtime hours worked per year may not exceed 270 hours.

ANNUAL PAID VACATION

There are six paid public holidays per year (1 January, 23 April, 1 May, 19 May, 30 August and 29 October), plus two paid periods of religious holiday, which comes to eight days in total. Employees are entitled to paid annual vacation for the periods, provided that they have worked for at least one year (including the probation period).

TERMINATION OF EMPLOYMENT

According to the relevant provisions of the Labour Law, employers and employees are required to give specified notification periods prior to the termination of employment, as shown in the following table.

TABLE 11

Required minimum notification periods for employers and employees

DURATION OF SERVICE	DURATION OF NOTIFICATION PERIOD
0 – 6 months	2 weeks
6 – 18 months	4 weeks
18 – 36 months	6 weeks
More than 36 months	8 weeks

There are two types of termination for a job contract:

- Termination with notification
 - Both the employee and the employer may terminate a job contract concluded for an indefinite period based on the notification periods indicated in the above table. The employer may terminate a job contract by paying the salary of the employee corresponding to the notification period. However, the employee covered by the labour security preserves the right to subject the validity of the termination of employment to judicial review
- Termination without notification based on justifiable reasons
 - Both the employer and employee have the right to terminate a job contract without notification under the following conditions:
 - Reasons of health
 - Cases arising from misconduct and similar reasons
 - ‘Force majeure’ events which prevent the employee from working for a period exceeding one week.

TERMINATION INDEMNITY (SEVERANCE PAY)

A lump-sum termination indemnity is to be paid to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such indemnity pay is calculated on the basis of thirty days' pay per year of employment at the gross rate of pay applicable at the date of retirement or leaving. However, the thirty days' payment per year of employment may not exceed a semi-annually determined limit. Indemnity may be agreed to be paid at an amount higher than the limit indicated above in cases where there is a provision in the contract of employment.

Termination indemnity paid within the limit specified is exempt from income withholding tax. However, the amounts of indemnity paid in excess of the limit shall be subject to income tax. The reasons on the basis of which employees are entitled to receive termination indemnity are as follows:

- Leaving the workplace due to compulsory military service (for males)
- Retirement (in order to receive old age, retirement pension or disability allowance from the relevant insurance institutions)
- Voluntary termination by female employees within one year following the date of marriage
- Death of the employee.

TURKISH SOCIAL SECURITY SYSTEM

The social security system in Turkey went through a major transformation in 2007, resulting in a more efficient and fast-functioning system, based on centralising the control of different social security funds in a single institution.

Within the scope of the program, the three insurance funds – namely *SSK*, *Emekli Sandığı* and *Bag-Kur* – were merged under a sole body called the Social Security Institution (SSI) in 2007. The three insurance funds together cover around 81% of the population (as of 2008). The system started to be fully operational at the beginning of 2008.

SOCIAL SECURITY PREMIUM PAYMENTS

Social security premiums (as a percentage of an employee's gross earnings) are payable by both employers and employees. The table below shows the rates which apply in the case of office employees in the private sector. Rates for employees working in specific sectors (such as mining, oil/gas exploration) may vary depending on the risk category of the work performed.

TABLE 12

Social security premiums (office employees)

TYPE OF RISK	EMPLOYER'S SHARE (%)	EMPLOYEE'S SHARE (%)	TOTAL (%)
Short-term risks	1 – 6.5*	-	1 – 6.5*
Long-term risks	11	9	20
General health insurance	7.5	5	12.5
Contribution to unemployment insurance	2	1	3
Total	21.5*	15	36.5*

*The rates change according to the risk categories of jobs. Depending on the risk category, the employer's share varies between 1% and 6.5%.

Foreigners making social security contributions in their home countries do not have to pay the Turkish social security premiums if there is a reciprocal agreement between the home country and Turkey.

UNEMPLOYMENT INSURANCE PREMIUM PAYMENTS

Employees, employers and the state are required to make a compulsory contribution to the unemployment insurance plan at the rates of 1%, 2% and 1%, respectively, of the gross salary of the employee. Like the social security premium payments, unemployment insurance premiums are also to be paid on a monthly basis. Employers are able to deduct such contributions from their taxable income. An employee's contributions are deductible from the income tax base of the employee.

A foreign individual who remains covered under the compulsory social security system of his/her home country which has a social security agreement in effect with Turkey is not liable for insurance payments to the Turkish social security. The proof of foreign coverage is to be filed with the local social security office. If the employee is not subject to a foreign social security, full contributions will generally be imposed. Unemployment insurance premiums are declared and paid to the Social Security Institution together with social security premium contributions.

6 – TAXATION

Turkey has one of the most competitive corporate tax rates in the OECD region.

The new Corporate Tax Law enacted on 21 June 2006 made some important amendments to the current applications and also included new concepts in the tax legislation. With this law in place, Turkish corporate tax legislation now has noticeably clearer, more objective and better harmonised provisions, which are in line with international standards.

The Turkish tax regime can be classified under three main headings:

- Income tax
- Tax on expenditure
- Tax on wealth.

INCOME TAX

Income taxes in Turkey are levied on all income, including that of domestic and foreign individuals and corporations residing in Turkey.

Non-residents earning income in Turkey through employment, ownership of property, business transactions, or any other activity which generates income, are also subject to taxation, but only on the income earned in Turkey.

CORPORATE INCOME TAX

In Turkey, the basic corporate income tax rate levied on business profits is 25% for 2021 and 23% for 2022.

Tax losses are deductible. They cannot be carried back; however, they can be carried forward following 5 years.

Withholding taxes on selected payments of resident corporations are as follows:

- Dividends are subject to 15%
- Interest on treasury bills and treasury bonds derived by resident corporations is subject to 0%
- Interest on other bonds and bills derived by resident corporations is subject to 0% and bank deposits are subject to 15%
- Profit shares paid by participation banks in consideration of participation accounts are subject to 15%
- REPO agreements are subject to 15%.

Withholding taxes on selected payments of non-resident corporations are as follows:

- Dividends are subject to 15%
- Interest on treasury bills and treasury bonds derived by non-resident corporations is subject to 0%
- Interest on other bonds and bills derived by non-resident corporations is subject to 0% and bank deposits are subject to 15%
- Profit shares paid by participation banks in consideration of participation accounts are subject to 15%
- REPO agreements are subject to 15%.

INDIVIDUALS INCOME TAX

The personal income tax rate varies from 15% to 40%.

Income tax rates applicable to yearly gross earnings from 2011 2019 are set out in the following table.

Income tax bands for individuals

INCOME BANDS (TL)	RATE (%)
Up to 22.000	15
22.000 – 49.000	20
49.000 – 120.000	27
120.000-600.000	35
600.000 and over	40

TAX ON EXPENDITURE

VALUE ADDED TAX (VAT)

The generally applied VAT rate varies between 1%, 8% and 18%. Commercial, industrial, agricultural and independent professional goods and services, goods and services imported into the country, and deliveries of goods and services as a result of other activities are all subject to VAT.

SPECIAL CONSUMPTION TAX (SCT)

There are four main product groups which are subject to special consumption tax at different tax rates:

- Petroleum products, natural gas, lubricating oil, solvents and derivatives of solvents
- Automobiles and other vehicles, motorcycles, planes, helicopters and yachts
- Tobacco and tobacco products and alcoholic beverages
- Luxury products.

Unlike VAT, which is applied on each delivery, special consumption tax is charged only once.

BANKING AND INSURANCE TRANSACTION TAX

Banking and Insurance company transactions remain exempt from VAT but are subject to a Banking and Insurance Transaction Tax. This tax applies to income earned by banks, for example on loan interest. The general rate is 5%, while interest on deposit transactions between banks is taxed at 1% and sales from foreign exchange transactions at 0.1%.

TAX ON WEALTH

There are three kinds of taxes on wealth:

- Inheritance and gift taxes
- Property taxes
- Motor vehicle tax.

Buildings and land owned in Turkey are subject to real estate tax at the following rates:

- Residences – 0.1%
- Other buildings – 0.2%

TAX INCENTIVES

Incentives are available for various company activities, including the following:

- Prioritised development zones
- Technology development zones
- Organised industrial zones
- Free zones
- Research and development
- Private educational corporations
- Cultural investments and enterprises.

TAX EXEMPTIONS

VAT exemptions include, but are not limited to, the following transactions:

- Export of goods and services.
- Roaming services rendered in Turkey for customers outside Turkey (ie non-resident customers) in line with international roaming agreements, where a reciprocity condition is in place
- Petroleum exploration activities
- International transportation
- Deliveries made to diplomatic representatives, consulates and international organisations with tax exemption status and to their employees.
- The supply of machinery and equipment, including importation, to persons or corporations which are VAT taxpayers and which have an investment certificate issued by the relevant authority
- Services rendered at harbours and airports for vessels and aircrafts
- Social and other exemptions applying to deliveries made to the government and other related organisations for cultural, educational, health and similar purposes
- Banking and insurance transactions are exempted from VAT as they are subject to a separate Banking and Insurance Transactions Tax at a rate of 5%
- Tax exemptions are provided for earnings derived by corporations from their overseas branches and both their domestic and overseas ventures if they meet certain conditions
- Research and development allowances
- Deductions from the tax base of corporations related to certain donations, aid or sponsorship expenditures for sport activities.

DOUBLE TAX TREATIES

Turkey has entered into double tax treaties with many major countries in the world. These double tax treaties cover such matters as residence status, permanent establishment, business profits, income from land and property, dividends, royalties and interest, personal direct and indirect income and capital gains. These agreements enhance the already favourable Turkey tax regime.

TRANSFER PRICING

Turkey operates a universal system of transfer pricing in accordance with the Organization for Economic Co-operation and Development (OECD) guidelines so that all business transaction between connected parties need to be at arm's length prices, not just those with persons abroad. It is the company's responsibility to ensure that these rules are adhered to and that records are maintained evidencing and justifying the position taken.

7 – ACCOUNTING & REPORTING

Public companies with shares traded on the Istanbul Stock Exchange, banks, insurance companies and other financial institutions are required to prepare their consolidated accounts in accordance with International Financial Reporting Standards (IFRS). Other companies are permitted to adopt International Accounting Standards (IFRS) or continuing to apply Turkish GAAP by Public Oversight Board.

Every Turkish company is required to prepare a set of accounts that gives a true and fair view of its profit or loss for the year and of its state of affairs at the year-end according to The Turkish Commercial Code. Annual accounts generally include:

- Activity Reports of Board,
- Audit Report (Depends on size and compulsory for public companies, banks, insurance companies and other financial institutions.)
- Balance Sheet
- Income Statement
- Cash Flow Statement
- Equity Capital Statement

Public companies, banks, insurance companies and other financial institutions are obliged to appoint an external auditor without met certain size criteria. If other companies met certain size criteria determined by Public Oversight Board, then they are also obliged to appoint an external auditor too. These are currently set at:

- Assets in the balance sheet exceeding TL 35 million,
- An annual turnover exceeding TL 70 million,
- An annual average of more than 175 employees.

At least two of the above thresholds must be exceeded on two successive balance sheet dates.

8 – UHY REPRESENTATION IN TURKEY

CONTACT DETAILS

UHY UZMAN Sworn in CPA and
Independent Auditing Inc.
Büyükdere Cad. Kervangeçmez Sok.
Osman Keçeli İş Merkezi No:3
3 K:4 Mecidiyeköy
İstanbul
Turkey
Tel: +90 212 272 56 00
Fax: +90 212 272 56 40
www.uhy-uzman.com.tr

Year established: 1978
Number of partners: 5
Total staff: 25

CONTACTS

Liaison contact: Şenol Çudin
Position: Partner
Email: senol@uhy-uzman.com.tr

ABOUT US

International Service Quality with the experience of over 40 Years

OTHER IN-COUNTRY OFFICE LOCATIONS AND CONTACTS

İSTANBUL - UHY DENETİM CPA LLP
İSTANBUL - UHY OZCAN&OZCAN LAW OFFICE
ANKARA -UHY OZCAN&OZCAN LAW OFFICE (branch of İstanbul)
UHY SAY Cerified Public Accountancy Auditing

BRIEF DESCRIPTION OF FIRM

UHY Turkish Office has established in 1978 and became member of UHY at 1998 and provides with quite broad range of services under its roof to foreign and domestic clients through UHY-UZMAN Sworn in Certified Public Accountancy and Independent Audit Service ,Inc. and UHY DENETİM Certified Public Accountancy LLP. The group also provides its clients professional management consultancy services to assist them in the institutionalization of their companies. There is a law office at the group as well called UHY OZCAN &OZCAN Law office .

SERVICE AREAS

Tax Consultancy, Corporate Tax Certification, Tax Refund Certification, Tax Audit and Independent Audit, Law

SPECIALIST SERVICE AREAS

Tax, Audit, Accounting and Law

PRINCIPAL OPERATING SECTORS

Automotive
Financial intermediary
Durable Consumer Goods Sector
Leather Industry Sector
Entertainment and Media Sector
Electrical and Electronics Sector
Energy and Natural Resources Sector

Real Estate - Construction Sector
 Food Production and Marketing
 Manufacturing Industry
 Chemical Industry
 Leasing & Factoring
 Mining
 Machinery - Metal Industry
 Automotive
 Retail
 Plastic
 Health and Pharmaceutical
 Insurance
 Textile and Fashion
 Tourism and Hospitality Management

LANGUAGES

Turkish, English and Russian

CURRENT PRINCIPAL CLIENTS

Benetton Textile, Salini Construction, Sera Foods, Alkor Automotive, Medmar Mining

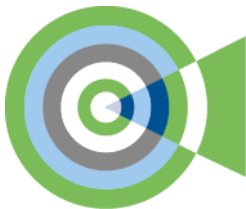
OTHER COUNTRIES IN UHY CURRENTLY WORKING WITH, OR HAVE WORKED WITH IN THE PAST

USA, UK, FRANCE, ITALY, SPAIN, GERMANY, UAE, GREECE, NETHERLANDS, HONG KONG, SINGAPORE

BRIEF HISTORY OF FIRM

Firm was established in 1978 by E.ATILLA SELÇUK who has worked for 8 years as Tax Inspector in the Turkish Ministry of Finance.

In 1998 during Annual Meeting of UHY, Firm was accepted as the full member of UHY .



LET US HELP YOU ACHIEVE FURTHER BUSINESS SUCCESS

To find out how UHY can assist your business, contact any of our member firms. You can visit us online at www.uhy.com to find contact details for all of our offices, or email us at info@uhy.com for further information.

UHY is an international network of legally independent accounting and consultancy firms whose administrative entity is Urbach Hacker Young International Limited, a UK company. UHY is the brand name for the UHY international network. Services to clients are provided by member firms and not by Urbach Hacker Young International Limited. Neither Urbach Hacker Young International Limited, the UHY network, nor any member of UHY has any liability for services provided by other members.

UHY UZMAN Sworn in CPA and Independent Auditing Inc. (the "Firm") is a member of Urbach Hacker Young International Limited, a UK company, and forms part of the international UHY network of legally independent accounting and consulting firms. UHY is the brand name for the UHY international network. The services described herein are provided by the Firm and not by UHY or any other member firm of UHY. Neither UHY nor any member of UHY has any liability for services provided by other members.

© 2021 UHY International Ltd