



## **An Alternative for Foreign Investors: Branch Offices in Turkey**

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Turkish corporate law enables foreign entities headquartered abroad to incorporate branch offices in Turkey, even if they do not have any Turkish subsidiary previously established. From this point of view, incorporation of a company is not only option of foreign investors who intend to expand territory of their businesses and have a physical presence in Turkey. In this article, we will briefly explain the concept of branch office and point out its key features.

It is important to note that the branch office is conceptually integral part of its founder foreign entity and does not have separate legal personality. In this context, it can enter into various commercial transactions through its representative(s) but all liabilities against third parties and risks are assumed by the foreign entity. Therefore, if it is desired to have an independent and fully separate entity in Turkey, incorporation of a joint-stock company or limited liability company should be considered.

Incorporation of a branch office is subject to registration with the trade registry in Turkey where headquarters of the branch will be located at. During the registration process, the foreign entity which is in a position of founder has to submit a number of detailed corporate documents (*e.g.* trade registry extract, authorized corporate body resolution, articles of association) to the trade registry to prove its legal existence and activities in its home country. Once all documents required by the trade registry are duly prepared, the incorporation process is usually completed within one or two business days depending on workload of the trade registry officers.

It is important to note that a branch office must have at least one fully authorized real person representative residing in Turkey who could be either Turkish citizen or foreign national. Representatives are appointed through authorized corporate body resolution of the foreign



entity and this resolution is registered with the trade registry. Accordingly, the representatives and their authorities can be checked from publicly available trade registry records.

In addition to the foregoing, the foreign entity must also allocate certain amount of share capital for the branch office in TRY currency. There is no minimum amount to satisfy the share capital requirement and the amount may be freely determined considering contemplated activities of the branch office. To deposit the share capital amount, a bank account should be opened on behalf of the branch in Turkey. Moreover, the share capital amount may be increased by the foreign entity from time to time, if deemed necessary.

It should be also noted that there is no corporate body of branch offices such as general assembly and/or board of directors. Furthermore, branch offices are able to conduct their business activities without following many corporate law requirements stipulated for joint-stock and limited liability companies (*e.g.* holding annual general assembly meetings, preparing activity report, dependency report, financial statements on an annual basis, preserving share capital in a sufficient level as required by the regulations, appointment of independent auditor etc.).

Considering Turkey's commercial hub position in the heart of Europe, Middle East and Africa (EMEA) district, incorporation of branch office could serve as an alternative option to the foreign investors, as the case may be. When choosing between opening a branch office or a subsidiary (a joint-stock company or limited liability company) in Turkey, the situation should also be assessed from a taxation point of view, since taxation of a subsidiary and a branch office may be subject to different rules under Turkish tax laws.

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