

Istanbul, January 7th 2010

Subject: Establishing a liaison office in Turkey.

Dear Sir/Madam

On behalf of Albayrak Arslan Law Firm we thank you for your interest in our services. We at Albayrak Arslan are committed to providing top quality legal services to meet the needs of our clients.

Attached please find our memorandum providing information about procedures for establishing a liaison office in Turkey

Should you require any further information, clarification or assistance, please do not hesitate to contact us.

Kind Regards,

Ramazan Arslan

Attorney-at-Law

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Attorney-at-Law

I. SUBJECT

As per your request, the following memorandum provides information about establishing a liaison office in Turkey, prepared by Albayrak Arslan Law Firm.

II. ESTABLISHMENT

Companies established in accordance with laws of foreign countries can open liaison offices in Turkey provided that those offices do not carry out any **commercial activities** in Turkey.

Under the Direct Foreign Investments Law, although a foreign entity is entitled to establish a liaison office in Turkey, such liaison office is not allowed to engage in any commercial activities. On the other hand the extent of the term “commercial activity” in this context is interpreted to mean gathering information, conducting market research, establishing communications, having documents translated, visiting clients and making reservations for travel arrangements should probably be permissible. On the other hand, providing goods and/or services to clients in Turkey and invoicing those clients from Turkey would constitute commercial activities, which are prohibited to liaison offices

So as to open a liaison office in Turkey, the relevant company has to apply to the Directorate General of Foreign Investments of the Undersecretariat of Treasury. Applications for establishment and extension are to be finalized within 5 days following the application provided that the necessary documents are complete and proper.

Applications of foreign companies to establish liaison offices so as to operate in sectors subject to special legislation such as money and capital markets, insurance, etc. are assessed by the relevant regulatory and supervisory authorities

III. REQUIRED DOCUMENTS

The following documents have to be submitted to the Directorate General for establishing a liaison office in Turkey:

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- i. The original copy of “Certificate of Activity” approved by the related Turkish Consulate or approved in accordance with the provisions of the Convention on the Abolishing the Requirement of Legalization for Foreign Official Documents Approval Obligation, prepared on the basis of the Hague Conference on the International Private law,
 - ii. Operational report or balance sheet and income statement of the main company,
 - iii. The original copy of **power of authority** issued to the name of the person who is appointed to carry out the operations of the liaison office,
 - iv. The original copy of **power of attorney** in case that another person will carry out the establishment transactions of the liaison office.

IV. COMMENCEMENT OF THE OPERATIONS

After an establishment permit is granted by the Directorate General of Foreign Investments, the relevant Liaison office is supposed to register to the local tax office and to send a copy of the **tax office registration document** to the Directorate General latest within 1 month.

V. INFORMATION OBLIGATION

Liaison offices are supposed to provide the Directorate General with the followings every year latest until end of May so as to inform the authority about their activities of previous years:

- “Data Form for Liaison Office Activities”
- **Documents certifying that the previous year’s expenses** of the office have been covered by foreign currency transferred from abroad have to be enclosed as well.

VI. DURATION, PERMITS AND TERMINATION

Liaison offices are granted operation permits for 3 years at most. For extensions, successive extensions of maximum 3 years each may be granted by taking into consideration the activities of previous years and plans and objectives for the future.

In case a liaison office terminates its activities, the “**termination and examination of business note**” to be received from the related tax office has to be submitted to the Directorate General of Foreign Investments.

Liaison offices cannot claim any money transfer except the residue arising due to termination or liquidation.

The Undersecretariat might cancel the permits of liaison offices in case the offices are found to have violated the legislation.

VII. FINANCE OF THE LIASION OFFICES

All expenses relating to the operation of a liaison office must be brought into Turkey in foreign currency. There is no minimum capital requirement and the amount of capital to be imported will depend on the amount that would reasonably be necessary to meet the expenses of the liaison office.

With regard to the employment, the liaison offices are exempted from income tax and stamp duty. The amount of the salaries of the liaison office employees exceeding YTL 3.954,60 (app. USD 3,500.00) is not subject to tax and social security premium.

A withholding tax in the ratio of 20 % shall be paid by the Liaison offices for the services obtained from the individual professionals (i.e. lawyers) and a value added tax in the ratio of 18 % shall be paid for the other services (i.e. accountants) and the goods purchased by the liaison offices.

To the best of our knowledge, the establishment cost of a Liaison Office is approximately USD 5,000.- and the monthly cost of its ordinary operation (rental fee, accounting, etc) is around USD 1,000.- to 2,000.-.

IX. WORK PERMIT PROCEDURE AND TIMING FOR THE REPRESENTATIVE

At the time of application the name of the representative shall be provided to the Directorate General of Foreign Investments of the Undersecretariat of Treasury. The appointed representative is

not obliged to be an existing employee of the company, a third person can be appointed as a representative.

If a third person is appointed as a representative, how is the relationship between the company and representative will be proven to the Directorate General of Foreign Investments?

The Directorate General of Foreign Investments requires a “power of attorney” drafted and signed by the company and granting the representative an authority to represent itself. Hereby the existing employment relationship is not required and the relationship between the parties is proven.

At what stage the foreign representative must apply for the work permit?

According to the current practices, it is not possible to apply for a work permit before the liaison office is fully established. The determined representative must apply for the reason after the establishment. The work permit is not required between the application and establishment however it must be obtained when the representative starts his duties at the liaison office.

As it was explained above, the company is not required to recruit the representative or obtain a work permit for the said person before the establishment is completed.

Should you require any further information, clarification or assistance please do not hesitate to contact us.

Best Regards

Ramazan Arslan LLM, Esq