



ESTABLISHMENT OF A BRANCH OR A LIAISON OFFICE BY THE FOREIGN COMPANIES IN TURKEY

Introduction

Turkey is one of the leading countries preferred by foreign investors due to various reasons including its rapidly growing economy, strategic geographical location, convenient population, qualified and low-cost labor and incentives provided to the foreign investors.

Establishment of a company or a branch office by foreign investors in Turkey is welcome. Local and foreign investors are equally treated pursuant to the Foreign Direct Investments Law No. 4875 except as otherwise stipulated in international conventions and special laws. The Foreign Direct Investments Law also allows the foreign investors to establish a liaison office in order to conduct research activities on their industry without engaging in any commercial activity.

In this context, we would like to discuss the necessary procedures regarding the establishment of a branch or a liaison office by foreign companies in Turkey:

1. Establishment of a branch office by foreign companies in Turkey

Pursuant to the Law No. 5174 on the Union of Chambers and Commodity Exchanges, the concept of **Branch** refers to the places of business and sale outlets which are affiliated to a parent company and registered either in the chamber of trade to which the parent company is affiliated or in another chamber of trade. It can have an independent capital and accounting system and/or carry out industrial activities and commercial transactions on its own. The accounting of the branch can be also kept by the parent company and it does not have any independent capital.

The Turkish branches of commercial enterprises that have their headquarters abroad can be registered like local commercial enterprises unless otherwise stipulated in the laws of the origin country on trademark. That registration requires the fulfillment of the conditions required by the law of the country of origin

where the parent company is located concerning the registration of the branches according to the type of the enterprises and commercial companies.

A fully authorized commercial representative with a legal domicile in Turkey is appointed for those branches. If the commercial enterprise has more than one branches, those that are opened after the registration of the first branch is to be registered in the same form as the branches of local commercial enterprises.

Furthermore, the trademark of a branch must also include the locations of the parent company and the branch.

The application must be submitted to the Registry of Commerce together with the relevant documents in order to register the Turkish branch of a foreign company.

2. Establishment of a liaison office by foreign companies in Turkey

In Turkey, it is possible for foreign companies to establish a liaison office in Turkey for the purpose of conducting inquiries related to their industry without engaging in commercial activities. This enables foreign companies to discover new investment opportunities in the domestic market.

Liaison offices may be defined as representative offices affiliated to the parent company which carry out activities such as representation and hosting in Turkey, control and supervision of the suppliers in Turkey in terms of quality and standards as well as providing technical support, communication and conduct of activities as regional management center.

In this context, the Ministry of Economy is responsible for granting permission to the companies incorporated pursuant to the laws of foreign countries to open a liaison office in Turkey and to extend the terms of permission provided that they do not engage in commercial activities in Turkey.

Liaison offices are not deemed as taxpayers in terms of corporate tax and value added tax since they do not engage in commercial activities. Furthermore, they are an attractive alternative for the foreign investors intending to enter into the Turkish market or engage in limited commercial activities in Turkey as they only require a limited recording system, simple formalities in terms of incorporation and dissolution compared to the establishment of corporates.

3. Conclusion

As stated above, two different alternatives have been examined in terms of doing businesses in Turkey by commercial enterprises and corporates located abroad. The establishment of a branch and liaison office requires an extensive technical study. Should you require further information on any of the issues outlined above, we would be glad to assist you in this matter in order to obtain tailor-made solutions and to avoid potential risks and problems regarding the establishment of branch and liaison offices in Turkey.

For further information and inquiries please contact:

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