

Joint Stock Companies & Limited Liability Companies



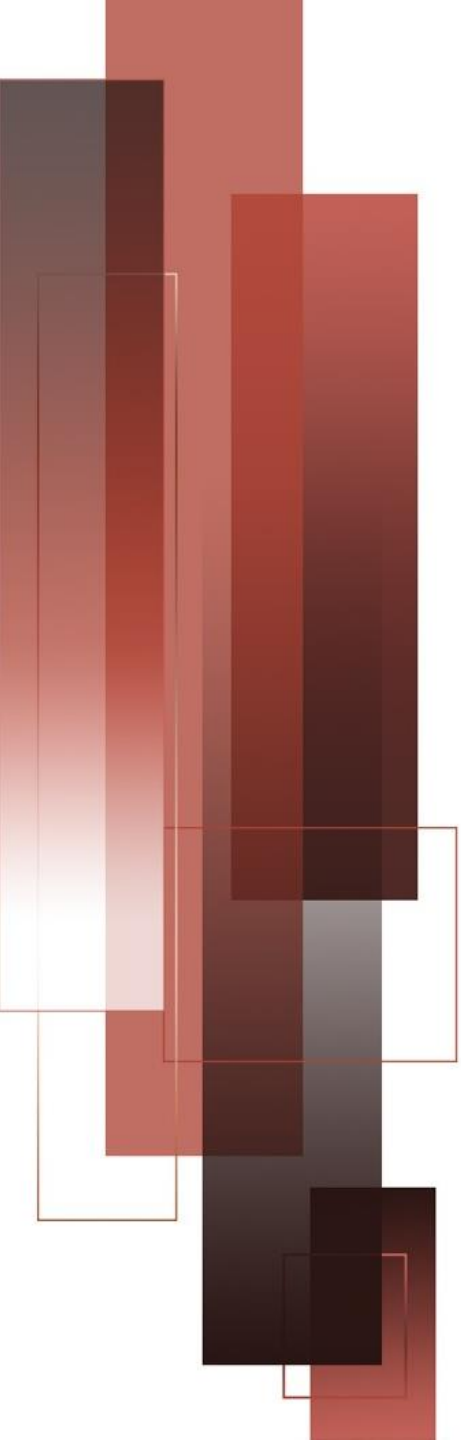
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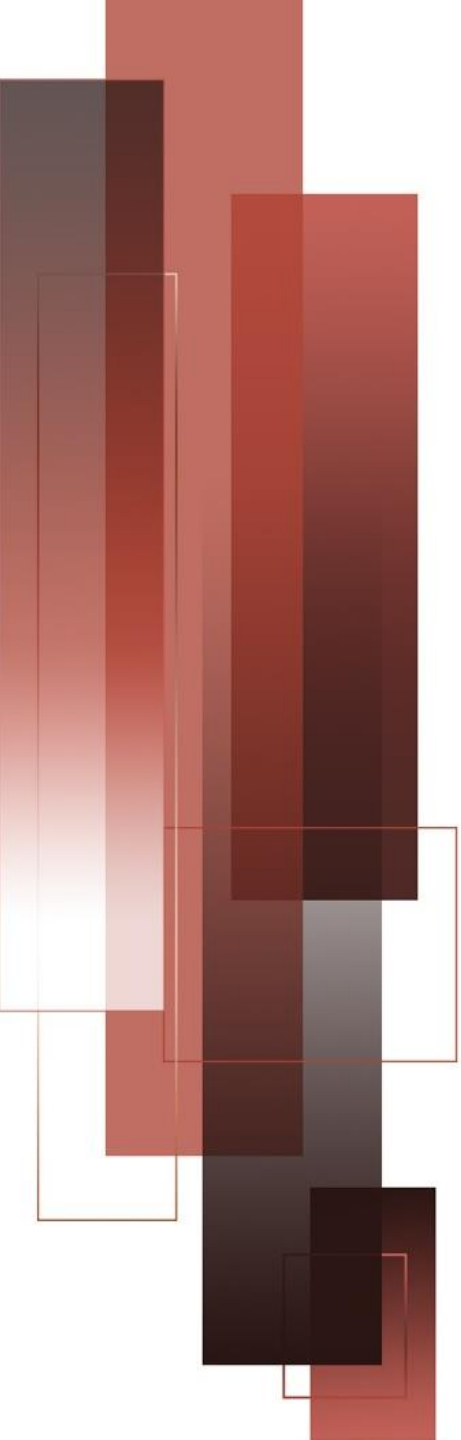
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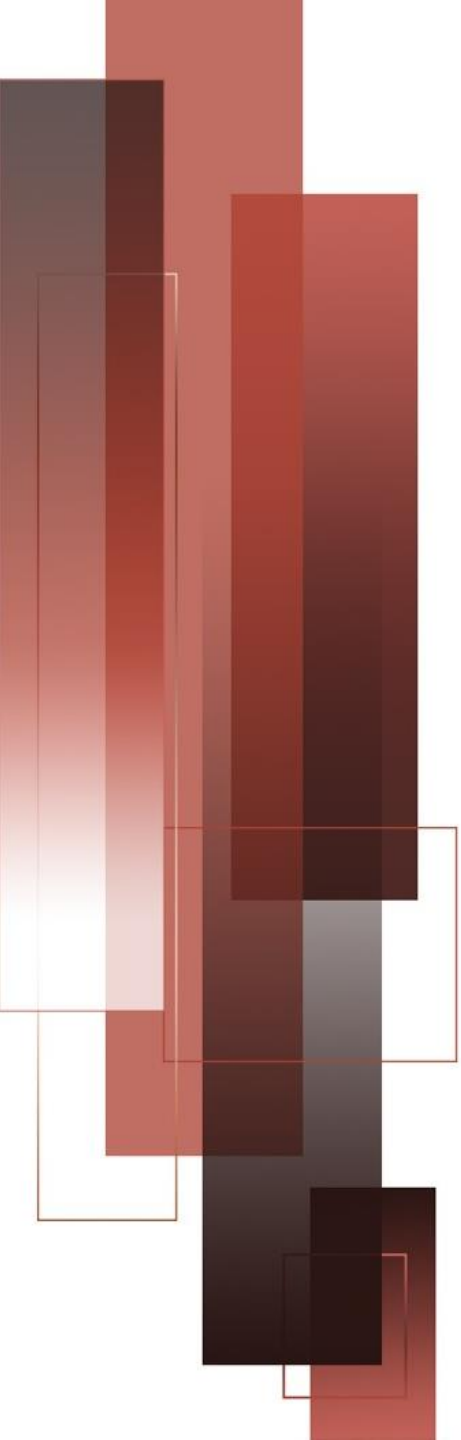
INTRODUCTION

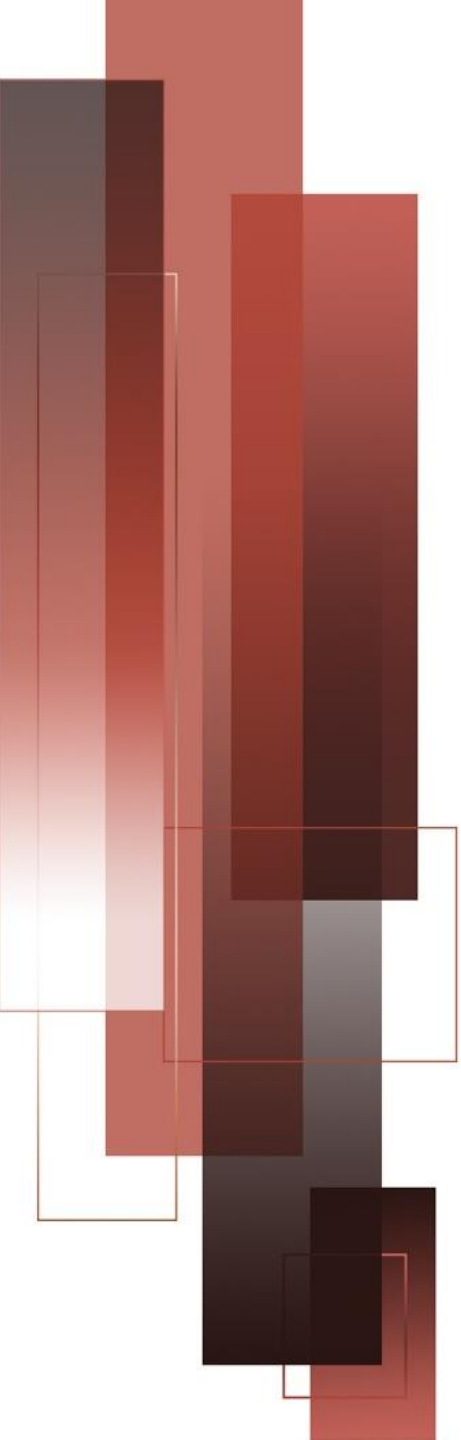
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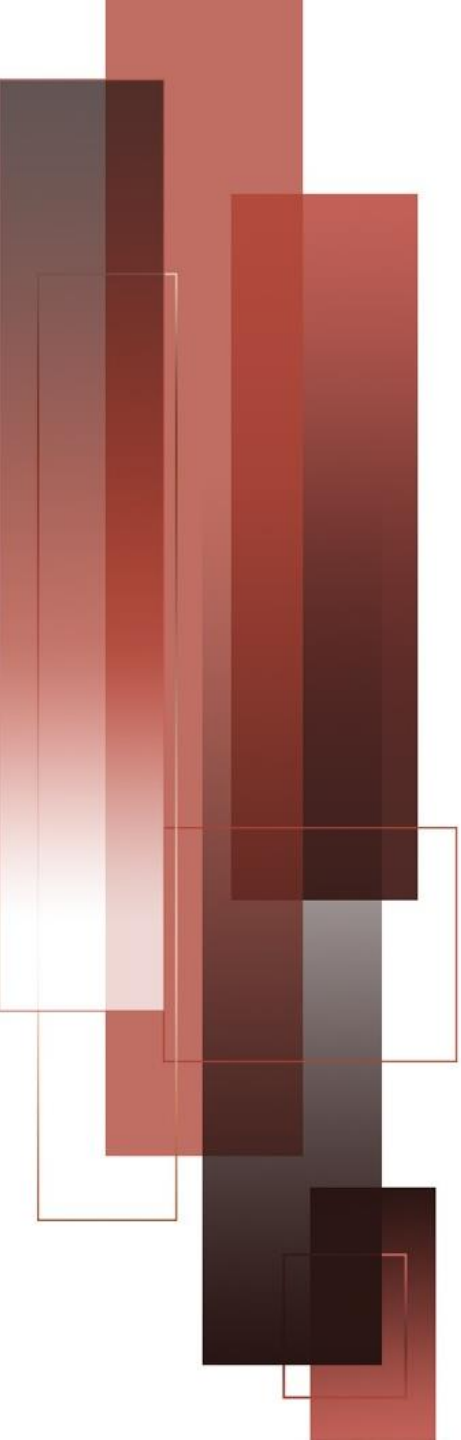
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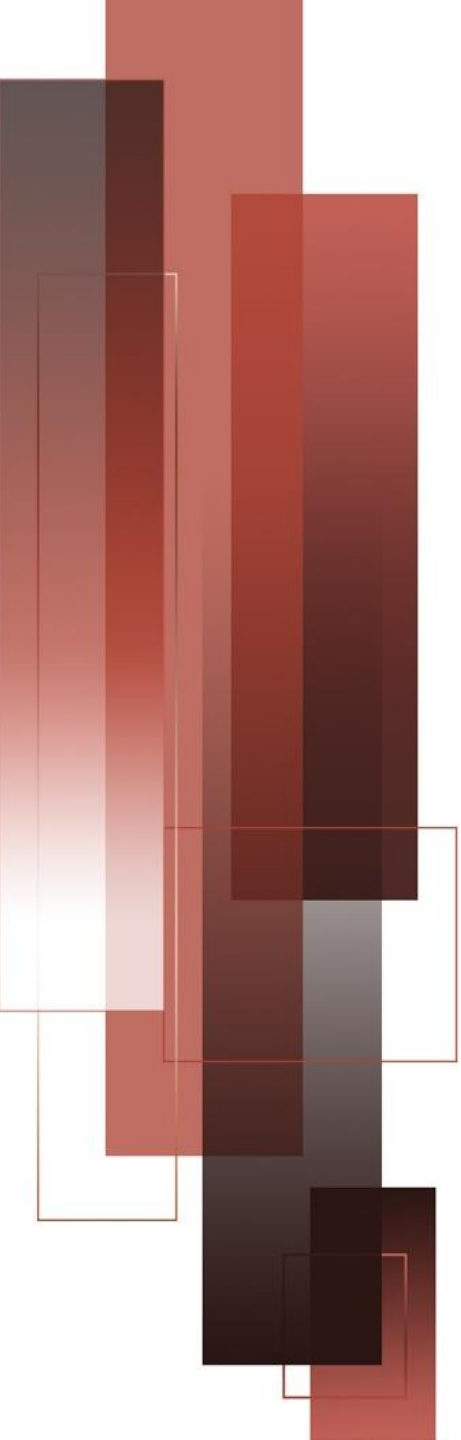
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- This publication is prepared to provide general information regarding two primary types of limited liability entities that may be incorporated in Turkey.
 - Accordingly, these are joint stock companies (“**JSC**”) and limited liability companies (“**LC**”).
 - In principle, the liability of shareholders for obligations of either a JSC or a LC is limited to their capital contribution, except for certain obligations of the shareholders of a LC towards the government. Moreover, with respect to the JSCs, members of the board of directors and authorized signatories may be held liable for public debts.

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- The provisions regarding JSCs and LCs are generally regulated under the Turkish Commercial Code (Law No: 6102) (*published in the Official Gazette dated February 14, 2011 and numbered 27846*) (the “**TCC**”) and Implementation Law of the Turkish Commercial Code (Law No. 6103), (published in the Official Gazette dated February 14, 2011 and numbered 27846) (“**Implementation Law**”).
 - As an additional note, non-capital companies such as collective partnerships and commandite partnerships which lays burden on shareholders with unlimited liability are also regulated under the TCC.

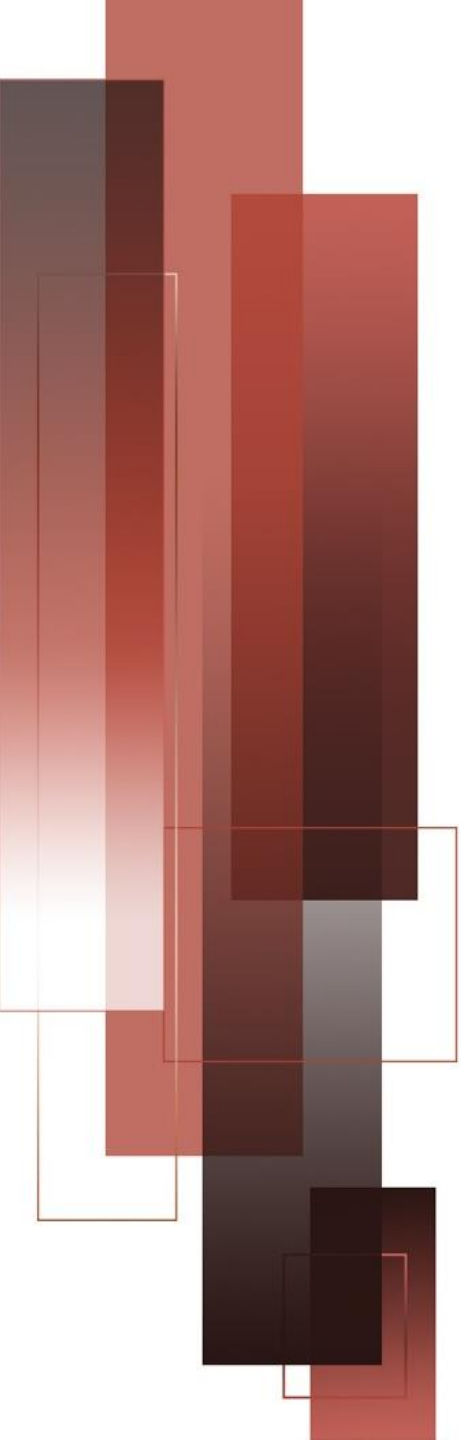
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- Both JSC and LC shall be established by way of a registration before the relevant Trade Registry.
 - A trade registry is kept and managed by chambers of commerce and industry or by the registry of commerce to be established within the scope of chambers of commerce.
 - Application to the Trade Registry shall be made by submission of certain types of documents such as company establishment form, articles of association and bank letter evidencing payment of $\frac{1}{4}$ of the share capital.

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- Article 339 of the TCC specifically regulates the content of the Articles of Association to be prepared. Please be informed that the “ultra vires” rule stipulated under the former law has not been covered by the TCC as a new regulation. Accordingly, as per Article 125 of the TCC, commercial companies may utilize all rights and assume all kinds of obligations within the frame of Article 48 of the Turkish Civil Code.
 - Therefore, despite the former Law, capacity of the commercial entity is no longer limited by the “purpose and subject” provision of the Articles of Association with such provision.

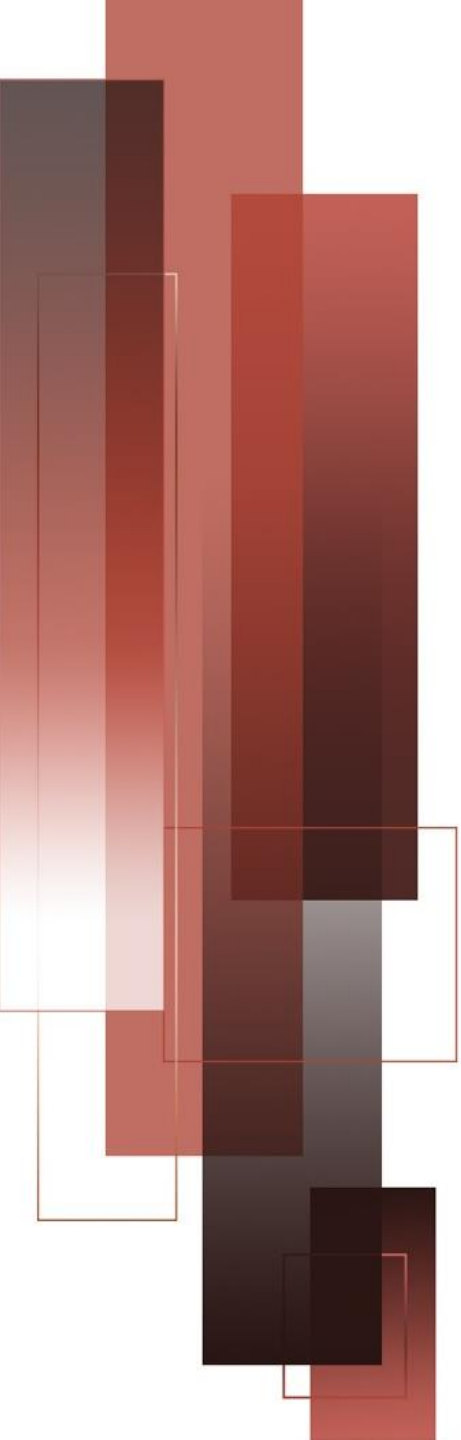
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- Regardless of the preparation of the incorporation documents, incorporation of a company usually takes 2-4 days. Both JSCs and LCs can be incorporated for indefinite term.
 - Once the registration before the relevant trade registry is complete, the company shall be registered before the relevant tax office in order to dully commence its operations.
 - Please be informed that LCs cannot engage in certain types of activities such as insurance, banking and brokerage. On the other hand, specific laws require JSCs to be incorporated for certain activities such as holding companies, banks, financial institutions and insurance companies.

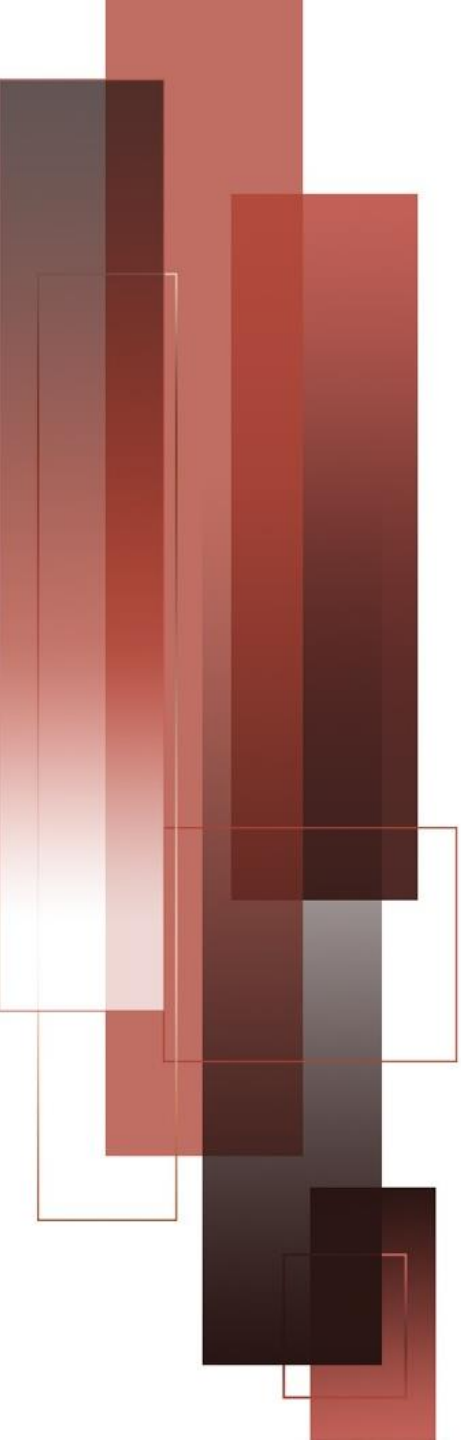
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- Without prejudice to Article 46 of the TCC, JSCs, LCs and cooperatives may freely determine their commercial titles provided that their field of activity is clearly stated. Further to Article 46 of the TCC, the commercial title shall not mislead the third parties with respect to the scale and financial condition of the enterprise and shall not be contrary to facts and public orders.
 - Both natural and legal persons can be shareholders of JSCs and LCs and these legal entities may be established with one or more shareholders. However, LCs may not have more than fifty shareholders.
 - Both JSCs and LCs may be 100% owned by foreign persons.

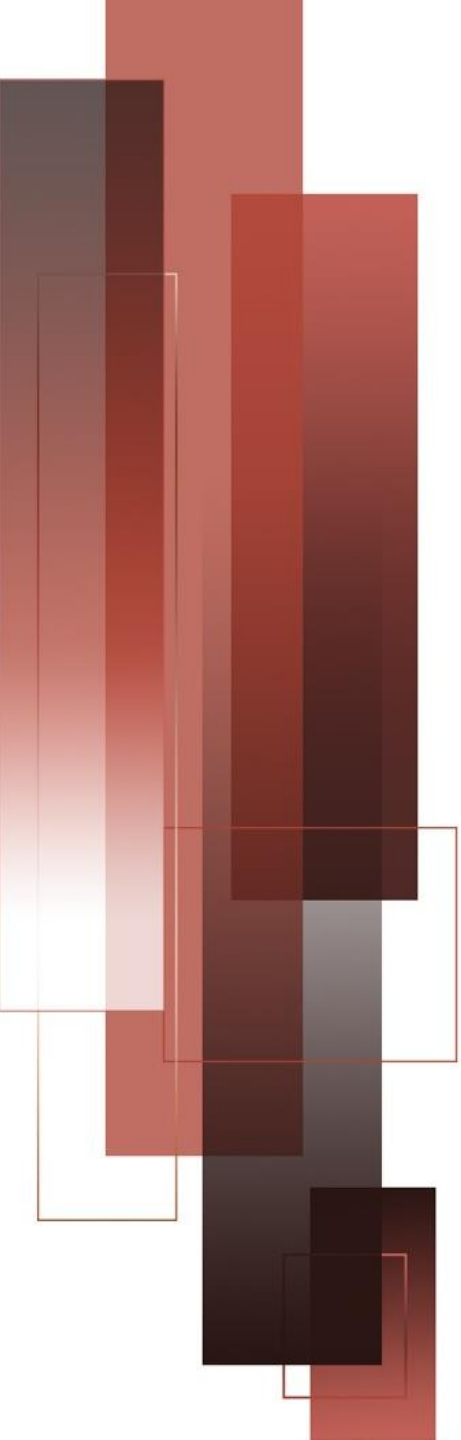
- With respect to the share capital requirements, kindly note that unless otherwise provided in the specific laws the minimum share capital for a JSC is TL 50,000. In the event that JSC adopts registered capital system and is not publicly traded then the capital of the JSC shall be minimum TL 100,000.
- On the other hand, the minimum share capital for a LC shall be TL 10,000.
- Moreover, under certain conditions, some assets such as immovable property, intellectual rights and commercial enterprises may also be contributed as capital in kind.
- In both JSCs and LCs, 1/4 of the share capital shall be paid before the registration and the remaining amount shall be paid within 24 months as of the date that the registration is completed before the relevant trade registry.

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- With respect to the liability of the shareholders, in principle JSC and LC shareholders are not liable with regard to the private debts of the respective legal entity.
 - As per Article 329 of TCC the shareholders of a JSC are only liable for the amount of share capital that they have undertaken to contribute.
 - As per the Law on the Procedures of Collection of Public Receivables (Law No: 6183), shareholders of a LC shall be directly liable for the unpaid public debts of the LC pro rata to their shareholding percentage in the LC.
 - Moreover, legal representatives of legal entities can be personally liable for the public debts of the legal entity which cannot be completely or partially collected from the legal entity.

- The main statutory bodies of a JSC are (i) General Assembly of Shareholders and (ii) Board of Directors (“**BoD**”). Moreover, LCs must have (i) General Assembly and (ii) Board of Managers.
- JSCs are managed by a BoD consisting of one or more members to be appointed by the articles of association or general assembly for a period of maximum three years. Same persons may be elected again provided that it has not been prohibited by the articles of association.
- In the event that one of the BoD members is a legal entity, one real person shall also be assigned by the legal entity in question and such person shall be registered and published together with the legal entity. Moreover, such real person shall also be announced at the website of the legal entity in question.
- The signatories of a JSC shall be appointed by the resolutions of BoD.

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- The Board of Directors may exercise all authorities that are regulated under the TCC and the Articles of Association in order to conduct the business. However, BoD may not use authorities which are statutorily allocated to the General Assembly of Shareholders.
 - In addition to above, the representation and management of the LCs shall be granted to one or more shareholders or all of the shareholders or third persons, who shall be reflected as the managers. However, at least one shareholder must have managerial and representative authority. As a separate note, in the case that one of the managers is a legal entity, the legal entity is required to appoint a real person to act as the manager on behalf of the legal entity in question.
 - In the case that there are more than one manager, the General Assembly shall designate one of the managers as the “chairman” of the board of managers.

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- In addition to above, shareholders of JSC's shall use their rights through their voting rights at General Assembly meetings. There are two types of General Assembly meetings regulated under the TCC: (i) ordinary and (ii) extraordinary general assembly meetings. Ordinary General Assembly meetings are held within the first three months of each financial year, while Extraordinary General Assembly meetings are held whenever deemed necessary.
 - With respect to the LCs, the General Assembly shall convene within three months following the end of each accounting period. The extraordinary meetings may be held as required by the Articles of Association or due to the necessities of the company.

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- With respect to the auditors, please be informed that as per Article 399 of the TCC, auditors shall be appointed by the General Assembly of Shareholders for each activity period and in any case before the expiration of their duties.
 - In the light of our explanations above, please be informed that a LC is a simpler structure compared to a JSC and due to the fact that LC is subject to less procedures to be followed during its operations it is more likely preferred.
 - On the other hand, it takes approximately the same period of time for both LC and JSC to be fully incorporated.
 - Furthermore, JSCs may be more beneficial while the long term targets are taken into consideration.

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