

Setting up your Company in Turkey

Elvan İnanlı

2023





Top Reasons to Invest

Investing to Turkey

Top Reasons to invest



- **Large Domestic and Regional Market**
- **Bridge between both the East-West and the North-South axes**, thus creating an efficient and cost-effective hub to major markets.
- **Close proximity to major markets**; Turkey offers easy access to 1.5 billion people and a combined market worth of USD 24 trillion GDP in Europe, MENA, and Central Asia within a 4-hour flight radius.
- **Hub for multinationals**; Multinationals are increasingly choosing Turkey as a preferred hub for manufacturing, exports, as well as management.
- **Skilled and Cost-competetive Labour Force**; Turkey's overall labor force is around 32.7 million people, which makes the country the 3rd largest labor force in Europe.

Top Reasons to invest



- **Favorable Demographics; young and dynamic**
- **population with half under 32 years old.**
- **Liberal Investment Climate, no barriers for FDI, strong protection for investors.**
- **Investment Incentives; for investing machinery equipment and plant into Turkey.**
- **Perfect Hub for R&D Investments ; with generous supports.**
- **Civil and Tax Laws; have been taken from Swiss and German laws and during the EU process have been continuously updated.**

Investing to Turkey: Top Reasons

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Legal Environment

Investing to Turkey

Legal Environment: Overview

Republic of Turkey was established in 1923, as a democratic, secular, constitutional republic. With the adaptation to **European Union**, it has become increasingly integrated with West. Turkey began full membership negotiations with the European Union in 2005 and is an associate member of the European Economic Community since 1963 and signed customs union agreement in 1995.

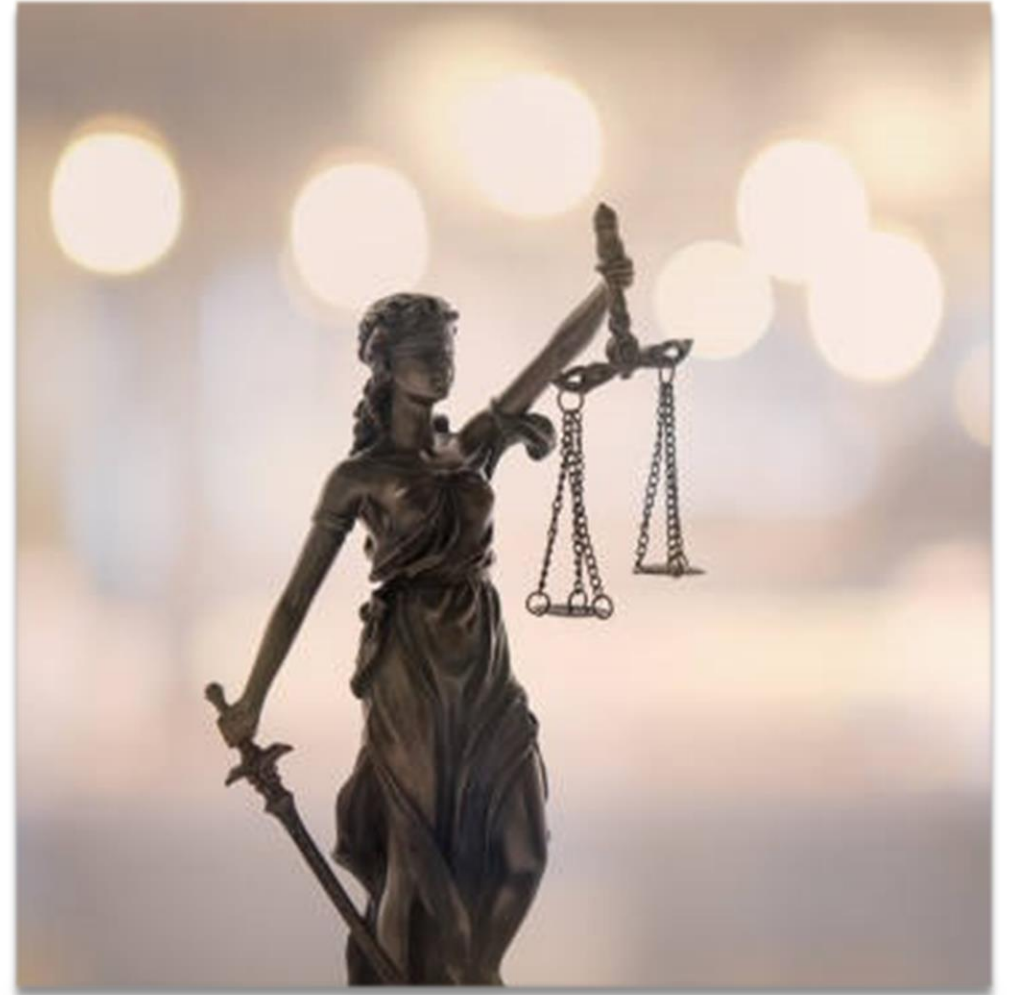
Turkey has a welcoming approach to foreign investments. The legislation is being liberalized since early 1990's. Reforms have been introduced where necessary with a view to joining the European Union. Foreign nationals can, in principle, expect to benefit from an impartial trial in judicial matters.



Legal Environment: Highlights

- The main source of the law is the constitution of 1982.
- The country's judicial system is based on a system of civil law derived from different systems in continental Europe:
 - Civil and company law close to the German model
 - Law of obligations inspired by the Swiss code
 - Penal law inspired by the Italian Penal Code
 - Administrative Law inspired by that of France

Turkey is a member of the European Court of Human Rights (ECHR).





Choosing the Type of Entity

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Choosing the Type of Entity

CHOOSING THE ENTITY TYPE

TAX REGISTRY

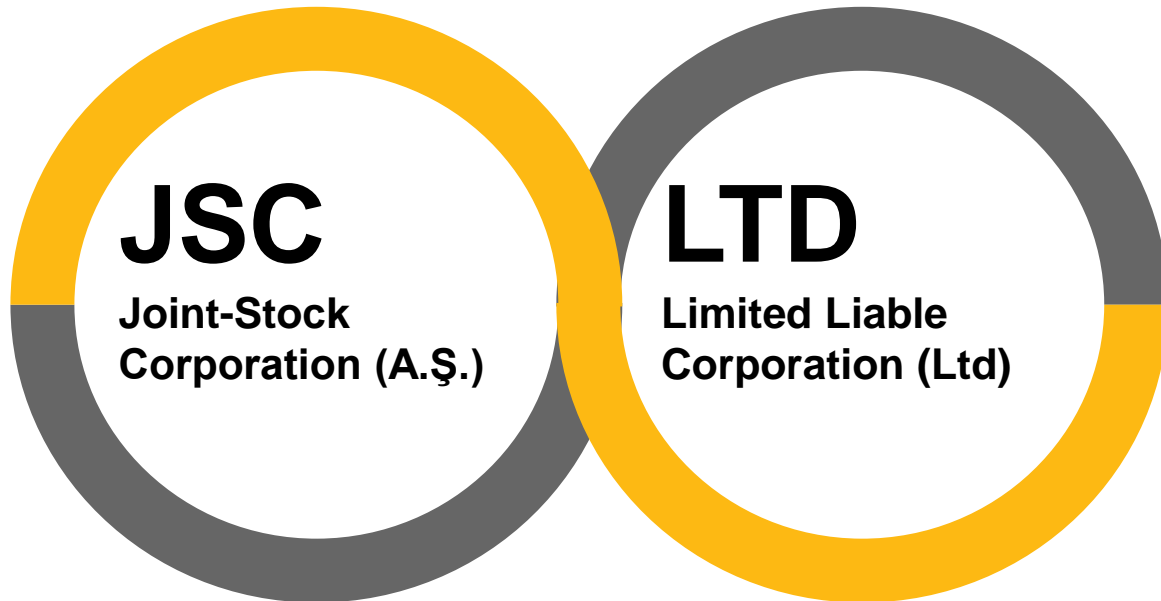


TRADE REGISTRY

CORPORATIONS

The two forms of Corporations that a foreign company can establish are :

Joint Stock (A.Ş.) and Limited Liability Companies (Ltd.) Companies



LIMITED LIABILITY COMPANY (LLC)

Limited Liabile Co.



- Can be established with one shareholder. Shareholder number cannot exceed 50.
- Can be established with a minimum capital amount of TRY 10,000 for year 2023 and TRY 50,000 for the year 2024.
- The share capital of the company can be changed with 2/3 positive votes of the shareholders.
- LLC cannot have registered share capital. For capital increase/decrease a shareholder's decision is required.
- LLCs are managed by shareholders assembly and manager/board of managers. At least one of the shareholders of the LLC must be appointed as the manager of the company unless contrary is regulated under the articles of association of the company.
- Shares can be transferred with a share transfer agreement executed before a notary public.

LIMITED LIABILITY COMPANY (LLC)

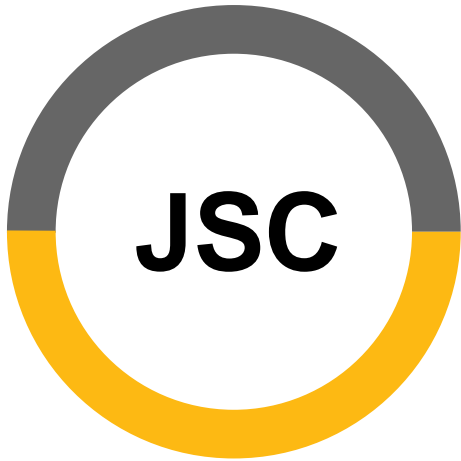
Limited Liabile Co.



- LLCs cannot go public.
- LLCs cannot issue bonds.
- Shareholders are responsible from public debts (such as tax, social security debts etc.) with their own assets in proportion to their capital share.
- Gains made out of share transfers are subject to income tax.
- No requirement to have a ministry representative present in general assembly meetings.
- No requirement to obtain legal consultancy from an attorney at law.
- LLCs can agree on exclusion of a shareholder from the company with a general assembly decision to that end. The company is entitled to apply to the authorized court to exclude one of the shareholders based on just cause. Each shareholder is entitled to apply to the court for their own exclusion from the company provided that there is just cause.
- Shareholders of LLC are entitled to request termination of the company.
- The managers of LLC are personally liable for the public debts of the company.

JOINT STOCK COMPANY (JSC)

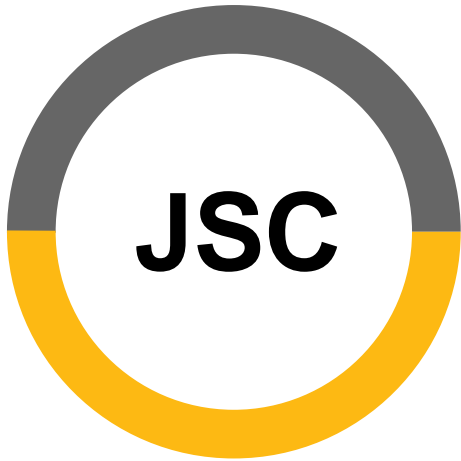
Joint Stock Company



- Can be established with one shareholder. No limitation on shareholder number.
- Can be established with a minimum capital amount of TRY 50,000 for year 2023 and TRY 250,000 for year 2024.
- Articles of association of the company can be amended with the majority votes of the shareholders.
- Whether public or not, JSCs can have registered share capital. Provided that the capital increase is within the limits of the registered share capital, the board of directors is entitled to increase the share with a decision taken to that end.
- JSCs are managed by general assembly and board of directors. Directors of JSCs are not required to be shareholders in the company.
- No legal requirement to execute share transfer agreement before a notary public.

JOINT STOCK COMPANY (JSC)

Joint Stock Company



- JSCs can go public.
- JSCs are entitled to issue bonds.
- Shareholders are not responsible from public debts.
- Gains made out of share transfers are not subject to income tax provided that the transfer is made two years after such shares are acquired.
- A ministry representative has to be present in specific general assembly meetings such as capital increase, decrease, merger, change of type etc.
- The Company itself is liable for public debts and not managers or shareholders.

BRANCHES



Branches can be incorporated only to continue **the fields of activity of the parent company**. Even though there **is no minimum capital requirement** for Branches, a separate capital may be allocated to the Branch by the parent company.

Branches are represented by the **branch manager(s)** who are **appointed by the parent company**. Furthermore, **Turkish citizens and foreigners** both can be appointed as branch managers. If the branch manager is appointed as foreigner, then residence permit is required.

BRANCHES



- No shareholder.
- Not an independent legal entity. Its duration is limited to the duration of the parent company.
- No capital requirement, however, it would be wise to allocate a budget for the operations of a branch office.
- A branch office may be incorporated only for the same purposes as those of the parent company.
- Repatriation of branch profit is allowed. The branch profit transferred to the headquarters is subject to dividend withholding tax at a rate of 15 percent, which may be reduced by Double Taxation Prevention Treaties.

COMPARISON : LLC, JOINT STOCK and LIAISON OFFICE

THE JOINT STOCK COMPANY (JSC)

- Minimum share capital = 50,000 try
- At least one shareholder in need to incorporate this company type

THE LIMITED LIABILITY COMPANY (LLC)

- Minimum share capital = 10,000 try
- At least one shareholder in need to incorporate this company type

BRANCHES

- No minimum share capital
- Branches are represented by the branch manager(s)

LIASION OFFICES

- No commercial activity



NO DIFFERENCE IN TAXATION WISE BETWEEN JSC and LLC and Branch





Company set-up Process

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Determining the name of New Co.

Setting up the Turkish Entity



Determining the name of the New Co.

Determining the Company Name (Title):

Crowe will assist the Client in choosing the right name for the new Turkish entity according to Turkish regulations. Shareholder's can provide the beginning of the company title (in other words, the main name). The main name and the rest of the title is determined and reserved on the Mersis System. Mersis system is the Trade Registry's online System.

For example; WEFREIGHT LOJISTIK LIMITED SIRKETI *in Turkish*

WEFREIGHT LOGISTICS LIMITED COMPANY *in English*

Wefreight ; presents the main name

Logistic ; represents the main activity

İç ve Dış Ticaret (Domestic and Foreign Trade); Gives more details about the scope of activity. (This is optional)

Limited Şirketi (Limited Company); shows the entity type.

As long as all the activities are listed on the company's articles of association (AoA), the entity can deal with all the stated activities even if the company is determined very shortly as "Wefreight Lojistik Limited Şirketi". Therefore, it is always better to keep variety of activities on the AoA.

Documentation

Crowe will assist the Client in the preparation of the necessary documentation for the Set-up of the New Turkish Co.

Such as ;

- If the shareholder is an individual, a biometric photo is required.
- If the individual is a foreigner; Turkish and notarized passport copy
- needs to be presented to the Trade Registry during the establishment
- process.

- If the shareholder is a legal entity, recently received apostille certified Trade License (recently received at most in 6 months) should be obtained. However, Turkish and notarized version of the Trade License is presented during the establishment stage.
- Board Resolution ; If the shareholder is a legal entity, legal entity should present an apostille certified Decision that states the name of the company that will be established in Turkey and the representation. Representative's full name, passport number, residency address should be stated fully on the Decision as well. Decision should comply with the standard Decision format that Trade Registry asks. Therefore, founders should definitely ask for the format from the profession who will establish the entity in Turkey.

Potential Tax Number and Articles of Association

Crowe will assist the Client in obtaining Potential Tax ID Numbers and preparation of Articles of Association

Both for legal entity shareholder and individual shareholder, potential tax ID numbers has to be obtained from the Tax Department before the Trade Registry Application. Crowe will obtain this number on behalf of the Client.

Articles of Association (AoA): AoA is prepared by the profession who will establish the entity in Turkey. The most important point is that before presenting the Turkish version of AoA to the Trade Registry Office, the approval for its English version should definitely be received from the Founders by the profession who establishes the entity in Turkey. Crowe will prepare the AoA according to the field of activity of the Client.

Other documents required

Crowe will assist the Client for the preparation of the other documents required to set-up the Turkish New Co.

Such as ;

- **Office Rent Place:** A rental office agreement should be arranged for the Turkish entity, before the establishment of an entity. The address on the mutually signed rent contract should be stated on the AoA. A copy of mutually signed version is also presented to the Tax Department during the Company Tax Number Registry.
- **CPA Agreement:** A CPA agreement should be arranged for the Turkish entity. The agreement number and the CPA registered data is presented on the establishment forms. A copy of mutually signed version is also presented to the Tax Department during the Company Tax Number Registry.
- **Other Required Documents:** Establishment forms are standard forms and filled out by the profession and the signatures are taken from shareholders and CPA on these forms. On the forms, Nace code (company activity code) is picked from the standard list that Trade Registry Office issues.

Trade Registration and Obtaining VAT number

Crowe will assist realize the Trade Registration of the New Co. and also obtaining the VAT number.

Crowe will submit these documents and obtain any other special permits and licenses to begin your commercial activity;

- letter of undertaking in which the objectives and activities of the company are explained;
 - the articles of association which represent the incorporation documents of the New Co.;
 - proof that the share capital has been deposited (the statement issued by the bank);
 - company establishment statement form which is issued by the Trade Register;
 - identification documents for the company founders – identification papers or passports;
 - the power of attorney for individuals appointed to represent the company in front of the Turkish authorities.
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- After the Trade Registration, Crowe will apply to the tax department to obtain VAT Number for the New Co.

Bank Account Opening

Crowe will assist the Client in opening Turkish Bank Account

- Foreign or national enterprise in Turkey needs to have a bank account in order to properly function on the market, to make money transactions and to deposit the share capital, a necessary step before registering the company. The complete documentation of the new company in the country will need to be provided to the bank, where the “potential tax number” issued by the tax authorities in Turkey will be necessary. The company representative can be in charge of opening the bank account. Additional information about how to open a bank account can be found from our lawyers in Turkey.

- Documents required for foreigners required to open a Turkish bank account

- Turkish Notary certified passport translation
- Tax number from the state tax office
- Proof of Turkish home address abroad (utility bills accepted)

Contact Us



Elvan Inanli, Partner

Audit & Accounting Services
elvan.inanli@crowe.com.tr

Elvan heads the firm's İstanbul Corporate group. She is an experienced audit and capital markets partner with more than 25 years' experience of advising on corporate issues both nationally and internationally. Her clients range from fast growing start-ups and substantial owner managed businesses to larger private and substantial listed companies. She has extensive experience of cross-border issues, sales, acquisitions, financing and IPOs.

She is a licensed Certified Public Accountant and a member of Chamber of İstanbul Certified Public Accountants. She has been involved in the due diligence of international firms intending to acquire local companies as well as at the audit of companies in the first 500 list of Turkey and international firms doing business in Turkey services, textile, financial institutions, real estate and construction.



Thank You

E-Mail

Elvan.inanli@crowe.com.tr

Gsm : +90 5324141157

Phone : +90 212 2671001

Address

Seba Office

Ayazaga Mahallesi, Maslak

D. Blok, Kat.6 No.45

Sariyer – Istanbul - Turkey

Visit

<https://www.crowe.com/tr/troy>

Wechat

Elvan_ch12345