

Circular

Istanbul, 16 November 2018

Circular No: 114

Subject: Contracts with and without the requirement of being concluded in TL have been redefined.

Summary: The Treasury and Finance Ministry of Turkey has redefined the contracts which are permitted and unpermitted to be concluded in foreign currency or indexed to foreign currency through the Communiqué no.2018-32/52 (New Communiqué) published in the Official Gazette dated 16 November 2018.

The differences between this latest Communiqué and the previous Communiqué No. 2018-32 / 51 are briefly as follows:

- The requirement for real estate sale and leasing contracts covering real estates located in free zones to be concluded in Turkish Liras has been removed.
- Contracts indicated below will be concluded in foreign currency or indexed to foreign currency:
 - a. Real estate sale and real estate leasing contracts concluded by persons resident in Turkey where the parties to the contract as buyer or lessee are not Turkish citizens,
 - b. Real estate sale and real estate leasing contracts concluded by branches, representatives, offices, liaison offices, companies owned by non-residents (shareholding rate must be at least 50% or over directly or indirectly or jointly controlled and/or controlled) in Turkey and companies in free zones that are party for their activities in free zones, as buyer or lessee.
 - c. Real estate lease contracts concerning the leasing of accommodation facilities certified by the Ministry of Culture and Tourism with the purpose of operating,
 - d. Real estate lease contracts to be concluded for the leasing of duty-free shops.
- In addition to those to be executed abroad, the labour contracts in which the shipmen are party have been removed from the scope of the requirement for setting contracts in TL.
- Work contracts containing cost in foreign currency shall be concluded in foreign currency or indexed to foreign currency.
- The wording of “engineering vehicle” has been removed from the provision which indicates that vehicle sale and leasing contracts including engineering vehicles cannot be concluded in foreign currency or indexed to foreign currency.
- The previous Communiqué was containing an arrangement requiring the contracts to be redefined by the reconciliation of parties that are granted exception to be set in Turkish currency or in the circumstance that the values set on the existing contracts in foreign currency or indexed to foreign currency are demanded to be redefined in TL as per the provisional Article 8, values on the contracts should be set in Turkish currency. This provision has been removed in the new Communiqué.

- The Communiqué no. 2018-32/52 has been enacted as of its publication date (16 November 2018).

Our explanations provided above include general information on the issue. No responsibility can be claimed against EY and Kuzey YMM ve Bağımsız Denetim A.Ş. due to the implications arising from the context of this document or emerging with respect to its context.

Best Regards,

KUZEY YMM VE BAĞIMSIZ DENETİM A.Ş.