

Turkey Payroll

Crowe Payroll Overview
February 2019



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1. Registrations and Establishing an Entity

1.1 Registrations and Establishing and Entity

- **A legal entity must be established** before a payroll can be run in Turkey.
- The main goal of the **New Turkish Commercial Code (TCC)** is to develop a corporate governance approach that meets international standards, to foster private equity and public offering activities, to create transparency in managing operations, and to align the Turkish business environment with **EU legislation**, as well as for the accession process.
- Turkey's regulatory environment is extremely business-friendly. You can establish a business in Turkey irrespective of nationality or place of residence.



1.2 Company Establishments in One Day!

It is possible to establish a company **in a single day** by applying to the relevant trade registry office with the required documents. The company is established once the founders declare their intent to set up a joint stock company in the articles of association, which have been issued in accordance with the law, and where they, with their notarised signatures, unconditionally acknowledge and undertake to pay the whole capital. The company receives its **“legal entity”** status upon registration with the trade registry.





Types of Companies

01

Joint-Stock Company

A.S.

02


**Limited Liability
Company**

LTD.

03

Branch

1.3 Types of Companies



Joint Stock Company: The Company's stock capital is divided into shares and the liability of the shareholders is limited to the subscribed capital and paid by the shareholder. At least one shareholder (person or legal entity) and a **minimum capital of TRY 50,000 are mandatory**. The mandatory company shall include a general assembly and a board of directors.

Limited Liability Company: It is a company established with at least one shareholder (person or legal entity) and the liability of the shareholders is limited to the subscribed capital and paid by the shareholder. **A minimum capital of TRY 10,000 is mandatory.**

Branch: Typically, a branch is a permanent establishment of a company from which business operations are carried out. Further, a branch has no legal personality. Under Turkish Corporate Law, there are no special conditions that branches have to meet.

Branches may be incorporated only for the same purposes as the parent company and will act within the fields of activity of the parent company. Even though there is no minimum capital requirement for branches, **separate capital may be allocated to the branch by the parent company.**

Branches are represented by the branch manager(s) who are appointed by the parent company. Furthermore, Turkish citizens and foreigners can be appointed as branch managers; however, it is required that they reside in Turkey.

1.4 Company Establishment Procedures

Documents for the Company Establishment

- A company establishment petition and a notification form duly filled in and signed by persons authorised to represent the company. The list of the documents to be procured, and forms to be filled can be downloaded at www.sanayi.gov.tr and www.hazine.gov.tr
- Articles of association including notarised signatures of founders and notary certification proving that all shares constituting the registered capital have been subscribed by the founders in the articles of association
- Founders' statement signed by the founders
- The bank letter proving that the share capital has been deposited
- The bank receipt indicating that **0.04% of the company capital** has been deposited to the account of the Turkish Competition Authority at a state bank
- Permit or letter of compliance for companies whose corporation is subject to the permit or letter of compliance issued by the relevant ministry or other official institutions
- Notarised copy of signatures of persons with the authority to represent and bind the company
- Application number indicating that the trade name to be used has been checked and confirmed by the **Trade Registry Office**
- Company establishment statement form (3 original copies)
- Certificate of residence of founding partners
- Notarised translation of passport in the case of the foreign shareholder being a real person; apostilled and notarised translation of registry document issued by the competent authority in case the foreign shareholder is a legal entity



1.5 Registration with Tax Office

Please note that corporate entities require an office address to be registered with the tax office on the same day or before the registration date. A tax registration number is received and legal books are certified by a **Public Notary**. The rent contract must be certified by the Notary Public as well as the notarised **Circular of Signatory** which should be submitted to the related Tax Office.

The registrations of the company for payroll purpose with the Tax and Social Security Institute are completed during the legal entity establishment process.

It is worth mentioning that having the “umbrella service” which some payroll provider’s offer can be a solution for processing payroll without a legal entity in Turkey.

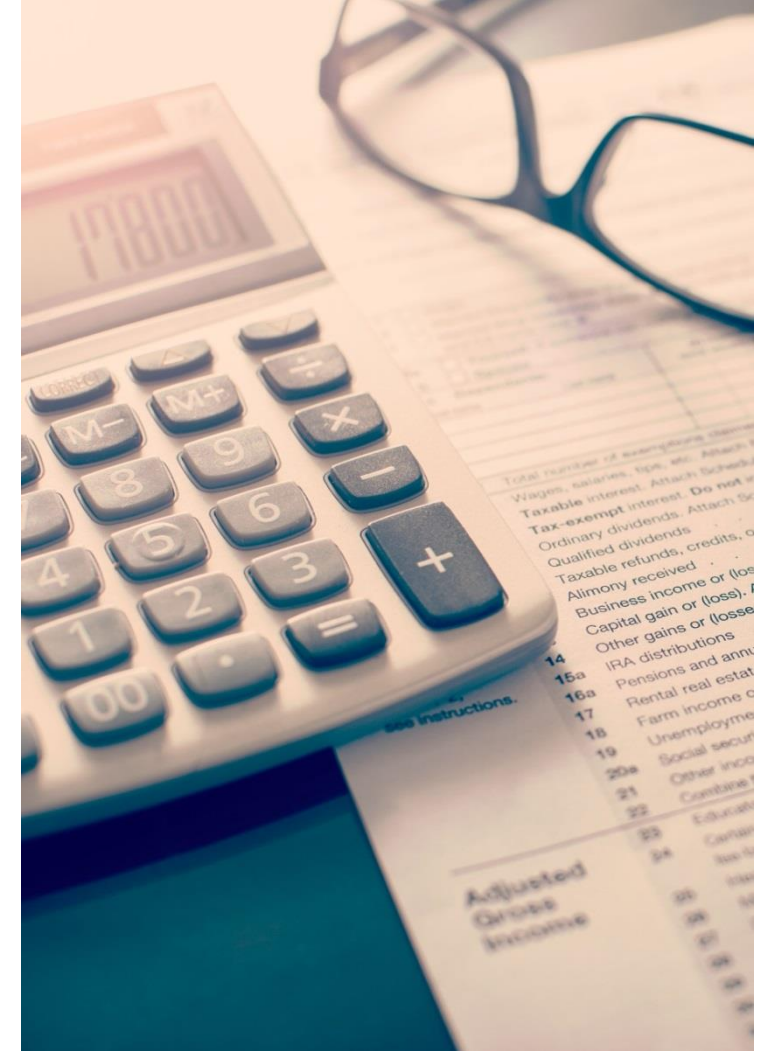
Further information on the tax and social system in Turkey can be found via the following governmental websites:

<http://www.iskanunu.com/>

<http://www.sgk.gov.tr/>

<http://www.csgeb.gov.tr/>

<http://www.isvesosyalguvenlik.com>



2. Tax and Social Security

2.1 Income Tax

«The tax year runs from 1st January to 31st December.»

In case the parent company has a special fiscal year, the branch or subsidiary in Turkey may use the same year with the condition of taking permission from the Ministry of Finance.

Income Tax

Monthly income tax contributions are paid on the **23rd of the following month**.

T.C. MALİYE BAKANLIĞI
ANKARA İLİ VD. BAŞKANLIĞI
006205 POLATLI Vergi Dairesi Müdürlüğü

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VERGİ KİMLİK NUMARASI
SOYADI (UNVANI)
ADI

MAKİNA NO
SIRA NO

ADRES
ÇANKAYA ANKARA

Ana Vergi Kodu 9077
MOTORLU TAŞIT ARAÇLARINA İLİŞKİN ÖZEL TÜKETİM VERGİSİ (TESCİLE)

Beyanname ise kabul tarihi	Vergilendirme Dönemi	Düzenleme Tarihi
01/11/2011	11/2011-11/2011	01/11/2011

TURÜ	MATRAH	OPAN	TAHAKKUK EDEN	MAHSLUP EDİLEN	ÖDENECEK OLAN	VADESİ
9077 OTV2	10.000,00		13.000,00	0,00	13.000,00	01/11/2011
1048 5035	0,00		19,90	0,00	19,90	01/11/2011
TOPLAM					13.019,90	

İşlem Türü 0010
Tik. Tarihi 9018
YALNIZ ONDÜÇBİN ONDOKUZ TL DOKSAN Kİ

The penalty for late submission and payment of the tax and social security contribution is calculated as per the following formula: Number of Employees x 1071 (minimum wage) x 1/10

INCOME	TAX RATE
0TL – 18,000TL	15%
18,001TL – 40,000TL	20%
40,001TL – 148,000TL	27%
Over 148,000TL	35%

2.2 Social Security

Monthly social security contributions (**E-Declaration**) should be submitted on the 23th of the following month and should be paid at the end of the month.

Effective 1st January 2019, income tax of employees withheld from their earnings by employer and the SSI premium contributions will be combined in a single form (Withholding Tax and Monthly Premium Service Document) and submitted online to tax offices.

The penalty for late submission and payment of the tax and social security contribution:

Number of Employees * 1071 (minimum wage) * 1/10.



INSURANCE BRANCH	EMPLOYEE RATIO (%)	EMPLOYER RATIO (%)	TOTAL
			%
Disability, Old Age and Survivor's Insurance	9	11	20
Short Term Insurance (Insurance of Occupational Accidents and Professional Diseases, Illness, Maternity Insurance)	-	2	2
General Health Insurance	5	7.5	12.5
Unemployment Insurance	1	2	3
TOTAL	15	15.5	37.5

3. Reporting

3. Reporting

The following are the reporting requirements to the authorities in Turkey :

Monthly

«All reporting in Turkey is done monthly.» There are no additional quarterly or year-end procedures.

- New Social Security Institution (SSI) registration
- Declaration of missing days
- E-Declarations (Social Security – **23rd of the month**)

It is legally acceptable in Turkey to provide employees with online pay slips upon the receipt of written approval from the employee.



4. New Hires

4. New Hires

The registration for a new start should be filled online on the **SSI (Social Security Institution)** registration website. The new employee should be registered one day before their start date (working day) at the latest. The employees cannot be paid legally without registration.

The table below outlines the information required to set up a new start:

GENERAL INFORMATION

- Name
- Date and Place of Birth
- Nationality
- Gender
- Marital Status
- Address
- Telephone Number
- Workplace/Location
- Department/Job Title
- Start Date
- Agreement Type (Full time/Part time)
- Normal/Retired
- State of Disability/Disablement Degree
- SSI Number
- Turkish ID Number

BANK INFORMATION

- Bank Name and Branch
- Bank Sort/Swift Code
- Bank Account/IBAN Number

SALARY INFORMATION

- Annual/Monthly Salary
- Cumulative Income from Previous Workplace
- Recurring Payments

Expat new starts are required to provide the following documentation:

- Passport
- Permit residence (original and copy, this should be taken from the Foreign Branch of the District Police Headquarters)
- Six small passport style photographs
- Diploma
- Contract
- Application Form from Labour Ministry
- Employer Address from General Directorate of Population and Citizenship Affairs
- Copy of Employer's ID card
- Employers' e-state code

5. Leavers

5.1 Severance Pay

Pursuant to Labor Law, in case the employment contract is terminated by the employer, it is required that the underlying reason of this termination be notified to the employee, and that termination is affected for a good cause. The employee may initiate a legal action before a **Labor Court** within one month from the date of notification of termination. In the forthcoming legal proceedings, the burden of proof that termination is based on a valid reason falls upon the employer. Should the employee claim that termination is due to another reason, they are **obligated to prove their claim**. In case the court decides that the termination is unfair and that the employee is to be reemployed, but the employee fails to apply for reemployment within ten work days from the date notice of the decision is served upon them, termination executed by the employer shall be deemed valid, and the employer shall be held responsible for the legal consequences.

Furthermore, Compulsory Intermediation has been introduced for employee-employer conflicts as of 2018. Parties to a conflict shall refer to an intermediary before a lawsuit can be filed. In the event that a lawsuit is filed without first referring to an intermediary to conclude the matter, the lawsuit may be directly declined. In the event that intermediation is terminated should either party fail to attend the first hearing without a valid excuse, the absentee party shall be held liable for all trial expenses even if the case is adjudicated, wholly or partially, in their favor. Furthermore, solicitor's fee may not be claimed by the absentee party.



5.1 Severance Pay

An employee who quits satisfying the conditions indicated in the Labor Law or whose employment contract is terminated by the employer must be compensated with a severance pay to be calculated based on the employees' years of service. This indemnity pay is calculated on **the basis of the last 30 days' gross wage per year** of the employment contract from the commencement date of employment. The 30-day payment per year of employment may not exceed the upper limit determined semi-annually. However, severance pay may be agreed to be paid at an amount higher than the limit indicated above in case a provision to this effect is set out in the employment contract.

The reasons on the basis of which employees are entitled to receive severance pay are as follows:

- Termination of employment to fulfill compulsory military service obligations (for males)
- Retirement (in order to receive old age, retirement pension or disability allowance from the relevant insurance institutions)
- Employee's resignation upon completing 3,600 premium days and 15 years of insurance period (in case of fulfillment of retirement conditions except the age limit and resignation with the submission of the document from the Social Security Institution indicating the fulfillment of retirement conditions, excluding the age limit, to the employer)
- Voluntary termination by female employees within one year following the date of marriage
- Death of the employee
- Termination of the employment contract in the absence of a valid reason as set forth in the Labor Law by the employer and/or for a valid reason

5.2. Notice Payment

Should the employee leave the company, the employer should forward the employee's declaration of departure from work to authorities. **This has to be done within 10 days after the termination date.**

The notice period will **depend on the number of months** the employee has worked for a company, as shown below:

NUMBER OF MONTHS WORKED	NOTICE PERIOD
Less than 6 months	2 weeks
6 months to 1.5 years	4 weeks
1.5 years to 3 years	6 weeks
More than 3 years	8 weeks

5.2 Job Security

Pursuant to Labor Law, in case the employment contract is terminated by the employer, it is required that the underlying reason of this termination be notified to the employee, and that termination is affected for a good cause. The employee may initiate a legal action before a **Labor Court** within one month from the date of notification of termination. In the forthcoming legal proceedings, the burden of proof that termination is based on a valid reason falls upon the employer. Should the employee claim that termination is due to another reason, they are obligated to prove their claim. In case the court decides that the termination is unfair and that the employee is to be reemployed, but the employee fails to apply for reemployment within ten work days from the date notice of the decision is served upon them, termination executed by the employer shall be deemed valid, and the employer shall be held responsible for the legal consequences.



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6. Employment Law

6.1 Holiday Accrual / Calculations



There is applicable legislation only for the leaver's unused vacation payment. When the employee leaves the company and she/he has not used all the annual leave, she/he has **the right to receive payment for these unused vacation days.**

Paid annual leave entitlement is based on the amount of time an employee has worked for a company, as shown below:

1 - 5 years = 14 days

5 - 15 years = 20 days

More than 15 years = 26 days

Those aged 18 and younger and aged 50 and older are entitled to a minimum of 20 days, regardless of how long they have worked for a company.

6.2 Maternity Leave

Maternity leave period is 16 weeks. In case of multiple pregnancies, the leave is increased to 18 weeks. Upon request, the employee may be granted unpaid leave of up to six months after the 16 weeks expire. When the mother starts working, she has the right to use 1.5 hours per day for breast-feeding. The breast-feeding leave period is for the 1st year of the child and this leave may be used as total (by adding the hours/ working hours).

Once maternity leave has ended, working women (or the male/female adopter of a child under 3) can reduce their working time by half for up to 60 days for the first child, 120 days for the second child and 180 days for the third child. All non-worked hours will be compensated by the state.

Any one of the working parents can reduce their working hours by half until the child begins school. The same rights are granted to adopting parents.

If the mother dies during or after childbirth, any remaining unused leave can be used by the father.

Adoptive parents who adopt a child under the age of three will receive eight weeks of maternity leave starting from the date the child is handed over to them.

The right of the mother to have six months unpaid leave after the childbirth will be granted to one of the married couple or the adopter of a child under the age of three.

6.3 Paternity Leave & 6.4 Sickness

6.3 Paternity Leave

An employee is entitled to 5 days paternity leave with pay, should their spouse give birth.

6.4 Sickness

The medical report has to be assigned onto the SSI websites the day after the report finishes and payment is taken from the SSI. In order to claim sickness benefits, the claimant must be in insured employment, be a dependent of the insured person or a pensioner. Medical treatment is provided until the insured person is back to full health.

For accidents at work, the employer should pay the first 15 days and all additional days will be paid by government pension. As it is a work related incident, if the employee is on leave for over 15 days, he/she shall be entitled to a year of work stability.

7. Employee Benefits

7.1 Expenses

The expenses such as general expenses, car mileage and company cars are not entered into the payroll. The accounting department is responsible for processing expenses.

Other common expenses:

- Expenses that are associated with meetings (transportation, meal, everything that is charged to the company)
- Telephone (receipts should have the name of the company)
- Computers
- Everything that is done on behalf to the company is an expense and it is not processed via payroll but by the accounting department.



BENEFITS

8. Visas and Work Permits

8.1 Visas and Work Permits



If an individual wishes to work in Turkey, **they must apply for a work permit and visa** at the nearest Turkish diplomatic mission no later than a month before they are scheduled to arrive in Turkey.

To apply, an individual will have to provide the following documentation:

- Passport
- Visa application form
- Letter from the employer you intend to work for

The employer should submit various additional documents to **Turkey's Ministry of Labour and Social Security (MLSS)** within three working days after the individual applies for their work permit and visa. Applications are finalised by the MLSS within **90 days at the latest**.

8.2 Resident Permit

An individual must register with the police in Turkey near where they intend to live to acquire the necessary **Residence Permit**. This must be done before starting work in Turkey, and **one month after arrival in Turkey at the latest**.

It may take as long as two months for a Residence Permit to be sent to the individual once they have applied for it. Until an individual has received the Residence Permit, **they may not leave Turkey**. It is illegal to leave Turkey without having the Residence Permit, if an individual does leave without first having obtained their Residence Permit the consequence is generally a substantial fine.

A valid work permit, as well as the Work Permit Exemption Confirmation Document is considered as residence permit.



8.3 The Exemptions to date

The exemptions to date includes ;

1. A newly established legal entity as founded by a foreign individual. If that investor **owns at least 20%** (but amounting to not less than TRY 40K) worth of shares of the entity, and that within 6 months, the 5 employee criteria can be met, a work permit may be approved for the foreign partner/investor)
2. When the foreigner will work on a product and service procurement for public institutions or by public tender, OR when the application is subject to a bilateral or multilateral agreement to which Turkey is a party, BOTH the 5:1 ratio and capital requirement shall not apply.
3. If there is evidence the position that is the subject of the work permit application requires advance technology or that a Turkish national specialist couldn't be found, both the 5:1 employee ratio and capital requirement shall not be applied.
4. For a Liaison Office in Turkey, under certain criteria, the 5:1 ratio will not be counted against the work permit for the General Manager/Company Representative.(key person)
5. Liaison Offices of a foreign public airline company is exempt from 5:1 ratio and the requirement to show a **\$200.000 USD** money transfer from abroad.
6. For the spouse of a Turkish national, who has been married for 3 years or more, the 5:1 ratio will not be counted against the work permit for that foreign spouse.
7. For the Key Personnel of a company which qualifies under the Foreign Direct Investment Law ("FDI" see below), the 5:1 ratio will not be counted. Note that both the employee and the Turkey employer must meet the qualifications under the FDI Law below for this exemption.

Though the 5:1 ratio is generally counted per worksite in Turkey as described above, in some circumstances, the ratio can be counted country wide, including all worksites in Turkey. For companies which satisfy the Foreign Direct Investment "FDI" requirements* (see below), the 5:1 ratio will be applied by taking into consideration every employee of all the Company's Turkey workplaces. Also, if the foreign employee is a "key personnel" under this law, the Directorate may not count him/her in the 5:1 ratio.

9. Banking

9. Banking

Employee's remuneration **must be paid through the bank** where workplaces have **five or more employees**.

If the foreign bank has a branch in Turkey, it will be easier for the transmission of payment.



10. Working Week

10. Working Week

Employees in Turkey can work a maximum of **45 hours per week**, generally spread over six days of the week so as **not to exceed seven and a half hours per day**. By mutual consent, weekly working time may be divided differently. Sunday is rest day in Turkey, however some workplaces allow employees to work on Sunday. **Lunch breaks are usually one hour.**





Thank You



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