

Client Alert

Omnibus Bill: Amendments to Turkish Commercial Code and Labour Law

In its efforts to combat the COVID-19 pandemic and to implement required precautions, the Turkish government has prepared the Draft Law on Amendments to Certain Laws (the "**Omnibus Bill**"). The Omnibus Bill is expected to be submitted to the Turkish Parliament in the coming days. Among others, the Omnibus Bill is expected to introduce amendments to the Turkish Commercial Code and Labour Law.

Signature Declarations

Currently, companies' board members and signatory authorities are required to visit the trade registry offices in person and submit their signature declarations in front of a trade registry officer. The Omnibus Bill is expected to remove this requirement.

General Assembly Meetings

The Omnibus Bill is expected to extend the current four-month statutory period to five months for appointment of independent auditors, and the three-month statutory period to five months for holding the annual general assembly meetings in capital companies.

The Omnibus Bill is further expected to introduce an administrative fine of TRY 4,000 to be imposed on joint-stock corporations' board members and limited liability partnerships' managers, if they fail to call the ordinary general assembly meeting within these extended periods.

Limitations on Dividend Distribution

To ensure that the capital companies maintain their equity during this economically challenging period, the Omnibus Bill is expected to introduce certain limitations on dividend distribution. According to the expected change, until the end of 2020, the amount of cash dividend to be distributed by the capital companies cannot exceed 25% of 2019's net profit, and these companies cannot authorize their board of directors to distribute advance dividends. If the companies have already adopted dividend distribution resolutions pertaining to 2019, but not yet paid the relevant amount in full, the payment of the portion exceeding 25% of 2019's net profit, will be postponed until the end of 2020.

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Restrictions on Termination of Employment Contracts

The Omnibus Bill is expected to provide rigid measures to sustain employment relationships during the outbreak. The Omnibus Bill proposes a restriction regarding unilateral termination of employment contracts by the employer, unless there is a just cause for termination within the scope of the Labour Law (e.g., immoral, dishonorable or malicious conduct or other similar behavior). Upon approval of the Omnibus Bill, this restriction will continue for a term of three months - which can be extended up to six months by the President - starting from the effective date of the amendment.

According to the Omnibus Bill, instead of termination, employers will be entitled to force their employees to take unpaid leave during the restriction period. The employees who are forced to take unpaid leave and employees who have already been dismissed after 15 March 2020 (and not entitled to benefit from unemployment allowance), will receive a daily cash allowance of TRY 39.24 during the restriction period. This allowance will be paid from the state-owned unemployment insurance fund. The employers will be imposed four times the administrative fines stipulated under the Social Security and General Health Insurance Law, if it is determined that they keep the employees physically working while they are on unpaid leave and receive cash allowance.

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