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Turkey is Improving its Investment Environment

Highlights of this issue

A New Tool for Foreign Labor Force:
Turquoise Card

Incentive to Research and
Development and
Design Operations

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Law No. 6728 Amending Certain Laws to Improve the Investment Environment

Law No. 6728 Amending Certain Laws to Improve the Investment Environment (**Law**) is published in the Official Gazette dated 9 August 2016 and came into effect as of such date except for some of its articles. Law introduces amendments on Enforcement and Bankruptcy Law, Passport Law, Law on Collection Procedure of Assets, Expenditure Taxes Law, Income Tax Law, Tax Procedural Law, Stamp Tax Law, Law of Fees, Real Estate Tax Law, Law on Municipal Revenues, Value Added Tax Law, Social Security and General Health Insurance Law, Corporate Tax Law, Law on Support of Research, Development and Design Operations, Law of Checks, Turkish Commercial Code, Electronic Signature Law and Financial Leasing, Factoring and Finance Companies Law.

Some of the important changes introduced by the Law are as follows:

Amendments Regarding Turkish Commercial Code:

Notarization of the Signature Declaration and Articles of Association (**AoA**) is not required anymore. Authorized signatories may sign before the trade registry director or his/her deputy, the AoA may also be signed before the trade registry director or his/her deputy. Even if the articles of associations are notarised, such document shall be exempt from certain notarial fees.

Statements of founders will not be required for the company incorporation process.

In the course of conversion of the company type, the managing body will submit the AoA of the new type with Conversion of Type Plan to the General Assembly.

It is obligatory to wait for 6 months instead of 1 year from the date when the creditors are summoned for third time in order for the distribution of the remaining asset among the shareholders following the payment of the debts and share price payments back.

The company liquidated pursuant to the Turkish Commercial Code is not obliged to make a declaration of insolvency or declare property within 15 days at the Registry of commerce.

Amendments to the Suspension of Bankruptcy:

The application for suspension of bankruptcy shall be submitted to the court located where the headquarters of the Company is located for minimum one year.

Company that has made an application for suspension of bankruptcy shall not make another application within one year from the end of suspension term including the extension period.

Following the court decision with respect to the bankruptcy suspension, neither preliminary order nor provisional seizure will be applied.

“The improvement project” definition (which was existing also before but not clarified) is indicated under the Law. The necessary information for the improvement project is enumerated. Information and documents shall be submitted while requesting the suspension of bankruptcy or shall be completed at latest within the peremptory term of 2 weeks granted by Courts; otherwise, the suspension of bankruptcy request cannot be reasoned. After determination of the company’s indebtedness, the company applied for bankruptcy will be adjudged bankrupt.



The creditors shall claim the lack of necessary conditions for making a suspension of bankruptcy order and request the Court to refuse the suspension of bankruptcy application within the peremptory term of 2 weeks from the publication of the suspension of bankruptcy application.

However the term of suspension of bankruptcy could be extended to a maximum of 4 years by courts before the enforcement of the Law; it shall not be extended to more than one year. In any case, the term of suspension remains maximum one year.

In order to decide whether to grant the extension, the finality of the suspension decision shall be considered as a prejudicial question. The improvement project may only be revised once in the course of the extension judgement.

Amendments Regarding E-Signature:

E-signature may also be used in guarantee letters.

Amendments Regarding Checks:

Serial number given by the banks and a data matrix is also specified among the elements of a check. It will be possible to reach the owner of the check and the issuer through this data matrix.

Drawing a check that cannot be redeemed is redefined as a crime and will be subject to a judicial fine of maximum 150.000 days upon complaint by check-holder. The judicial fine shall not be less than the check amount that cannot be redeemed.

In the event that the person who drew a bad check and fails to pay the judicial fine, the judicial fine shall be converted into a prison term.

Turkish language text of the Law can be found at the following link:
<http://www.resmigazete.gov.tr/eskiler/2016/08/20160813-1.pdf>

Law on International Labor Force

The Law on International Labor Force (**Law**) was published in the Official Gazette on 13 August 2016 and entered into effect as of such date.

According to the regulations introduced by the Law, the Ministry of Labor and Social Security (**Ministry**) will determine criteria and evaluation process regarding to international labor force policies in line with decisions of the International Labor Force Policy Board (**Board**) which will be established. After this evaluation, qualified foreigners who meet the point-based conditions will be granted specific exemptions or a special Turquoise Card.

Turquoise Card will be granted to foreigners who meet the conditions with respect to education, professional experience, and contribution to science and technology, effect of their in-country activities or investments in Turkish economy in line with the international work force policy.

Foreigners who hold turquoise card longer than three years will benefit from all citizenship rights except obligations and rights only given to the Turkish citizens such as voting rights and military service obligation.



The Law also introduces preliminary approval requirement for the foreigners to be employed at health and education sectors which require professional qualification. A document substitutes for residence permit will be issued for the Turquoise card holders' spouses and dependent child.

One of the highlights of the Law is the work permit exemption to be granted foreigner and non-residing board members of joint-stock companies, non-executive partners of other companies.

Work permits which were issued prior to enforcement of this Law will be valid until their expiration date.

Turkish language text of the Law can be found at the following link: <http://www.resmigazete.gov.tr/eskiler/2016/08/20160813-1.pdf>

The Application and Inspection Regulation Regarding Support Research, Development and Design Operations

The Application and Inspection Regulation Regarding Support to Research, Development and Design Operation (**Regulation**) published in the official gazette dated 10 August 2016 and came into effect as of such date. The Application and Inspection Regulation Regarding Support to Research and Development published in the official gazette dated 31 July 2008 is abolished by this Regulation.

The Regulation introduces regulations regarding to exemptions and deductions for the technology center enterprises, research and development centers and projects, cooperation projects prior to competition, techno-initiatives, and design projects in order to support these projects.

According to the Regulation, all expenses in the scope of the projects indicated under the Regulation will be subject to deduction in the calculation of corporate income and commercial income.

Besides, the wages of the design and support employees who work in these projects will be subject to the exemption from income tax at the rate which will be determined according to their educational level. Additionally, social security contribution support will be provided from the budget of the Ministry of Finance to these projects.

Documents which will be prepared regarding to research, development, innovation and design operations will be exempted from stamp tax.

The centers and projects should apply to the Ministry of Science, Industry and Technology (**Ministry**) in written form or electronically in order to benefit from these incentives specified under the Regulation.

In addition to these incentives, an Evaluation and Inspection Commission will be established for evaluation and inspection of relevant centers and projects.

The enterprises which hold Research and Development Center Certificates or Design Center Certificates shall inform the Ministry with regard to change of company type or trade name, transfers, mergers, total demergers, partial demergers, address changes.

The Turkish language of the Regulation can be found at the following link: <http://www.resmigazete.gov.tr/eskiler/2016/08/20160810-7.htm>

For further information please contact us at contact@gokce.av.tr



Answers. Not theories.

Gokce Attorney Partnership

Editors:



Assoc. Prof. Dr. Ali Pasli
ali.pasli@gokce.av.tr



Zeynep Ozsoy
zeynep.ozsoy@gokce.av.tr

About our firm

Gokce Attorney Partnership is an Istanbul-based law firm offering legal services across a broad range of practice areas including mergers and acquisitions, joint ventures, private equity and venture capital transactions, banking and finance, capital markets, insurance, technology, media, telecoms and internet, e-commerce, data protection, intellectual property, regulatory, real property, and commercial litigation. Please visit our web site at www.gokce.av.tr for further information on our legal staff and expertise.

Please contact us at
contact@gokce.av.tr
0 212 352 88 33

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