

DOING BUSINESS GUIDE

TURKEY

[2015]
v. 1

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The materials contained in this publication were assembled in June 2015 and were based on information available at that time.

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EXECUTIVE SUMMARY

This report has been prepared to examine the market potentials for foreign investors in Turkey.

Based on findings of the field study the following points about investment in Turkey are observed and recommended:

- Turkey plans to be one of the top 10 global economies by 2023. Stable macroeconomic growth and strong and diversified economy over the last decade have made this goal realistic.
- The most favorable option for establishing a business in Turkey is LLC. Nevertheless, there are many similarities between LLCs and JSCs.
- There is no online system for registering a business.
- Registering a business in Turkey is a straightforward process. However, it is recommended that a foreign applicant gets an experienced local partner in the form of a local representative, lawyer, accountant, or liaison office for the purpose of registering the business. It requires a power of attorney.
- Physical presence of the director in Turkey is not mandatory for registering the business and the process can be done through a power of attorney.
- The physical presence of the director is required for opening the bank account.
- Although it is not required by law to use a local intermediary for the establishment process, since the required documents must be submitted in Turkish, it would be advisable to consult with a Turkish lawyer in order to realize the establishment process.
- An LLC needs a legal address for the purpose of registering the company and official correspondence.
- Turkey has a strong banking system with a network of many local and international banks. The healthy banking system allows customers to trust the local banks. Therefore, it is recommended that small or medium sized companies to use local banks in order to avoid heavy charges and bureaucracy of international banks.
- Finding information about opening bank accounts in Turkey proved difficult as websites of banks have no information about requirements and fees for opening a bank account.
- The one-stop shop system for customs procedures, has facilitated the customs formalities for importing and exporting goods.
- Road transport is the main mode for freight and passenger transportation. However, the country is determined to diversify the modes of transportation in order to reach a more balanced state.

- Visa obligation imposed by a majority of EU member states for Turkish citizens, is a serious bureaucratic challenge for transporting goods via land.
- Logistics sector is a strong industry in Turkey and a well-spread network of warehouses can be found across the country.
- The majority of warehouses are located in western Turkey, where there are a large number of industrial complexes.

INTRODUCTION

Research Objectives and Methodology

Phase 1

This phase is a desk study in order to establish the following parameters in Turkey:

- Economy overview and business outlook for foreign investors
- Business climate for foreign investment: Opportunities and Challenges
- Trade Agreements
- Free Trade Zones
- Company establishment procedures including: timetable, fees, and documentation needed for forming a business
- Different types of companies and legal entities
- Banking system and requirements for opening bank accounts
- Tax system and different types of taxes
- Shipping and storage facilities
- Sea ports and cargo airports and possibility of freight forwarding

Main sources of data and information for this phase included:

- Investing Across Borders (The World Bank)
- Doing Business Guide (The World Bank)
- Doing Business: Country Commercial Guide for U.S. Companies (the U.S. Department of State)
- Government Reports, available for public review
- Trusted websites including state news agencies and banks websites
- Trade Associations, Directories and Publication

Phase 2

Based on findings of the first phase, service providers, law firms, bankers, shipping companies, and storage solutions providers will be contacted.

The objectives of this phase are:

- Discovering best practices for establishing a business in Turkey for a foreigner
- Identifying professional services providers, corporation law firms, and local accountants in Turkey
- Contacting the identified firms via e-mail and telephone in order to have a comprehensive understanding of how findings of first phase are in place in practice
- Getting quotation and time table from professional services providers, law firms, and accountants for their services
- Contacting local and international banks in Turkey to get first-hand information about opening corporation bank accounts and procedures and requirements
- Identifying shipping companies and storage solutions providers and contacting them in order to find details of their services, charges, and terms and conditions.

From findings of phase 1 and phase 2 of this study, some recommendations are made for a potential foreign investor who intends to invest in Turkey.

DOING BUSINESS IN TURKEY

Country Profile



Full name	Republic of Turkey
Capital	Ankara
Establishment	1923
Area	779,500 sq km (37th)
Population	76.6 million (18th)
Major cities (Population)	Istanbul (14.2 million) Ankara (5 million) Izmir (4.1 million) Bursa (2.7 million) Antalya (2.2 million)
Neighboring Countries	Bulgaria, Greece, Syria, Iraq, Iran, Azerbaijan, Armenia, Georgia
Labor force	29.2 million
Major language	Turkish
Major religion	Islam
Life expectancy (M/W)	72 / 77
Median age	30.7
Monetary unit	1 Turkish lira
Exchange Rate (1 USD = ? TRY)	2.6
Exchange Rate (1 TRY = ? USD)	0.4
Main exports	Clothing and textiles, fruit and vegetables, iron and steel, motor vehicles and machinery, fuels and oils
GNI per capita	10,410 USD
Time Zone	GMT+2
International dialling code	+90

Table 1- Country Profile for Turkey

Ranking in the study	Turkey
Ranking for ease of doing business	55
Ranking for ease of starting a foreign business	79
Ranking for Index of Economic Freedom	70
Global Competitiveness Index	45

Table 2- Investing Across Borders for Turkey (World Bank)

GDP	800 bn USD
GDP Per Capita	10,404 USD
Exports Value	158 bn USD
Imports Value	242 bn USD
Foreign Direct Investment	12.5 bn USD
Number of Companies with Foreign Capital	41,397
Inflation Rate	8.17% (CPI-2014)
Unemployment Rate	9.5%

Table 3- Economy snapshot for Turkey (2014)