

## How To Incorporate in Turkey

ADMD Law Office, Istanbul Turkey

### Limited Liability and Joint Stock Type Capital Companies

Capital companies are the most common form of business entities in Turkey utilized by both local and foreign investors. Investors may choose to participate into an already existing capital company or establish a new one. 100% ownership of Turkish corporate entities by foreign companies and/or individuals is permitted.

Under Turkish law, both joint stock corporations (similar to 'Corporations' in the U.S. and 'Société Anonyme' in Europe) ('Anonim Şirket' - A.Ş. in Turkey) and limited liability companies (similar to 'LLC' in the U.S. and Europe) ('Limited Şirket' - LTD in Turkey) are capital companies, as opposed to so-called "personal companies" used for individual service providing.

In capital companies, the liability of shareholders is limited with the share capital subscribed in principle. In both A.Ş. and LTD. company types, fields of activity, operations, and other corporate matters are governed by their company articles of association (AoA - similar to 'certificate of incorporation' and 'bylaws' in other jurisdictions) within the framework set out in the Turkish Commercial Code No. 6102 dated January 13, 2011 (the 'TCC').

From a practical point of view, Joint Stock Companies - A.Ş.'s are legal entities are better developed and more flexible (the management body is Board of Directors, company holds General Assemblies etc.) and A.Ş.'s could issue share certificates (physically printed) available for various financing purposes. On the other hand, Limited Liability Companies - LTD.'s are generally used for projects and investments in a smaller scale (the only corporate body is Shareholders General Assembly and day to day businesses are run by Board of Managers).

The main difference between the two company types lies in liability perspective. Although, they are both capital companies (with responsibility to shareholders limited with their capital payments), the LTD. shareholders are also liable with their personal assets for State related debts such as taxes and social security premium payments for employees. Since bureaucratically LTD. and A.Ş. companies are now closer to each other (subject to new TCC in effect since 2012); it may be advised to foreign investors to incorporate A.Ş. companies instead of LTD. companies due to flexibilities of corporate transactions and minimum shareholder liability for corporate related debts.

Subject to new TCC, both company types (A.Ş. and LTD.) can now be incorporated by only one (1) shareholder. The minimum capital requirement for AS companies is TRL 50,000.- (fifty-thousand-Turkish-Liras) and the minimum capital requirement for LTD companies is TRL 10,000.-. For both company types ¼ (one-fourth) of capital shall be paid into the company accounts (temporary accounts to be established before Chamber of Commerce filing for incorporation) at commencement (which can be freely used for expenses of the company following establishment) and the remaining shall be paid in to the company in twenty-four (24) months.

In both company types, the incorporator shareholders could be companies or individuals and they can all be established or resident in foreign countries.

### Publications

#### Our Published Work

**Obligation To Employ Or Contract A Lawyer On Continuous Basis For Joint Stock Companies In Turkey**

**Effects of State of Emergency Law in Turkey On Prison Sentences Under Criminal Execution Laws**

**Rightful Termination of Employment Contracts by Employees in Turkish Labor Law**

**Mandatory Mediation System In Turkish Employment Disputes Between Employers And Employees**

**Amendments of Period Of Appeals of Turkish Court Decision in Civil and Criminal Justice Systems**

**Hukuk ve Ceza Yargılamasında Temyiz Süreleri Hakkında Yapılan Değişiklikler**

**Non-Delivery Pledges Over Movables**

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**A New Immigration Alternative for Residence Purposes Offered by Turkey: Turquoise Card**

**Türkiye Tarafından İkamet Amaçlı Sunulan Yeni Göçmenlik Alternatifi: Turkuaz Kart**

**About The Turkish Law On Protection Of Personal Data**

**How to Claim Refunds for Overcharged Import Taxes Due to Surveillance Certificate Requirements At Customs In Turkey**

## Branches of Foreign Companies in Turkey

Alternative to directly establishing or participating in a capital company, investors may choose to invest in Turkey through formation of a branch office or a liaison office of an already existing foreign commercial entity established at another jurisdiction.

Although independent legally, branch offices are not considered as separate legal entities and are closely associated with their parent companies with respect to their internal management. However, branch offices of non-resident companies do have autonomy in terms of accounting and for carrying out commercial transactions. They are also subject to corporate taxes independently here in Turkey.

Branch incorporation for non-resident entities is quite similar to subsidiary company formations but require an additional permission from the Turkish Ministry of Customs and Trade (formerly known as Ministry of Industry and Commerce).

In practice branch offices are no longer common in Turkey for foreign investors. They are mostly used for localization (among districts of Turkey) following an establishment of a subsidiary company in Turkey first.

## Liaison (Representative) Offices In Turkey

Liaison offices (also known as representation or representative offices / 'İrtibat Bürosu' in Turkish) are the right tools for 'non-commercial activities'. Liaison offices cannot issue invoices and/or gather income in Turkey.

There is less bureaucracy for formation and maintenance of liaison offices. However, there is still a requirement to obtain a permission from the Undersecretary of Treasury Incentive Application and Foreign Investment Directorate (organized under Ministry of Economy) pre-opening and some procedures to comply with during operations.

By definition liaison offices cannot carry out any commercial activities. The involvement in commercial activities is perceived as the issuing of invoices, collecting money, receiving orders etc. in Turkey.

Liaison offices are primarily established to provide preparatory and auxiliary services such as representation services, information gathering, marketing etc. to their parent companies. Typical assignments of a liaison office are: collecting information relating to customers, suppliers and competitors; performing surveys on markets and the activities of distributors, agents or licensees; following developments and changes in the local regulations and (if necessary) lobbying, preparation of surveys on possibilities of establishing a branch or incorporation of a subsidiary company in Turkey, providing information relating to the activities of the parent company and its products to suppliers or customers. Within this framework some of the restricted areas for liaison offices in Turkey are sampled below:

*- Liaison offices cannot engage in any commercial activities.*

*Liaison offices cannot give any commercial offers or accept them.*

*Liaison offices cannot issue pro-forma invoices.*

*Liaison offices cannot sell any goods or services.*

*Liaison offices cannot provide technical support or consulting services on behalf of the parent.*

*Liaison offices cannot operate in any direct or indirect commercial activity that generates income.*

## Formation Procedure for Businesses

Although it may vary due to the type of commercial entity and other specifications with respect to the investors' choices; the procedure for incorporation of commercial entities in Turkey can be summarized as below:

*Obtaining and legalizing shareholder identity documentation;*

*Getting necessary formation permissions (in cases of branches, liaison offices and incorporations at free trade zones only);*

Reinsurance & Reinsurance  
Investments By International  
Companies In Turkey

Procedures Regarding The Application  
To Residence Permits By Foreigners In  
Turkey

Incorporating Capital Companies in  
Turkey and in Romania

E-Residency in Estonia

Grounds for Divorce in Turkey and in  
Romania; A Comparative Study

Employment of Foreign Teachers in  
Turkey

Payment & Security Settlement Systems  
and E-Money Insitutions in Turkey

Domain Name Regulations in Turkey  
and in Singapore

Liabilities of the Members of the Board  
of Directors of Capital Companies  
Under Turkish and Belgian Laws

Restrictions on Rental Increases at  
Lease Contracts Under Spanish, Dutch  
and Turkish Laws

How To Incorporate in Turkey

Obligation to Maintain Company  
Websites Under The New Turkish  
Commercial Code

Yeni Türk Ticaret Kanunu Kapsamında  
Şirketlerin İnternet Sitesi Açma  
Yükümlülüğü

6331 Sayılı İş Sağlığı ve Güvenliği  
Kanunu ve Uygulanması

4857 Sayılı İş Kanunu Kapsamında İş  
Sözleşmesinin İşletmenin, İşyerinin Ve  
İşin Gerekleri Nedeniyle Feshi  
(Ekonomik Nedenlerle Fesih)

Türk Hukukunda Performans Düşüklüğü  
Sebebiyle İşçinin İş Sözleşmesinin  
Geçerli Nedenle Feshi

Termination of Employment Contracts  
Due to Necessities of The Business, The

*Opening a temporary capital advance blockade account at a local bank (not applicable for liaison offices);*

*Drafting and notarization of certificates for incorporation (Article of Association) (not applicable for liaison offices);*

*Getting an office lease contract for registration address;*

*Registration to chamber of commerce trade registry (not applicable for liaison offices);*

*Appointment of management;*

*Notarizing of company books (legal and accounting);*

*Registration to tax office (first preliminary and following on-site visit by tax officials);*

*Obtaining a work place opening permit for the office address (from district municipalities);*

*Getting employee payroll registration (at social security institution);*

*Obtaining operations licenses in cases of 'regulated' field of activities or incorporations at free trade zones.*

## Documents Required for Establishment

The documents required for the establishment of capital companies and/or branch or liaison offices is not complicated and mainly consists of the documentation of the incorporating shareholder firms or individuals such as their activity certificates and certificates of good standing or passport and residency information. Please note that foreign documents require either an 'Apostille' verification (based on Hague Convention of October 5, 1961 Abolishing the Requirement of Legalization for Foreign Public Documents) or Turkish Consulate verification at the source country.

## Time Required for Establishment

The company registration at the trade registry only takes one (1) to three (3) days and the whole procedure for incorporation of takes less than 2 (two) weeks following the submission of documentation for both types of capital companies (limited liable companies and joint stock companies) including tax registration and work place opening permit. For branches and liaison offices an additional 2 (two) weeks shall be reserved to obtain the special permissions from the relevant authorities. In case of license requirements for regulated fields of activities or free trade zone incorporations an additional 2 (two) weeks shall also be reserved.

## Other Sources for Relevant Information

<http://www.invest.gov.tr/en-US/investmentguide/investorsguide/Pages/EstablishingABusinessInTR.aspx>

<http://english.ito.org.tr/wps/portal>

<http://www.economy.gov.tr/index.cfm?sayfa=380BE181-C6CE-B8EF-37B940FAAD239BA2>

<http://www.ticaret.sicil.gov.tr/english/>

<http://www.yased.org.tr/webportal/English/Pages/MainPage.aspx>

<http://www.doingbusiness.org/data/exploreeconomies/turkey/>

[http://turkey.usembassy.gov/doing\\_business\\_in\\_turkey.html](http://turkey.usembassy.gov/doing_business_in_turkey.html)

Work or The Workplace within The Scope of Turkish Labor Law No. 4857

Polish And Turkish Legal Systems For Value Added Tax

Jurisdiction over the Turkish Steel Cases at the U.S. Court of International Trade and a Discussion of Relevant Issues in Turkish Law and Policy

Polish and Turkish Legal Systems for Maternity Leave of Employees

A Comparison of the Legal Use of Electronic Signatures

Immigration Programs and Education Facilities of Canada

Employment Contract Types & Terms and Conditions Permitted by Law a Comparative Study for Turkish and Lithuanian Laws

Adoption Of Children In Turkey

Health-Care Services For Foreigners In Turkey

Energy Regulations in Bulgaria and Turkey a Comparative Study

Combating Against the Financing of Terrorism in Turkey

Purchase of Real Estate by Foreign Investment Companies in Turkey

Purchase of Real Estate by Foreigners in Turkey

Employment of Expatriates in FDI by Turkey and France Comparison Study

Turkey - EU Accession Negotiations Opening of New Chapters and their Implications

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Termination of an Employment Contract and Employee Reinstatement Mechanism

Liquidation of Capital Companies

**Major Principles Of Suretyship In The Turkish Legal System**

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**Medical Malpractice: A Critique of the Turkish and American Approaches to Awarding Non-Economic Damages**

**Turkey Forms Of Doing Business**

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**Overtime and Overtime Wage in Turkish Labor Code (TLC)**

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**Prison Sentences for Monetary Debts in Turkey**

**Securitization of Financing for Wind Turbines in Turkey**

**Executing & Terminating Employment Contracts in Turkey**

**A Brief Q&A for Framework Agreements among Individuals and Brokerage Companies for Stock Market Transactions**

## Instant Contact

You may submit the form accessed at the below link for your questions or inquiries and a representative from our office will contact you shortly.

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