



## **The Turkish Parliament approved the draft Law on Improvement of the Investment Environment in Turkey**

On 15 July 2016, the Turkish Parliament approved a comprehensive draft law amending various laws and regulations, with the aim of improving investment environment in Turkey. The law addresses significant amendments to a number of matters, such as stamp tax, deferral of bankruptcy and bad checks, some of which are outlined as follows:

### **1. Amendments to the Stamp Tax and Statutory Fees**

- If the parties execute more than one copy of a document/agreement, only one original copy will be subject to stamp tax and statutory fees.<sup>1</sup>
- A monetary penalty in the agreement will not be subject to stamp tax, unless such penalty constitutes the subject matter of a separate agreement.
- If an agreement is taxed over the capped amount (which is TRY 1,797,117.30 for 2016), any increases in the value of such agreement will not be subject to stamp tax, provided that the other provisions of the agreement remain same.
- Documents relating to the share transfers in joint stock corporations and limited liability partnerships will be exempt from stamp tax.
- The stamp tax exemption on documents relating to the loans granted by banks and foreign financial institutions and relevant security interests expands to include the transfer of such loans and assignment of receivables stemming from these loans.
- No decision charges will apply to arbitration cases.
- 50% of the land registry charges will apply to the establishment of a mortgage between merchants (e.g., joint stock corporations).

### **2. Amendments relating to the Suspension of Bankruptcy**

- During a bankruptcy proceeding, a company or any of its creditors may request suspension of bankruptcy from the court by submitting a detailed recovery project evidencing that the company can improve its financial situation. Such submission must include a list of the company's creditors, its debts and payment dates and any other documents showing the practicability of the recovery project.

<sup>1</sup> This exemption applies to documents subject to "proportional tax". Any original copy of a document subject to a "fixed tax" will continue being subject to stamp tax.

- If a company has already benefited from the suspension of bankruptcy, it can reapply for suspension after the expiry of one year of the suspension period.
- Creditors of the company may object to the suspension of bankruptcy within two weeks after the announcement of the suspension in the trade registry gazette claiming that the company does not meet the criteria for the suspension.
- The maximum suspension period is still one year. However, the total extension period that may be granted by the court is shortened from four to one year.

### **3. Amendments to the Turkish Commercial Code**

- During the incorporation stage, the shareholders can sign the articles of association at the trade registry, without need to visit a notary public. Signature declarations can also be executed at the trade registry.
- During the liquidation, the shareholders are no longer required to wait one year to benefit from the liquidation proceeds. The company can distribute liquidation proceeds to its shareholders after the expiry of six months following the third announcement to the creditors.

### **4. Amendments the Bad Checks**

- Issuance of bad check is redefined as a crime that requires a punitive monetary fine up to TRY 150,000. The penalty amount cannot be less than the value of the bad check.
- If the issuer does not pay the punitive fine, such fine will be converted to imprisonment.

The amendment law is expected to be published in the Official Gazette in the following weeks. It aims to eliminate certain bureaucratic formalities, to facilitate company establishment processes and to reduce some transaction costs.

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