

Regulations of Joint Stock Companies in Turkey

Capital. Minimum authorized capital is 50,000 TL. At least 25% of capital contributions must be paid in during the establishment of the company. Unpaid capitals must be paid in two years following the establishment. Other capital contributions can be in the form of moveable assets, machinery, patents, domestic monetary prospects etc.

Founders, shareholders. One person can establish a Joint Stock Company. There is no nationality or residency restriction.

Unlike Limited Liability Companies, the shareholders of Joint Stock Companies are not personally liable for any unpaid taxes and other fiscal liabilities that cannot be collected from the entity.

Control. A majority of %25 is sufficient to approve most actions; a majority of more than 50% is required for major decisions including the change of the articles of association. A minority of 10% of equity capital (5% in public company(s)) can call an extraordinary shareholders' meeting or add topics on the agenda of shareholders' meetings. A single shareholder may request an extraordinary shareholders' meeting or add topics on the agenda of the shareholders' meeting irrespective of his capital contribution, provided that the request is approved by the board of directors or the local court.

Board of directors. One or several board members can be appointed. The general assembly may appoint the board members for up to 3 years and may re-appoint for additional terms. At least one of the board members is required to be Turkish citizen and the resident of Turkey. There are no restrictions for the other board members on the nationality and residency. Board members are not required to be shareholders. Real and legal entities are allowed to be selected as a board member.

"The legal representatives" of Joint Stock Companies are jointly and severally liable for any unpaid taxes and other fiscal liabilities that cannot be collected from the entity. Where a director(s) is appointed as a fully authorized board member to represent the company or a manager(s) is appointed to represent the company, the directors in the board would not be personally liable for any unpaid taxes and other fiscal liabilities.

The physical presence of board members is not required for board meetings; The commercial code allows board meetings to be held in an electronic environment and board resolutions may also be approved via electronic signatures.

In case, a corporate body becomes 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.

Independent auditors. Companies are not obliged to have an internal auditor as a statutory organ. Companies to be subject to independent auditing are determined by the Cabinet of Ministers. Companies exceeding the following limits of at least two criteria among three criteria in two successive fiscal periods shall be subject to independent audit.

Total Assets : min. TRY 150 million
Net Sales : min. TRY 200 million
Employee number : min. 500

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Furthermore, a minority of 10% or shareholders owning 1 million TL equivalent shares can request a special audit provided that the founders or directors act against the rights and/or interest of the company and shareholders.

Taxes and fees. There are no taxes on incorporation and capital increase. The costs of establishing a company in the trade register 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.

Types of shares. The shares could be represented via share certificates or temporary share certificates; which could either be in the form of bearer share certificate or registered share certificate. The shares are transferable unless the transfer is explicitly restricted in the articles of association. It should be noted that the restrictions may be only imposed in limited circumstances allowed by the commercial code.

In compliance with the requirements of Turkish Capital Market Law and respective legislation, Joint Stock Companies may issue various types of securities (equity or debts).

Dividends. Resident corporations are subject to a 15% withholding tax when dividends are paid out to the shareholders; however, dividends paid by resident corporations to resident corporations are not subject to 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 partners unless the legal and statutory reserves and the amounts that 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.

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