

**LAW BULLETIN ABOUT  
ESTABLISHMENT OF A COMPANY IN TURKEY  
FOR THE FOREIGN INVESTORS**

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Following several government incentives, Turkey has become very attractive for foreign investors and there arises the question whether establishment of a company in Turkey is an easy process or not. Turkish Commercial Law has a system which allows foreign investors to have the same rights and liabilities with domestic investors. Under Turkish Commercial Code (“TCC”), foreign investors may establish any form of company prescribed by this law.

The provisions of the TCC aim to make the Turkish business environment more compatible with EU legislation, through its corporate governance approach. This approach promotes private capital and public offering activities. It does not only meet international standards but also creates transparency in the management of operations.

With the recently introduced reforms, Turkey's main aim is basically to make the process easier and faster. In this way, procedures and costs will be reduced, bureaucracy will be eliminated in starting a business and the investment environment will improve as a result. In accordance with these reforms, the applications to establish a company shall only be made to the Trade Registry Offices in the Chambers of Commerce. In this way, “one stop shop” application was initiated where the whole documents can be completed and submitted easily. The investor does not need to submit documents before several institutions and also the process is completed within the same day.

Specified company types are listed under TCC. Joint Stock Company (“JSC”) and Limited Liability Company (“LLC”) are the most seen types in the list. Accordingly, the following types of companies can be established:

**1. Corporate Forms**

- Joint Stock Company (JSC)
- Limited Liability Company (LLC)
- Cooperative Company

## **2. Non-corporate Forms**

- Collective Company
- Commandite Company (Limited Partnership & Partnership Limited by Shares)

## **ESTABLISHMENT PROCESS**

### **-MERSIS System**

Memorandum and articles of association can be submitted online at MERSIS which is the central registration system and allows carrying out registration process electronically. To start the establishment process, free membership via MERSIS can be created. Foreigners can be added as partners or company executive with their passport numbers in the preparation of the company agreement in MERSIS. However, potential tax identity numbers for the non-Turkish shareholders and non-Turkish board members of the company must be obtained from the relevant tax office. The potential tax identity number has the function of ID for Turkish citizens and is needed for having a bank account in which the capital of the company to be established will be deposited.

### **-Execution and Notarization of Company Documents**

The documents to be submitted may change based on the shareholder's legal status. For example, some of the documents will be different if the foreign investor is a real person or a legal entity. The necessary documents that will be issued and executed outside Turkey must be notarized and apostilled or alternatively ratified by the Turkish consulate in the country where they are issued. The original executed, notarized, and apostilled documents must be officially translated and notarized by a Turkish notary. Therefore, it is important to classify the documents and prepare them in accordance with requirements.

### **-Payment of Competition Authority Share and Capital in Cash**

0.04% of company's capital is required to be deposited as the "Competition Authority Share" in its bank account. There is no need to go to the bank for this transaction. This amount can be paid in trade registry of commerce together with other establishment transactions.

In addition, at least 25% of the shares committed in cash in JSCs must be deposited into a bank account opened on behalf of the company before the registration of the company. The remaining amount must be paid within 24 months. Alternatively, the capital may be fully paid

prior to registration. This pre-payment capital condition for LLCs has been removed. Subscribed capital for LLCs may be paid in during the 24 months starting from the establishment of the company.

#### **-Applying to the Trade Registry Office**

The founders may apply for registration after preparing and gathering the required documents. Information regarding the establishment of the company is made to the relevant tax office and social security institution by the Trade Registry Office ex- officio. Within around 10 days of the company registration, the Trade Registry Office makes an announcement in the Commercial Registry Gazette. After the Trade Registry Office's notification, a tax registration document must be obtained from the local tax office. The relevant social security institution is authorized to issue the social security number of the company.

When the company is being registered at the Trade Registry Office, a signature circular must be issued by the signatories of the company before the authorized personnel of Trade Registry Office.

#### **-Certification of the Legal Books**

Official books which are journal, ledger, inventory register, share ledger, general assembly meeting and negotiation book will be certified by the authorized personnel of Trade Registry Office during the establishment process. Same will be done for board decision book for LLCs.

**As a result**, it can be said that when the required documents are submitted to the trade registry offices, procedures of establishment of a company can be completed easily within a day as stated above. Foreign investors, who want to establish a company in Turkey, shall be subject to the same rules that applied to domestic investors. However, it is important to choose which company type to establish and prepare the documents whole and complete.

**Sincerely Yours**

**Forensis Law Firm**

**Note:** The explanations given in our bulletin have been prepared in a general manner to address the issue within the framework of the relevant legislation. We recommend you to contact a law firm for detailed information.