



Liaison Offices in Turkey

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I. General Overview

Turkey, as an investment hub in its region, attracts foreign investors to invest in the country and to further encourage foreign investment, Turkish authorities allow foreign companies to establish liaison offices to do necessary research in their industries. Thanks to this opportunity, foreign investors may become familiar with the dynamics of the Turkish market before starting their commercial activities in Turkey. As this alternative aims for foreign investors to do the required research in the Turkish market and create new business opportunities for themselves, it is strictly forbidden for liaison offices to carry out commercial activities. The requirements for opening and operating liaison offices are regulated under the Foreign Direct Investment Law No. 4875 and the Regulation on Implementation of the Foreign Direct Investment Law (“**Regulation**”). In this article, we will reveal essential points of establishing and operating a liaison office in Turkey.

II. Incorporation of Liaison Offices and Their Representatives

According to Article 6 of the Regulation, companies incorporated abroad may open liaison offices in Turkey by obtaining permission from the Ministry of Treasury and Finance (“**Ministry**”), provided that they do not engage in commercial activities.

The foreign company must appoint at least one representative in order to carry out activities of the liaison office in its permitted area of activity. This appointment should be made through a power of attorney granted by the foreign company and a copy of the power of attorney must be submitted to the Ministry together with other application documents. Liaison offices’ representatives cannot enter into any commercial transactions on behalf of the liaison offices. However, representatives may execute agreements for operating the liaison office, such as execution of lease agreements, banking agreements for opening and closing bank accounts, and may represent the liaison office before governmental authorities and third persons.

III. Terms of Liaison Offices and Extension of Their Terms

Liaison offices are granted with operation permits with a maximum of three-year period. Liaison offices may apply to the General Directorate of Incentive Practices and Foreign Capital (“**General Directorate**”) to extend their operation permits before expiration of their operation permits. It is worth mentioning that operation permits of liaison offices, which



engage in market research or promoting foreign companies' products or services, cannot be extended.

The General Directorate concludes the extension application by considering previous year's activities, business plans in Turkey and objectives of the foreign company, current and expected expenses and the number of personnel employed.

IV. Notification Requirements

Upon receipt of operation permits, liaison offices must enter into lease agreements for the use of office space and apply to the relevant tax office for registration. According to Article 8/c of the Regulation, copies of the tax registration certificate and lease agreement must be submitted to the General Directorate within one month at the latest. Liaison offices must also notify the General Directorate about changes of addresses, representatives of liaison offices and titles of foreign companies by submitting the documents evidencing such changes.

In addition to this, liaison offices have annual notification requirements. Article 8/ç of the Regulation obliges liaison offices to fill in a form about their activities in the previous year and submit it to the General Directorate until May of each year. If this annual notification requirement is not fulfilled, applications related to extension of operation permits cannot be taken into consideration by the General Directorate and operation permits of such liaison offices failing to perform annual notification requirements may be revoked.

V. Conclusion

The liaison office model offers an alternative to foreign investors that are willing to do consider business opportunities in Turkey but reluctant to dive in. This model enables foreign investors to conduct necessary research for their future investments in Turkey without the burden of establishing a company.

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