

CIRCULAR NOTICE
Issue: 2012/169.eng

Istanbul, 01.08.2012
Ref: 4/169

Subject:

THE REGULATIONS CONTAINING THE AMENDMENTS TO THE PRINCIPLES REGARDING THE ESTABLISHMENT, PERMISSION AND ACTIVITIES OF LIAISON OFFICES; TIME EXTENSION AND THEIR ANNUAL REPORTS HAVE BEEN PUBLISHED

“Regulations Governing the Amendment to the Direct Foreign Investment Law Implementation Regulations” have been published in Official Gazette No. 28342 dated 03.07.2012. The provisions contained in the regulations entered into force on July 3, 2012.

These regulations introduce implementation-related changes regarding the **liaison offices to be set up as well as changes related to currently active liaison offices.** Within this framework:

The following documents need to be gathered and taken to the Ministry of Economy in order to apply for the setting up of a liaison office in Turkey.

- a) Application Form (Annex-6),
- b) A Letter of Undertaking (Annex-7) specifying the scope of the business to be carried out by the liaison office and a statement of undertaking which declares that the office will not conduct commercial activities along with a document showing the signing authority of the foreign company representative who have signed the statement,
- c) The foreign company’s Operating Certificate which has been approved by the relevant Turkish Consulate or in accordance with the provisions of the Convention Abolishing the Requirement of Legalisation for Foreign Public Documents which was prepared at the Hague Conference on Private International Law,
- ç) An Operating Certificate or a balance sheet and income statement to be prepared for the foreign company,
- d) A document of authority to be issued to the individual/s who have been appointed responsible for carrying out the activities of the liaison office,
- e) Power of Attorney if the start-up procedures are to be carried out by an agent.

One copy of the tax office registration document and office rental agreement must be submitted to the General Directorate within one month at the latest by the liaison offices that obtain permission for establishment. Changes in address information or to company representative/s or to the business title of the foreign company must be notified to the General Directorate within one month following the date of such changes. This notification must be accompanied by a rental agreement showing the new address; an authority certificate issued for the newly-appointed individual and document/s regarding the change to the business title of the foreign company.

In accordance with Article 6, which regulates the establishment of liaison offices, the Ministry of Economy is authorized to grant permission and to extend the term of such permission to companies that have been established in accordance with the laws of a foreign state to set up a liaison office in Turkey, provided that they do not carry out commercial activities in Turkey; **and in order to grant an operating permit, the Ministry may require that a minimum period of one year must have elapsed from the date of establishment of a company after evaluating their request to set up a**

liaison office in Turkey within the context of factors such as the company’s area of business, capital and number of employees.

Start-up and term extension applications are finalized within **fifteen working days** following the date of application provided that all required documents and information have been provided in full. Where requests are made by foreign companies to establish a liaison office in order to operate in financial areas with special legislation such as money and fund markets or insurance, such requests shall be evaluated by the agencies or institutions that will carry out the evaluation in accordance with the relevant legislation. **Regarding the liaison office establishment requests made by foreign companies to operate in other industries that require permission, license or similar authorisation for operating, if it deems so necessary, the Ministry may resolve such requests after obtaining the opinion of the agencies or institutions that grant such permission or license.**

The permission to be granted to liaison offices the first time they apply will be valid for a maximum term of 3 years within the scope of the declared activity. Offices that wish to extend their term of operation must apply to the General Directorate of Incentive Practices and Foreign Capital before end of their operating term. The General Directorate will evaluate extension requests within the framework of the office’s previous year activities, the foreign company’s future business plan and targets in Turkey, the existing and projected expenditure amount and the number of personnel and may extend the term in accordance with the nature of the activity to be carried out as shown in the table below:

Activity	Term (Years)
Representation and Hospitality (Representing the foreign company to the relevant organisations and enterprises operating in the industry; coordinating and organising the business contacts of foreign company representatives in Turkey and meeting the office use related needs of these individuals)	5
The control and monitoring of the suppliers in Turkey in terms of quality and standards, and supplier procurement (Monitoring the companies carrying out production activities on behalf of the foreign company in line with the foreign company’s quality standards, and meeting the foreign company’s good and manufacturer demands)	5
Technical assistance (Provide training and technical assistance to the distributors, providing support services to supplier producers in order to encourage them to enhance their quality standards)	5
Communication and information transfer (Gathering and transfer of information among foreign companies that have business relations with Turkey about the developments in the market, consumer trends, the sales of competitor companies and distributors, performance of the distributor company, etc.)	5
Regional head office (The provision of coordination and management services by the foreign company to its units that are located in other countries regarding activities such as developing investment and management strategies; planning; advertising; sales and after-sales services; brand management and financial management; technical assistance; research and development; external supply; testing newly-developed products and laboratory services; research and analysis and personnel training)	10

No operating term extensions will be granted to liaison offices that have obtained permission for market research or advertising a foreign company's goods or services.

By the end of May each year at the latest, liaison offices must submit to the Ministry the Annex-4 Information Form Regarding the Activities carried out by Liaison Offices, which is annexed to these regulations, which gives information about the activities of the liaison office in the last year, along with the documents attached to that form. **The extension requests** made by liaison offices that have not sent this form and its attached documents **will not be considered** and **their operating permit may be cancelled ex officio**.

Whether liaison offices carry out their activities in compliance with legislation and their area of business as specified on their permit may be inspected by the Ministry ex officio or on written notification of the relevant agencies or institutions. **The offices that are identified to have been carrying out activities outside the scope of their permit** at the end of such inspection **will be given a period of thirty days, in which they will be liable to make a permission application for the activities they are actually carrying out**. This period may be extended for another thirty days if there are reasonable grounds. The operating permit of the liaison offices that have failed to make an application within the period granted will be cancelled; **the operating permit of the liaison offices that are found to have been carrying out commercial activities during an inspection will be cancelled and the relevant authorities will be notified of this situation**.

The liaison offices that cease their activities must submit to the General Directorate the cessation-enquiry form to be obtained from the relevant tax office regarding the closing transaction, and the liaison offices may not be able to request any transfers other than the balance that is generated as a result of closing and liquidating.

Kind Regards,

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

ANNEX:

Annexes to the Regulations Governing the Amendment to the Direct Foreign Investment Law Implementation Regulations

(*) The information provided in our circular notices is for informing purposes only. We advise that the opinion and support of a specialist advisor be sought before acting on points of hesitation. Our company does not assume any responsibility regarding any loss that may be incurred as a result of any transaction to be carried out based on the explanations made in our circular notice only.

(**) Please do not hesitate to write to the following experts to let us know about your opinions, criticism and questions regarding our circular notices:

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INFORMATION FORM REGARDING THE ACTIVITIES OF LIAISON OFFICES

OPERATING YEAR:

* This form must be sent to the General Directorate of Incentive Practices and Foreign Capital before the end of May each year.

GENERAL INFORMATION

Foreign Company's

Title	
Address	
Company	
Area of Business (Please choose according to Code 4 from the List in Annex-5)	

Liaison Office in Turkey

Address	
Phone Number	
Fax Number	
E-Mail	
Tax Office	
Tax Number	

Liaison Office Representative/s

Name Surname	
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Liaison Office

Date and number of set up permission	
Start-up date	
Total employees	Foreign: <input type="text"/> Turkish: <input type="text"/>

ANNUAL ACTIVITIES

A- Expenses during the year

	US Dollars	TL
Personnel fees		
Office expenses		
Representation, hospitality expenses		
Annual Office Rent (including withholding)		
Other expenses		
Total		

* The form must be sent along with a bank letter stating that the office's expenses in the last year were met using the convertible money that was sent by the main company from abroad.

All activities carried out during the year related to the area of business specified on the office's permit**

**The form must be accompanied by documents showing the activities carried out, as well as comprehensive explanation regarding these activities.

**Name Surname
Signature
of the Foreign
Company
Representative**

LIAISON OFFICE APPLICATION FORM

GENERAL INFORMATION

Foreign Company's

Title	
Address	
Date of Establishment	
Country	
Area of Business (Please choose according to Code 4 from the List in Annex-5)	
Description of foreign company's business and investment plans in Turkey?*	

*If available, documents showing the foreign company's business connection with Turkey must also be attached to the form.

The Liaison Office in Turkey

The city in which it will operate				
Area of Business **				
Projected employee number	Foreign:		Turkish:	

**The activity that the office will carry out must be chosen among the options given below and written in the relevant box.

1-Market research

2-Advertising the foreign company's goods and services

3-Representation and Hospitality (Representing the foreign company to the relevant organisations and enterprises operating in the industry; coordinating and organising the business contacts of foreign company representatives in Turkey and meeting the office uses related needs of these individuals)

4- The control and monitoring of the suppliers in Turkey in terms of quality and standards, and supplier procurement
(Monitoring the companies carrying out production activities on behalf of the foreign company in line with the foreign company's quality standards, and meeting the foreign company's good and manufacturer demands)

5-Technical Assistance (Provide training and technical assistance to the distributors, providing support services to supplier producers in order to encourage them to enhance their quality standards)

6-Communication and Information Transfer (Gathering and transfer of information among foreign companies that have business relations with Turkey about the developments in the market, consumer trends, the sales of competitor companies and distributors, performance of the distributor company, etc.)

7-Regional Head Office (The provision of coordination and management services by the foreign company to its units that are located in other countries regarding activities such as developing investment and management strategies; planning; advertising; sales and after-sales services; brand management and financial management; technical assistance; research and development; external supply; testing newly-developed products and laboratory services; research and analysis and personnel training)

8-Other (Please describe in detail the area of activity if the activity to be carried out will be different from the options given above.)

**Name Surname
Signature
of the Foreign Company
Representative**

LETTER OF UNDERTAKING

I declare and undertake that our Company will set up a liaison office in Turkey to carry out the activity of¹; that this liaison office will not, under any circumstances, carry out commercial activities and that if detected to act otherwise, we will agree to legal action being taken by the Ministry of Economy in accordance with the Direct Foreign Investment Law Implementation Regulations.

Foreign Company Representative

Name and Surname

Signature

¹ Please choose and write down the activity to be carried out by the Liaison Office from among the areas of activity set out in Annex-6 Liaison Office Application Form.