

International Tax Bulletin

Date : 26.02.2018

Issue : 2018/3

RESTRICTIONS ON FOREIGN CURRENCY LOANS



CENTRUMCONSULTING

International Consulting and Transfer Pricing Services



CentrumConsulting

www.centrumdanismanlik.com.tr

RESTRICTIONS ON FOREIGN CURRENCY LOANS

On January 25 2018, a Cabinet Decree and a communiqué regulating foreign currency loans were released in the Official Gazette.

The new Cabinet Decree amended the Cabinet Decree on the Protection of the Value of Turkish Lira. The communiqué provided implementation rules for foreign currency loans.

Under the new regulation, with effect from May 2 2018, the use of foreign currency loans from abroad will fall under the conditions of foreign exchange income.

Accordingly, Turkish legal entities that have no foreign exchange income will be prohibited from taking out loans from residents whether from abroad or from within Turkey.

Foreign exchange income means ‘income from exports, transit trading and export sales and delivery income, including the income from services and operations bringing foreign currency from abroad’.

However, it is our understanding that income is not considered as fulfilling the above criteria in cases where a transaction is paid for with foreign currency by parties in Turkey.

It is also understood that existing loans to be used before May 2 2018 will not be subject to this restriction and the use of the foreign currency loan will be permitted.

Exemptions to restriction on foreign currency loans

In the following cases, the conditions relating to foreign exchange income will not need to be fulfilled:

- ✚ Foreign currency loans borrowed by public institutions and organisations, banks, or factoring and leasing companies resident in Turkey;
- ✚ Foreign currency loans borrowed by Turkish resident parties with an existing outstanding loan balance of more than \$15 million at the time of taking out the new foreign currency-denominated loan

- ✚ Foreign currency loans of residents in Turkey who are authorised to obtain credit by means of an investment incentive certificate;
- ✚ Foreign currency loans to be used for the financing of certain machinery and equipment;
- ✚ Foreign currency loans of residents in Turkey for projects approved by the Undersecretary of the Defence Industry;
- ✚ Foreign currency loans of residents in Turkey for projects carried out based on the public-private partnership model; and
- ✚ Foreign currency loans of residents in Turkey who have had no foreign currency income for the previous three years provided that the loans are not more than their potential foreign currency income.

Loans used before the effective date of the Cabinet Decree

Foreign currency loans with a balance of less than \$15 million obtained by residents from Turkey or abroad as of May 2 2018, except for the above-mentioned exceptions, will under no circumstances be renewed as foreign currency loans. However, it will be possible to renew such loans in Turkish lira.

How does this restriction apply to natural persons?

Natural persons resident in Turkey will not be able to obtain foreign currency loans either from within Turkey or abroad. This will apply irrespective of whether these persons are merchants or self-employed persons or whether they have foreign exchange income.

Take Away

It should be noted that there has been no restriction on obtaining a loan from abroad in Turkish lira. This restriction has been introduced to lower Turkey’s external deficit and to reduce the risk from large numbers of foreign exchange loans in Turkey’s private industries.

We believe this restriction will be temporary and that it will be revisited by the Turkish government in the future when it believes the Turkish economy has less foreign exchange-oriented risks.



Please contact us for our International Tax Bulletin and further details on the implementation of restrictions on foreign currency loans.



Dr. Burçin GÖZLÜKLÜ

Founding Partner, Sworn-in Financial Advisor
Email: burcin.gozluklu@centrumdenetim.com
Phone: + 90 216 504 2066



Ramazan BİÇER

Partner, Consulting Services Leader
E-mail: ramazan.bicer@centrumdenetim.com
Phone: + 90 216 504 2066

