



**GRATA**  
INTERNATIONAL

# OPENING A BUSINESS IN TURKEY

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# ABOUT GRATA INTERNATIONAL

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GRATA International is a dynamically developing international law firm which provides services for projects in the countries of the former Soviet Union and Eastern Europe: full coverage of the entire region with network of offices, highly qualified team of professionals suited for cross-border projects. Firm's reputation and expertise are confirmed by testimonials from transnational clients and leading international ratings.

A wide network of offices operating under one system and platform delivers great convenience for our clients. Any office can act as a "one-stop-shop" for its clients and provide them with access to services in other cities and countries. If necessary, inter-office teams with relevant experience are assembled to provide solutions to complex tasks. Service quality is assured by a clear system of organisation of this process.

**Local Knowledge for Global business**

> **250**

professionals advise major international and local firms

> **30 years**

of experience



# International Presence



**GRATA**  
INTERNATIONAL



## Integrated offices

- |  |  |                               |
|--|--|-------------------------------|
| <u>Azerbaijan</u><br>Baku  | <u>Kyrgyzstan</u><br>Bishkek                               | <u>Tajikistan</u><br>Dushanbe |
| <u>Belarus</u><br>Minsk  | <u>Moldova</u><br>Chisinau                                 | <u>Ukraine</u><br>Kyiv        |
| <u>Georgia</u><br>Tbilisi  | <u>Mongolia</u><br>Ulaanbaatar                             | <u>Uzbekistan</u><br>Tashkent |
| <u>Kazakhstan</u><br>Aktau<br>Almaty<br>Atyrau<br>Nur-Sultan, etc. | <u>Russia</u><br>Moscow<br>Rostov-on-Don<br>St. Petersburg |                               |



## Associate offices

- |                           |
|---------------------------|
| <u>Armenia</u><br>Yerevan |
| <u>Cyprus</u><br>Limassol |
| <u>Russia</u><br>Samara   |
| <u>Turkey</u><br>Istanbul |



## Representative offices

- |                                 |                              |
|---------------------------------|------------------------------|
| <u>China</u><br>Beijing         | <u>Switzerland</u><br>Zurich |
| <u>Germany</u><br>Frankfurt     | <u>UAE</u><br>Dubai          |
| <u>Malaysia</u><br>Kuala Lumpur | <u>UK</u><br>London          |
| <u>Russia</u><br>Kazan          | <u>USA</u><br>New York       |
| <u>Turkmenistan</u><br>Ashgabat |                              |

**Local Knowledge for Global business**



**5500** +

clients from

**8300** +

projects

**21**

countries of presence

**90** +

countries

**250** +

professionals advice major  
international and local firms

**30**

years of experience

**'GRATA has provided high quality legal services to regional and multinational companies active in the market for decades and they have huge experience in the respective area'**

The Legal 500, 2020

## OUR RANKINGS

The  
**LEGAL  
500**

asialaw  
**PROFILES**  
CHAMBERS  
AND PARTNERS

WHO'SWHOLEGAL  
**WWL**

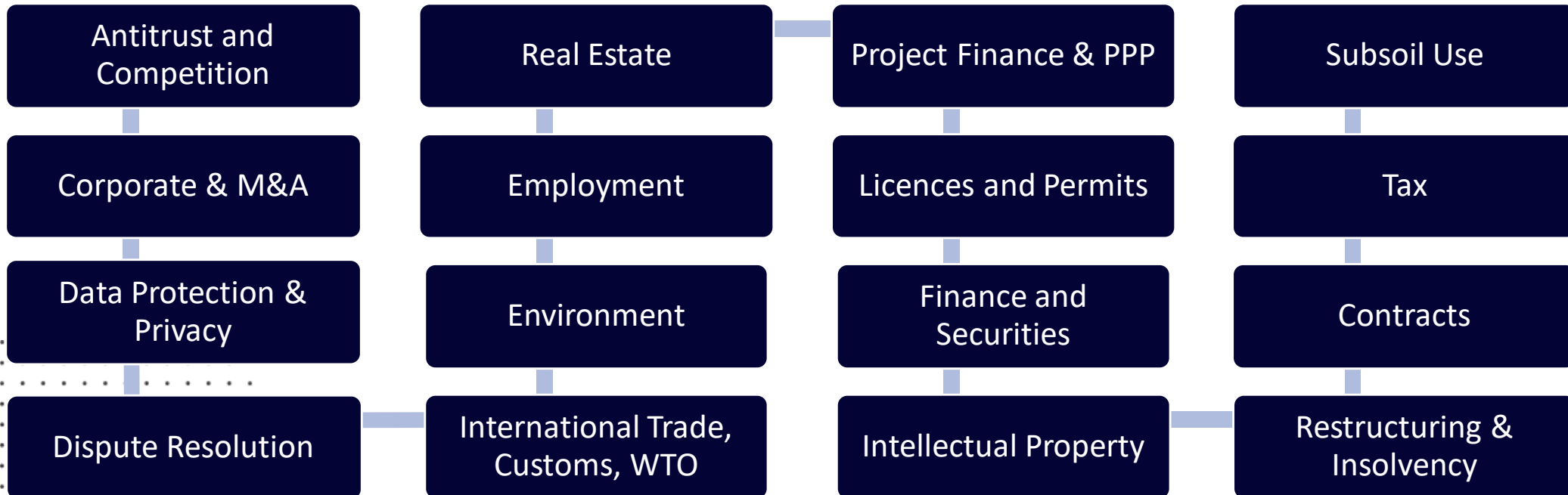
IFLR  
1000

Best Lawyers®

Коммерсантъ®

ПРАВО  
**300**

# PRACTICE AREAS





**OIL & GAS**



**BANKING & FINANCE**



**MINING**



**CONSTRUCTION &  
INFRASTRUCTURE**



**TECHNOLOGY, MEDIA &  
TELECOMMUNICATIONS**



**TRANSPORT**



**INDUSTRY & TRADE**



**PHARMACEUTICALS &  
HEALTHCARE**



# Opening a business in Turkey



Discover  
the potential

## Turkey's Position

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- Turkey's position towards Russia, during this ongoing conflict with Ukraine, has been relevantly neutral, and the Turkish government has indicated that it wishes to keep diplomacy and communication channels open, under any circumstance.
- Currently, Turkey does not impose any sanctions on Russian citizens and companies. The only measures established by Turkey are with respect to military planes and vessels.
- The current political environment indicates that there are no foreseeable sanctions planned to be imposed by Turkey, due to diplomatic and geopolitical reasons.
- Instead, for financial and political purposes, Turkey is more inclined to establish improved commercial relations with Russia, a long-time trade partner of Turkey.

# Opening a business in Turkey



Discover  
the potential

## Turkey's Position

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- Currently, Turkey stands to offer a lot of potential for Russian citizens and companies alike.
- Given the fact that Turkey offers citizenship by investment or real-estate acquisition, Russian citizens may opt to acquire Turkish citizenship via these methods.
- Turkey is also a member of Customs Union of Europe, which may prove beneficial for export facilities.
- Turkey offers safety for assets and funds, by not applying any sanctions on Russian citizens and companies.



# Company Establishment

Joint Stock (*Anonim Şirket* in Turkish – A.Ş.)

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- Minimum capital TL 50.000 (around \$ 2.750).
- Board of Directors – single board member - No need to be shareholder to be board member.
- Single shareholder.
- Registered shares or bearer shares.
- Shares can be printed.
- Tax advantage if shares are printed.

# Company Establishment

## Joint Stock (*Anonim Şirket* in Turkish – A.Ş.)

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- If shares are printed and held for 2 years;
  - i. Real persons pay no tax
  - ii. Companies' 75% of the profit is exempt from tax
- Share transfers are not subject to notarization or registration at the trade registry. Exceptions: sole shareholder changes and bearer shareholders.
- Shareholder only liable for payment of committed capital.
- Board members are liable for the public debts. (e.g. tax, social security premiums, etc.)
- General assembly meeting.
- Considered as a more corporate body.

# Company Establishment

Limited Companies (Limited *Şirket* in Turkish – Ltd. *Şti.*)

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- Minimum capital TL 10.000 (around \$ 550).
- Board of Manager – single manager- At least one of the shareholders must be one of the managers.
- Single shareholder.
- No physical or printed shares.
- Share transfers must be made before the notary and must be registered at the trade registry.
- No tax advantages for share transfers unlike JSCs.

# Company Establishment

Limited Companies (Limited *Şirket* in Turkish – Ltd. *Şti.*)

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- Shareholders are liable for public debts unlike JSCs.
- Managers are liable for public debts.
- Shareholders meeting.
- Similar to a family – owned company.



# Company Establishment

## Foreign company branches (*Şube* in Turkish)

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- Branch is like a company in terms of taxation.
- Managed by branch manager.
- Allocation of a capital for branch operations.
- Branch does not have a separate legal personality from the parent company.
- Branch can act on its own but unlike foreign shareholders in companies, parent company is responsible for branch's actions.
- Liquidated like a company.

# Company Establishment

## Free Zone companies (*Serbest Bölge* in Turkish)

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- %100 exemption from customs and similar duties.
- %100 exemption from Corporate Tax for production companies.
- %100 exemption from VAT and SCT.
- %100 exemption on property tax.
- %100 exemption from income tax on employee salaries, for the companies that export the %85 value over the FOB value of their produced goods.
- Exemption from deed registry fees on real – estate property sales.
- Exemption from VAT during construction, project, and approval processes.

# Company Establishment

## Free Zone companies (*Serbest Bölge* in Turkish)

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- Permit from the Free Zones Management Authority ("**FZMA**") established under the Ministry of Commerce.
- FZMA has full discretion to grant or reject permission based on the submitted business plan.
- After obtaining permission, a location in the free zone needs to be rented or purchased. (Requires availability at the free zone)
- There are 18 free zones in Turkey. (3 in Istanbul, 2 in Kocaeli and others in different cities).
- More expensive.

# Company Establishment

## Free Zone companies (*Serbest Bölge* in Turkish)

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- Tax exemptions are mostly for production companies.
- Tax exemptions apply to goods produced within the free zone. No exemption to subcontracting.
- 0.1% fee over CIF value of goods brought from abroad into the free zone.
- 0.9% fee over FOB value of goods to be sent from the free zone to abroad.



# Taxes

## Value – Added Tax (VAT)

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- Deliveries of goods and services are subject to VAT at rates varying from 1% to 18%. The general rate is 18%.
- VAT payable on local purchases and on imports is regarded as 'input VAT', and VAT calculated and collected on sales is considered 'output VAT'. Input VAT is offset against output VAT in the VAT return filed at the related tax office.
- Import of goods and services is a taxable transaction, whether or not the import is made for business purposes. Export transactions are exempt from VAT.

# Taxes

## Corporate Tax

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- Corporate tax is applied to net profit generated by companies. Corporate tax rate is 20%. For 2022, the Corporate tax rate is 23%. Unless the government takes a decision otherwise, corporate tax rate for 2023 and onwards will be 20%.
- A “temporary corporate tax” is paid each 3 months within a fiscal year.
- The Corporate tax amount for the fiscal year is calculated by offsetting the total “temporary corporate tax” paid by the company.

# Taxes

## Withholding Tax (WHT)

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- WHT is a government requirement for the payer to withhold or deduct the tax on the account of the counter party and pay that tax to the government. WHT is payment of tax from the source on the account of the counter party.
- WHT is paid on the account of real person taxpayers. (dividends -10%, interest earnings 0%-5%, personal rent income – 20%, personal working doctors, lawyers, accountants, etc. 20%)
- The amount of WHT paid is recorded as a cost for the paying party.

# Taxes

## Income Tax

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- Income tax is applied to the income generated by individuals. Employees' income taxes are paid by the employer. For independent workers, this tax is paid by declaring annual income.

- Income tax is applied in changing rates, depending on the income.

Until TRY 32.000 : 15%

Portion between TRY 32.000 – TRY 70.000: 20%

Portion between TRY 70.000 – TRY 170.000 : 27%

Portion between TRY 170.000 – TRY 880.000 : 35%

Portion higher than TRY 880.000 : 40%



# Taxes

## Other Taxes

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- Special Consumption Tax is applied to specific products, upon purchase. The rate goes up to 220%.
- Banking and Insurance Transactions Tax is applied to certain banking and insurance transactions. The rate changes between 0% - 5%.
- Stamp Duty is applied to documents and agreements that are signed. The rate goes up to 0.948%. For lease contracts the rate is 0.189%. Maximum amount for this tax per transaction is TL 4.814.234 (approximately US\$ 263.000) for 2022.

# Taxes

## Employment Costs – Social Security Premiums

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- Employers pay a social security premium on its and the employee's behalf.
- Social security premium for the employer is 22.5% of the employee's gross salary.
- Social security premium for the employee is 15% of the employee's gross salary.
- Employers also pay the income tax on behalf of the employee.
- Minimum wage (TRY 5.500,35 net.) is exempt from income tax. The social security premium for the employer is applied as 20.5%.
- For employers who regularly pay their premiums on time, a 5% discount is applied in the premium rate. (e.g. 17.5% instead of 22.5%)

# Customs

## Customs Duties

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- Customs duty rates vary from 0% to 30% and determined by the Ministry of Commerce and the Presidency.
- The customs duty rate may be identified by the HS Code of the product in particular.
- There are exceptions to these duties, mainly by Transit Trading and Inward Processing – Regime.

# Customs

## Transit Trading

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- According to the Customs Law No: 4458, the Customs administrations shall grant permission of the goods placed under the transit procedure in Customs Territory of Turkey from;
  - (a) A foreign country to a foreign country,
  - (b) A foreign country to Turkey,
  - (c) Turkey to a foreign country,
  - (d) An inland customs to another inland customs.



# Customs

## Transit Trading

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- The goods subject to transit procedure may be transshipped or stored for a while in customs warehouses that are under the supervision of the customs administrations or in the places permitted by customs administrations.
- Goods under transit procedure shall, except the cases of suspicion or denunciation, be directed to customs administrations of entry or exit, without being examined. Where deemed necessary, goods carried under transit procedure from warehouses or other places permitted by customs administrations may be examined.
- Under transit regime, customs fee and VAT do not apply.

# Customs

## Inward Processing Regime

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- The inward processing procedure is a customs procedure based on the principle that goods not in free circulation are imported temporarily to the customs territory of Turkey for processing operations and re-exporting of the products obtained as a result of processing.
- An import operation can be facilitated without any VAT and customs fees, and the value-added product comprised of imported products can also be exported without customs fees.
- If the goods are subject to any processing in Turkey, this may allow the goods to obtain Turkish certificate of origin unlike the transit trading.

# Customs

## Inward Processing Regime

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There are 2 systems for customs duty exemption under the inward processing regime.

- In the "Suspension System", a collateral is provided to cover the customs duties as if the goods are imported into Turkey. The goods, which are not yet nationalized, can freely move in Turkey for processing purposes. The collateral is returned after the export of the processed goods.
- In the "Drawback System", duties are collected during the import. The goods are nationalized as if they will be sold into Turkey. Once the goods are processed and exported, the paid duties are refunded.

# Customs

## Inward Processing Permit / Inward Processing Certificate

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- There is a distinction between “Inward Processing Permit” and “Inward Processing Certificate”.
- The Permit is issued by the Customs Administrations for items laid out in the Regulation no. 2006/12 art. 14. These items may be said to be “basic” processing operations. (e.g., repairs, simple revisions, dyeing, packaging, labeling, etc.)
- The Certificate is issued by the Ministry of Commerce and provided for products/operations that are not in scope of the Regulation no. 2006/12 art. 14.
- The Permit and the Certificate are given up to 12 months. Complicated and bigger operations naturally require more than 12 months such as shipbuilding, defense industry products, etc. the duration of the relevant project.

# Citizenship Acquisition by Investment

## General Information

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- Turkish Citizenship may be obtained by investing in the following:
  - US\$ 500.000 or equivalent investment as a capital contribution to a Turkish company.
  - Creating employment for 50 Turkish citizens.
  - Depositing US\$ 500.000 or equivalent into a Turkish bank.
  - Acquiring "Real Estate Investment" or "Venture Capital" funds worth US\$ 500.000 or equivalent.
  - Acquiring real estate worth US\$ 400.000 or equivalent.
- 3 years restriction.

# Residency

## General Information

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- Residency is provided in different types:
  - Short – Term Residency Permit
  - Family Residency Permit
  - Student Residency Permit
  - Long - Term Residency Permit
  - Humanitarian Residency Permit
  - Human – Trafficking Victim Residency Permit



# Residency

## Short – Term Residency

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- Short – Term Residency is mainly granted for the following:
  - Scientific research,
  - Real property owners (must be a residence),
  - To establish commercial relations,
  - Study purposes,
  - Tourism,
  - Medical treatment.

# Residency

## Other Residency Types

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- Long - Term Residency: Provided to those who have been in Turkey for 8 years as a resident, or to refugees.
- Family Residency: Provided to the spouse and children (under 18) of a foreigner who is already a resident of Turkey.
- Student Residency: Provided to student who will get education in Turkey.
- Humanitarian Residency: Provided for humanitarian reasons and specific circumstances.
- Human - Trafficking Victim Residency

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THANK YOU FOR YOUR TIME



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