

KEY QUESTIONS REGARDING TURKEY'S FDI LAW

1. **Why has Turkey introduced a new Foreign Direct Investment Law now?**
2. **What is 'new' about the Foreign Direct Investment Law?**
3. **What rights do foreign investors have under the new Law?**
4. **Will investors be exempted from permits formerly granted by GDFI?**
5. **Which permits formerly granted by GDFI will not be issued from now on?**
6. **What is new for establishing a company in Turkey for foreign investors?**
7. **Is there a new regulation for liaison offices?**
8. **Is there a new regulation for establishment of branches of foreign companies?**
9. **What will happen to foreign companies established in Turkey under the provisions of the previous Law No. 6224?**

1 - Why has Turkey introduced a new Foreign Direct Investment Law now?

The new Law is an integral part of a broader national reform program that is laying the foundation for sustainable growth and development, driven by private investments in a transparent marketplace fully open to the world and supported by a smaller but more effective State. To ensure that Turkey's bold fiscal adjustment and ambitious structural reforms translate into substantial investments, the Government of Turkey is focusing on improving the investment climate as one of the main pillars of its economic program. In addition to the introduction of a more investor-friendly new Law, the Government of Turkey has established by decree an inter-governmental Coordination Committee for the Improvement of the Investment Climate (YOIKK), composed of high-level representatives of relevant ministries, the private sector and NGOs, to help remove remaining bureaucratic obstacles to investment. The Government of Turkey also intends to set up a well-funded new Investment Promotion Agency simultaneously able to work inside government and draw on private sector knowledge and market skills, to carry out a multi-year strategy to promote investment in Turkey.

2 - What is 'new' about the Foreign Direct Investment Law?

Key features of the new Foreign Direct Investment Law include:

- Freedom to invest by dropping all former FDI-related screening, approval, share transfer and minimum capital requirements;
- Reassurance of existing guarantees to foreign investors of their rights in one transparent and stable document;
- Upgrading to accepted international standards for definitions of 'foreign investor' (broadened to include Turkish national residents abroad and international organisations) and 'foreign direct investment' (broadened to include all possible types of assets); and
- A policy shift from ex-ante control to a promotion and facilitation approach with minimal ex-post monitoring to continuously improve an investor-friendly climate for growth and development.

3 - What rights do foreign investors have under the new Law?

The new Law guarantees national treatment and comprehensive investor rights.

All companies established with a foreign capital contribution and under the rules of the Turkish Commercial Code (existing and newly established foreign companies) are regarded as a Turkish company. Therefore equal treatment both in rights and responsibilities as stated in the Constitution and other laws is applicable to all such companies (including national treatment, a guarantee against expropriation without compensation, transfer of proceeds, access to expatriate personnel, and international arbitration or any other means of dispute settlement).

4 - Will investors be exempted from permits formerly granted by GDFI?

Yes, previous pre-permits issued by the Undersecretariat of Treasury's General Directorate of Foreign Investment (GDFI) are abolished. However, all foreign companies established or to be established in Turkey are still responsible for obtaining those local licenses required for a comparable Turkish company.

5 - Which permits formerly granted by GDFI will not be issued from now on?

- Company and Branch establishment Pre-Permits
- Foreign partner participation Pre-Permits
- Investment Permits
- Permits regarding changes in field of activity of foreign companies
- Permits regarding capital increase or sale of shares of foreign companies
- Indirect participation Permits
- Registrations of license, know-how, technical assistance and similar agreements

6 - What is new for establishing a company in Turkey for foreign investors?

Entry conditions are the same as for comparable local Turkish companies.

- There is no minimum amount of capital required. It is no longer obligatory to bring a minimum of \$50,000 in share capital.
- Any form of company included in the Turkish Commercial Code is acceptable. It is no longer obligatory to establish either a limited liability company or joint stock company.

7 - Is there a new regulation for liaison offices?

No, there are no additional requirements. The establishment procedure of liaison offices has not changed.

8 - Is there a new regulation for establishment of branches of foreign companies?

Yes, pre-permits issued by General Directorate of Foreign Investment are abolished. These branches can be established under rules of Turkish Commercial Code with the permit of Ministry of Industry and Trade.

9 - What will happen to foreign companies established in Turkey under the provisions of the previous Law No. 6224?

All companies with foreign capital established under Law No. 6224 (dated 18 January 1954) are subject to the new Law, with their previously-granted rights grandfathered. Therefore they will no longer require any approvals from GDFI, though they will now have to send yearly information forms (just like newly-established foreign companies) based on procedures to be determined by new regulations