

CIRCULAR
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Subject:

THE COMMUNIQUÉ REGARDING THE AGREEMENTS BETWEEN TURKISH RESIDENTS THAT CAN BE CONCLUDED IN FOREIGN CURRENCY OR INDEXED TO FOREIGN CURRENCY HAS BEEN AMENDED.

As it is known, Turkish residents were banned from concluding agreements in foreign currency or indexed to foreign currency among themselves, and it was determined to convert the agreements that were previously concluded in foreign currency or indexed to foreign currency into Turkish Lira within 30 days within the scope of the sub-paragraph (g) that 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 no. 30534 of September 13, 2018 and the Provisional Article 8 added to the said resolution (We had issued the circular no. 2018/183 on September 18, 2018 regarding the subject matter).

Through the "Communiqué (Communiqué No: 2018-32/51) Amending the Communiqué (Communiqué No: 2008-32/34) Regarding Communiqué No. 32 on the Protection of the Value of the Turkish Currency" which was published in the Official Gazette No. 30557 of October 6, 2018, the Ministry of Treasury and Finance;

- Identified the **exceptions** of the regulation regarding the ban on Turkish residents concluding agreements among themselves in foreign currency or indexed to foreign currency,
- Made explanations on the agreements that must be concluded in Turkish Lira,
- Implemented regulations with regard to the determination of the contract price in Turkish Lira in the event of "**the parties not mutually agreeing**" for the agreements that are not deemed as exceptions and that were previously concluded in foreign currency or indexed to foreign currency.

We had issued the Circular [No. 2018/190 of October 8, 2018](#) regarding the aforementioned Communiqué.

This time, the "Communiqué (Communiqué No: 2018-32/52) Amending the Communiqué (Communiqué No: 2008-32/34) Regarding Communiqué No. 32 on the Protection of the Value of the Turkish Currency " which was published in the Official Gazette No. 30597 of November 16, 2018, introduces the following regulations.

1- Regulations regarding the conclusion of rental and sales agreements of immovables in foreign currency/indexed to foreign currency

- While **rental and sales agreements of immovables** were not allowed to be concluded in foreign currency/indexed to foreign currency in free zones, the new regulation allows the conclusion of rental and sales agreements of immovables in foreign currency/indexed to foreign currency in free zones. In this framework, sales and rental agreements of immovables concluded by the companies operating in the free zones, within the scope of their operations in the free zones may be determined in foreign currency or indexed to foreign currency, provided that the companies participate in the agreement **as the buyer or tenant.**
- **Rental** agreements regarding the operation of **accommodation facilities certified by the Ministry of Culture and Tourism** may be concluded in foreign currency/indexed to foreign currency.
- **Rental** agreements of duty-free shops may be concluded in foreign currency/indexed to foreign currency.
- It is now possible to determine the contract prices in foreign currency/indexed to foreign currency **in sales and rental agreements of immovables** where non-residents that have branch offices, representative offices, liaison offices; companies in which they directly or indirectly hold 50% or more of the shares in Turkey or companies that they have joint control/control of, provided that they participate in the agreement as the buyer or tenant.
- In this framework, **sales and rental agreements of immovables** concluded by the non-citizen Turkish residents may be determined in foreign currency or indexed to foreign currency, provided that the companies participate in the agreement **as the buyer or tenant.**
- It is now possible to determine the contract price in foreign currency or indexed to foreign currency for **the rental agreements of immovables** that are to be concluded by or between contractors or commissioned companies and the third parties which they conclude the agreement with, or those that are to be concluded within the scope of the projects that are to be executed within the scope of the foreign currency or foreign currency indexed tenders, contracts and international agreements to which the public institutions and organizations are a party.
- The deposits paid within the scope of rental agreements of immovables and the negotiable instruments that entered into circulation within the scope of the conclusion of these agreements may remain in foreign currency or indexed to foreign currency.

2- Regulations regarding the conclusion of employment agreements in foreign currency/indexed to foreign currency

- The contract prices of employment agreements concluded by seamen may be determined in foreign currency or indexed to foreign currency.
- It is possible to determine the contract prices in foreign currency/indexed to foreign currency in **employment agreements** where non-residents that have branch offices, representative offices, liaison offices; companies in which they directly or indirectly hold 50% or more of the shares in Turkey or companies that they have joint control/control of; or companies within the scope of their activities in free zones participate as the **employer party**. "Companies jointly controlled or controlled" by non-residents may also conclude employment agreements in foreign currency.

3- Regulations regarding the conclusion of service agreements in foreign currency/indexed to foreign currency

- The contract price of the following service agreements to be concluded among Turkish residents may be concluded in foreign currency or indexed to foreign currency:
 - Starting in Turkey and ending abroad,
 - Starting abroad and ending in Turkey,
 - Starting and ending abroad.
- It is possible to determine the contract prices in foreign currency/indexed to foreign currency in **service agreements** where non-residents that have branch offices, representative offices, liaison offices; companies in which they directly or indirectly hold 50% or more of the shares in Turkey or companies that they have joint control/control of; or companies within the scope of their activities in free zones participate as the party **that receives the service**. "Companies jointly controlled or controlled" by non-residents may also conclude service agreements in foreign currency.
- Agreements that have been indexed to precious metals and/or commodities, prices of which in international markets are determined in foreign currencies and/or indirectly foreign currency indexed are deemed as foreign currency indexed agreements. However, it has now been made possible by the new Amendment to index **service agreements regarding transportation activities to fuel prices**.

4- Regulations regarding the conclusion of IT agreements in foreign currency/indexed to foreign currency

- **Sales agreements** regarding software **produced abroad** within the scope of information technologies and **license and service agreements** related to **hardware and software produced abroad** may be determined in foreign currency or indexed to foreign currency.

5- Regulations regarding the conclusion of work agreements in foreign currency/indexed to foreign currency

- The contract prices of work agreements **containing costs in foreign currency** may be determined in foreign currency or indexed to foreign currency.

6- Regulations regarding the conclusion of financial leasing agreements in foreign currency/indexed to foreign currency

- The obligation for converting the financial leasing agreements of movables and immovables that are concluded before September 13, 2018 into Turkish Lira has been lifted.

7- Regulations regarding the conclusion of rental and sales agreements of heavy machines in foreign currency/indexed to foreign currency

- The regulation banning the conclusion of rental and sales agreements of heavy machines in foreign currency/indexed to foreign currency has been lifted. Within this framework, the conclusion of rental and sales agreements of heavy machines in foreign currency/indexed to foreign currency is now possible.

8- Regulations regarding the conclusion of sales agreements of vehicles in foreign currency/indexed to foreign currency

- The obligation for converting the sales agreements of commercial vehicles for passenger transportation that are concluded before September 13, 2018 into Turkish Lira has been lifted.

9- Other Regulations

- Turkish residents' abroad branches, representation offices, offices, liaison bureaus, funds operated or managed by them, companies in which they hold more than 50% of shares **directly or indirectly** are deemed as Turkey-based as per the implementation of Article 4(g) of Decree No. 32. **In the event of the Agreement being concluded abroad,** Turkish residents' abroad branches, representation offices, offices, liaison bureaus, funds operated or managed by them, companies in which they hold more than 50% of shares directly or indirectly shall not be deemed as Turkey-based.
- It is possible to determine the contractual amounts of agreements in relation to the transactions carried out within the scope of the Public Finance and Debt Management Law No. 4749, and other payment obligations resulting from agreements in foreign currencies or said agreements may be foreign currency indexed. The former version of the Communiqué also allowed the contract price and the other payment obligations in the agreements concluded by the banks with respect to the said transactions to be determined in foreign currency or indexed to foreign currency.
- The **negotiable instruments that were issued and entered into circulation before September 13, 2018** will remain and be collected in foreign currency or indexed to foreign currency.

- The regulation on the amounts in contracts being determined in Turkish Lira in case the parties that are deemed as exceptions mutually agree and demand to determine the
- amounts in Turkish Lira in the new agreements to be signed or to convert the foreign currency terms or foreign currency indexed terms within the existing agreements in accordance with the temporary Article 8 of Decree no. 32 has been removed from the Communiqué.

The regulations introduced by the Communiqué **are effective as of November 16, 2018.**

Following the above remarks, the agreements that may and may not be concluded in foreign currency or indexed to foreign currency within the scope of the aforementioned Communiqué are summarized in the table below.

	The Subject of the agreement between Turkish residents	Agreements in foreign currency/indexed to foreign currency that are concluded before September 13, 2018	Agreements in foreign currency/indexed to foreign currency that are to be concluded after September 13, 2018	Other Issues
1	Sales agreements of immovables (that are in Turkey) and other payment obligations arising from these agreements	Shall be re-determined in TL	May not be concluded	(Except for immovables abroad) - Except for the sales agreements of immovables where companies in the free zones are among the parties as the buyer within the scope of their operations in free zones. - Except for the sales agreements of immovables where non-residents that have branch offices, representative offices, liaison offices; companies in which they directly or indirectly hold 50% or more of the shares in Turkey or companies that they have joint control/control of, if they participate in the agreement as the buyer . - Except for the sales agreements of immovables where Turkish residents who are non-Turkish

				citizens are among the parties as the buyer.
2	Rental agreements of immovables (that are in Turkey) and other payment obligations arising from these agreements	Shall be re-determined in TL	May not be concluded	<p>(Except for immovables abroad)</p> <ul style="list-style-type: none"> - Except for the rental agreements of immovables where companies in the free zones are among the parties as the tenant within the scope of their operations in free zones. - Except for the rental agreements regarding the operation of accommodation facilities certified by the Ministry of Culture and Tourism. - Except for the rental agreements of duty-free shops. - Except for the rental agreements of immovables where non-residents that have branch offices, representative offices, liaison offices; companies in which they directly or indirectly hold 50% or more of the shares in Turkey or companies that they have joint control/control of, if they participate in the agreement as the tenant. - Except for the rental agreements of immovables where Turkish residents who are non-Turkish citizens are among the parties as the tenant. - Except for the rental agreements of immovables that are to be concluded by or between contractors or commissioned companies and the third parties which they conclude the agreement with, or those

				<p>that are to be concluded within the scope of the projects that are to be executed within the scope of the foreign currency or foreign currency indexed tenders, contracts and international agreements to which public institutions and organizations are a party.</p> <p>(The deposits paid within the scope of rental agreements of immovables and the negotiable instruments that entered into circulation within the scope of the conclusion of these agreements may remain in foreign currency or indexed to foreign currency.)</p>
3	Employment agreements	Shall be re-determined in TL	May not be concluded	<ul style="list-style-type: none"> - It is possible to determine the contract prices of employment agreements that are to be concluded abroad and other payment obligations arising from said agreements in foreign currency/indexed to foreign currency. - It is possible to determine the contract prices of employment agreements and other payment obligations arising from said agreements to which non-citizen Turkish residents are a party in foreign currency/indexed to foreign currency. - It is possible to determine the contract prices and other payment obligations arising from them in foreign

				<p>currency/indexed to foreign currency in employment agreements where non-residents that have branch offices, representative offices, liaison offices; companies in which they directly or indirectly hold 50% or more of the shares in Turkey or companies that they have joint control/control of; or companies within the scope of their activities in free zones participate as the employer party.</p> <p>- It is possible to determine the contract prices of employment agreements and other payment obligations arising from said agreements to which seamen are a party in foreign currency/indexed to foreign currency.</p>
4	Service agreements (including consultancy, intermediation and transportation)	Shall be re-determined in TL	May not be concluded	<p>- It is possible to determine the contract prices of service agreements and other payment obligations arising from said agreements to which non-Turkish citizens are a party in foreign currency/indexed to foreign currency.</p> <p>- Service agreements within the scope of exports, transit trade, sales and deliveries deemed as exports as well as foreign currency earning services and activities, and other payment obligations arising from said agreements may be</p>

				<p>concluded in foreign currency/indexed to foreign currency.</p> <p>- It is possible to determine the contract prices of service agreements to be concluded within the scope of the activities to be carried out abroad and to which Turkish residents are a party, and other payment obligations arising from said agreements in foreign currency/indexed to foreign currency.</p> <p>- The contract prices of service agreements starting in Turkey and ending abroad, or starting abroad and ending in Turkey, that are to be concluded among Turkish residents and other payment obligations arising from said agreements may be determined in foreign currency/indexed to foreign currency.</p> <p>- It is possible to determine the contract prices and other payment obligations in foreign currency/indexed to foreign currency in service agreements where non-residents that have branch offices, representative offices, liaison offices; companies in which they directly or indirectly hold 50% or more of the shares in Turkey or companies that they have joint control/control of; or companies within the</p>
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				<p>scope of their activities in free zones participate as the party that receives the service.</p> <p>- Agreements that have been indexed to precious metals and/or commodities, prices of which in international markets are determined in foreign currencies and/or indirectly foreign currency indexed are deemed as foreign currency indexed agreements. However, it has now been made possible to index service agreements regarding transportation activities to fuel prices.</p>
5	<p>Sales agreements regarding software produced abroad within the scope of information technologies and license and service agreements related to hardware and software produced abroad may be determined in foreign currency or indexed to foreign currency.</p>	<p>May be concluded in foreign currency/indexed to foreign currency</p>	<p>May be concluded in foreign currency/indexed to foreign currency</p>	<p>Sales agreements regarding software produced <u>in Turkey</u> and license and service agreements related to hardware and software produced <u>in Turkey</u> shall be determined in Turkish Lira.</p>
6	<p>Sales Agreements of Movables</p>	<p>May be concluded in foreign currency/indexed to foreign currency</p>	<p>May be concluded in foreign currency/indexed to foreign currency</p>	<p>- Except for vehicle sales agreements (sales agreements of heavy machines may be concluded in foreign currency/indexed to foreign currency).</p>
7	<p>Sales Agreements of Vehicles</p>	<p>Shall be re-determined in TL</p>	<p>May not be concluded</p>	<p>- There is no obligation for converting the sales agreements of commercial vehicles for passenger transportation that are concluded before September 13, 2018 into</p>

				Turkish Lira.
8	Rental Agreements of Movables	May be concluded in foreign currency/indexed to foreign currency	May be concluded in foreign currency/indexed to foreign currency	- Except for vehicle rental agreements (rental agreements of heavy machines may be concluded in foreign currency/indexed to foreign currency).
9	Rental Agreements of Vehicles	May be concluded in foreign currency/indexed to foreign currency	May not be concluded	- The agreements that are concluded before September 13, 2018 and are in foreign currency/indexed to foreign currency will remain in effect until the end of the term of the agreement.
10	Work Agreements	Shall be re-determined in TL	May not be concluded	- The contract prices of work agreements containing costs in foreign currency may be determined in foreign currency or indexed to foreign currency.
11	Financial Leasing Agreements	Shall be re-determined in TL	May not be concluded	- It is possible to determine the contract prices of financial leasing agreements regarding ships specified in the Turkish International Ship Registration Law No. 4490 and the Law Amending the Executive Order No. 491, in foreign currency/foreign currency indexed. - Except for financial leasing agreements to be concluded within the scope of Article 17/17A of Resolution No. 32. (Article 17 of Resolution No. 32 defines the Turkish residents that can obtain foreign currency loans abroad, Article 17/A defines the Turkish residents that are allowed to obtain foreign currency loans

				domestically.) - There is no obligation for converting the financial leasing agreements of movables and immovables that are concluded before September 13, 2018 into Turkish Lira.
12	Capital market instruments (including foreign capital market instruments and depository receipts and foreign investment fund shares)	May be concluded in foreign currency/indexed to foreign currency	May be concluded in foreign currency/indexed to foreign currency	Without prejudice to provisions of Resolution No. 32 and within the scope of the Capital Market Law No. 6362 and relevant regulations, the establishment, issuance, purchase and sales of capital market instruments (including foreign capital market instruments, depository receipts, and foreign investment funds) and other obligations pertaining to the transactions performed
13	The agreements other than sales and rental of immovables and employment agreements that contain costs in foreign currency or indexed to foreign currency that are concluded with Turkish residents by commercial airlines based in Turkey carrying out transport of passengers, load or mail; companies providing technical maintenance services to airline transport vehicles, engines and their sections and parts; organizations that have obtained work permit to provide ground services at airports	May be concluded in foreign currency/indexed to foreign currency	May be concluded in foreign currency/indexed to foreign currency	Agreements of sales and rentals of immovables and employment agreements shall be concluded in Turkish Lira.

	within the scope of the civil aviation legislation or have public or private legal entity status as well as enterprises and companies founded by the aforementioned organizations and the partnerships in which they directly or indirectly hold at least 50% of the shares			
14	Agreements that state institutions and organizations and companies of Turkish Armed Forces Foundation are a party (excluding the sales and rental agreements of immovables);	May be concluded in foreign currency/indexed to foreign currency	May be concluded in foreign currency/indexed to foreign currency	Agreements of sales and rentals of immovables and shall be concluded in Turkish Lira.
15	The contract prices of agreements in relation to the transactions carried out within the scope of the Public Finance and Debt Management Law No. 4749, and other payment obligations resulting from these agreements and the agreements concluded by Banks in relation to these transactions	May be concluded in foreign currency/indexed to foreign currency	May be concluded in foreign currency/indexed to foreign currency	
16	The contract price and other payment obligations arising from the agreements, except for sales agreements of immovables and employment agreements, that are to be concluded by or between contractors or commissioned companies and the	May be concluded in foreign currency/indexed to foreign currency	May be concluded in foreign currency/indexed to foreign currency	Sales agreements of immovables and employment agreements shall be concluded in Turkish Lira.

third parties which they conclude the agreement with, or those that are to be concluded within the scope of the projects that are to be executed within the scope of the foreign currency or foreign currency indexed tenders, contracts and international agreements to which state institutions and organizations are a party.			
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Sincerely,

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

ANNEX:

- Comparison of the regulations in Communiqué No: 2018-32/51 and Communiqué No: 2018-32/52
- Communiqué (Communiqué No: 2018-32/52) Amending the Communiqué (Communiqué No: 2008-32/34) Regarding Communiqué No. 32 on the Protection of the Value of the Turkish Currency

(*) The remarks in our circular are for information purposes only. We recommend that the opinion and support of a qualified counsellor be received before establishing final transactions on the questionable matters. Our company shall not be held responsible for any damages to be incurred as a result of transactions to be made solely based on the statements in our circular.

(**) For opinions, criticisms and questions about our circular, you can contact our specialists the contact information of whom is provided below.

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