

CIRCULAR
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Subject:

REGULATION IMPOSING THE PURCHASE AND SALE OF MOVABLE AND IMMOVABLE, RENTAL OF PROPERTIES, FINANCIAL LEASING, CONTRACTS OF EMPLOYMENT, SERVICE AND WORK TO BE MADE IN TURKISH LIRA ENTERED INTO FORCE

The following sub-paragraph was added to Article 4 "Foreign Currencies", of the Resolution No. 32 with the new Presidential Decree No. 85 on the Amendment of the Resolution No. 32 on the Protection of the Value of Turkish Currency published in the Official Gazette of September 13, 2018 and no. 30534.

"Except for cases to be determined by the Ministry of Treasury and Finance, for agreements concluded among Turkish residents, regarding the purchase and sale of movable and immovable, all kinds of rentals including vehicle and financial rentals, leasing, and employment, service, and work, the agreement fee and other fees arising from these agreements shall not be determined in foreign currency or be denominated in foreign currency."

The regulation above entered into force on September 13, 2018. According to the resolution;

Agreements concluded or to be concluded by **Turkish residents** among themselves regarding,

- The purchase and sale of movable and immovable,
- All kinds of property rentals including vehicle and financial rentals,
- Leasing,
- Employment, service, and work

will be subject to this regulation.

According to the Provisional Article 8 added to Resolution no. 32, **within 30 days** following the issuance of the Regulation above (until October 13, 2018), **the prices that are agreed upon in foreign currencies in previously signed contracts that are in effect, will be determined again in Turkish Lira by the parties** with the exception of specific cases determined by the Ministry.

In Article 2 of the Resolution No. 32 on the Protection of the Value of Turkish Currency, Turkish residents are defined as "Real persons and legal entities who have a legal residence in Turkey, including those who are employed, self-employed or owners of independent business abroad".

The resolution text includes the expression "with the exception of specific cases determined by the Ministry". Moreover, it is stated that this resolution will be carried out by the Ministry of Treasury and Finance. Accordingly, the Ministry must issue a statement regarding the extent of the regulation, the implementation procedures and principles, which agreements may be concluded in foreign currencies or denominated in foreign currencies. The regulation is not just limited to agreements on financial leasing, vehicle and property rentals, it also extends to a rather wide range of implementation (even almost any kind of agreement that can be concluded between parties) with the expression "agreements regarding employment, service, and work".

The resolution will apply to the agreements concluded between Turkish residents that are under the scope thereof. Therefore, the agreements concluded/to be concluded between Turkish residents and foreign residents will not be under the scope of the regulation.

On the other hand, the matter of concluding the previously concluded foreign currency or foreign currency denominated agreements again in Turkish Lira within 30 days will be shaped by the negotiations to be carried out between the parties as it is stated in the Resolution text.

In the case of determining the price again in the relevant section of the agreement, if there will be no further regulation regarding the issue, in accordance with Article 14 of Stamp Duty Law, the stamp duty has to be calculated based on the increased price and be declared as such. The stamp duty to be paid in the case of amending the agreements regarding the regulation will incur additional expenses to businesses.

As per Article 3 of the Law No. 1567 on the Protection of the Value of Turkish Currency, persons violating the general and regulatory provisions which are enacted according to this Law by the President shall be punished to pay an administrative fine between three thousand (For 2018, TRY 6.306,00) and twenty-five thousand (For 2018, TRY 52.601,00) Turkish Liras.

Sincerely,

**DENGE İSTANBUL YEMİNLİ
MALİ MÜŞAVİRLİK A.Ş.**

ANNEX:

Presidential Decree No: 85 on the Amendment of the Resolution No. 32 on the Protection of the Value of Turkish Currency

(*) The descriptions included in our circulars are for information purposes only. We recommend you to consult an expert before making any final transactions in any matter when you have any hesitations; and our office will not have any liability for any loss arising from transactions that are made relying solely on statements in our circulars.

(**) Please contact our experts for your opinions, comments, and questions about our circulars.

Erkan YETKİNER
Certified Public Accountant
Mazars/Denge, Partner
eyetkiner@mazarsdenge.com.tr

Güray ÖĞREDİK
Independent Accountant and Financial Advisor
Mazars/Denge, Director
gogredik@mazarsdenge.com.tr