

Regulations of Limited Liability Companies (LLC) in Turkey

Founders, share holders. Limited liability Companies may have a minimum of one shareholder (single member company) and a maximum of fifty shareholders. There is no nationality or residency restriction.

The shareholders of Limited Liability Companies are liable to the company only with the amount of subscribed capital and in proportion to their capital contribution with regards to third party receivables. The shareholders are jointly and severally liable against fiscal liabilities such as taxes, duties, levies and charges if the company is unable to make the required payments.

Unlike Joint Stock Companies, any restriction on the transfer of shares to third parties can be imposed under the articles of association.

Capital. Minimum authorized share capital is 10.000 TL. At least 25% of the capital contribution must be paid in during the establishment of the company. Unpaid capitals must be paid in a period of two years following the establishment. Capital contributions may be in the form of moveable assets, machinery, patents, domestic monetary prospects etc.

Management. Principally, all shareholders of a Limited Liability Company are also directors and they are collectively entitled and obligated to manage the company affairs and the company. Limited Liability Companies may be managed by their general manager(s) as well.

One or several managers are permitted. Real and legal entities are allowed to be selected as a company manager. In old regime, individuals were only allowed to be the manager of a company. The minimum number of directors in a private company is one while there is no limitation for maximum number. One of the managers is required to be shareholders. Where more than one manager is appointed, the board of directors has to be established. There is no nationality or residency restriction for the managers.

“The legal representatives” of a Limited Liability Company are personally liable for any unpaid taxes and other fiscal liabilities that could not be collected from the entity.

In case, a corporate body becomes a manager or a board member, an individual shall be appointed to act on behalf of the corporate body and this individual shall also be registered with the local Trade Registry.

Board of directors. The board of directors must be formed where more than one manager is appointed by the general assembly. The one of the directors shall be chosen from the shareholders. The chairman shall be appointed by the general assembly. There is no nationality or residency restriction for the directors.

Taxes and fees. There are no taxes on incorporation and capital increase. The costs of establishing a company in the Trade Registry and of notarizing the articles of association depend on the company's capital and the page amount of the articles of association. For the taxes that a company will be subject to, after the establishment, please refer the tax overview section of this guidance.

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Types of shares. The shares of a Limited Liability Company, unlike Joint Stock Companies, cannot be represented by negotiable share certificates.

Dividends. Resident corporations are subject to a 15% withholding tax when dividends are paid out to shareholders; however, dividends paid by resident corporations to resident corporations are not subject to the withholding tax. Tax treaties often provide discounted rates of withholding for shareholders who are the residents of treaty countries.

No profit shall be distributed to shareholders unless the legal and statutory reserves and the amounts which are required to be allocated by law or under the articles of association are first allocated.

An amount equal to 5% of after-tax annual profits must be placed in a legal reserve account until the reserve reaches 20% of equity capital. If the company's capital rate decreases, the reserve account should continue to be allocated.

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