Independent legal & accounting firms

Doing Business in Turkey

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MSI's guide on Doing Business in Turkey provides current information about the financial, regulatory and legal considerations that could affect business dealings within Turkey. For further assistance please contact one of our MSI member firms in Turkey.

Country overview

Population
Türkiye has a total population of approximately 85 million inhabitants (2023).

Government
Türkiye has adopted a presidential system of government since 2018, replacing the former parliamentary model. The President of the Republic serves as both head of state and head of government, elected by popular vote for a five-year term. The legal system is based on civil law, drawing from European models, most notably the Swiss Civil Code.

Languages
The official language is Turkish. The number of English speakers continues to increase, particularly in business and urban centers.

Currency
The national currency is the Turkish Lira.

Economic summary
GDP: USD 1.12 trillion (2023)
Income per capita: approx. USD 13,000 (PPP basis)
Inflation: 53% (2023 average)

Türkiye's economy has experienced consistent growth over the past two decades, driven by a sound macroeconomic framework, fiscal discipline, and structural reforms. GDP expanded from USD 236 billion in 2002 to over USD 1 trillion in 2023. The average annual real GDP growth rate between 2002 and 2023 was around 5%. Türkiye ranks among the world's 20 largest economies.

Main sectors of the economy
Türkiye's key sectors include agriculture and food, automotive, textiles, tourism, construction, energy, real estate, healthcare, mining, and logistics.

- Agriculture: Employs nearly 17% of the workforce and contributes around 6% of GDP. Türkiye is one of the world's leading producers of hazelnuts, dried figs, apricots, and raisins.
- Automotive: Home to 13 global OEMs, Türkiye produces over 1.3 million vehicles annually, ranking among Europe's top manufacturers.
- Tourism: Türkiye is among the top 10 global destinations, attracting more than 50 million tourists annually in 2023.
- Construction and infrastructure: Mega projects in transportation, energy, and urban development position Türkiye as a regional leader.

Türkiye's strategic geographic location at the crossroads of Europe, Asia, and the Middle East makes it a natural hub for global trade and investment.

Foreign investment
Türkiye is not an EU member state, though it has maintained a customs union with the EU since 1996. Negotiations for EU membership remain ongoing.

Foreign direct investment inflows primarily originate from Europe, North America, and the Gulf countries.

Setting up a business

Türkiye's Foreign Direct Investment Law (Law No. 4875) is based on the principle of equal treatment, ensuring that foreign investors have the same rights and liabilities as domestic investors. The Turkish Commercial Code (TCC) governs company structures, offering corporate governance principles aligned with international standards and the EU acquis.

Equity participation
There is no requirement for Turkish nationals to hold shares. Companies may be 100% foreign-owned.

Ease of incorporation
Türkiye has streamlined company establishment procedures. Incorporation is completed through Trade Registry Directorates at Chambers of Commerce, functioning as a one-stop shop. Registration is carried out electronically via the MERSIS system and can generally be finalized within one business day. On average, it takes fewer days to establish a company in Türkiye than in most OECD high-income countries.

Legal types of business entities
1. Joint Stock Company (JSC) – minimum capital TRY 50,000 (TRY 100,000 if registered capital system adopted).
2. Limited Liability Company (LLC) – minimum capital TRY 10,000.
3. Cooperative Company.
4. Collective Company.
5. Commandite Company (limited partnership).
6. Joint ventures (contractual or corporate).
7. Branch office.
8. Liaison office.

In practice, the JSC and LLC are the most commonly preferred structures by both domestic and foreign investors. Foreign individuals and entities may act as shareholders without restriction, except in regulated sectors (e.g., broadcasting, civil aviation, and maritime).

Process of how to set up a business

When establishing a company in Türkiye, the following steps must be followed:

1. Prepare and submit the memorandum and articles of association online via MERSIS.
2. Execute and notarize company documents.
3. Obtain a potential tax identity number.
4. Deposit 0.04% of share capital into the Competition Authority's account.
5. Deposit at least 25% of the subscribed share capital into a bank before registration and obtain proof.
6. File an application for registration with the Trade Registry Directorate.
7. Certify statutory books with a notary.
8. Follow up with the tax office after the Trade Registry notifies of company establishment.
9. Obtain a signature circular of company representatives.
10. Fulfill electronic reporting requirements, including E-TUYS.

Financial year of taxes and financial accounts

The financial year in Türkiye generally coincides with the calendar year (January–December). However, legal entities may adopt a different fiscal year upon approval from the Ministry of Treasury and Finance.

Annual financial statements must be prepared at the end of each fiscal year, approved by the general assembly of shareholders, and submitted to the Trade Registry for announcement. Companies subject to independent audit must also file audited financial statements in line with Turkish Financial Reporting Standards (TFRS), which are aligned with International Financial Reporting Standards (IFRS).

Accounting and auditing

Companies in Türkiye are required to maintain statutory books, including the journal, ledger, inventory book, and share ledger. These books must be certified by a notary at incorporation and at the beginning of each fiscal year.

Financial reporting standards are governed by the Public Oversight Accounting and Auditing Standards Authority (KGK). Companies subject to independent audit must prepare their financial statements in line with Turkish Financial Reporting Standards (TFRS), harmonized with IFRS.

Audit requirements

A statutory audit becomes mandatory if a company meets at least two of the following three thresholds (revised periodically):

1. Annual turnover exceeding TRY 150 million.
2. Total assets exceeding TRY 75 million.
3. More than 150 employees on average.

Regardless of thresholds, banks, insurance companies, capital markets institutions, and publicly traded companies are always subject to independent audit.

Tax audits

Tax audits are conducted by the Ministry of Treasury and Finance, generally on a selective or random basis. In practice, companies may also work with sworn-in certified public accountants (Yeminli Mali Müşavir – YMM), who are authorized by the state to conduct detailed reviews and certify tax returns.

Economic and fiscal incentives

Türkiye's investment incentive system is designed to attract domestic and foreign investment, reduce dependency on imports, and stimulate growth in strategic sectors. The framework applies equally to foreign and local investors. Effective since 2012, the system consists of four main schemes:

1. **General Investment Incentives Scheme** – VAT and customs duty exemptions on machinery and equipment.
2. **Regional Investment Incentives Scheme** – Varying levels of tax reduction, social security premium support, and land allocation depending on the development level of the region.
3. **Large-Scale Investment Incentives Scheme** – Additional benefits for projects exceeding certain thresholds in sectors such as automotive, chemicals, and electronics.
4. **Strategic Investment Incentives Scheme** – Designed for projects that reduce import dependency in intermediate goods and technology. Includes higher rates of corporate tax reduction, extended social security premium support, and VAT refund on construction expenses.

Key instruments available across the schemes

– VAT exemption.
– Customs duty exemption.
– Corporate tax reduction.
– Social security premium support.
– Income tax withholding allowance.
– Interest rate support.
– Government land allocation.
– VAT refund (for eligible strategic projects).

R&D and innovation incentives

Companies engaged in R&D and design activities benefit from special exemptions, including:
– Corporate tax exemptions on R&D income.
– Income tax exemptions for R&D personnel.
– Social security premium support.
– Stamp duty exemption.

Free Zones and Technology Development Zones (TDZs)

– Free Zones: Corporate tax exemption for manufacturing activities, VAT and customs duty exemption, and simplified profit repatriation.
– TDZs: Corporate tax exemption on profits derived from R&D and software activities until 2028, along with staff income tax exemptions.

Incentives foreign investors/local investors

Türkiye's investment legislation is transparent and consistent with international standards. Both foreign and local investors are treated equally under the Foreign Direct Investment Law. No nationality-based restrictions apply, except in regulated industries such as broadcasting, civil aviation, and maritime.

EU Customs Union
Since 1996, Türkiye has been part of a Customs Union with the European Union. This allows the free movement of most industrial goods between Türkiye and EU member states without customs duties or quantitative restrictions.

Bilateral and multilateral agreements
Türkiye has signed more than 80 bilateral investment treaties (BITs) and over 80 double taxation treaties (DTTs), providing additional legal protection and tax relief for foreign investors.

Special zones
– **Free Zones**: Offer full exemptions from corporate tax on manufacturing activities, VAT, and customs duties, along with flexible profit repatriation.
– **Technology Development Zones (TDZs)**: Provide corporate tax exemption on R&D activities and income tax exemption for R&D personnel.
– **Organized Industrial Zones (OIZs)**: Offer subsidized land, reduced utility costs, and simplified licensing.

Foreign investors benefit equally from all these schemes and enjoy the same protections as domestic investors, ensuring a level playing field.

New Turkish Commercial Code
The Turkish Commercial Code (TCC), which entered into force in 2012, modernized corporate governance in Türkiye by aligning it with international and EU standards. It introduced transparency obligations, stricter rules against unfair competition, and enhanced shareholder and customer rights.

Key features of the TCC
– Emphasis on corporate governance principles such as accountability, transparency, and shareholder protection.
– Legal recognition of electronic transactions, electronic general assemblies, and online company registrations via the MERSIS system.
– Stronger disclosure requirements for companies, including publication of financial statements and corporate decisions.
– Enhanced minority shareholder rights, including access to information and protection against abuse of majority control.

Audit and reporting obligations
The TCC requires joint stock companies (JSCs) and limited liability companies (LLCs) that meet statutory thresholds to undergo independent audits. Companies must prepare financial statements in line with Turkish Financial Reporting Standards (TFRS), which are fully harmonized with IFRS.

Impact on companies
The TCC has created a more transparent and competitive business environment, improved investor confidence, and facilitated Türkiye's integration into global markets.

Taxation

Türkiye's tax system is governed by the Corporate Tax Law, Income Tax Law, and Tax Procedure Law. It is designed to be competitive within the OECD region, with clear and harmonized provisions aligned with international standards.

Structure of the tax system
Taxes are broadly divided into:
a) Taxes on income (corporate and individual income tax).
b) Taxes on expenditures (VAT, special consumption tax).
c) Taxes on wealth (property tax, inheritance, and gift tax).

Corporate income tax
– Resident companies (with legal or business headquarters in Türkiye) are subject to tax on worldwide income.
– Non-resident companies are taxed only on income generated in Türkiye.
– The standard corporate income tax rate is 25% (as of 2023).
– Losses can be carried forward for up to five years.

Value Added Tax (VAT)
– Standard rate: 20%.
– Reduced rates: 10% and 1% depending on the goods and services (e.g., food, basic commodities, certain real estate transactions).
– Exports are zero-rated.

Individual income tax
The progressive individual income tax rate ranges from 15% to 40% (2023 brackets). Income categories include:
1. Business profits.
2. Agricultural income.
3. Salaries and wages.
4. Independent personal services.
5. Income from immovable property (rental income).
6. Income from movable property (investment income).
7. Other income and gains.

Withholding taxes
– Dividends: 15% (subject to reduction under double taxation treaties).
– Interest: 0% to 15% depending on type.
– Royalties: 20% (treaty reductions available).

Other taxes
– Bank and insurance transaction tax.
– Stamp duty (on contracts and official documents).
– Special consumption tax (on fuel, alcohol, tobacco, vehicles, and luxury goods).

Tax treaties
Türkiye has signed more than 80 double taxation treaties (DTTs), ensuring relief from double taxation and lowering withholding rates for cross-border transactions.

Registration procedures
All companies in Türkiye must be registered with the Trade Registry Directorate under the relevant Chamber of Commerce. Upon registration, companies are automatically notified to the tax authorities and the Social Security Institution (SGK).

Tax registration
– Companies are assigned a tax identification number by the Revenue Administration (GİB).
– Tax returns (corporate, VAT, withholding, and other applicable taxes) are filed electronically through the Revenue Administration's online system.
– Communication with tax authorities,

including submission of returns and assessments, is primarily conducted electronically.

Social security registration

– Employers must register with the Social Security Institution (SGK) prior to hiring employees.
– Wage tax and social security contributions must be reported and paid on a monthly basis.

Company documentation

– Companies must maintain certified statutory books and notify the Trade Registry of changes in articles of association, capital, or management.
– Corporate governance actions, such as general assembly decisions, must be recorded and published via the Turkish Trade Registry Gazette.

Wage tax

The base tax rate on wages is 15%, increasing progressively to a top rate of 40%.

Withholding taxes

Withholding applies to certain payments made to residents and non-residents:
– Dividends: 15% (may be reduced under double taxation treaties).
– Interest: 0–15% depending on the type of loan or instrument.
– Royalties: 20% (subject to treaty reductions).

Türkiye has signed more than 80 double taxation treaties that reduce or eliminate withholding tax on cross-border payments.

Other main taxes

Other main taxes are as follows;

1. Bank and insurance transaction tax
2. Stamp tax
3. Special consumption tax
4. Property-related taxes

HR/ Labour Law

Employment agreements

Employment contracts may be open-ended (default) or fixed-term. Fixed-term contracts must be justified by objective reasons and cannot be used repeatedly to avoid indefinite employment.

Working time

– Standard working hours: 45 per week.
– Overtime: subject to premium pay and capped annually.
– Paid annual leave: 14 to 26 days depending on length of service.

Termination and severance

– Notice periods range from 2 to 8 weeks depending on seniority.
– Employees with at least one year of service are entitled to severance pay (one month's gross salary per year of employment, subject to a statutory ceiling).

Employment of foreigners

Foreign nationals must obtain a work permit and residence permit, unless exempt under special regimes. Quotas apply, requiring one Turkish employee for every foreign employee.

Social security

All employees in Türkiye are covered by the national social security system, administered by the Social Security Institution (SGK). The system provides health insurance, maternity and disability coverage, workplace accident protection, unemployment benefits, and retirement pensions.

Contributions

– Employer's share: about 22.5% of gross salary (before incentives).
– Employee's share: about 15% of gross salary.
– Contributions are subject to statutory minimum and maximum limits set annually.

Pension

The state pension is mandatory and financed through social security contributions. In addition, employees may participate in the Individual Pension System (BES), a voluntary private scheme supported by state matching contributions, designed to supplement retirement income.

Payroll

When employing staff, companies must register with the Social Security Institution (SGK). Employers are responsible for calculating and withholding wage tax and social security contributions from employees' salaries.

Key points

– Payroll taxes and contributions are reported monthly via electronic filing.
– Employers must remit withheld income tax and both employer and employee social security contributions to the tax authority and SGK.
– Compliance with minimum wage regulations and statutory benefits (annual leave, severance, overtime) is mandatory.

Visa and work permits

Foreign nationals intending to work in Türkiye must obtain a work permit, unless exempt under bilateral or international agreements.

Application process

– Applications may be filed either abroad (through Turkish consulates) or within Türkiye (if the applicant already holds a valid residence permit of at least six months).
– Work permits are issued by the Ministry of Labor and Social Security, generally valid for one year initially, and can be extended.

Residence permits

Foreign employees must also hold a residence permit. Work and residence permits are typically processed together.

Special categories

– Highly qualified professionals, researchers, and investors may be eligible for the "Turquoise Card," granting long-term work and residence rights.
– Quotas apply, generally requiring one Turkish employee for every foreign employee.

Contact us

The information provided in this guide cannot be exhaustive and we recommend anyone considering doing business in Turkey should seek professional advice from our member firms before making any business or investment decision.

Contact our member firms in Turkey to discuss your requirements:

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