

Limitations introduced to profit distributions of capital companies

April 2020



Dear Clients, Colleagues and Friends,

As per the Law No. 7244 on Amending Various Other Laws and Concerning Limiting the Impact of COVID-19 on Economic and Social Life, which entered into effect after being published in the Official Gazette on 17 April 2020, certain limitation and restrictions have been temporarily introduced on distribution of profits of capital companies in order to manage risks related to economic impact of COVID-19.

According to Article 12 of Law No. 7244, starting from 17 April 2020, private capital companies incorporated in Turkey are;

- allowed to take a shareholder resolution for distributing only 25% of their 2019 fiscal year-end profits;
- not allowed to take a shareholders resolution for distributing profits pertaining to previous fiscal years; and
- not allowed to take a shareholders resolution for distributing advance dividends or free reserves that would have been considered "distributable" under normal circumstances.

The above-listed limitation and restrictions will be applicable until 30 September 2020, and the President has the authority to extend such time period for additional three months.

For the companies that have already taken a shareholders resolution to distribute 2019 fiscal year-end profits, any unpaid portion of profits exceeding the 25% limitation, if any, will become distributable after 30 September 2020.

The Ministry of Commerce has been authorized to determine specific exemptions, and/or issue secondary regulations regarding the implementation of the aforementioned limitation and restrictions.

Please do not hesitate to contact us regarding any query in relation to a specific transaction or instrument that would require our case specific analysis.



Elvan Aziz

Partner

eaziz@paksoy.av.tr



Şansal C. Erbacioğlu

Counsel, Tax Specialist

scerbacioglu@paksoy.av.tr

This briefing is for information purposes; it is not legal advice. If you have questions, please call us. All rights are reserved.

Paksoy is an independent full-service law firm in Istanbul, Turkey focused on helping clients in a wide range of legal areas including cross-border investments, acquisitions, international business transactions, banking and finance, projects, infrastructure, investigations, compliance, disputes, litigation and arbitration.