

Guideline on Company Formation in Turkey

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GUIDELINE ON COMPANY FORMATION IN TURKEY

When establishing a company in Turkey, one needs to adhere to the following rules and regulations:

1. Submitting the memorandum and articles of association online at MERSIS

Pursuant to the Trade Registry Regulation, trade registration transactions must be fulfilled through MERSIS (Central Registry Record System). MERSIS is a central information system for carrying out commercial registry processes and storing commercial registry data electronically on a regular basis. A unique number is given to legal entities that are actively involved in business. Online

establishment of new companies is possible on MERSIS, and already-established companies may operate through the system after the transfer of their records.

2. Executing and notarizing company documents

The following documents are required for registry application at the relevant Trade Registry Office:

- ◆ Notarized articles of association (four original copy)
- ◆ In case the foreign partner is a real person, the required documents are:
 - ▶ For each real person shareholder, two copies of their passports
- ◆ In case the foreign partner is a legal entity, the required documents are:
 - ▶ The Certificate of Activity of the legal entity designated as the shareholder issued by the relevant authority in the investor's country. The certificate must bear information regarding the current status and signatories of the company.
 - ▶ Resolution(s) of competent corporate organ of legal entity shareholder(s) authorizing the establishment; if there will be any specific condition for the prospective company to be incorporated (name of the company, field of activity, etc.) it must be stated in the resolution for the sake of clarity.
 - ▶ In case a legal entity is going to be appointed as a member in the board of directors of the prospective company to be incorporated, the name of the real person who will act in the name of the legal entity and the legal entity board member's appointment must be stated within the same or with a separate resolution for the sake of clarity (This resolution should also include following information: place of residence, ID number, Tax ID number of real person)

- ▶ The written statement of non-shareholder members of board of directors that states acknowledgement of this duty (This statement should also include following information: place of residence, ID number, Tax ID number, a copy of passport of real person)
 - ▶ If the process is going to be followed by proxy, a notarized copy of a power of attorney authorizing the attorneys who will follow up the application before the competent Trade Registry Office and other official authorities in order to proceed with the application
- ◆ Notarized signature declarations of persons authorized to represent the founders of the company (two copies)
 - ◆ Notarized identity cards of the company managers (including two photos of each manager who will act in the name of the legal entity)

It should be noted that all the necessary documents that will be issued and executed outside Turkey must be notarized and apostilled or alternatively ratified by the Turkish consulate where they are issued. The original executed, notarized, and apostilled documents must be officially translated and notarized by a Turkish notary.

3. Obtaining potential tax identity number

A potential tax identity number for the company, non-Turkish shareholders, and non-Turkish board members of the company, must be obtained from the relevant tax office. This potential tax identity number is necessary for opening a bank account in order to deposit the capital of the company to be incorporated. The documents required by the tax office are as follows:

- ◆ Petition requesting registration
- ◆ Notarized articles of association (one original)
- ◆ Copy of the tenancy contract showing the registered address for the company

- ◆ As the process is going to be followed by proxy, a power of attorney must be issued specifically showing the authority to act on behalf of the company before the tax authority in order to obtain a tax identity number or potential tax identity number

4. Depositing a percentage of capital to the account of the Competition Authority

Original of bank receipt (from Halk Bank, Ankara corporate branch) indicating that the 0.04 percent of the capital has been deposited to the account of the Competition Authority at the Central Bank of the Republic of Turkey (CBRT) or a public bank, or the EFT receipt signed and stamped "collected" (account no: 80000011 - IBAN no: TR40 0001 2009 4520 0080 0000 11), which shows an amount equal to 0.04 percent of the company's capital has been paid to the account of the Competition Authority.

5. Depositing at least 25 percent of the start-up capital in a bank and obtain proof thereof

25 percent of the share capital must be paid in prior to the new company registration. The remaining 75 percent of the subscribed share capital must be paid within two years. Alternatively, the capital may be fully paid prior to registration.

6. Applying for registration at the Trade Registry Office

Pursuant to gathering the following documents, founders may apply for registration (Please note that some of these documents below are same as the ones stated in Section 1):

- ◆ Petition requesting registration
- ◆ Four copies of incorporation notification form

- ◆ Four copies of the notarized articles of association
- ◆ Bank deposit receipt with respect to the payment made to the bank account of the Competition Authority (0.04 percent of the company's share capital)
- ◆ For each person authorized to represent the founders of the company, two copies of the signature declarations
- ◆ Founders' declaration (one original)
- ◆ Chamber of Commerce registration form (two different forms for two different shareholder types: real person shareholder or legal entity shareholder)
- ◆ The written statement of non-shareholder members of board of directors that states acknowledgement of this duty (This statement should include following information: place of residence, ID number, Tax ID number, a copy of passport of real person)
- ◆ Bank certificate of the paid-in minimum capital deposit (at least 25 percent of subscribed capital). If there will be any capital contribution in kind:
 - ◆ The expert report regarding the capital in kind
 - ◆ The statement of the relevant registry indicating there is no limitation on that capital in kind
 - ◆ The document indicating the annotations have been done to relevant registries regarding the capital in kind
 - ◆ The written agreements between founders, other persons, and the founding company regarding the foundation of the company

Following completion of the registration phase before the Trade Registry Office, the Trade Registry Office notifies the relevant tax office and the Social Security Institution ex-officio regarding the incorporation of the company. The Trade Registry Office arranges for an announcement in the Commercial Registry Gazette within approximately 10 days of the company registration. A tax registration certificate must be obtained from the local tax office soon after the Trade Registry Office notifies the local tax office.

A social security number for the company must be obtained from the relevant Social Security Institution. For the employees, a separate application must be made following the registration of the company with the Social Security Institution.

7. Following up with the tax office on the Trade Registry Office's company establishment notification

The Trade Registry Office notifies the tax office and the Social Security Institution of the company's incorporation. A tax officer comes to the company headquarters to prepare a determination report. There must be at least one authorized signature in the determination report. Trade Registry Officers send the company establishment form, which includes the tax number notification, to the tax office.

8. Issuance of signature circular

After the company is registered before the Trade Registry, the signatories of the company must issue a signature circular.