

Kılınç Law & Consulting

ESTABLISHMENT OF COMPANIES UNDER TURKISH LAW

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This presentation has been prepared by Kılınç Law & Consulting in order to explain the company establishment process according to the Turkish laws and regulations.

CONTEXT

I. INTRODUCTION & COMMON PROVISIONS ON ESTABLISHMENT

II. PRINCIPLES OF ESTABLISHMENT OF JOINT STOCK COMPANIES

III. PRINCIPLES OF ESTABLISHMENT OF LIMITED LIABILITY COMPANIES

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I. INTRODUCTION & COMMON PROVISIONS ON ESTABLISHMENT

As per the Turkish Commercial Code numbered 6102 (“TCC”), there are principal 5 (five) company types namely Joint Stock Company, Limited Liability Company, Collective Company, Commandite Company and Cooperative Company.

In general; Investors wishing to establish a company prefer 2 (two) types of companies namely **joint stock company** and **limited liability company**, because of the reasons such as tax advantages, limited liability of the shareholders and due to the legal entity getting registered to the registry of commerce. Therefore, joint stock and limited liability companies will be mentioned in this article.



I. INTRODUCTION & COMMON PROVISIONS ON ESTABLISHMENT

In this context, in case that the real and/or legal person investors wish to establish the company with one or more than one shareholder, it is suggested that the company should be established as joint stock company in respect of internal liability of shareholders to each other, organization and institutionalization in practice. On the other hand, in the case that the company is planned to be managed by 1 (one) or 2 (two) shareholders through a centralized management system, then the type of limited liability company is suggested.

In terms of both joint stock companies and limited liability companies; as the beginning of the establishment process, the type, number of the shareholders, address of the company, trade name of the company and even potential tax number of company with the articles of association are determined and reserved through the online system namely Central Registration System (*which is called in Turkish “MERSİS”*). The trade name reserves made through the system shall be valid for 3 (three) days. At the end of the reserve period the selected trade name will be free. Therefore, if a company is decided to establish, if a title is selected, it must be checked first by experts in the field in accordance with the provisions of the relevant legislation whether there is a similar title and then whether the selected title is in compliance with the articles of association of the company.

I. INTRODUCTION & COMMON PROVISIONS ON ESTABLISHMENT

We would like to emphasize that in accordance with the recent regulation, companies are established before the relevant Trade Registry Offices and the company officials submit their signature declarations before the relevant Trade Registry Offices. However, according to some conditions it may be possible to complete these transactions by proxy during the establishment phase.

It should be noted that, before the company establishment, the company's operations in Turkey will find out in which, in each case whether there are additional obligations required of its operations should be examined separately. For example; a company to be established to operate in the energy sector must comply with the regulations determined by EMRA such as the aspects of its type, capital, articles of association and similar matters.



II. PRINCIPLES OF ESTABLISHMENT OF JOINT STOCK COMPANIES

As per article 329 of TCC, Joint Stock Company (“**JC**”) is defined as a company of which capital is definite and divided into shares, responsible for its debt limited only to its assets. In this regard, shareholders of JC are responsible only to the JC with their subscribed share capitals.

JCs are established with a minimum capital of **TRY 50.000,00** by at least **1 (one) shareholder** to be active in any kind of economic purpose and subject that is not illegal.

JCs are managed by a board of directors (“**BoD**”) and are bound and represented by BoD. BoD is authorized to decide on any kind of transactions and subjects required to realize the purpose of the company generally. A member of BoD is not required to be a shareholder of the JC. Real and/or legal persons may be a member of BoD.



III. PRINCIPLES OF ESTABLISHMENT OF LIMITED LIABILITY COMPANIES



As per article 573 of TCC, Limited Liability Company (“**LLC**”) is defined as a company established by one or more real or legal persons with a definite capital.

LLCs are established with a minimum capital of **TRY 10.000,00** divided into share with a value of **TRY 25** or multiples thereof by at least **1 (one) shareholder** and maximum **50 (fifty) shareholders** to be active in any kind of economic purpose and subject that are not illegal.

Management and representation of LLC is carried out by a manager and/or board of managers. Management and representation of LLC may be assigned to one or more shareholders or all shareholders or third person. Managers are authorized to decide on and conduct all subjects related to the management not vested in to general assembly by a law or articles of association.

IV. CONCLUSION

As indicated above, although there are five (5) different types of companies under Turkish Corporate Law, investors wishing to establish a company prefer 2 (two) types of companies namely joint stock company and limited liability company.

The information and documents required to be submitted to respective Trade Registry Office for establishment of both JC and LLC are mostly the same. While LLCs are being established with a minimum capital of **TRY 10.000,00** (Ten Thousand Turkish Liras), JCs are being established with a minimum capital of **TRY 50.000,00** (Fifty Thousand Turkish Liras). Although there is not a limit on the number of shareholders in JCs, there is a limit of fifty (50) for the number of shareholders in LLCs.

After obtaining and preparation of the relevant information and documentation, the establishment of both JC and LCC are completed within one (1) week nearly and the company will be active thereafter.



Get in Touch

Ayazađa Mahallesi,
Cendere Caddesi, No: 109,
Vadistanbul Bulvar,
B1 Blok, Kat:26,
Bağımsız Bölüm No:58,
Sarıyer / İstanbul



+90 (212) 217 12 55

+90 (212) 217 12 56



+90 (212) 217 12 54



info@kilinlaw.com.tr

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