

Client Alert

Exceptions to Limitations on Dividend Distribution

Provisional Article 13 introducing certain limitations on capital companies' dividend distributions was added to the Turkish Commercial Code (the "**TCC**") through Law No. 7244 on Reducing the Effects of the Novel Coronavirus (COVID-19) Pandemic on Economic and Social Life and the Amendment of Certain Laws, which was published in the Official Gazette on 17 April 2020 and entered into force on its publication date. The Communiqué on the Procedures and Principles for the Implementation of Provisional Article 13 of the Turkish Commercial Code No. 6102 (the "**Communiqué**"), governing the implementation of Provisional Article 13, was published in the Official Gazette on 17 May 2020 and entered into force on the same date.

According to the Communiqué, the dividend distribution restriction brought by Provisional Article 13 of the TCC, will not apply to companies which:

- adopted a resolution to make a dividend distribution equal to or less than TRY 120,000, excluding companies that employ individuals who benefit from short term working allowance and/or unpaid leave allowance within the scope of the COVID-19 pandemic, as well as companies that benefit from Treasury-supported credit guarantees and currently have unpaid credit debt;
- adopted a resolution to make a dividend distribution, provided that more than the half of the amount resolved to be distributed as dividends, will be used by the shareholders to pay their capital subscription debt to another capital company, in cash and full; and
- adopted a resolution to make a dividend distribution, provided that the distributed dividends will be used by the shareholders for fulfilment of their obligations under credit agreements or project finance agreements, in cash, which are due until 30 September 2020.

According to the Communiqué, to discuss the above-explained dividend distributions in their general assembly meetings, companies must obtain the Ministry of Trade's permission.

The Communiqué further provides that the dividend distribution restriction brought by Provisional Article 13 of the TCC will not apply to capital increases through internal resources in accordance with Article 462 of the TCC.

Please contact us in case of any questions regarding this matter.