



## **Turkey: Recent Corporate Law Measures Taken by the Turkish Ministry of Trade amid Covid-19 Outbreak-II**

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Ministry of Trade has sent a letter to Union of Chambers and Commodity Exchanges (“**TOBB**”) on 31.03.2020 to underline COVID-19 outbreak and importance of protecting companies’ equities due to its extraordinary effects and provided instructions to the companies with respect to distribution of dividends with the general assembly meeting for 2019 fiscal year (“**Letter**”). According to the Letter, all stock companies (*e.g.* joint stock companies, limited liability companies, limited partnerships etc.) other than state-owned enterprises (“**Companies**”):

- (i) should not distribute profits arising from previous years,
- (ii) distribute a maximum of 25% of the net profit for 2019 fiscal year, if any, and
- (iii) should not grant board of directors of the Companies the right to distribute profit shares for the cash profit distributions to be made with the general assembly meeting for 2019 fiscal year.

Following the issuance of the Letter, efforts have been made on the legislative level with respect to profit distribution as well. In this respect, the Grand National Assembly of Turkey has recently discussed a draft law regarding the amendments to be made in certain laws including the Turkish Commercial Code numbered 6102 (“**TCC**”).

Accordingly, the Law numbered 7244 on Commuting the Effects of New Coronavirus (COVID-19) Outbreak on Economic and Social Life and Amending Certain Laws (“**Law No. 7244**”) has been published on the Official Gazette on April 17, 2020. The Law No. 7244 has introduced “Provisional Article 13” to the TCC regarding distribution of dividends in the Companies, which entered into force on the publication date of the Law No. 7244.

According to Provisional Article 13, until September 30, 2020, general assemblies of the Companies (i) may resolve to distribute only 25% of the net profit gained in the fiscal year 2019, (ii) cannot resolve on to distribute previous years’ profits and free reserves and (iii) cannot grant board of directors the right to distribute advance dividend. President of the Republic of Turkey is authorized to extend or shorten the term for 3 (three) months.

Provisional Article 13 also stipulates that if the general assemblies of the Companies have resolved to distribute dividend for the fiscal year 2019, but the payment has not been made yet or partial payment has been made to the shareholders, then, the payments exceeding 25% of the net profit for 2019 have to be postponed until September 30, 2020 or any other date to be determined by the President.



In addition, Provisional Article 13 authorizes the Ministry of Trade, by consulting with the Ministry of Treasury and Finance, to determine the exceptions to be applied to the Companies and the procedures and principles regarding the implementation of this provision. Based on this, we anticipate that the implementation of this new restriction will become clear in the following days with the secondary legislation to be adopted by the Ministry of Trade.

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