

DOING BUSINESS

IN TURKEY



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for doing
business

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1 – INTRODUCTION

UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in around 90 countries throughout the world.

Business partners work together through the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in Turkey has been provided by the office of UHY representatives:

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A detailed firm profile for UHY's representation in Turkey can be found in section 8.

Information in the following pages has been updated so that they are effective at the date shown, but inevitably they are both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at May 2015.

We look forward to helping you do business in Turkey.

2 – BUSINESS ENVIRONMENT

The Republic of Turkey is ideally located in south-eastern Europe/Asia Minor and the country covers an area of 783,562 square kilometres (302,535 square miles).

Turkey borders the Black Sea, Georgia and Armenia to the north-east, Iran to the east, Iraq to the south-east, the Syrian Arab Republic and the Mediterranean to the south, the Aegean Sea to the west and Greece and Bulgaria to the north-west. Asia Minor (or Anatolia) accounts for 97% of the country's area and forms a long wide peninsula of 1,650 kilometres (1,025 miles) from east to west and 650 kilometres (400 miles) from north to south.

Temperatures in the capital city, Ankara, vary between -4°C (25°F) and 30°C (86°F). Marmara and the Aegean and Mediterranean coasts enjoy a typical Mediterranean climate with hot summers and mild, wet winters. East of the country is mountainous with warm summers and very cold, snowy winters. The south-east has very hot summers and cold winters. The coast of the Black Sea is the wettest part of the country, especially in the north-east.

BACKGROUND

POPULATION

The country's population was 77.6 million as at January, 28 2015. The population growth rate is 0,0137% and 91.8% of the population lives in urban areas.

Turkish is the official language, but English is widely understood and spoken in the main business and tourist areas.

The majority of the population practises the Muslim religion, mostly Sunni, and there is a very small Christian minority. Turkey's secular state guarantees complete freedom of worship for non-Muslims.

CURRENCY

The official currency is the Turkish Lira (TL). The exchange rate is around 1 USD = 2,67 and 1 EUR = 2,93 TL.

Banks are open mainly Monday to Friday, but some are open daily in shopping and tourist areas. ATMs are widely available in major cities and tourist areas. Major credit cards are widely accepted; the most popular are Visa or MasterCard. Traveller's cheques can be exchanged at some banks and currency exchange offices, but are not as welcome as cash or credit cards. USD or EUR cheques are preferred .

TIME

Local time is GMT + 2 (GMT + 3 from the last Sunday in March to the last Sunday in October.)

POWER SUPPLY

Electricity is 220 volts AC, 50Hz. The European two-pin plug is standard.

TELECOMS

The international country dialling code for Turkey is + 90. The outgoing code is 00. City / area codes are in use; for example, Istanbul Asia (Asia Side) is (0)216 and Istanbul Avrupa (Europe Side) is (0)212. GSM (900 and 1800) networks cover most of the country.

COUNTRY MEMBERSHIP

Turkey is a member of the United Nations (UN), Organisation of Islamic Cooperation, European Union (EU) (Candidate), International Labour Organization (ILO), International Monetary Fund (IMF), World Bank (WB) and the World Trade Organization (WTO).

ECONOMIC ENVIRONMENT

Turkey has a booming economy, with sustainable economic growth.

The statistics below give an overview of the Turkish economy:

- Gross domestic product has risen from USD 230 billion in 2002 to USD 861 billion in 2015
- The economy has seen an annual average growth of 3.5% in real GDP over the last eight years.
- It is estimated to have grown around 3% in 2015.
- The economy is the 17th largest in the world and the sixth largest economy in the EU in 2015
- Inflation rate is 9% for 2014.
- Unemployment rate is 9.5% for 2014.

POLITICAL SYSTEM

Turkey is a republican parliamentary democracy.

The politics of Turkey takes place in the framework of a strictly secular parliamentary representative democratic republic, where the prime minister is the head of government and of a multi-party system. The president of Turkey is the head of state, a position which holds a largely ceremonial role but with substantial reserve powers.

Turkey's political system is based on a separation of powers. Executive power is exercised by the Council of Ministers. Legislative power is vested in the Grand National Assembly of Turkey. The judiciary is independent of the executive and the legislature. Its current constitution was adopted on 7 November 1982 after the Turkish constitutional referendum.

THE EXECUTIVE DEPARTMENT

The function of the head of state is performed by the president (*Cumhurbaşkanı*). A president is elected every five years on the principle of universal suffrage according to the current constitution. The president does not have to be a member of parliament, but he/she must be over 40 years old and hold a bachelor's degree.

Executive power rests with the president, the prime minister (*Başbakan*) and the Council of Ministers (*Bakanlar Kurulu*). The ministers don't have to be members of parliament. The prime minister is appointed by the president and approved through a vote of confidence (*güvenoyu*) in the parliament.

THE LEGISLATIVE DEPARTMENT

Legislative power is invested in the 550-seat Grand National Assembly of Turkey (*Türkiye Büyük Millet Meclisi*), representing 81 provinces. The members are elected for a four-year term by mitigated proportional representation with an election threshold of 10%.

To be represented in parliament, a party must win at least 10% of the national vote in a national parliamentary election. Independent candidates may also run and to be elected, they must win only 10% of the vote in the province from which they are running. (This threshold is set to be reduced.)

THE JUDICIAL DEPARTMENT

The freedom and independence of the judicial system is protected within the constitution. There is no organisation, person or institution which can interfere in the running of the courts, and the executive and legislative structures must obey the courts' decisions. The courts, which are independent in discharging their duties, must explain each ruling on the basis of the provisions of the Constitution, the laws, jurisprudence and personal convictions.

The judicial system is highly structured. Turkish courts have no jury system; judges render decisions after establishing the facts in each case based on evidence presented by lawyers and prosecutors. For minor civil complaints and offences, justices of the peace take the case. This court has a single judge. It has jurisdiction over misdemeanours and petty crimes, with penalties ranging from small fines to brief prison sentences. Three-judge courts in the first instance have jurisdiction over major civil suits and serious crimes. Any conviction in a criminal case can be taken to a court of Appeals for judicial review. The juvenile courts have their own structure.

All courts are open to the public. When a case is closed to the public, the court has to declare the reason. Judge and prosecution structures are secured by the constitution. Except with their own consent, no judge or prosecutor can be dismissed, have his/her powers restricted or be forced to retire. However, retirement age restrictions do apply. A judge can also be audited for misconduct with the Ministry of Justice's permission, in which case a special task force of justice experts and senior judges is formed.

The High Council of Judges and Public Prosecutors (HSYK) is the principal body charged with responsibility for ensuring judicial integrity and determines a professional judge's acceptance and court assignments. The Minister of justice is the natural head of the Council according to the current constitution.

Turkey adopted a new national 'Judicial Networking System' (UYAP). Court decisions and documents (case info, expert reports etc.) will be accessible via the Internet.

Turkey accepts the European Court of Human Rights' decisions as a higher court decision. Turkey also accepts as legally binding any decisions on international agreements.

There are several supreme courts with different areas of responsibility:

- *Yargıtay* acts as the supreme court of judiciary tribunals (criminal and civil justice)
- *Danıştay* is the highest of the administrative courts

- *Anayasa Mahkemesi* examines the constitutionality of laws, decrees having the force of law (*decret-loi*), changes of parliamentary by-laws and several other acts of the parliament
- *Sayıştay* (Court of Accounts) is the court which examines the incomes and expenses of the administrative bodies and which acts in the name of parliament
- The Military Court of Cassation (*Askeri Yargıtay*)
- The Military High Court of Administration (or the Supreme Military Administrative Court) (*Askeri Yüksek İdare Mahkemesi*) are the highest bodies to which appeals against decisions of military courts are made.

3 – FOREIGN INVESTMENT

There are many reasons to approach Turkey with a long-term perspective beyond the current economic difficulties affecting the world.

As a candidate for EU membership, Turkey is one of the largest countries in Europe, with a dynamic and young population of 77.6 million. Turkey is the 17th largest economy in the world with a fully convertible currency and liberal trade and payment regimes. The country's financial sector is fully integrated with the global system, with state-of-the-art management, information technology and marketing techniques. The early 2000s saw sweeping reforms coupled with political stability, ushering in a new era for Turkey in which its position has been upgraded to that of a first-class emerging market.

REASONS TO INVEST

Turkey is strategically located where East and West, Asia and Europe and Islam and Christianity meet.

On the one hand, Turkey has adopted the universal values of democracy with a well-functioning parliamentary system, and on the other, it has deep-rooted and well-established relations and bonds with Islamic and Asian societies. This unique geopolitical position presents both challenges and opportunities for Turkey.

Turkey has strong relations with Western powers and has seats at leading global organisations, including the UN Security Council, NATO, the Council of Europe, the Islamic Development Bank (IDB) and the Organization of the Islamic Conference (OIC). Turkey has peaceful relations with all regional powers despite the fact that the region has a delicate balance of power.

As one of the fastest growing markets, Turkey offers vast opportunities. As an emerging market, Turkey had a high average growth rate of 7% (between 2002 and 2007), before the emergence of the current financial crisis. Unlike the pre-2001 crisis, when Turkey had boom and bust cycles every three to five years, high interest rates, double-digit inflation up to 70% annually, a cumbersome debt burden and weak public finances, Turkey's growth records since 2002 have been stable and sustainable.

Turkey is one of the most successful 'globalisers' in terms of its trade and financial integration due to the 'trade creation effect' of the country's openness. Turkey's exports rose from USD 30 billion in 2001 to USD 157.6 billion by the end of 2014. The same process also triggered a rise in Turkey's import volumes. After this phenomenal rise, the share of exports and imports rose to almost 20% and above 25% of GDP, respectively.

Turkey's recent efforts in attracting foreign capital resulted in a phenomenal increase in the volume of both foreign direct investment (FDI) and long-term capital. FDI amounted to USD 19 billion, USD 21 billion and USD 15 billion in 2006, 2007 and 2008, respectively.

One of the remarkable effects of this change is visible in automotive industry investments. From the main industry players (Ford, Fiat, Daimler, MAN, Hyundai, Renault and Toyota) to the supply industry, hundreds of global automakers have rushed to establish production facilities in Turkey. In addition to strong domestic demand, automotives have been the largest export sector for the past three years.

Other major sectors which have attracted foreign capital include services such as those in the finance, telecommunications and retail industries. The share of foreign banks in total banking assets in Turkey was less than 5% until recently. Within a couple of years, the share of foreign ownership has increased to 40%.

Energy and agriculture will dominate the FDI agenda in the coming era. This is because of expanding economic activities and the industry's structural transformation. In fact, among others, energy investments and Turkey's fast-developing industrial structure will continue to create vast opportunities for project financing and development banking. For this reason, several development banks continue to offer extensive facilities and loans to investors in Turkey. It is no coincidence that Turkey is one of the largest debtors of international financial institutions.

Parallel to global warming and rising demand for food, agriculture has become a strategic sector all over the world. Turkey's geographic position brings incomparable opportunities to create an agricultural boom by the next decade. With its large lands appropriate for cultivation, well-developed irrigation systems, sound infrastructure, and proximity to the most demanding markets in the Gulf region, Russia and Europe, Turkey will become one of the best agricultural locations to invest in all across the world.

Tourism will continue to become the most strategic service sector. Turkey's brand name is growing rapidly. Tourism income reached USD 34 billion in 2014. The rate of increase in the number of visitors as well as the rate of increase in per capita tourism revenue is significantly above other countries. Turkey's potential for tourism revenues could reach at least USD 50 billion within 10 years thanks to the country's historical, cultural, religious and health-oriented richness and climate conditions.

In overview, the main reasons to invest in Turkey are its:

- Successful economy
- Population size
- Qualified and competitive labour force
- Liberal and reformist investment climate
- Infrastructure
- Central location
- Position as an energy corridor and terminal of Europe
- Low taxes and incentives (see the following section)
- Customs union with the EU since 1996
- Large domestic market.

INVESTMENT INCENTIVES

Turkey's new investment incentive system, launched in April, 2012, became effective by the "Council of Minister's Decree No. 2012/3305 on Government Subsidies for Investments" of June 15, 2012. The Regulation No. 2012/1 defines procedures and principles for the implementation of the Decree.

The new Investment Incentive Program that is vital for Turkey's 2023 vision as well as for the production and export-oriented growth strategy aims to:

- steer savings into high value added investments,
- boost production and employment,
- encourage large scale and strategic investments with high R&D content for increased international competitiveness,
- increase foreign direct investments,
- reduce regional development disparities,
- promote investments for clustering and environment protection,

in line with the objectives set in development plans and annual programs.

Supports provided by this new Investment Incentive Program will be available for all investments with an incentive certificate granted after January 1, 2012.

In order to further accelerate investment decisions, the new Investment Incentive Program grants more advantageous supports for investments to be initiated by the end of 2015. Spending at least 10% of the investment amount (minimum 5 million TL for the investments over 50 million TL) will suffice for the investment to be considered as started.

INCENTIVE INSTRUMENTS

Investments are supported through 4 different incentive schemes and 9 different incentive instruments designed within the scope of the new program. Contributions provided to investors through incentive instruments depend on the characteristics of the investment and applicable schemes. This chapter elaborates on the scope of incentive instruments in order to clarify the details of such contributions. There are concrete examples, presented below, for providing investors with more information on the incentive instruments:

SCHEMES/SUPPORTS	<u>General Investment Incentive Scheme</u>	<u>Regional Investment Incentive Scheme</u>	<u>Large Scale Investment Incentive Scheme</u>	<u>Strategic Investment Incentive Scheme</u>
VAT Exemption	•	•	•	•
Customs Duty Exemption	•	•	•	•
Tax Deduction		•	•	•
SSP* Support (Employer's share)		•	•	•
Income Tax Withholding Support**	•	•	•	•
SSP Support** (Employee's Share)		•	•	•
Interest Rate Support***		•		•

5 – LABOUR

LABOUR RELATIONS

CONDITIONS OF EMPLOYMENT

Employment in Turkey is mainly governed by the Turkish Labour Law and Trade Union Law.

The retirement age is 60 for man and 58 for woman.

Under the new Turkish Labour Law, there are four different types of job contracts:

- For 'temporary' and 'permanent' work
- For 'a definite period' or an 'indefinite period'
- For 'part-time' work
- For 'work-upon-call'.

Job contracts do not have to be concluded in a specific format. However, if a job contract is signed for a definite period, it must be concluded in writing. Job contracts are exempt from stamp tax and other duties.

Any kind of discrimination among employees with respect to language, race, gender, political opinion, philosophical approach, religion or similar criteria, is prohibited by law. Discrimination based on the gender of an employee is prohibited when determining the amount of remuneration for employees working in the same or equivalent jobs. Should the principle of equality be violated, the employee who is subject to discrimination can request monetary compensation.

WORKING HOURS AND OVERTIME

Under the Labour Law, the maximum normal working hours are 45 hours per week. In principle, 45 hours should be split equally among the working days. However, under the rules introduced by the new Labour Law, working hours may be distributed unevenly over the working days provided that the total daily working hours do not exceed 11 hours a day and that the parties agree on the uneven distribution of the working hours over the working days.

Hours exceeding the limit of 45 hours per week are to be paid as 'overtime hours'. Payment for overtime hours must be 1.5 times the regular hourly wage/salary. Instead of the overtime payment, employees may be granted 1.5 hours of free time for every overtime hour worked. Overtime hours worked during weekends and public holidays are to be paid at twice the regular hourly rate.

These rates are the minimum set by law and may be increased on the basis of a collective or bilateral agreement between employees and the employer. The total number of overtime hours worked per year may not exceed 270 hours.

ANNUAL PAID VACATION

There are six paid public holidays per year (1 January, 23 April, 1 May, 19 May, 30 August and 29 October), plus two paid periods of religious holiday, which comes to eight days in total. Employees are entitled to paid annual vacation for the periods, provided that they have worked for at least one year (including the probation period).

TERMINATION OF EMPLOYMENT

According to the relevant provisions of the Labour Law, employers and employees are required to give specified notification periods prior to the termination of employment, as shown in the following table.

TABLE 11

Required minimum notification periods for employers and employees

DURATION OF SERVICE	DURATION OF NOTIFICATION PERIOD
0 – 6 months	2 weeks
6 – 18 months	4 weeks
18 – 36 months	6 weeks
More than 36 months	8 weeks

There are two types of termination for a job contract:

- Termination with notification
 - Both the employee and the employer may terminate a job contract concluded for an indefinite period based on the notification periods indicated in the above table. The employer may terminate a job contract by paying the salary of the employee corresponding to the notification period. However, the employee covered by the labour security preserves the right to subject the validity of the termination of employment to judicial review
- Termination without notification based on justifiable reasons
 - Both the employer and employee have the right to terminate a job contract without notification under the following conditions:
 - Reasons of health
 - Cases arising from misconduct and similar reasons
 - ‘Force majeure’ events which prevent the employee from working for a period exceeding one week.

TERMINATION INDEMNITY (SEVERANCE PAY)

A lump-sum termination indemnity is to be paid to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such indemnity pay is calculated on the basis of thirty days' pay per year of employment at the gross rate of pay applicable at the date of retirement or leaving. However, the thirty days' payment per year of employment may not exceed a semi-annually determined limit. Indemnity may be agreed to be paid at an amount higher than the limit indicated above in cases where there is a provision in the contract of employment.

Termination indemnity paid within the limit specified is exempt from income withholding tax. However, the amounts of indemnity paid in excess of the limit shall be subject to income tax. The reasons on the basis of which employees are entitled to receive termination indemnity are as follows:

- Leaving the workplace due to compulsory military service (for males)
- Retirement (in order to receive old age, retirement pension or disability allowance from the relevant insurance institutions)
- Voluntary termination by female employees within one year following the date of marriage
- Death of the employee.

TURKISH SOCIAL SECURITY SYSTEM

The social security system in Turkey went through a major transformation in 2007, resulting in a more efficient and fast-functioning system, based on centralising the control of different social security funds in a single institution.

Within the scope of the program, the three insurance funds – namely *SSK*, *Emekli Sandigi* and *Bag-Kur* – were merged under a sole body called the Social Security Institution (SSI) in 2007. The three insurance funds together cover around 81% of the population (as of 2008). The system started to be fully operational at the beginning of 2008.

SOCIAL SECURITY PREMIUM PAYMENTS

Social security premiums (as a percentage of an employee's gross earnings) are payable by both employers and employees. The table below shows the rates which apply in the case of office employees in the private sector. Rates for employees working in specific sectors (such as mining, oil/gas exploration) may vary depending on the risk category of the work performed.

TABLE 12

Social security premiums (office employees)

TYPE OF RISK	EMPLOYER'S SHARE (%)	EMPLOYEE'S SHARE (%)	TOTAL (%)
Short-term risks	1 – 6.5*	-	1 – 6.5*
Long-term risks	11	9	20
General health insurance	7.5	5	12.5
Contribution to unemployment insurance	2	1	3
Total	21.5*	15	36.5*

*The rates change according to the risk categories of jobs. Depending on the risk category, the employer's share varies between 1% and 6.5%.

Foreigners making social security contributions in their home countries do not have to pay the Turkish social security premiums if there is a reciprocal agreement between the home country and Turkey.

UNEMPLOYMENT INSURANCE PREMIUM PAYMENTS

Employees, employers and the state are required to make a compulsory contribution to the unemployment insurance plan at the rates of 1%, 2% and 1%, respectively, of the gross salary of the employee. Like the social security premium payments, unemployment insurance premiums are also to be paid on a monthly basis. Employers are able to deduct such contributions from their taxable income. An employee's contributions are deductible from the income tax base of the employee.

A foreign individual who remains covered under the compulsory social security system of his/her home country which has a social security agreement in effect with Turkey is not liable for insurance payments to the Turkish social security. The proof of foreign coverage is to be filed with the local social security office. If the employee is not subject to a foreign social security, full contributions will generally be imposed. Unemployment insurance premiums are declared and paid to the Social Security Institution together with social security premium contributions.

6 – TAXATION

Turkey has one of the most competitive corporate tax rates in the OECD region.

The new Corporate Tax Law enacted on 21 June 2006 made some important amendments to the current applications and also included new concepts in the tax legislation. With this law in place, Turkish corporate tax legislation now has noticeably clearer, more objective and better harmonised provisions, which are in line with international standards.

The Turkish tax regime can be classified under three main headings:

- Income tax
- Tax on expenditure
- Tax on wealth.

INCOME TAX

Income taxes in Turkey are levied on all income, including that of domestic and foreign individuals and corporations residing in Turkey.

Non-residents earning income in Turkey through employment, ownership of property, business transactions, or any other activity which generates income, are also subject to taxation, but only on the income earned in Turkey.

CORPORATE INCOME TAX

In Turkey, the basic corporate income tax rate levied on business profits is 20%.

Tax losses are deductible. They cannot be carried back; however, they can be carried forward following 5 years.

Withholding taxes on selected payments of resident corporations are as follows:

- Dividends are subject to 15%
- Interest on treasury bills and treasury bonds derived by resident corporations is subject to 0%
- Interest on other bonds and bills derived by resident corporations is subject to 0% and bank deposits are subject to 15%
- Profit shares paid by participation banks in consideration of participation accounts are subject to 15%
- REPO agreements are subject to 15%.

Withholding taxes on selected payments of non-resident corporations are as follows:

- Dividends are subject to 15%
- Interest on treasury bills and treasury bonds derived by non-resident corporations is subject to 0%
- Interest on other bonds and bills derived by non-resident corporations is subject to 0% and bank deposits are subject to 15%
- Profit shares paid by participation banks in consideration of participation accounts are subject to 15%
- REPO agreements are subject to 15%.

INDIVIDUALS INCOME TAX

The personal income tax rate varies from 15% to 35%.

Income tax rates applicable to yearly gross earnings from 2011 are set out in the following table.

Income tax bands for individuals

INCOME BANDS (TL)	RATE (%)
Up to 12.000	15
12.001 – 29.000	20
29.001 – 66.000	27
66.001 and over	35

TAX ON EXPENDITURE

VALUE ADDED TAX (VAT)

The generally applied VAT rate varies between 1%, 8% and 18%. Commercial, industrial, agricultural and independent professional goods and services, goods and services imported into the country, and deliveries of goods and services as a result of other activities are all subject to VAT.

SPECIAL CONSUMPTION TAX (SCT)

There are four main product groups which are subject to special consumption tax at different tax rates:

- Petroleum products, natural gas, lubricating oil, solvents and derivatives of solvents
- Automobiles and other vehicles, motorcycles, planes, helicopters and yachts
- Tobacco and tobacco products and alcoholic beverages
- Luxury products.

Unlike VAT, which is applied on each delivery, special consumption tax is charged only once.

BANKING AND INSURANCE TRANSACTION TAX

Banking and Insurance company transactions remain exempt from VAT but are subject to a Banking and Insurance Transaction Tax. This tax applies to income earned by banks, for example on loan interest. The general rate is 5%, while interest on deposit transactions between banks is taxed at 1% and sales from foreign exchange transactions at 0.1%.

TAX ON WEALTH

There are three kinds of taxes on wealth:

- Inheritance and gift taxes
- Property taxes
- Motor vehicle tax.

Buildings and land owned in Turkey are subject to real estate tax at the following rates:

- Residences – 0.1%
- Other buildings – 0.2%

TAX INCENTIVES

Incentives are available for various company activities, including the following:

- Prioritised development zones
- Technology development zones
- Organised industrial zones
- Free zones
- Research and development
- Private educational corporations
- Cultural investments and enterprises.

TAX EXEMPTIONS

VAT exemptions include, but are not limited to, the following transactions:

- Export of goods and services.
- Roaming services rendered in Turkey for customers outside Turkey (ie non-resident customers) in line with international roaming agreements, where a reciprocity condition is in place
- Petroleum exploration activities
- International transportation
- Deliveries made to diplomatic representatives, consulates and international organisations with tax exemption status and to their employees.
- The supply of machinery and equipment, including importation, to persons or corporations which are VAT taxpayers and which have an investment certificate issued by the relevant authority
- Services rendered at harbours and airports for vessels and aircrafts
- Social and other exemptions applying to deliveries made to the government and other related organisations for cultural, educational, health and similar purposes
- Banking and insurance transactions are exempted from VAT as they are subject to a separate Banking and Insurance Transactions Tax at a rate of 5%
- Tax exemptions are provided for earnings derived by corporations from their overseas branches and both their domestic and overseas ventures if they meet certain conditions
- Research and development allowances
- Deductions from the tax base of corporations related to certain donations, aid or sponsorship expenditures for sport activities.

DOUBLE TAX TREATIES

Turkey has entered into double tax treaties with many major countries in the world. These double tax treaties cover such matters as residence status, permanent establishment, business profits, income from land and property, dividends, royalties and interest, personal direct and indirect income and capital gains. These agreements enhance the already favourable Turkey tax regime.

TRANSFER PRICING

Turkey operates a universal system of transfer pricing in accordance with the Organization for Economic Co-operation and Development (OECD) guidelines so that all business transaction between connected parties need to be at arm's length prices, not just those with persons abroad. It is the company's responsibility to ensure that these rules are adhered to and that records are maintained evidencing and justifying the position taken.

7 – ACCOUNTING & REPORTING

Public companies with shares traded on the Istanbul Stock Exchange, banks, insurance companies and other financial institutions are required to prepare their consolidated accounts in accordance with International Financial Reporting Standards (IFRS). Other companies are permitted to adopt International Accounting Standards (IFRS) or continuing to apply Turkish GAAP by Public Oversight Board.

Every Turkish company is required to prepare a set of accounts that gives a true and fair view of its profit or loss for the year and of its state of affairs at the year-end according to The Turkish Commercial Code. Annual accounts generally include:

- Activity Reports of Board,
- Audit Report (Depends on size and compulsory for public companies, banks, insurance companies and other financial institutions.)
- Balance Sheet
- Income Statement
- Cash Flow Statement
- Equity Capital Statement

Public companies, banks, insurance companies and other financial institutions are obliged to appoint an external auditor without met certain size criteria. If other companies met certain size criteria determined by Public Oversight Board, then they are also obliged to appoint an external auditor too. These are currently set at:

- Assets in the balance sheet exceeding TL 50 million,
- An annual turnover exceeding TL 100 million,
- An annual average of more than 200 employees.

At least two of the above thresholds must be exceeded on two successive balance sheet dates.

8 – UHY REPRESENTATION IN TURKEY



UHY UZMAN SWORN IN CPA AND INDEPENDENT AUDITING INC. TURKEY



CONTACT DETAILS

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Year established: 1978
Number of partners: 4
Total staff: 37

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Position: General Coordinator
Email: ayca@uhy-uzman.com.tr

BRIEF DESCRIPTION OF FIRM

UHY Turkish Office has established in 1978 and became member of UHY in 1998, providing a broad range of services under its roof to foreign and domestic clients through UHY-UZMAN Sworn in Certified Public Accountancy and Independent Audit Service ,Inc. and UHY DENETİM Certified Public Accountancy LLP. The group also provides its clients professional management consultancy services to assist them in the institutionalization of their companies.

SERVICE AREAS

Financial intermediary
Durable Consumer Goods Sector
Leather Industry Sector
Entertainment and Media Sector
Electrical and Electronics Sector
Energy and Natural Resources Sector
Real Estate - Construction Sector
Foodstuff Production and Marketing
Manufacturing Industry Sector
Chemical Industry Sector
Leasing & Factoring
Mining Sector
Machinery - Metal Industry
Automotive Sector
Retail Sector
plastic
Health and Pharmaceutical Sector
insurance Sector
Textile and Fashion
Tourism and Hospitality Management



The network
for doing
business



UHY UZMAN SWORN IN CPA AND INDEPENDENT AUDITING INC. TURKEY



PRINCIPAL OPERATING SECTORS

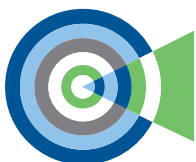
Automotive
Financial intermediary
Durable Consumer Goods Sector
Leather Industry Sector
Entertainment and Media Sector
Electrical and Electronics Sector
Energy and Natural Resources Sector
Real Estate - Construction Sector
Foodstuff Production and Marketing
Manufacturing Industry Sector
Chemical Industry Sector
Leasing & Factoring
Mining Sector
Machinery - Metal Industry
Automotive Sector
Retail Sector
plastic
Health and Pharmaceutical Sector
insurance Sector
Textile and Fashion
Tourism and Hospitality Management

LANGUAGES

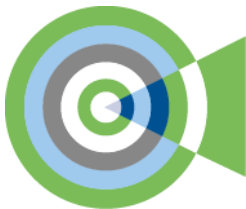
Turkish, English.

OTHER COUNTRIES IN UHY CURRENTLY WORKING WITH, OR HAVE WORKED WITH IN THE PAST

US, UK, FRANCE, ITALY, SPAIN, GERMANY.



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