

Client Alert

Economic Stability Shield

On 18 March 2020, President Recep Tayyip Erdoğan chaired a meeting with the ministers, bankers, business leaders and representatives of other governmental and non-governmental institutions, to discuss COVID-19 pandemic's effects in Turkey. Following the meeting, President Erdoğan has unveiled the "Economic Stability Shield", a 100 billion Turkish Lira plan, to mitigate the impacts of COVID-19 pandemic in Turkey. KDK will provide further details, once the Turkish government enacts relevant regulations. The Economic Stability Shield includes the following:

Payment of Social Security Institution Premiums

- Payment of SSI premiums pertaining to April, May and June will be deferred for a period of six months for the following sectors: retail, shopping mall, iron and steel, automotive, logistics, transportation, cinema, theater, accommodation, food and beverages, textile, confection, events and organization.

Value Added Tax and Other Tax Regulations

- Deductions regarding the withholding tax and VAT will be deferred for a period of six months for the following sectors: retail, shopping mall, iron and steel, automotive, logistics, transportation, cinema, theater, accommodation, food and beverages, textile, confection, events and organization.
- For a period of three months, the VAT rate which is applicable to domestic air travel will be decreased from 18% to 1%.
- Tax declarations which include payments of deductions which have been made at the resource e.g., stoppage, will be deferred for a period of three months.

Accommodation

- Accommodation tax will not be applied until November 2020.
- Payment of easement and revenue shares in hotel leases, pertaining to April, May and June, will be deferred for a period of six months.

Financial Support

- Primary debt and interest payment obligations of the companies, cashflows of which have been deteriorated due to COVID-19 measures, will be deferred for a period of at least three months. Additional financial support will be also provided to those, if needed.

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- To maintain capacity utilization ratios, stock financing support will be provided to the exporters.

Current Credits and New Credit Opportunities

- Credit payments of merchants and craftsman to Halkbank in April, May and June, will be postponed for a period of three months. Interest will not be accrued during this period.
- Credit Guarantee Fund will be increased from 25 billion Turkish Lira to 50 billion Turkish Lira. Small medium sized enterprises and the companies that (i) are in need of liquidity due to negative impacts of the recent developments and (ii) have security deficit, will be prioritized in obtaining loans.
- Credit packages for social purposes, with reasonable and advantageous conditions will be promoted to enable citizens to benefit from such.
- Credit viability for the houses having a value below 500 thousand Turkish Lira, will be increased from 80% to 90% and the minimum down payment will be decreased to 10%.
- Companies that are in default during April, May and June due to COVID-19 pandemic will be assured to have a "force-majeure" remark on their credit records.

Measures Relating to Labor Law

- Minimum wage support that have been provided to the employers will be maintained.
- Effective implementation of flexible and remote working models applicable under the Labor Law and other relevant legislation, will be assured.
- Short-term working pay will be implemented. The process will be eased and expedited. Accordingly, the employers' costs will be reduced and the employees of the suspended business, will be provided a temporary allowance.
- Make-up work time will be increased from two months to four months to maintain the continuity of employment.

Social Regulations

- The minimum retirement wage will be increased to 1,500 Turkish Lira.
- Vacation bonus, payable to retirees, will be paid in the beginning of April and salary promotion payments will be made directly to the bank account without a need to visit the branch.
- According to the criteria set by the Ministry of Family, Labor and Social Services, an additional resource of 2 billion Turkish Lira, will be reserved for the cash aid to be made to the families in need.
- Alternative channels will be developed in accordance with the production and retail priorities as a precaution against probable delays within the global supply chain.
- A periodical tracking program comprising of social services and residential healthcare will be applied for individuals who are over the age of 80 and live alone.

Please do not hesitate to contact us in case of any questions regarding this matter.