1. National Trade-related Legislation

As a result of the Customs Union between the European Union and Turkey (the "EU-Turkey CU"), Turkey's trade-related legislation displays a mixed structure containing provisions both enacted entirely by Turkey and transposed from the EU's *acquis communautaire*.

The EU's trade-related legislation comprises the basis for Turkey's national trade-related legislation, especially in the spheres of general interest to Hong Kong's businesses interested in the Turkish market. Such is the case in all regulatory matters concerning the trade in goods falling within the scope of the EU-Turkey CU (i.e. industrial products and processed agricultural products) such as product safety and standards, labelling requirements and environmental regulations.

1.1 Product Standards

Under Turkish legislation, only "safe" products may be placed on the market. A product is considered to be safe if, during its life cycle, it entails zero or acceptable risk under normal circumstances. Products which comply with the technical regulations in force are presumed to be safe. These general requirements are concretised by way of regulations, decrees and further elaborated by standards for product groups and individual products.

The Turkish standardisation body for the elaboration of product standards is the *Türk Standartları Enstitüsü*, or *TSE* (https://www.tse.org.tr).

1.2 Labelling Requirements

a) General

Manufacturers are in general under the obligation to inform consumers about the risks which may go unnoticed without sufficient warning, to mark a product indicating its main features, analyse product samples collected from the market when necessary, investigate complaints and inform the distributors concerning the outcome of such investigations and, in order to prevent risks, take necessary measures including, but

not limited to, withdrawal of products from the market and destruction of products.

b) Electrical and electronic equipment

As a result of the EU-Turkey CU, Turkey's labelling requirements concerning electrical and electronic equipment are to a large extent based on the EU's regulations and directives. Labelling requirements for a wide range of electrical equipment for both consumer and professional usage (such as household appliances, cables, power supply units, and laser equipment) is covered by the Turkish Low Voltage Regulation, which imposes certain obligations on manufacturers.

The name and contact details of the manufacturer shall be provided on the equipment itself, or if not possible, on the packaging or on accompanying documents either in Turkish or in a language easily understood by end-users and acceptable to the Turkish implementing authority, i.e. the Ministry of Science, Industry and Technology. Furthermore, instructions and safety information accompanying the electrical equipment shall also be provided in Turkish or in a language easily understood by end-users and acceptable to the Turkish implementing authority. The manufacturer is also under the obligation to draw up an EU declaration of conformity, translate it into Turkish if drawn up in another language, and affix a "CE" marking on the product.

Electrical and electronic equipment which are not covered by the Turkish Low Voltage Regulation fall under the scope of the Regulation on Product Surveillance and Inspection, which sets forth a general obligation on manufacturers to provide consumers with the necessary information about risks which cannot be perceived without specific warnings and to mark the product in order to indicate its characteristics.

c) Foodstuffs

Turkey's food and nutrition labelling legislation is in line with the regulatory framework established in the EU. Under the legislation, food business operators that place the foodstuffs on the market under their

own names or commercial titles must ensure that the information required by the legislation is accurately provided. Where the goods are imported, such obligation lies with the importers. Mandatory information to be provided on the foodstuffs are:

- name of the foodstuff;
- list of ingredients;
- allergen information;
- amount of certain ingredients and group of ingredients;
- net amount of food;
- “Best before” date or expiry date;
- special conservation and/or consumption instructions;
- name and address of the food business operator;
- business registration number or identification mark;
- country of origin;
- instructions for consumption in case the foodstuff cannot be consumed appropriately without instructions;
- actual degree of alcohol in beverages with an alcohol content exceeding 1.2% of total volume; and
- nutrition facts.

For prepacked goods, the abovementioned mandatory information shall be provided either directly on packaging or on a label inseparably affixed or attached to the package. Furthermore, mandatory information must be visible and easily readable, and it must be provided in Turkish.

1.3 Environmental Protection and Waste Treatment Requirements in Relation to Merchandise Sales

Businesses that trade in Turkey are legally responsible for the impact they have on the environment. This concerns a range of environmental rules from those that relate to safe storage and treatment of waste to prevention of pollution.

a) Environmental protection

According Article 28 of the Law No. 2872 on the Environment, those who pollute or cause damage to the environment shall be liable for the resulting damage regardless of whether they were negligent or not. The polluters may also be sued for compensation under general provisions of Turkish national law. This liability comes in addition to the statutory fines set forth in the Law for a wide range of violations.

b) Waste treatment

All the policies and pieces of legislation adopted by Turkey as regards waste management have been drawn up in line with the EU legislation. The main principle governing Turkey's waste management policy is "management at the source of waste" which targets reducing the generation of waste and sorting, collection, transportation, recycling, disposing and repurposing of waste.

Turkey has enacted several pieces of legislation which deal specifically with the waste management of certain product groups. The product groups covered are waste packaging material, waste batteries and accumulators, waste electrical and electronic equipment, mining waste, end-of-life vehicles, waste oil, health-care waste, end-of-life tyres and construction waste. Other product groups may also be covered in the future.

i) Electrical and electronic equipment

The Turkish framework for the treatment of waste electrical and

electronic equipment is governed by the Waste Electrical and Electronic Equipment Control Regulation ("Turkish WEEE"), published in the Turkish Official Journal No. 28300 dated 22 May 2012. It covers large and small household appliances, IT and telecommunications equipment, consumer equipment, lighting equipment, electrical and electronic tools (with the exception of large-scale stationary industrial tools), toys, leisure and sports equipment, medical devices, monitoring and control instruments, and automatic dispensers. Under Turkish WEEE, manufacturers of electrical and electronic equipment ("EEE") are, inter alia, under the following obligations enshrined in the legislation:

- to refrain from using hazardous substances in the production, supply, research & development and design of EEE in light of the technological and economic possibilities and international developments; or conduct studies with a view to replacing such substances with safer alternatives;

- to declare that the product is "Compliant with WEEE Regulation" in the product information sheets;

- to complete and submit the Declaration of Conformity form to the Ministry of Environment and Urban Planning every year before the end of February;

- to prepare and submit, if not done by the authorised body in which the manufacturer takes part, the WEEE management plan concerning the fulfilment of the obligations set forth in the WEEE Regulation;

- to bear the expenses incurred for the transportation of household WEEE collected by municipalities and distributors starting from the collection points or distibutors, to ensure that such WEEE is treated in technically qualified facilities and, in case of no possibility of treatment, to establish a disposal system and bear the costs arising from it;

- to establish a system for the collection, treatment and disposal of non-household WEEE;

- to support the joint actions taken by provincial and municipal administrations for the collection of non-household WEEE;

- to organise educational and informative campaigns individually or along with municipalities, and to provide written visual documentation to be used during such campaigns;

- to report the WEEE collected to the coordination centre established under the WEEE Regulation;

- to file an application in the registration system and receive a code number from the Ministry of Environment and Urban Planning for the EEE to be placed on the market.

In addition to the obligations imposed on manufacturers, the Turkish WEEE also imposes certain obligations on distibutors. Under Turkish WEEE, distributors of EEE are under the following obligations enshrined in the legislation:

- to take, if requested by the consumer when a new product is sold, the old similar product which serves the same purpose regardless of its brand, model, manufacturer or content;

- to have a collection container for the collection of household WEEE proportionate to the size of the site, or to allocate a roofed portion of the selling point for this purpose;

- to ship the household WEEE collected from consumers to collection systems or licensed treatment facilities as determined in the WEEE Regulation after notifying the coordination centre;

- to display the following information at the selling point at a visible place: information concerning the collection and recycling of household WEEE, other household WEEE

collection points, and the symbol indicated in Annex 6 to the Turkish WEEE Regulation (waste bin behind an X-cross) and its meaning.

ii) Batteries and accumulators

The Turkish framework for the treatment of waste batteries and accumulators is governed by the Waste Batteries and Accumulators Control Regulation ("Turkish WBAC"), published in the Turkish Official Journal No. 25569 dated 31 August 2004.

Under Turkish WBAC, manufacturers of batteries are, inter alia, under the following obligations enshrined in the legislation:

- to mark and label secondary cells and secondary battery products as indicated in Turkish standard TS EN 61429, to mark and label the packages of button-type batteries with mercury content more than 0.0005% by weight and the packages of batteries made from such button-type batteries as indicated in Annex I to Turkish WBAC Regulation;

- to complete and return the quota implementation application form (Annex 2 to the Turkish WBAC Regulation) to the Ministry of Environment and Urban Planning;

- to ensure the collection and disposal of waste batteries in line with the target set out in the Turkish WBAC Regulation;

- to obtain authorisation from the Ministry of Environment and Urban Planning for exportation of waste batteries;

- not to manufacture or import batteries containing hazardous substances, and to take measures necessary to reduce the hazardous substances in imported batteries to minimum level;

- to organise educational and informative programmes for consumers in order to ensure that waste batteries are collected in proportion to quotas;

- to comply with the obligations imposed by the Turkish WBAC Regulation in relation to the transportation of waste batteries;

- to ensure the collection and disposal of waste batteries by means of developing a general collection and recycling system or joining an already existing system;

- to provide collection boxes and containers with “Waste Battery” and “Waste Batteries Only” markings on them at collection points free of charge, and to ensure the transportation of waste batteries to mass collection points by means of collecting the full boxes and containers;

- to establish waste battery collection sites within the solid waste collection sites organised by the municipalities, to ensure the maintenance and repair of such sites;

- to obtain authorisation from the Ministry of Environment and Urban Planning for the projects relating to waste battery collection sites; and

- to establish fixed and mobile battery separator facilities.

Under Turkish WBAC, manufacturers of accumulators are, inter alia, under the following obligations enshrined in the legislation:

- to label and mark the accumulator products as indicated in WBAC;

- to complete the deposit application form and submit it to the Ministry every year;

- to ensure the collection, recycling and disposal of waste accumulators in line with the targets indicated in WBAC;

- to obtain authorisation from the Ministry for exportation of waste accumulators;

- to take the necessary measures in order to minimise the

amount of hazardous materials in accumulators that they manufacture or import;

- to educate and inform consumers concerning the dangers of waste accumulators with a view to ensuring their participation in the collection of waste accumulators;

- to comply with the principles established in WBAC concerning the transportation of waste accumulators; and

- to ensure the collection, recycling or disposal of waste accumulators by developing a general collection and recycling system by participating in an existing system.

WBAC also imposes certain obligations on the businesses that are involved in distribution and sales of batteries. Such obligations are indicated in WBAC as follows:

- to accept free of charge waste batteries brought by consumers in line with the system to be established by the manufacturers;

- not to sell brands that do not have a waste battery collection system;

- to ensure the delivery of waste batteries brought by consumers to the manufacturer or another body authorised by the manufacturer as indicated by the manufacturer;

- to affix the warning indicated in Annex 4 of WBAC (concerning the collection of waste batteries) and to provide information concerning the collection methods and points;

- to make available at the workplace the waste battery containers to be provided by the manufacturer or the body authorised by the manufacturer.

Furthermore, WBAC imposes the following obligations on the distributors and sellers of accumulator products as well as business that are involved in maintenance and repair of vehicles:

- to accept waste accumulators brough by consumers;
- to participate in the system to be established by the accumulator manufacturers and to reimburse the consumer for the deposit amount in the case where a new accumulator is not purchased;
- to ensure the return of the accumulators brought by the consumer back to the manufacturers or to a body authorised by the manufacturer as indicated by the manufacturer;
- to affix the warning indicated in Annex 4 of WBAC (concerning the collection of waste accumulators) and to provide information concerning the collection methods and points;
- to establish a temporary storage place for waste accumulators and not to keep waste accumulators more than ninety days in such place, to ensure that the floor of the storage place is acid-resistant, not to store more than five non-leaking accumulators above each other, to maintain the leaking accumulators in acid-resistant polypropylene packages;
- to keep records of waste accumulators collected, to inform the manufacturers concerning these records, and to deliver these records to temporary storage, licensed transporters, or licensed recycling facilities.

iii) Waste packaging

The Turkish framework for the treatment of waste packaging material is governed by the Waste Packaging Material Control Regulation ("Turkish WPM"), published in the Turkish Official Journal No. 30283 dated 27 December 2017.

Packaging materials must be designed and manufactured in a manner enabling the reuse and recycling of such materials with least amount of damage to the environment in treatment and disposal stages. Except for the packaging materials for which there

is no alternative, the placing on the market and importation of packaging materials that cannot be technically recycled is prohibited.

Packaging material manufacturers must ensure that the total lead, cadmium, mercury, and chromium (+6) concentrations in packaging materials and their components do not exceed 100 ppm. This obligation does not apply to packaging materials made out of lead crystal glass.

c) Restriction of hazardous substances in electrical and electronic equipment

The Turkish framework for the restriction of hazardous substances in electrical and electronic equipment is also governed by the Turkish WEEE Regulation, published in the Turkish Official Journal No. 28300 dated 22 May 2012.

According to Article 5 of the Turkish WEEE Regulation, the following electrical and electronic equipment categories as well as electric lightbulbs and domestic lighting appliances introduced on the market after 30 May 2009 must not contain lead (Pb), mercury (Hg), hexavalent chromium (Cr6+), polybrominated biphenyls (PBB), polybrominated diphenyl ethers (PBDE) and cadmium (Cd):

- Large household appliances (including, among others, refrigerators, freezers, washing machines, diswashers, tumble dryers, electric heaters, microwave ovens, air-conditioning appliances and cooking appliances);
- Small household appliances (including, among others, vacuum cleaners, irons, scales, toasters, coffee machines, packaging machines, clocks and hair dryers);
- IT and telecommunications equipment (including, among others, personal computers, printers, laptops, notepads, copiers, calculators, fax machines, telephones and mobile phones);

- consumer equipment (including, among others, radio receivers, television receivers, video cameras and musical instruments);

- lighting equipment (including, among others, fluorescent lamps and low-pressure sodium lamps);

- electrical and electronic tools (including, among others, drillers, saws, welding machines and other machines used in the processing of wood or metal materials), with the exception of large-scale stationary industrial tools;

- toys, leisure and sports equipment (including, among others, electric trains, racing cars, video games, game consoles and electrical and electronical sports equipment);

- medical devices (including, among others, radiotherapy equipment, cardiology equipment, muclear medicine equipment and deep-freezers);

- monitoring and control instruments (including, among others, smoke detectors and thermostats);

- automatic dispensers (including, among others, hot beverage dispensers, money dispensers, any other automatic dispenser).

Manufacturers of electrical and electronic equipment must comply with this prohibition and keep the information and documents evidencing such compliance for ten years after the date of placing on the market.

Hong Kong traders may like to know that an exception applies to the above prohibition if the volume of prohibited substances does not exceed the permitted limits illustrated below.

Substance	Volume (by weight in a homogenous material)
Mercury	0.1%
Hexavalent chromium	0.1%
Polybrominated biphenyls	0.1%

Substance	Volume (by weight in a homogenous material)
Polybrominated diphenyl ethers	0.1%
Lead	0.1%
Cadmium	0.01%

Further specific exemptions apply to this prohibition as indicated in Point B of Annex 2 to the Turkish WEEE Regulation.

The Turkish WEEE Regulation further requires manufacturers of electrical and electronic equipment to refrain from using hazardous materials in their production, product procurement, product development, research and design activities. Furthermore, the manufacturers are required to submit to the Ministry of Environment and Urban Planning a declaration of conformity with the Turkish WEEE Regulation every year by the end of February. False declarations may entail imprisonment according to the Turkish Environmental Code and Turkish Criminal Code.

2. Currency Exchange and Regulations

The unit of currency in Turkey is the Turkish Lira. Notes and coins are issued by the Central Bank of the Republic of Turkey. There are no limits on the amount of money that can be brought into Turkey. However, cash of a value of TRY 25,000 or €10,000 or more, or the equivalent in other currencies, must be declared when taking it abroad.

After the economic crisis in 2001, Turkey adopted the floating exchange rate regime under which exchange rates are determined by supply and demand conditions in the market. Foreign currency transactions are therefore subject to changes in the exchange rate which means prices agreed between supplier and customer can change before delivery.

In order to protect against these changes there are a number of options which are open to businesses, designed to reduce financial risk:

- Businesses can protect against movements in the exchange rate by exchanging currency in parts, thus spreading the exchange rate risk, or by arranging a “forward contract”. A forward contract allows the supplier to agree an exchange rate today to buy or sell currency at a future date. Forward contracting can be attractive to businesses as the exchange rate is a known quantity and allows them to accurately budget. It also allows a business to take advantage of exchange rates when they are advantageous. Forward contracts can be taken out with a Turkish bank.

- A business can open an account with a Turkish bank, exchanging money when the exchange rate is beneficial. If business is to be carried out from Turkey with other customers in other countries a euro or a US dollar account can be opened in Turkey.

- Currency options can be purchased. A currency option is a similar tool to a forward contract, but it also allows for potential gains from the exchange rate to be used if the market moves in the supplier’s favour. A premium is payable and this option is again available from Turkish banks.

Finally, the indicative daily exchange rates are published by the Central Bank of the Republic of Turkey in the Turkish Official Journal.

3. Common Payment Methods

Turkey's banking system offers a full range of means of payment, the most significant of which are bank transfers, credit cards, debit cards, cheques, letters of credit and telegraphic transfers via banks.

All major methods of payment used in international trade are practised by Turkish companies: cash in advance, cash against documents, cash against goods, and letters of credit.

As of 1 January 2016, a TRY 7,000 cap has been set for cash transactions between private consumers and professionals, as well as between professionals. Accordingly, trading entities identified in tax legislation (including companies) must collect and make payments exceeding TRY 7,000 via financial institutions. Furthermore, these trading entities are under the obligation to evidence such payments by documents issued by the financial institutions.

4. Appointment of Sales Agents/ Representatives

4.1 Recruitment of Agents and Representatives

Agency contracts are governed by the Turkish Commercial Code, which defines an agent as a person whose profession is to mediate the conclusion of contracts in favour or on behalf of a trader in a certain area on the basis of a separate agency contract instead of an employment contract with that trader.

It is to be noted that under Turkish law, agency contracts are not subject to a specific form requirement. In other words, these contracts may also be concluded orally. However, Hong Kong traders may like to know that under the Turkish Civil Procedure Code, claims exceeding TRY 2,500 in value must be evidenced by a written document. Therefore, in the case of a dispute exceeding TRY 2,500 within the framework of an agency contract, the existence of the contract must be proven by the claimant by means of written evidence.

Unless agreed otherwise in writing, the Turkish Commercial Code prohibits the recruiter from appointing more than one agent in the same area for the same business, and prohibits the agent from working on behalf of another trader in the same areas that are in competition with each other.

In relation to the specific aspects of the recruitment of agents and representatives, Hong Kong traders may want to note the following:

- the agent must be competent to serve and receive notifications destined to protect the rights of the recruiter in relation to the contracts with which he or she is involved;

- the agent may sue on behalf of the recruiter or be sued in relation to the contracts he or she is involved with. Terms included in the agency contracts concluded with a foreign trader which contradict this provision are void;

- decisions rendered at the end of lawsuits filed against the trader on behalf of which the agent conducts business cannot be enforced against the agent;

- unless there is a specific leave to do so from the recruiter in writing, the agent cannot conclude contracts on behalf of the recruiter; and

- in the case where the agent concludes contracts without authority or in excess of his or her authority, the agent shall be liable for fulfilling the contract if the recruiter does not consent to it afterwards.

An agency agreement concluded for an indefinite period of time may be terminated upon notice by either of the parties three months before the date of termination. In case the agreement is concluded for a determined period of time, it may be terminated at any time if there is existence of just cause. If an agency contract is terminated without due regard to the aforementioned three-month notice period or without providing just cause, the terminating party shall compensate the other party for losses arising from the incompletion of the works in progress.

4.2 Commissions and Other Compensations

A sales agent is entitled to a commission for procured or concluded deals during an agency agreement. In case a certain region or customer group is left to the agent, the agent may ask for a commission in relation to the deals concluded in the defined region or with the customer group during the existence of the agency agreement even if such deals are concluded without the contribution of the agent.

The agent's right to a commission arises at the moment and to the extent of the performance of the transaction. Parties may agree otherwise in the agency agreement; however, when the recruiter performs the transaction, the agent can claim a reasonable amount of compensation on the last day of the following month. In any event, the agent has the right to compensation as from the moment and to the extent the third party performs the transaction.

In the case where it becomes evident that the third party will not perform the transaction, the right of the agent for compensation expires and the amounts already paid shall be returned. However the agent may still claim compensation even in the case where it becomes evident that the recruiter will not perform the transaction partially or as agreed between the parties. The right of compensation expires if the transaction cannot be performed due to reasons which cannot be attributed to the recruiter.

If the agency agreement is silent as regards the amount of compensation, the level of compensation shall be determined in line with the commercial customary practices in the place of business of the agent and, in the absence of any commercial customary practices, by the Commercial Court of the agent's place of business.

The compensation that the agent earns shall be paid within three months at the latest as from the moment the right to compensation arises and, in any event, on the date on which the agency agreement is terminated. Any clause in the agency agreement that contradicts this provision is void to the extent it is to the detriment of the agent.

5. Establishment of Sales Offices/ Subsidiaries

A foreign business can establish a basis for commercial activity in Turkey in different ways:

- formation of a branch office (see Section 5.1 below);
- formation of a liaison office (see Section 5.2 below); or
- formation of a subsidiary company with its own legal form (incorporation of a business, see Section 6 below).

5.1 Branch Office

a) Procedure

Companies whose headquarters are outside Turkey can register their branch offices as Turkish companies do. For those branch offices, a fully competent commercial agent established in Turkey shall be appointed. In the case where there are more than one branch offices, those that are established after the first one shall be registered as if they were branches of a Turkish company.

The commercial name of the branch office in Turkey shall clearly indicate the nature of the business as a branch office of a company headquartered outside Turkey, and shall indicate the place where the headquarters and the branch office are located.

In order to register the branch office in Turkey, the following documents shall be filed with the competent commercial registry office:

- a document issued by the competent authorities in the country where the headquarters are located indicating that the company has complied with the legal requirements under the laws of that country to register a branch office and indicating the list of documents necessary for registering a branch office (as well as a Turkish translation thereof);

- all documents necessary for the registration of the branch office under the laws of the country where the headquarters are located;
- a commercial registry document including the records of the headquarters (as well as a Turkish translation thereof);
- articles of association of the company (as well as a Turkish translation thereof);
- decision of the company to establish a branch office in Turkey and to appoint a fully competent commercial agent (as well as a Turkish translation thereof);
- a declaration signed by the authorised representatives of the company indicating the following information concerning the company: commercial name, type, business scope, capital amount, date of establishment, commercial registry number, applicable laws, whether the company is established in an EU Member State, internet page, commercial name of the branch office and the capital allocated to the branch office, and names, ID numbers and addresses of persons appointed as fully competent commercial agents (as well as a Turkish translation thereof);
- a power of attorney issued for the appointment of commercial agents if the competence of these agents are not set forth in the decision to establish the branch office (as well as a Turkish translation thereof);
- sample signatures of the fully competent commercial agents of the branch office;
- in case the establishment of a branch office is conditional upon an authorisation or leave from the relevant Ministry or bodies, such document should also be provided;

The following information is registered and published with respect to the establishment of a branch office of a company headquartered outside Turkey:

- commercial name of the parent company and the address of the headquarters;
- amount of capital of the parent company;
- capital allocated to the branch office;
- commercial name of the branch office and its address;
- scope of business of the branch office;
- decision of the parent company's competent body for the appointment of the commercial agent;
- names, surnames, nationalities, ID numbers and addresses of the fully competent commercial agents.

In case the operation of the branch office of a foreign company ceases, the branch office should be deregistered from the commercial registry. For the deregistration of the branch office, the following documents must be provided to the commercial registry office:

- a notarised copy of the decision concerning the cessation of activities in Turkey taken either by the branch office or the headquarters (and a Turkish translation thereof if the decision is taken by the headquarters);
- if the cessation of activities is due to another reason, a certified copy of the document evidencing such reason and a Turkish translation thereof if necessary;
- signature circulars of the liquidation officers; and
- acceptation of appointment by the liquidation officers if they are not chosen among the authorised persons representing the branch office.

b) Main obligations

First of all, there may be corporate tax and VAT obligations for the branch office as it is legally designed to conduct commercial activities.

Branch offices of foreign companies have to comply with certain notification obligations under the Regulation on the Implementation of Foreign Direct Investments Law. Accordingly, branch offices of foreign companies must:

- complete and return to the Ministry of Economy the "Operational Information Form for Direct Foreign Invesments" concerning their capital and activities every year before the end of May;
- complete and return to the Ministry of Economy the "Capital Information Form for Direct Foreign Investments" concerning the payments made into a capital account within one month as from the date of payment; and
- complete and return to the Ministry of Economy the "Share Transfer Information Form for Foreign Direct Investments" concerning the share transfers between the existing local or foreign shareholders as well as share transfers to any local or foreign investors outside the company within one month as from the date of the share transfer.

c) Other considerations

Rights and obligations arising from the transactions conducted by the branch office belong to the headquarters; however, it should be noted that pursuant to Article 14(1) of the Turkish Civil Procedure Law, claims arising from the conduct of the branch office may be filed before the courts in the place where the branch office is located in addition to the competent courts in the place of business of the head office.

5.2 Liaison Office

Businesses that are not established in Turkey may also establish liaison

offices in Turkey in addition to branch offices. However it should be noted that liaison offices cannot engage in commercial activities. Liaison offices may be defined as representative offices of the headquarters, in Turkey, which may perform activities such as representation and entertainment; control and inspection of suppliers in Turkey in terms of quality and standards; finding suppliers; technical support; communication and information transfer; and as a regional management centre.

a) Procedure

Foreign companies are required to obtain a permit from the Ministry of Economy (Directorate-General of Incentive Implementation and Foreign Investment) for the establishment of a liaison office.

The Ministry may require the company to be operational for at least one year in order to issue a permit for the establishment of a liaison office. Applications relating to establishment and extension of permits are - if the documents required are complete - concluded within fifteen working days as from the date of application.

Hong Kong traders may like to know that applications filed by international investors to establish liaison offices in order to operate in sectors that are subject to special legislation, such as money and capital markets or insurance, are assessed by the relevant regulatory authorities of the respective sectors.

The following documents must be filed with the Ministry in an application for the establishment of a liaison office:

- an application form;
- the Letter of Commitment indicating the liaison office's field of activity, a written statement that the liaison office will not carry out commercial activities, and the authorization document of the parent company official who signed the letter;
- the Certificate of Activity of the parent company;

- the activity report or balance sheet and income statement of the parent company;

- the certificate of authority issued in the name of the person/persons who is/are appointed to carry out the operations of the liaison office;

- the power of attorney in case another person will carry out the establishment transactions of the liaison office.

The initial permit for the establishment of a liaison office is issued for three years, and can thereafter be extended depending on the activities of the past three years and the future plans of the parent company.

It should be noted that all the necessary documents issued and executed outside Turkey must be notarised and apostilled or alternatively ratified by the Turkish consulate where they are issued. The original executed, notarised and apostilled documents must be officially translated and notarised by a Turkish notary.

b) Main obligations

After obtaining the establishment permit, liaison offices shall communicate to the Ministry of Economy a copy of the tax office registration and the rental agreement. Liaison offices are required to notify the Ministry of Economy of the changes to the address, representatives, or the name of the foreign company along with the relevant documents proving such changes within one month as from the date of change.

Every year until the end of May, liaison offices must file the “Information Form on the Activities of Liaison Offices” with the Ministry concerning their activities in the preceding year. Extension requests of liaison offices that do not comply with this requirement shall not be taken into consideration and their permits may also be revoked.

In order to close a liaison office, a cessation document received from the tax authority must be filed with the Ministry. Liaison offices cannot

request transfers of sums except for those remaining after the degistration and liquidation.

c) Other considerations

The Ministry may inspect on its own initiative or on the notification of other institutions any liaison offices in order to determine whether they conduct their activities in compliance with the legislation and the field of activity indicated on their permits. In case liaison offices are determined to conduct activities other than those indicated on their permits after an inspection, the liaison offices are required to apply for a permit for the activity concerned within thirty days, which may be extended for another thirty days if reasonable grounds exist. Permits of liaison offices which do not file such application are revoked.

If the Ministry determines that the liaison office is conducting a commercial activity, the permit of the liaison office is revoked and the relevan authorities are notified of such revocation.

As liaison offices do not conduct commercial activities, salaries of the personnel and expenses for the offices are paid by the head office outside Turkey which shall be sent to Turkey in foreign currency.

6. Incorporation of a Business

Turkey's foreign direct investment ("FDI") Law is based on the principle of equal treatment, allowing international investors to have the same rights and liabilities as local investors.

The conditions for setting up a business and share transfer are the same as those applied to local investors. International investors may establish any form of company set out in the Turkish Commercial Code (TCC).

6.1 Types of Business Organisations

There are corporate and non-corporate forms for companies under the TCC, which states that companies may be established under the following types:

- Corporate forms
  - → Joint stock company
  - → Limited liability company
  - → Cooperative company
- Non-corporate forms
  - → Collective company
  - → Commandite company

Although companies may be established according to these five different types, joint stock companies and limited liability companies are the most common types chosen both in the global economy and Turkey. They are subject to the same establishment procedures in Turkey before the relevant authorities. However, these companies slightly differ in terms of their main characteristics as explained below.

In addition to these types of companies, branches and liaison offices (please see the relevant sections above) may also be considered as two further alternatives when setting up a business in Turkey. However, it is to be noted

that branches and liaison offices are not considered to be separate legal entities.

a) Joint stock company

A joint stock company ("JSC") may be formed with a minimum of one registered shareholder. JSCs whose shares or bonds are offered to the public must be registered with the Turkish Capital Market Board which is the executive body governing the operations of publicly held companies. Only those companies established in the form of a JSC may be offered to the public and their shares can be traded on the Stock Exchange. These public corporations are thus subject to the regulations of the Turkish Capital Market Board. These regulations cover financial reporting/audit requirements, disclosure and announcement of a prospectus for issuance of shares to the public, and the authorised share capital.

The minimum amount of capital necessary to form a JSC is TRY 50,000. The subscribed share capital is to be paid in cash or in kind. Each shareholder's liability is limited to the value of his or her shares.

A company is managed by its Board of Directors (BoD) comprising a minimum of one person. A director may be a real or a legal person. There is no limitation in the Turkish Commercial Code for the maximum number of persons on the BoD. The directors are elected at the General Assembly meeting for a certain time period by the shareholders or by the Articles of Association. However, this period cannot exceed three years. They may be re-elected for a next period of three years. The BoD designates individuals authorised to represent the company and determines the details concerning signatory powers. Foreigners may also be appointed as members of the BoD.

Based on the Turkish Commercial Code, the general assembly of a JSC is attached with exclusive authorities and is composed of all shareholders. There are two types of general assembly meeting:

- **ordinary general assembly meeting**, which is held at least once a year within three months following the end of the accounting period; and

- **extraordinary general assembly meeting**, which may be held as often as deemed necessary.

In a general assembly meeting, the shareholders have the right to modify the Articles of Association; appoint directors and auditors; approve the income statement, balance sheet, independent auditors' and directors' reports; ratify the acts of the directors and acquit the BoD; and make all important decisions that may not be delegated to any other body by Law.

Any changes in the Articles of Association of a JSC must be announced in the Official Trade Registry Gazette as well as the announcement of the Articles of Association. The resolutions regarding the transfer of head office or the minutes of the general assembly must also be announced in the Official Trade Registry Gazette. An annual report is required for each accounting period and must be made available for inspection by all shareholders fifteen days prior to the annual general assembly meeting.

The companies that are subject to independent audit must also have a website in order to publish the information to be announced in the Trade Registry Gazette online.

b) Limited liability company

Limited liability companies differ from JSCs with respect to the flexibility of forming the organisational and financial structure of the company and exceptions regarding the limited liability of shareholders. Moreover, limited liability companies may not be involved in public offerings. Limited liability companies require a minimum of one shareholder. The conditions for the formation of limited liability companies are as follows:

- the founders must be at least one individual or legal entity, and the number of shareholders may not exceed fifty. The shareholders'

financial liability with respect to unpaid taxes and similar public charges is in proportion to their shares in the capital of the company (with effect from 29 July 1998);

- the minimum capital requirement for a limited liability company is TRY 10,000 which is divided into shares of TRY 25 or a multiple thereof. Each shareholder receives a share of the net profit in proportion to the amount of capital paid up; and

- the independent audit criterion and requirements for joint stock companies are also applicable to limited liability companies.

6.2 Procedures for Setting up a Business

When establishing a company in Turkey, one needs to adhere to the following rules and regulations:

Submission of the memorandum and articles of association online at MERSIS

Pursuant to the Trade Registry Regulation, trade registration transactions must be fulfilled through MERSIS (the Central Registry Record System).

MERSIS is a central information system for carrying out commercial registry processes and storing commercial registry data electronically on a regular basis. A unique number is given to legal entities that are actively involved in business. Online establishment of new companies is possible on MERSIS, and already-established companies may operate through the system after the transfer of their records.

Execution and notarisation of company documents

The following documents are required for registry applications at the relevant Trade Registry Office:

- notarised articles of association (four copies, one original);

- in case the foreign partner is a real person, the required documents are: For each real person shareholder, two copies of their passports;

- In case the foreign partner is a legal entity, the required documents are:

  → the Certificate of Activity of the legal entity designated as the shareholder issued by the relevant authority in the investor's country. The certificate must bear information regarding the current status and signatories of the company;

  → resolution(s) of the competent corporate organ of the legal entity shareholder(s) authorising the establishment; if there will be any specific condition for the prospective company to be incorporated (name of the company, field of activity, etc.) it must be stated in the resolution for the sake of clarity;

  → in case a legal entity is going to be appointed as a member on the board of directors of the prospective company to be incorporated, the name of the real person who will act in the name of the legal entity and the legal entity board member's appointment must be stated within the same or with a separate resolution for the sake of clarity;

  → if the process is going to be followed by proxy, a notarised copy of a power of attorney authorising the attorneys who will follow up the application before the competent Trade Registry Office and other official authorities in order to proceed with the application (where applicable):

- notarised signature declarations (two copies);

- notarised identity cards of the company managers (one copy).

It should be noted that, except for the first item above, all the necessary documents that will be issued and executed outside Turkey must be notarised and apostilled or alternatively ratified by the Turkish consulate where they are issued. The original executed, notarised, and apostilled documents must be officially translated and notarised by a Turkish notary.

Obtaining a potential tax identity number

A potential tax identity number for the company, non-Turkish shareholders, and non-Turkish board members of the company, must be obtained from the relevant tax office. This potential tax identity number is necessary for opening a bank account in order to deposit the capital of the company to be incorporated. The documents required by the tax office are as follows:

- a petition requesting registration;
- notarised Articles of Association (one original);
- copy of the tenancy contract showing the registered address for the company;
- if the process is going to be followed by proxy, a power of attorney must be issued specifically showing the authority to act on behalf of the company before the tax authority in order to obtain a tax identity number or potential tax identity number.

Depositing a percentage of capital into the account of the Competition Authority

At the stage of registration, companies are required to deposit 0.04% of their capital into the account of the Turkish Competition Authority. Therefore, with registration, the trade registry office requests the original of the bank receipt (from Halk Bank, Ankara corporate branch) indicating that the 0.04% of the capital has been deposited into the account of the Competition Authority at the Central Bank of the Republic of Turkey (CBRT) or a public bank, or the EFT receipt signed and stamped “collected” (account no: 80000011 - IBAN no: TR40 0001 2009 4520 0080 0000 11), which shows an amount equal to 0.04% of the company’s capital has been paid to the account of the Competition Authority.

Depositing at least 25% of the startup capital in a bank and obtaining proof thereof

25% of the share capital must be paid up prior to the new company registration. The remaining 75% of the subscribed share capital must be paid within two years. Alternatively, the capital may be fully paid prior to registration.

Application for a registration at the trade registry office

Pursuant to gathering the following documents, founders of the company may apply for registration:

- petition requesting registration;
- four copies of the incorporation notification form;
- four copies of the notarised articles of association (one original);
- bank deposit receipt with respect to the payment made to the bank account of the Competition Authority (0.04% of the company's share capital);
- for each person authorised to represent the founders of the limited liability company, two copies of the signature declarations;
- founders' declaration (one original);
- Chamber of Commerce registration form (two different forms for two different shareholder types: real person shareholder or legal entity shareholder);
- written statement of non-shareholder members of board of directors that states acknowledgement of this duty;
- bank certificate of the paid-up minimum capital deposit (at least 25% of subscribed capital). If there will be any capital contribution in kind, the following documents should be prepared:

  → expert report regarding the capital in kind;

- → statement of the relevant registry indicating there is no limitation on that capital in kind;

- → document indicating that the annotations have been done to relevant registries regarding the capital in kind;

- → written agreements between founders, other persons, and the founding company regarding the foundation of the company.

Following completion of the registration phase at the trade registry office, the trade registry office notifies the relevant tax office and the Social Security Institution ex-officio regarding the incorporation of the company. The trade registry office arranges for an announcement in the Commercial Registry Gazette within approximately 10 days of the company's registration. A tax registration certificate must be obtained from the local tax office soon after the trade registry office notifies the local tax office.

A social security number for the company must be obtained from the relevant Social Security Institution. For the employees, a separate application has to be made following the registration of the company with the Social Security Institution.

Certification of the legal books by a notary public

The founders must certify legal books the day they register the company at the trade registry office. The notary public must notify the tax office about the commercial book certification.

Follow-up with the tax office on the trade registry office's company establishment notification

The trade registry office notifies the tax office and the Social Security Institution of the company's incorporation. A tax officer comes to the company headquarters to prepare a determination report. There must be at least one authorised signature in the determination report. trade registry officers send the company establishment form, which includes the tax number notification, to the tax office.

Issuance of signature circular

After the company has been registered at the trade registry, the signatories of the company must issue a signature circular identifying their roles as signatories and indicating their competences.

6.3 Business Licences

Under Turkish legislation, all trading entities are required to register with the Chamber of Commerce or Chamber of Industry in the location of their operations. Furthermore, permits to start operations must be obtained from the municipal authorities.

Businesses in Hong Kong should be aware of specific licence requirements for certain industries. These include, among others:

- environment authorisation and/or licence, which requires certain industries (energy, mining, construction materials, metallurgy, chemical and petrochemical products, forestry, food, waste, etc.) to receive an authorisation and/or licence from the Ministry of Environment and Urban Planning to operate;
- business licence for non-sanitary enterprises, which require businesses with large environmental effects to obtain a special business licence;
- mining operation licence, which should be obtained by companies involved in mining from the Ministry of Energy and Natural Resources;
- specific licences for certain food establishments; and
- establishment licence, which shall be obtained from the Banking Regulation and Supervision Agency by banks to be established in Turkey.

7. Taxes

7.1 Corporate Tax

Corporate income, as adjusted for exemptions and deductions, including prior year losses (tax losses may be carried forward for five years but losses may not be carried back), is subject to corporate income tax at a rate of 20%, irrespective of the legal form (i.e. JSC, LLC). Corporate taxpayers defined in the law are as follows:

- Capital companies;
- Cooperatives;
- Public economic enterprises;
- Economic enterprises owned by associations and foundations;
- Joint ventures.

Corporations with legal or business centers located in Turkey are qualified as residents and are subject to tax on their income derived in Turkey and other countries. If both the legal and business centers are not located in Turkey, then these corporations are qualified as non-residents and subject to tax only on their income derived in Turkey. In this respect, branch profits are subjected to the Turkish corporate income tax (CIT) at a rate of 20% since branches are taxed solely on the income derived from activities in Turkey if they are regarded as non-resident entities from the Turkish tax perspective. The legal center is the place stipulated in the Articles of Association or the incorporation law of corporations that are subject to tax, while the business center is defined as the place where business activities are concentrated and managed.

Corporations are required to pay advance corporate income tax based on their quarterly profits at a rate of 20%. Advance corporate income taxes paid during the tax year are offset against the ultimate corporate income tax liability of the company, which is determined in the related year's corporate income tax return. The balance of advance tax can be refunded or used to

offset other tax liabilities.

The corporate income tax base is calculated by adjusting the commercial profit with deductions and non-deductible expenses. Typical deductible expenses are as follows:

- Expenses incurred for the issuance of share certificates or corporate bonds.
- Start-up costs (these costs are either to be expensed or capitalised at the discretion of the tax payer).
- Previous years' tax losses provided that they have not been carried forward for more than five years (on the condition that the tax loss corresponding to each year is specified in the corporate income tax return. Please note that "deductible loss" is the "tax loss" for the previous five periods shown on the corporate tax return, not the "accounting loss" shown on the income statement or the balance sheet of a company). It is also worth mentioning that loss carryback is not allowed.
- Donations made to governmental institutions or to associations and foundations which are granted tax exemption by the Council of Ministers, and which do not exceed 5% of the current year's profit. All donations made for the construction of dormitories, nursery schools, rest homes, and rehabilitation centres, subject to certain conditions.
- All cultural and artistic donations made to governmental institutions or to associations and foundations that are granted tax exemption by the Council of Ministers (such donations are cited in detail in the legislation).
- All sponsorship payments for amateur sports activities and 50% of the sponsorship payments for professional sports activities.
- Depreciation of fixed assets.

- Meals provided on the company's premises to employees, without any limitations. However, there is an updated limit each year.
- Social security contributions.
- Compensation paid or losses incurred in line with contracts or court rulings, provided that they are related to the business.
- Travel and accommodation expenses related to operations and proportional to the volume of business.
- Real estate, stamp, and municipality taxes and duties and fees that are relevant to the corporation.
- Fees paid by the employer to labour unions.
- Contributions paid by the employer to the private pension system (subject to a ceiling).

Resident and non-resident entities that have a permanent establishment in Turkey are obliged to file annual corporate income tax and quarterly advance corporate income tax returns (on a calendar year basis unless permission to the contrary is specifically obtained from the Ministry of Finance).

The last date of submission of the corporate income tax return is the 25th of the fourth month, following the end of the fiscal year end. The advance tax return should be submitted at the latest by the 14th of the second month, following thequarter period.

Corporate income tax must be paid by 30 April of the year of filing; taxable income is declared on a quarterly basis as advance tax on the 14th of the second month, following each quarter, and is payable on the 17th of the same period. Paid advance corporate tax is offset against the final corporate tax calculated in the annual tax return.

Under the Turkish Commercial Code, Turkish companies are required to set aside first and second level legal reserves from their profits. Please note that branches are not subject to the legal reserve requirements.

7.2 Value Added Tax

Any person or entity engaged in an activity within the scope of the VAT law must notify the local tax office where his place of business is located. In order to register for VAT purposes, a foreign company must have a permanent establishment (PE) in Turkey and is obliged to register for all tax purposes (i.e. VAT, corporate income tax, withholding tax, stamp duty, etc.) with a tax office in Turkey.

The Turkish VAT system employs multiple rates and the Council of Ministers is authorised to change the VAT rates within certain limits. The standard rate of the VAT on taxable transactions is set at 10% in the VAT Law, but this rate was increased to 18% on 15 May 2001. Please note that there are two basic forms of exemption under the Turkish VAT law:

- Exemption without credit for previously paid VAT: In this case, input VAT cannot be deducted or reclaimed but can only be recorded as a cost or an expense. Transactions subject to "exemption without credit for previously paid VAT" include the supply of goods and services for cultural, educational, recreational, scientific, social, and military purposes and certain other categories.

- Exemption with credit for previously paid VAT: In this case, transactions are exempt from VAT but the taxpayer has the right to offset or request a refund of previously incurred VAT. This mechanism is principally concerned with export operations.

VAT exemptions include, but are not limited to, the following:

- Exports of goods and services.

- Roaming services rendered in Turkey for customers outside Turkey (i.e. non-resident customers) in line with international roaming agreements, where a reciprocity condition is in place.

- Contract manufacturing for clients operating in free zones.

- Petroleum exploration activities.

- Services rendered at harbors and airports for vessels and aircrafts.
- Supply of machinery and equipment within the scope of an investment certificate.
- Transit transportation.
- Deliveries and services made to diplomatic representatives and consulates on condition of reciprocity, international organisations with tax exemption status and to their employees.
- Banking and insurance transactions which are subject to Banking and Insurance Transactions Tax.

7.3 Other Relevant Taxes

a) Special consumption tax

Special consumption tax ("SCT") is an indirect tax which was introduced with effect from 1 August 2002. Unlike VAT, SCT is applied only at once by the party that becomes liable as a result of occurrence of the taxable event for the particular types of products as specified in the lists attached to the SCT Law. Thus, similar to VAT, SCT constitutes a cost for the buying party who is not held liable to calculate and declare such tax whereas the selling party is the taxpayer who is liable to calculate SCT on his or her deliveries.

SCT is applicable to only certain types of goods specified and enumerated in the lists attached to the SCT Law. There are four lists of products attached to the SCT Law:

- Importation and production of the goods concerned in List I: Natural gas, petroleum products and various kinds of solvent products and by-products;
- First acquisition or importation, or delivery of the vehicles by its manufacturer, auction sale of the vehicles before SCT is levied on List II: Vehicles;

- Importation or delivery of the goods by its manufacturer and auction sale of the goods before SCT is levied on List III: Cigarettes, tobacco products, alcoholic drinks, non-alcoholic beverages;

- Importation or delivery of the goods by its manufacturer, auction sale of the goods before SCT is levied on List IV: Durable consumer goods and luxury goods such as cosmetics, perfumes, white goods like refrigerators, washing machines etc., electronic appliances like recorders, televisions etc.

The Council of Ministers is authorised to change the rates of SCT, or impose fixed amounts of SCT instead of proportional taxation in accordance with the SCT Law.

b) Stamp tax

Documents within the scope of the stamp tax are papers which are legally valid and exercisable, bearing a signature (or a sign replacing signature, or electronic signature), and which are prepared for the purpose of proving any legal subject. In this sense, the stamp tax applies to a wide range of documents including written agreements.

The stamp tax rate on the taxable papers is 0.948%, with an exception for lease agreements which are taxed at 0.189%. The stamp tax is calculated on the highest value stated or calculable from the taxable paper, or on the maximum amount stated on the paper. The stamp tax amount per document shall not exceed TRY 2,135,949.30 (applicable for the year 2018 - this limit is subject to change every year).

c) Property tax

Buildings and land owned in Turkey are subject to real estate tax at varying rates.

Property tax is levied based on the value of land or buildings at rates of 0.2% for buildings, 0.1% for dwellings, 0.1% for land and 0.3% for building sites. The rates are increased by 100% for buildings and land located in larger cities. The square metre rates for valuing buildings

depend on the location of the property. Property tax is payable annually, in two installments, in May and in November.

An environmental tax is levied by the municipalities on buildings used, *inter alia,* as a place of business. Tax is levied at fixed amounts that change annually based on defined categories. The resident of the building (either the landlord or the tenant) is liable for the environmental tax. The landlord is responsible for making a compulsory contribution to the municipality at a rate of 10% of the annual accrued real estate tax for the protection of immovable cultural property. The contribution is levied through the real estate tax.

d) Inheritance and gift tax

Inheritance and transfer tax is levied on free transfers such as gifts and inheritances and varies between 1% and 30%, depending on the amount of the transfer concerned and the way the property is transferred (as inheritance or gift).

e) Motor vehicle tax

Motor Vehicle Tax is levied annually on motorised vehicles and boats, according to a specific tariff. The individuals and the entities registered as the owners of motor vehicles are obliged to pay motor vehicle tax. The payments are made in two equal installments in January and July of each year.

The amount of tax varies depending on the age, engine capacity and type of vehicle or boat.

8. Employment

8.1 Employment Procedures

a) Social security

Social security premiums (as a percentage of employee's gross earnings) are payable by both employers and employees. Rates for employees working in specific sectors (like mining, oil/gas exploration) may vary depending on the risk category of the work performed.

Foreigners making social security contributions in their home countries do not have to pay the Turkish social security premiums if there is a reciprocal agreement between their home country and Turkey.

As regards Compulsory Contributions to the Unemployment Insurance Plan (Unemployment Insurance Premium Payments), employees, employers and the State are required to make a compulsory contribution to the Unemployment Insurance Plan at the rates of 1%, 2% and 1%, respectively, of gross salary of the employee (subject to a maximum base).

Like the social security premium payments, unemployment insurance premiums are also to be paid on a monthly basis. Employers are able to deduct such contributions from their taxable income. On the other hand, an employee’s contributions are deductible from the income tax base of the employee.

Unemployment insurance premiums are declared and paid to the Social Security Organisation together with social security premium contributions.

Foreign individuals who remain covered under the compulsory social security system of their home country that have a social security agreement in effect with Turkey are not liable for insurance payments to the Turkish social security. The proof of foreign coverage is to be filed with the local social security office. If the employee is not subject to a foreign social security, full contributions would generally be imposed.

b) Employment agreement

Terms of employment in Turkey are mainly governed by the Labour Law and Trade Union Law. Pursuant to the Labour Law, there are various types of employment contracts:

- Employment contracts for “temporary” and “permanent” work;
- Employment contracts for a “definite period” or an “indefinite period”;
- Employment contracts for “part-time” and “full-time” work;
- Employment contracts for “work-upon-call”;
- Employment contracts with a trial period;
- Employment contracts constituted with a team contract;

An employment contract does not have to be concluded in a specific format. However, if a contract is signed for a definite period, it must be concluded in writing. Employment contracts are exempt from stamp tax and other duties.

Any kind of discrimination among employees with respect to language, race, gender, political opinion, philosophical approach, religion or similar criteria is prohibited by Law. Discrimination based on the gender of an employee is not allowed when determining the amount of remuneration for employees working in the same or equivalent jobs.

In case of violation of the principle of equality, the employee who is subject to discrimination can request monetary compensation.

c) Working hours and overtime

According to the Labour Law, the maximum normal working hours is 45 hours per week. In principle, 45 hours should be distributed equally within the working days.

However, based on the relevant rules introduced by the new Labour Law, working hours may be distributed unevenly over the working days provided that the total daily working hours do not exceed 11 hours a day and the parties agree on the uneven distribution of the working hours over the working days.

Hours exceeding the limit of 45 hours per week are to be paid as "overtime hours". Payment for an overtime hour must be 1.5 times the regular hourly wage/salary. Instead of the overtime payment, employees may be granted a free time of 1.5 hours for each overtime hour worked.

Overtime worked during weekends and public holidays is to be paid twice as much as the regular hourly rate. These rates are the minimum set by Law and may be increased based on a collective or bilateral agreement between employees and the employer. Total overtime hours worked per year may not exceed 270 hours.

d) Maternity leave

According to the relevant rules of the current Turkish Labour Law, female employees are permitted to have a paid maternity leave period of eight weeks prior to and eight weeks after giving birth (i.e. a total paid maternity leave period of 16 weeks). It is also possible to optionally take unpaid maternity leave of up to six months in addition to the paid leave period of 16 weeks.

e) Annual paid vacation

There are six paid public holidays per year (January 1st, April 23rd, May 1st, May 19th, August 30th, and October 29th) plus two paid periods of religious holidays (Ramadan Holidays - 3.5 days, and Feast of the sacrifice - 4.5 days).

Employees are entitled to paid annual vacation for the periods indicated below, provided that they have worked for at least one year including the probation period.

Years of Work	Minimum Paid Vacation Period
1-5 years (inclusive)	14 days
5-15 years	20 days
15 years and longer	26 days

The minimum period of annual paid vacation for employees below 19 and above 49 is 20 days.

These benefits are the minimum set by the Law and may be increased based on a collective or bilateral agreement.

In principle, the paid vacation period cannot be unilaterally divided by the employer. However, the total period can be divided into three parts (at most) based on the agreement between the employer and the employee, provided that a part of the vacation period would not be shorter than 10 days.

If a job contract is terminated either by the employer or the employee, the vacation pay earned by the employee as of the date of termination must be paid.

f) Obligation to employ disabled, handicapped and ex-convicts

Employers that employ 50 or more employees are required by the Labour Law to employ a certain number of disabled/handicapped persons and ex-convicts. In the private sector, the number of disabled/handicapped persons employed must consist of 3% of the total number of employees. This percentage is applied as 0% in the case of ex-convicts, meaning there is no obligation for companies to employ ex-convicts. In case of failure to comply with disabled/handicapped employment obligations, an administrative penalty of TRY 1,903 per disabled/handicapped employee who has not been employed and per month is to be charged to the employer.

g) Dismissal

According to the relevant provisions of the Labour Law no. 4857,

employers and employees are required to give specified notification periods prior to the termination of an employment contract, as shown in the following table:

Duration of service	Duration of notification period
0 - 6 months	2 weeks
6 - 18 months	4 weeks
18 - 36 months	6 weeks
more than 36 months	8 weeks

There are two types of termination for an employment contract:

- Termination with notification: Both the employee and the employer may terminate an employment contract concluded for an indefinite period based on the notification periods indicated in the above table. The party who does not abide by the rule to serve notice shall pay compensation covering the wages which correspond to the notification period in order to terminate the employment contract.

- Termination of an employment contract before the end of the contract period or before the notification periods stated above, based on justifiable and rightful reasons stated in the Labour Law.

Furthermore, both the employer and employee have the right to terminate an employment contract before its expiry or without having to comply with the prescribed notification periods, in the following cases:

- Reasons of health;

- Cases arising from immoral, dishonorable or malicious conduct or other similar behaviour;

- Force majeure.

8.2 Health and Safety Issues

Health and safety at work is an extremely wide subject. However, below is a summary of the obligations imposed on employers and employees and of the main health and safety legislation.

The basic framework of health and safety legislation is contained in the Occupational Safety and Health Law No. 6331 ("OSH Law") published in the Turkish Official Journal No. 28339 dated 30 June 2012. The OSH Law applies to all jobs and workplaces in both the public and private sector, regardless of their field of activities or number of workers, and covers all employees, interns, employers and their representatives. Note however that the Turkish Armed Forces, the Police Department and specific activities in civil defence services are not covered by the OSH Law, and the OSH Law does not apply to domestic services, persons producing goods and services in their own name and on their own account, prisons and similar institutions.

According to the OSH Law, the employer should perform risk assessment and has the responsibility of taking all necessary measures to ensure occupational safety and health. Therefore the employer shall fulfil the responsibility of avoiding risks, evaluating risks which cannot be avoided, combating the risk at its source, adapting the work and working conditions to the individual, adapting to technical progress, substituting dangerous substances or procedures with a non-dangerous or with less dangerous ones, provide appropriate training and instructions to the workers, etc. Article 4 of the OSH Law defines the duties, authority and responsibilities of the employer and workers. Under this Article, The employer shall have a duty to ensure the safety and health of workers in every aspect related to the work. In this respect, the employer shall:

- take the measures necessary for the safety and health protection of workers, including prevention of occupational risks and provision of information and training, as well as provision of the necessary organisation and means and shall ensure that these measures are adjusted taking account of changing circumstances and aim to improve existing situations;

- monitor and check whether occupational health and safety measures that have been taken in the workplace are followed and ensure that nonconforming situations are eliminated;
- carry out a risk assessment or get one carried out;
- take into consideration the worker's capabilities as regards health and safety where he entrusts tasks to a worker; and
- take appropriate measures to ensure that only workers who have received adequate instructions may have access to areas where there is serious and specific danger.

It is important to note that in case an employer receives external services, this shall not discharge him from his responsibilities. Furthermore, workers' obligations in the field of safety and health at work shall not affect the principle of the responsibility of the employer. The OSH Law also recognises the worker's right to abstain from work in cases of serious or imminent danger.

8.3 Workers' Compensation and Social Insurance

a) Workers' compensation

Wage is, in general terms, the amount of money to be paid in cash by an employer or by a third party to a person in return for work performed by him or her.

According to the Law on the amendments of Turkish Labour Law, wages and salaries are required to be paid in terms of TRY to the bank account of the employee by employers that employ at least 5 personnel. It is possible to denominate wages/ salaries in terms of a foreign currency. In this case, wages/salaries shall be paid in TRY calculated on the basis of the related foreign currency rate prevailing as of the payment date.

Wages/salaries cannot be paid in terms of promissory notes or any other forms of negotiable instruments. According to the relevant rules of

the current Turkish Labour Law, employees whose salaries are not paid within twenty days following the regular payment date for reasons other than force majeure are allowed to refrain from work.

As regards bonuses and profit sharing, bonuses equal to one month's salary are usually paid four times a year in practice, in March, June, September, and December. There is no obligation as to the number of times of bonus payment during a year. Timing for bonus payments can be decided between employees and the employer. Profit sharing is optional. There is no obligation for employers to distribute a share of profits to their employees.

b) Social insurance

The social security system in Turkey went through a major transformation in 2007, resulting in a more efficient and fast functioning system, based on centralising the control of different social security funds in a single institution. Social security premiums (as a percentage of employee's gross earnings) are payable by both employers and employees. To give an outline, the table below shows the rates regarding the issue.

Type of risk	Employer's share (%)	Employee's share (%)	Total (%)
Short - term risks[1]	2	-	2
Long - term risks	11	9	20
General health insurance	7.5	5	12.5
Contribution to unemployment insurance	2	1	3
Total	22.5	15	37.5

Foreigners making social security contributions in their home countries do not have to pay the Turkish social security premiums if there is a reciprocal agreement between the home country and Turkey.

[1] Pursuant to Law no. 6385, the premium rates with respect to short-term risks have been set at 2% for all employers regardless of risk rates.

Employees, employers and the State are required to make a compulsory contribution to the Unemployment Insurance Plan at the rates of 1%, 2% and 1%, respectively, of the gross salary of the employee. Like the social security premium payments, unemployment insurance premiums are also to be paid on a monthly basis. Employers are able to deduct such contributions from their taxable income. On the other hand, an employee's contributions are deductible from the income tax base of the employee.

A foreign individual who remains covered under the compulsory social security system of his/her home country that has a social security agreement in effect with Turkey is not liable for insurance payments to the Turkish social security. The proof of foreign coverage is to be filed with the local social security office. If the employee is not subject to a foreign social security, full contributions will generally be imposed. Unemployment insurance premiums are declared and paid to the Social Security Institution together with social security premium contributions.

8.4 Minimum Wages

With the object of regulating the economic and social conditions of all employees working under an employment contract, either covered or uncovered by the Turkish Labour Law, the minimum wages are determined every two years at the latest, by the Ministry of Labour and Social Security through the Minimum Wage Determination Board.

For the year 2018, the gross minimum wage is determined as TRY 2,029.50, which equals to TRY 1,603.12 net of social security contributions and allowances. The calculation of the net minimum wage for the year of 2018 is as follows:

Minimum wage	2.029,50
Social security contribution (14%)	284,13
Unemployment premium (1%)	20,30
Income tax (15%)	106,55
Personal allowance	152,21
Stamp duty (0.759%)	15,40
Total deductions	426,38
Net minimum wage	**1.603,12**

The cost of the 2018 minimum wage to employers would be approximately TRY 2,384.66, which is calculated as follows:

Minimum wage	2.029,50
Social security premium (Employer's share) (15.5%)	314,57
Unemployment premium (2%)	40,59
Total cost to employer	2.384,66

9. Visas and Immigration Issues

9.1 Entry Procedures

As a general rule, all non-Turkish nationals need a visa to enter Turkey. However, a visa is not required for business and tourist stays of up to 90 days within any given 180-day period (provided no employment is taken) for a list of countries for which Turkey has abolished the visa requirement.

A visa is therefore required for citizens from a non-exempted country, or if citizens from an exempted country wish to stay longer than 90 days or wish to take up employment. The documentation to be provided for a visa application depends on the purpose and duration of the trip ('business' up to three months and 'tourist' up to three months for non-exempted countries, long-term (i.e. longer than three months) or work visa for both exempted and non-exempted countries). Turkey applies different entry and visa requirements for Hong Kong residents depending on the type of travel document they hold:

- Passport holders of the Hong Kong Special Administrative Region of the People's Republic of China are exempted from a visa requirement for their visits to Turkey shorter than 90 days;

- Hong Kong citizens that hold a "British National Overseas" passport are subject to a visa requirement; however they can obtain a 90-day multiple entry electronic visa at www.evisa.gov.tr (see Section 9.3.a below).

- Holders of "Document Identity for Visa Purposes-Hong Kong (D.I)" may obtain their visas through the Turkish consulates (see below).

- Visas for a stay exceeding 90 days should be obtained by all foeigners from Turkish Consulates (for working, studying, etc).

9.2 Working Permits

a) Initial application

One can file an application to obtain a work permit in Turkey either while located in Turkey or abroad.

In the case of applications filed abroad, foreigners are required to file an application at a consulate of the Republic of Turkey in the country of which they are a citizen or a permanent resident. The application should be accompanied by a labour contract, letter of assignment, or a document stating company partnership. The employer in Turkey is required to file an online application and submit the required information and documents to the Ministry of Labour and Social Security, either in person or via mail, within ten business days following the date of the candidate's application to a consulate. The consulates of the Republic of Turkey and the ministry will execute online the procedures for the work permit applications filed abroad.

Foreigners whose applications are approved by the Ministry of Labour and Social Security must enter Turkey within a maximum of hundred and eighty days after the date the work permit is issued. In the case of applications filed in Turkey, with the exception of residence permits issued for education in Turkey, foreigners who hold residence permits with a remaining term of at least six months, or employers thereof, may file work permit applications. Such foreigners are not required to submit an application to the consulates of the Republic of Turkey. The documents required for the application must be submitted to the Ministry of Labour and Social Security, either in person or via mail, within a maximum of six business days after the online application.

The Ministry of Labour and Social Security concludes the procedures regarding work permit applications in consultation, where necessary, with relevant ministries and authorities. The procedures regarding duly submitted work permit applications are concluded by the ministry within a maximum of thirty days provided all required documents are submitted in full. If the ministry determines that required documents are missing,

the applicant is notified to submit the documents in question. In such cases, the thirty-day period commences on the date on which the missing documents are submitted to the ministry. In the case of applications filed abroad, the ministry forwards the affirmative or negative decision regarding the work permit application to the relevant consulate of the Republic of Turkey (via the Ministry of Foreign Affairs), which notifies the applicant. In the case of applications filed in Turkey, the ministry notifies the foreigner or the employer. Foreigners who are granted residence and work permits from consulates and enter the country are required to register to the Address Registry System in Turkey within a maximum of twenty business days following the date of entrance.

The methods and principles concerning work permits to be issued to foreigners to be employed in Turkey vary by the relevant sector, such as education, housekeeping services, health services, tourism, aviation, entertainment, and others, as well as with respect to foreign direct investments, special foreign direct investments, professional services, and liaison offices. The following information covers the methods and principles regarding work permit applications concerning foreign direct investments.

The following documents would be requested from the employer at the time of the initial application:

- Work permit application letter (The letter must be scanned and submitted as part of the online application; it must also be submitted in hard copy, signed by the employer).

- Foreign personnel application form (The form filled online must be printed, and a hard copy signed by the employer and the foreigner must be submitted to the ministry. If the signed form is unavailable, the employment agreement executed by and between the parties must be submitted. The application will not be processed in the absence of a signed form or a labour contract.)

- The Trade Registry Gazette of Turkey, detailing the current shareholding and capital structure of the entity (the document must be scanned and submitted during the online application).

- A balance sheet and a profit/loss statement for the most recent year, certified by the tax office or certified public accountant (the document must be scanned and submitted during the online application).

- Information and documents stating that the entity is subject to Special Foreign Direct Investments (these documents must be scanned and submitted during the online application).

- A document stating that entities (including consortiums) awarded international tenders by government agencies or organisations have been contracted for the awarded job from the relevant agency or organisation (the document must be scanned and submitted during the online application).

- In the case of legal entities that are to employ foreign specialists in the field of engineering, architecture, contracting, and consulting services, a payroll document stating that Turkish engineers/architects/city planners are employed for the same occupation (the document must be scanned and submitted during the online application).

- Notarised power of attorney for the person authorised to file the online application as a user on behalf of the entity or organisation to employ the foreigner, or a document attesting to the employment of the user at the applicant entity or organisation (the document must be scanned and submitted during the online application).

The following documents would be requested from the foreigner at the time of the initial application:

- In the case of applications filed in Turkey, a copy of the residence permit issued for other than education purposes with a term of at least six months remaining as of the date of application (the

document must be scanned and submitted during the online application).

- If a foreigner who files a work permit application does not hold a valid residence permit, the foreigner is required to file an application to the consulates of the Republic of Turkey in the country of which he/she is a citizen or a permanent resident, submitting his/her labour contract or a document attesting to company partnership. However, if the company meets at least one of the criteria required for Special Foreign Direct Investments, the work permit application can be filed directly with the Ministry of Labour and Social Security provided that the foreigner to be employed with key personnel status is currently staying in Turkey on a legitimate basis (by submitting a copy of the passport showing the visa and entrance date, or a letter obtained from the Police Department). Other key personnel who are granted work permits in this context are required to obtain work visas from consulates of the Republic of Turkey, and enter the country with that visa.

- In the case of foreigners who are key personnel, the documents and information specified in article 10/b of the Regulation on the Employment of Foreign Nationals with Foreign Direct Investments (the documents must be scanned and submitted during the online application).

- Copy of the passport (where the passport is not printed in the Latin alphabet, a sworn translation or an official certified translation must be attached. The document must be scanned and submitted during the online application).

- Sworn translation or an official certified translation of the diploma or provisional graduation certificate (the document must be scanned and submitted during the online application, as well as submitted in hard copy).

- In addition to the abovementioned documents, foreigners who file an application for work permits within the framework of professional

services and who hold a degree from abroad must file a "Diploma or Provisional Graduation Equivalency Certificate" obtained in accordance with the "Regulation on the Equivalency of Diplomas from Foreign Higher Education Institutions" (the document must be scanned and submitted during the online application).

b) Application for extension

Applications for extension of the work permit must be filed by the foreigner or the employer directly with the Ministry of Labour and Social Security, by submitting the original copy of the previous work permit, along with the application form and the documents specified in the appendix of the implementation regulation.

The work permit and term extension applications must be first submitted online. In order for the work permit or term extension applications filed online and pre-approved by the system to be valid, the application form print-out with barcode, generated online, must be signed by the foreigner and the employer, and submitted, along with the other documents specified in the appendix to the regulation, to the Ministry of Labour and Social Security within a maximum of six business days following the pre-approval of the online application, either in person or via mail.

Term extension applications should be filed at most two months in advance of the expiration date of the permit. Extension applications filed within a maximum of fifteen days following the expiration of the work permit will also be processed. The term extension applications filed thereafter are subject to the principles applicable to foreigners who file an application for the first time. In the case of work permit term extension applications filed with a valid residence permit (as with first-time applications filed while in Turkey), the required documents must be submitted to the Ministry of Labour and Social Security within six business days following the online application.

Term extensions for a period of two years may be filed for an existing work permit following the statutory one-year work permit term provided

they are for employment with the same entity or enterprise and for the same profession. At the end of the statutory three-year work permit term, the existing work permit may be extended for a further three years, for employment with any employer, for the same profession. Foreigners who have resided in Turkey for at least eight uninterrupted years on a legal basis, or foreigners who have a total of eight years of employment with a work permit, may file applications for indefinite work permits.

The following documents would be requested from the employer at the time of the application for an extension:

- Work permit term extension application letter (the letter must be scanned and submitted as part of the online application; it must also be submitted in hardcopy, signed by the employer).

- Foreign personnel application form (the form filled out online must be printed, and a hardcopy signed by the employer and the foreigner must be submitted to the ministry. The labour contract executed by and between the parties must be submitted where the signed form is unavailable. The application cannot be processed in the absence of a signed form or labour contract.)

- The Trade Registry Gazette of Turkey detailing the current shareholding and capital structure of the entity, if modified since the initial submission (the document must be scanned and submitted during the online application).

- Document attesting that the employer has no outstanding tax obligations (this information must be accessed by the Ministry of Labour and Social Security through the records of the Ministry of Finance).

- The Social Security Institution registration number of the insured foreigner named in the application form, and information regarding whether or not the employer has fulfilled its social security obligations regarding the foreigner (this information must be

accessed by the Ministry of Labour and Social Security through the records of the Social Security Institution).

- Notarised power of attorney for the person authorised to file the online application as a user on behalf of the entity or organisation to employ the foreigner, or a document attesting the employment of the user at the applicant entity or organisation (the document must be scanned and submitted during the online application).

The following documents would be requested from the foreigner at the time of the application for an extension:

- Copy of the passport (where the passport is not printed in the Latin alphabet, a sworn translation or an official certified translation must be attached. The document must be scanned and submitted during the online application).

- Previous work permit and cover letter (the documents must be scanned and submitted during the online application).

- Residence permit for work, covering the term of the work permit issued by the Ministry of Labour and Social Security (the document must be scanned and submitted during the online application).

- Provisional membership certificate required from foreigners who are granted work permits for work as an engineer, architect, or city planner, as per Article 36 of Law no. 6235 on Turkish Association of Chambers of Engineers and Architects (the document must be scanned and submitted during the online application).

c) Situation of foreign direct investment employees

The "Regulation on the Employment of Foreign Nationals Within the Framework of Foreign Direct Investments" introduced special provisions regarding work permits in order to facilitate the granting of work permits. Work permit applications required for personnel to be employed within the framework of foreign direct investments to which these provisions

are not applicable are subject to the abovementioned general provisions (Law no. 4817 and Implementation Regulation).

The scope of the Regulation on the Employment of Foreign Nationals Within the Framework of Foreign Direct Investments is defined on the basis of two fundamental criteria:

- Special Foreign Direct Investments (including liaison offices);
- Foreign national key personnel.

The term “Special Foreign Direct Investment” refers to a company or branch subject to Law no. 4875, and meeting at least one of the following criteria (figures applicable for year 2018):

- Provided that the foreign shareholders hold at least TRY 1,526,057 of the capital, the company or branch registered a turnover of at least TRY 114.7 million in the most recent year.
- Provided that the foreign shareholders hold at least TRY 1,526,057 of the capital, the company or branch posted an export figure of at least USD 1 million in the most recent year.
- Provided that the foreign shareholders hold at least TRY 1,526,057 of the capital, the company or branch employs in the most recent year at least 250 personnel registered with the Social Security Institution.
- Provided that, in cases where the company or the branch is to make investments, the planned minimum investment figure is at least TRY 38.1 million.
- Provided that the company has a foreign direct investment in at least one more country other than the country where its headquarters is located.

“Key personnel” refers to personnel who meet at least one of the following criteria, at the legal entity located in Turkey:

- Persons serving as a company shareholder, chairman of the board of directors, member of the board of directors, chief executive, vice president, executive, assistant executive or similar positions, with authority or a role in at least one of the following:

  → A senior management or executive position in the company.

  → Managing the whole or a part of the company.

  → Auditing or controlling the work of the company auditors, or administrative or technical personnel.

  → Hiring new personnel or terminating the employment of existing personnel, or making proposals concerning these issues.

- Holding key knowledge regarding the services, research devices, techniques, or management of the company.

- At liaison offices, a maximum of one person in whose name the authorisation certificate is issued by the overseas parent company.

Charges Applicable to Work Permits for Foreigners: According to the Act of Fees no. 492, work permits to be issued to foreigners are subject to charges. In cases where the work permit application is approved by the Ministry of Labour and Social Security, the applicable charge must be deposited with reference to the term of the permit. The applicable charge figures are set each year on the basis of the revaluation rate, and announced in the Official Gazette. For 2018, such charges are established as follows:

Work Permit Fees	Duration	Year 2018
Work permit for a limited period (extension requests are subject to same fee)	Up to and until 1 year	TRY 615.20
Work permit for an indefinite period of time		TRY 6152.70
Independent work permit		TRY 6152.70

9.3 Temporary Visitor Visas

An overview of the issue concernint the electronic visa and paper visa is provided below for the information of Hong Kong traders.

a) Electronic visa for visits not exceeding 90 days

Applications for a tourist or trade visa may be filed through the online visa application system (www.evisa.gov.tr), through which an e-visa can be obtained in three minutes on average.

The e-visa system operates currently in Turkish, English, French, German, Polish, Dutch, Arabic, Chinese, and Spanish. E-visa applications can be created for an individual, for a family (minimum of 2 and maximum of 10 people) or for a group (minimum of 10 and maximum of 300 people). It should be noted that an e-visa is valid for touristic and trade purposes only.

Visitors can check if they are eligible for an e-visa by clicking “Apply” and selecting their country/region of travel document. Each traveler must obtain a separate e-Visa, including infants and children (even if children/infants are included in their parents’ passports).

The travel document must be valid for at least 6 months from the date the traveler intends to enter Turkey. Depending on the nationality, there may be additional requirements. Such requirements will be indicated after the selection of nationality and travel dates.

After the online payment, the link to download the e-Visa will be e-mailed to the traveler’s e-mail address. Passport control officers at the ports of entry can verify the e-visa in their system. However, traverlers are advised to keep their e-visas either as a softcopy (on tablet, pc, smartphone etc.) or as a hard copy in case of any failure in the system.

The validity period of the e-visa is different from the duration of stay. The traveler may enter Turkey at any time within the validity period. Please note that if the traveler wishes to enter Turkey earlier than the date specified on the e-visa, a new application must be created.

Hong Kong citizens holding a “British National Overseas” passport are subject to the visa requirement and they qualify for a 90-day visa within any given 180-day period. The visa is given as multiple entries. The visa fee for holders of “British National Overseas” passport is USD 20 as of February 2018. The updated visa fees could be easily checked at www.evisa.gov.tr while filing an application by selecting the country of citizenship and passport type.

b) Regular visa for visits not exceeding 90 days

Holders of “Document Identity for Visa Purposes-Hong Kong (D.I)” must submit their visa application to the Turkish Consulate General in Hong Kong. The Turkish Ministry of Foreign Affairs warns that visa applications should be filed at least one month prior to the date of departure due to the delays in the treatment process.

Documents necessary for the visa application differ depending on the country, purpose of visit or the passport type of the applicant. For Hong Kong citizens, the following documents may apply:

- biometric photo;
- documents attesting to the income status of the applicant and inviting person;
- flight reservation;
- hotel booking or invitation;
- supporting document on the applicant's commitment to return (land registry, business certificate, salary table, bank account statement);
- Hong Kong or Macau identity card;
- health insurance (covering period of stay);
- valid work/resident permit.

If the applicant has an invitation letter from person(s) in Turkey, he or she must make sure that the letter includes the inviting person's Turkish Identity/Citizenship Number before submitting the invitation to the Turkish consulate, detailed personal identification, the list of invitees, permanent addresses, contact numbers, length and purpose of stay and inviting person's affinity with the applicant. If the inviting side is an organisation or a company, a tax registration certificate of the organisation will be required. Furthermore, the inviting organisation/authority is required to provide assurances for covering food and accommodation expenses. In addition, the applicant is required to have sufficient and/or regular remuneration. Finally, the applicant must undertake to legally exit Turkey before/upon the expiry of the visa.

10. Sales Promotions

10.1 Restrictions on the Different Types of Sales Promotions

The principles concerning commercial advertisements are laid down in the Regulation on Principles and Rules Applicable to Retail Trade, published in the Turkish Official Journal No. 29793 dated 6 August 2016.

Sales promotions are defined as offerings of (i) same goods or services at lower prices, (ii) more goods or services at the same price, or (iii) additional goods or services free of charge or at a discounted price during defined intervals in order to publicise a product, brand or establishement, to incentivise purchasing of products, to increase sales of goods or to strengthen the image of the brand or the business.

The duration of sales promotions cannot exceed three months in cases of start, transfer or closure of workplace and change of address or scope of activity; and six months in the case of liquidation.

In the case of sales promotions related to the transfer or closure of the workplace or change of address or scope of activity, the starting date of the promotion shall be notified to the provincial directorate.

Retail stores are not allowed to organised sales promotions without defined starting and end dates. In cases where sales promotions are announced through brochures, posters or similar means, the starting and end dates of the promotions shall be indicated on these materials. If the promotions are announced through a website, the starting and end date of the promotions shall be indicated therein, too.

A label shall be affixed to the products subject to sales promotions indicating the price prior to promotion and the discounted price. The burden of proof falls on the seller to prove that the products are sold at a price lower than the pre-promotion price.

As an exception to the duration of the sales promotions, the legislation sets forth that the retail stores may conduct continuous sales promotions with

respect to the following products:

- products with low levels of inventory due to the cessation of production or production of limited quantities;
- products manufactured for sale in a certain period or season which are sold at promotional prices at the end of that period or season;
- products produced for subsequent exportation which did not take place due to various reasons;
- products containing material, economic, or legal deficiencies in terms of form, colour, size, etc.;
- exhibited products;
- returned products.

The modalities applicable to continuous sales promotions are set forth in the Regulation on Principles and Rules Applicable to Retail Trade.

10.2 Advertising

a) Principles governing commercial advertisements

The principles concerning commercial advertisements are laid down in the Regulation on Commercial Advertisements and Unfair Trade Practices, published in the Turkish Official Journal No. 29232 dated 10 January 2015. Article 5 of this Regulation stipulates *inter alia* that advertisements shall not:

- contain statements or images contrary to public morals;
- be of a nature to threaten public health;
- contain elements which lead to, ignore, encourage or support behaviours contrary to public order;
- contain statements or images that exploit the sick, elderly, children,

and handicapped;

- contain prejudices and discriminatory statements concerning the language, race, sex, political opinion, philosophical opinion, or religion of people;
- be of a nature to predujice human dignity and human rights;
- contain statements or images from a person's private life without prior authorisation;
- exploit the beliefs and superstitions of consumers.

Furthermore, advertisements cannot humiliate or insult a person, body, institution, a commercial or professional activity, product or service, advertisement or brand.

b) Comparative advertising

The Regulation on Commercial Advertisements and Unfair Trade Practices also governs comparative advertising. Pursuant to Article 8 of this Regulation, comparative advertising is only allowed if certain conditions are met. Among others, the advertisement must not be misleading and it should not lead to unfair competition. Furthermore, products compared must serve the same needs and, similarly, services compared must be destined for the same purpose. Article 8 also sets forth that the comparisons made in these advertisements should benefit consumers, and the comparison must focus on the material, essential, and verifiable characteristics of goods and services including their prices. If the advertisement relies on objective claims, these must be proven by scientific tests, reports or documents.

The Regulation prohibits comparative advertisements that degrade or humiliate the intellectual property rights, company name, products, services or other distinctive characteristics of rivals. Traders must also ensure that comparative advertisements do not lead to confusion between brands, business names, or other distinctive marks of the advertising business and any of its rivals.

10.3 Internet Promotion

Internet promotions are governed by the Regulation on Commercial Communication and Commercial Electronic Messages, published in the Turkish Official Journal No. 29417 dated 15 July 2015. Any audible or visual message sent via electronic means falls under the scope of the Regulation. Pursuant to Article 5 of the Regulation, commercial electronic messages targeting promotion may only be sent if there is prior consent of the recipient. Consent is valid until the right of refusal is used. In the case where the recipient provides his or her contact details for subsequent communication, no additional consent is required for electronic messages sent in relation to the use, maintenance or change of the products.

Self-employed businesses and traders may be sent commercial electronic messages without prior consent.

The sender must indicate the service provider's contact details such as telephone number, fax number or e-mail address. In the case where the electronic message contains sales promotions or gifts, or competitions or games organised for promotion, this must be clearly indicated in the electronic message. Furthermore, the validity period of the promotions as well as the conditions the recipient must fulfil to benefit from such promotions must be communicated in a clear and unequivocal manner through a URL or a customer call service number dedicated solely for this purpose.

11. Local Investment Incentives

Turkey's investment incentives system is comprised of four different schemes. Local and foreign investors have equal access to the following:

- General Investment Incentives Scheme;
- Regional Investment Incentives Scheme;
- Large-Scale Investment Incentives Scheme;
- Strategic Investment Incentives Scheme.

The following table shows the support instruments to be provided within the framework of the various investment incentives schemes:

Support Instruments	General Investment Incentives Scheme	Regional Investment Incentives Scheme	Large-Scale Investment Incentives Scheme	Strategic Investment Incentives Scheme
VAT Exemption	✓	✓	✓	✓
Customs Duty Exemption	✓	✓	✓	✓
Tax Reduction		✓	✓	✓
Social Security Premium Support (Employer's Share)		✓	✓	✓
Income Tax Withholding Allowance[2]		✓	✓	✓
Social Security Premium Support (Employee's Share)[3]		✓	✓	✓
Interest Rate Support[4]		✓		✓
Land Allocation		✓	✓	✓
VAT Refund[5]				✓

[2] Provided that the investment is made in Region 6.

[3] Provided that the investment is made in Region 6.

[4] Provided that the investment is made in Regions 3, 4, 5 or 6 within the framework of the Regional Investment Incentives Scheme.

[5] For construction expenditures of strategic investments with a minimum fixed investment amount of TRY 500 million.

The benefits offered under the abovementioned instruments may be summarised as follows:

- **VAT exemption**: VAT is exempted for imported and/or domestically delivered machinery and equipment within the scope of the investment incentive certificate.

- **Customs duty exemption**: Customs duty is exempted for imported machinery and equipment within the scope of the investment incentive certificate.

- **Tax reduction**: The income or corporate tax is calculated on the basis of reduced rates until the total amount of reduced tax reaches the amount of contribution to the investment. The rate of contribution to investment refers to the rate of the total fixed investment amount that is subject to tax reduction.

- **Social security premium support (employee's share)**: For additional employment created by the investment, the employee's share of the social security premium calculated on the basis of the legal minimum wage will be covered by the government. The instrument is applicable only to investments made in Region 6 within the scope of the investment incentive certificate. There is no upper limit for Social Security Premium Support and it is applicable for 10 years.

- **Social security premium support (employer's share)**: For additional employment created by the investment, the employer's share of the social security premium calculated on the basis of the legal minimum wage will be covered by the government.

- **Income tax withholding allowance**: The income tax with regard to additional employment created by the investment, within the scope of the investment incentive certificate, will not be liable to withholding taxes. The instrument is applicable only to investments made in Region 6 within the scope of the investment incentive certificate. There is no upper limit for income tax withholding allowance and it is applicable for 10 years.

- **Interest rate support**: Interest rate support is a financial support instrument provided for investment loans with a term of at least one year obtained within the scope of an investment incentive certificate. A portion of the interest/profit share regarding the loan equivalent, at most 70% of the fixed investment amount registered in the investment incentive certificate, will be covered by the government for a maximum of the first five years.

- **Land allocation**: Land may be allocated for investments, with an investment incentive certificate, in accordance with the rules and principles set by the Ministry of Finance, depending on the availability of such land.

- **VAT refund**: VAT collected on construction expenses, made within the scope of strategic investments with a minimum fixed investment amount of TRY 500 million, will be rebated.

In order to help the less developed regions of Turkey, the incentives are applied at different rates depending on the region where the investments are made. Turkey's 81 administrative provinces are thus grouped under the following 6 regions:

- **Region 1**: Ankara, Antalya, Bursa, Eskişehir, İstanbul, İzmir, Kocaeli, Muğla.

- **Region 2**: Adana, Aydın, Bolu, Çanakkale (excluding the municipalities of Bozcaada and Gökçeada), Denizli, Edirne, Isparta, Kayseri, Kırklareli, Konya, Sakarya, Tekirdağ, Yalova.

- **Region 3**: Balıkesir, Bilecik, Burdur, Gaziantep, Karabük, Karaman, Manisa, Mersin, Samsun, Trabzon, Uşak, Zonguldak.

- **Region 4**: Afyankarahisar, Amasya, Artvin, Bartın, Çorum, Düzce, Elazığ, Erzincan, Hatay, Kastamonu, Kırıkkale, Kırşehir, Kütahya, Malatya, Nevşehir, Rize, Sivas.

- **Region 5**: Adıyaman, Aksaray, Bayburt, Çankırı, Erzurum, Giresun, Gümüşhane, Kahramanmaraş, Kilis, Niğde, Ordu, Osmaniye, Sinop,

Tokat, Tunceli, Yozgat.

- **Region 6**: Ağrı, Ardahan, Batman, Bingöl, Bitlis, Diyarbakır, Hakkari, Iğdır, Kars, Mardin, Muş, Siirt, Şanlıurfa, Şırnak, Van, the municipalities of Bozcaada and Gökçeada.

11.1 General Investment Incentives Scheme

Regardless of the region where investments are made, all projects meeting both the specific capacity conditions and the minimum fixed investment amount are supported within the framework of the General Investment Incentives Scheme. Some types of investments are excluded from the investment incentives system and would not benefit from this scheme.

The minimum fixed investment amount is TRY 1 million in Region 1 and 2, and TRY 500,000 in Region 3, 4, 5 and 6.

Major investment incentive instruments are exempted from customs duties and VAT. Customs tax exemption is applied for imported machinery and equipment for projects with an investment incentive certificate. VAT exemption is implemented for imported or domestically purchased machinery and equipment for projects with an investment incentive certificate.

11.2 Regional Investment Incentives Scheme

The sectors to be supported in each region are determined in accordance with regional potential and the scale of the local economy, while the intensity of support varies depending on the level of development in the region.

The minimum fixed investment amount is defined separately for each sector and region with the lowest amount being TRY 1 million for Region 1 and 2, and TRY 500,000 for the remaining regions.

The new investment incentives system defines certain investment areas as “priority” and offers them the regional support extended to Region 5 by the Regional Investment Incentives Scheme, regardless of the region of the investment. If the fixed investment amount in priority investments is TRY 1

billion or more, a tax reduction will be applied by adding 10 points on top of the "rate of contribution to investment" available in Region 5. If priority investments are made in Region 6, the regional incentives available for this particular region shall apply.

Furthermore, together with the amendment to the incentives legislation on 5 October 2016, investments for the production of items in the medium high-tech industry segment stipulated in the Organisation for Economic Cooperation and Development's (OECD's) definition for technology intensity will be able to benefit from the instruments of Region 4 regardless of the location of the investment.

11.3 Large-scale Investment Incentives Scheme

Twelve investment subjects, which will potentially foster Turkey's technology, R&D capacity and competitiveness, are supported by Large-Scale Investment Incentives Scheme instruments.

Within the Regional and Large-Scale Investment Incentives Schemes, investments in organised industrial zones and joint investments to be made by at least five companies operating in the same sector with the purpose of greater integration can benefit from support granted to a one-grade lower region in terms of tax reduction and social security premium support (employer's share). For example, a Region 3-level investment in an organised industrial zone can take advantage of the tax reduction level in Region 4.

11.4 Strategic Investment Incentives Scheme

Investments meeting the criteria below are supported within the framework of the Strategic Investment Incentives Scheme:

- domestic production capacity for the product to be manufactured with the investment shall be less than the import of the product;
- the investment shall have a minimum investment amount of TRY 50 million;

- the investment shall create a minimum added-value of 40% (this condition is not applicable to refinery and petrochemicals investments); and

- the total import value of the product to be manufactured with the investment shall be a minimum of USD 50 million as of the past one year (excluding products that are not locally produced).

11.5 Application for Incentives

The following entities and persons may benefit from the incentive programs as long as they meet the conditions required for respective incentive schemes:

- natural persons, corporations, cooperatives, industry associations, partnerships,

- public bodies and institutions,

- professional associations qualifying as public institutions,

- assocations and funds,

- Turkish branch offices of companies established outside Turkey.

In order to benefit from the schemes, the investors must first file an official application. Prior to the filing of the application, the investors may consult with the Ministry of Economy's Directorate-General of Incentive Implementation and Foreign Investment in order to determine the incentive schemes their investment project may benefit from.

The applications to benefit from investment incentive schemes must be filed with the Directorate-General of Incentive Implementation and Foreign Investment either by hand or by mail. Applications by post shall be sent to the following address:

T.C. Ekonomi Bakanlığı

Teşvik Uygulama ve Yabancı Sermaye Genel Müdürlüğü

Söğütözü Mahallesi, 2176. Sok. No:63, 06510 Çankaya/Ankara

Furthermore, there is also a possibility of filing the application with provincial directorates if the following conditions are met:

- The project must qualify for a benefit under the General Incentives Scheme or Regional Incentive Scheme;
- the amount of the fixed investment must be below TRY 10 million; and
- the investment must be made in one of the fields determined by the Ministry of Economy.

An indicative list of documents, which may vary depending on the nature and scope of the investment can be obtained from the webpage of the Ministry of Economy.

12. Public Tenders

Public tenders in Turkey are governed by State Tender Law No. 2886 and Public Tender Law No. 4734. Public Tender Law entered into force as from 2013 as a result of the EU harmonisation process and abrogated certain articles of State Tender Law.

The scope of the Public Tender Law has been defined under Article 2 as tenders made by public administrations for procurement of goods, services and construction works. However, there are also some exclusions indicated under Article 3; for example tenders for tools, arms, military materials, equipments and systems for national defence, security and intelligence and tender of goods, services or works which are to be realised with foreign financing pursuant to international agreements. In addition, tenders to be organised by public institutions subject to the general budget, public economic enterprises or social security institutions are also covered by Public Tender Law. The basic principles set forth by Public Tender Law are as follows:

- In tenders to be conducted in accordance with Public Tender Law, contracting authorities are liable for ensuring transparency, competition, equal treatment, reliability, confidentiality, public supervision, and fulfillment of needs appropriately, promptly, and with efficient use of resources.

- Unless there is an acceptable natural connection in between, purchase of goods, services and works cannot be consolidated in the same procurement.

- Procurement of goods, services or works cannot be divided into lots with the intention of avoiding threshold values.

- For procurements to be held in accordance with Public Tender Law, the principal procurement methods fall under open and restricted procedures. The other methods may be used under the special conditions set out in the Law.

- The procurement proceedings shall not be initiated unless there is a sufficient budget allocation.

- Where the related legislation requires an Environmental Impact Assessment (EIA) Report for a project, a positive EIA report must be obtained before the initiation of procurement proceedings. However, in procurements to be made urgently due to natural disasters, an EIA report shall not be asked.

It is important to note that the Public Tender Law provides some advantages to domestic bidders over foreign bidders. According to Article 63 of the Public Tender Law, a price advantage up to 15% may be provided to domestic tenderers in purchase of services and construction works. Furthermore, in tenders involving certain products which are listed in the lists announced by the Public Procurement Authority (after the evaluation of relevant institutions and the Ministry for Science, Industry and Agriculture), a 15% price advantage in favour of domestic tenderers is obligatory. Such obligation is also imposed in relation to domestic tenderers offering domestic software products. Foreign bidders will still be considered as foreign even if they are a party to a joint venture in Turkey.

The Public Procurement Authority approves the public tender conditions and evaluates the complaints against wrong-doings in public procurement tenders. Actual bidders can make their objections to the tender evaluations or tender conditions after procuring the tender documents or bidding at the tender. The Public Procurement Authority evaluates the objections and makes decisions in accordance with regulations, which is final unless the bidder takes the case to court.

In public tenders, all certificates required in tender specifications, including a company establishment certificate, letters of authorisation, job completion certificates, or any other certificate required must have an apostille. Otherwise, bidders can be disqualified. Companies must submit their bids in original form before the deadline. Mailing photocopies of bidding documents will not be accepted. Each page is usually required to be signed with a fresh signature and stamped by a company seal.

13. Risk Portfolios

a) Profit repatriation

Turkey's legislation does not impose restrictions on repatriation of profits by foreign-invested companies. In this respect, Article 3(c) of Turkey's Foreign Direct Investment Law sets forth that net profits; dividends; proceeds from sales, liquidation; sums payable as a result of licencing or administration agreements; capital and interest payments on foreign loans arising from the operations of foreign investments in Turkey can be freely transferred outside Turkey through banks or private financial institutions.

b) Limits on foreign control

There are no general limits on foreign ownership or control; investors can establish a business in Turkey irrespective of nationality, or place of residence. There are no sector-specific restrictions that discriminate against market access, as they are prohibited by WTO regulations. Furthermore, foreign investments may also benefit from local investment incentive schemes on an equal footing with local investments.

c) Regulatory environment

Turkey's regulatory environment resembles that of the EU as a result of the accession negotations and the Customs Union between the EU and Turkey. There are certain regulatory and supervisory authorities established in order to regulate different types of markets to supervise and monitor market activities: Competition Authority; Energy Market Regulation Authority; Banking Regulation and Supervision Authority; Information and Communication Technologies Authority; Tobacco, Tobacco Products and Alcoholic Beverages Market Regulation Board; Privatisation Administration; Public Procurement Authority; Sugar Authority; Radio and Television Supreme Council; and Public Oversight, Accounting and Auditing Standards Authority.

14. Useful Contacts

Chinese Embassy in Ankara
Oran Mahallesi,
06450 Çankaya/Ankara
Tel: +90 312 447 50 07
Web: http://tr.china-embassy.org/eng/

Chinese Consulate in İstanbul
Ahi Çelebi Caddesi, Çobançeşme Çıkmazı
Sokak No:4, Tarabya, Sarıyer, İstanbul
Tel: +90 212 299 21 88
Fax: +90 299 26 33
Web: http://istanbul.chineseconsulate.org

Turkish Consulate in Hong Kong
Room 301, 3/F, Sino Plaza,
255-257 Gloucester Road,
Causeway Bay, Hong Kong S.A.R.
Tel: +852 2572 1331
Fax: +852 2893 1771
Email: consulate.hongkong@mfa.gov.tr
Web: http://hongkong.bk.mfa.gov.tr/Mission/Contact

Ministry of Economy
Söğütözü Mah. 2176. Sk.
No:63 06530 Çankaya/Ankara
Tel: +90 312 204 75 00
Web: www.ekonomi.gov.tr

Ministry of Customs and Trade
Dumlupınar Bulvarı No: 151
Eskişehir Yolu 9. Km 06800 Çankaya/ANKARA
Tel: + 90 312 449 10 00
Fax: +90 312 449 18 18
Web: www.gtb.gov.tr

Ministry of Science, Industry and Technology
Mustafa Kemal Mahallesi Dumlupınar Bulvarı
(Eskişehir Yolu 7.Km) 2151.Cadde No:154/A
06510 Çankaya /ANKARA
Tel: +90 312 201 50 00
Fax: +90 312 219 67 38
Web: www.sanayi.gov.tr

Ministry of Food, Agriculture and Livestock
Üniversiteler Mah. Dumlupınar Bulvarı,
No: 161, 06800, Çankaya/ANKARA
Tel: +90 312 287 33 60
Email: gthb.genelevrak@gthb.hs01.kep.tr
Web: www.tarim.gov.tr

Ministry of Environment and Urban Planning
Mustafa Kemal Mahallesi
Eskişehir Devlet Yolu (Dumlupınar Bulvarı) 9. km.
No: 278 Çankaya / Ankara
Tel: +90 312 410 10 00
Email: cevrevesehircilikbakanligi@hs01.kep.tr
Web: www.csb.gov.tr

Ministry of Labour and Social Security
Emek Mahallesi, 17. Cadde
No:13 Pk: 06520 Çankaya / ANKARA
Tel: +90 0 312 296 60 00
Fax: +90 212 07 81
Web: www.csgb.gov.tr

Ministry of Energy and Natural Resources
Türk Ocağı Caddesi No:2
06100 Çankaya/ANKARA
Tel: +90 312 212 64 20
Fax: +90 312 222 57 60
Web: www.enerji.gov.tr

Ministry of Foreign Affairs
Dr. Sadık Ahmet Cad.
No:8 06100 Balgat / ANKARA
Tel: +90 312 292 10 00
Web: www.mfa.gov.tr

Ministry of European Union Affairs
Mustafa Kemal Mah.
2082 Cad. No:5 06530
Çankaya / ANKARA
Tel: +90 312 218 1300
Email: stib@ab.gov.tr
Web: www.ab.gov.tr

Ministry of Finance
Devlet Mahallesi, Dikmen Caddesi,
No: 12 06420 Yenişehir – Çankaya / ANKARA
Tel: +90 312 415 29 00
Web: www.maliye.gov.tr

Ministry of Health
Bilkent yerleşkesi , Üniversiteler Mah.
Dumlupınar bulvarı 6001. Cad. No:9 Çankaya/Ankara 06800
Tel: +90 312 585 1000
Web: www.saglik.gov.tr

Ministry of Transport, Maritime Affairs and Communication
Hakkı Turayliç Caddesi No:5
Emek Çankaya / Ankara
Tel: +90 312 203 10 00
Email: udhb@hs01.kep.tr
Web: www.udhb.gov.tr

Turkish Statistical Institute
Devlet Mah.Necatibey Cad.
No:114 06420 Çankaya/ANKARA
Tel: +90 312 410 0 410

Email: bilgi@tuik.gov.tr
Web: www.tuik.gov.tr

Turkish Standards Institution
Necatibey Cad. No:112
06100 Bakanlıklar/ANKARA
Tel: +90 312 416 62 00
Fax: +90 312 416 66 11
Email: tse@hs01.kep.tr
Web: www.tse.gov.tr

Directorate-General of Customs
Dumlupınar Bulvarı No: 151
Eskişehir Yolu 9. Km 06800 Çankaya/ANKARA
Tel: + 90 312 449 30 00
Fax: +90 312 449 30 01
Web: www.ggm.gtb.gov.tr

Turkish Patent Institute
Hipodrom Caddesi No:115
06560 Yenimahalle / ANKARA
Tel: +90 312 303 10 00
Fax: +90 312 303 11 73
Web: www.turkpatent.gov.tr

15. Web Resources

Turkish Legislation Database (Office of the Prime Minister)
www.mevzuat.gov.tr

Ministry of Economy's Customs Duties Database
www.ekonomi.gov.tr

Turkish Statistical Institute
www.tuik.gov.tr

Turkish Patent Institute
www.turkpatent.gov.tr

Turkish Official Journal
www.resmigazete.gov.tr

Electronic Visa System
www.evisa.gov.tr

16. Overview of Turkey's Trade Policy

Turkey has been a member of the World Trade Organization (WTO) since 1995. The country's commitment to integrating regional and international trade norms can be seen in its participation in and membership of various organisations, including the Economic Cooperation Organization (ECO), the United Nations Conference on Trade and Development (UNCTAD), the Organization of the Black Sea Economic Cooperation (BSEC), the World Customs Organization (WCO), the International Chamber of Commerce (ICC), D-8, and various other organisations.

Furthermore, there is a Customs Union between the EU and Turkey (the "EU-Turkey CU") which covers a large portion of the trade between the EU bloc and Turkey.

In addition to the Customs Union with the EU, Turkey has in place Free Trade Agreements (FTAs) with Albania, Bosnia-Herzegovina, EFTA, Faroe Islands, Morocco, Palestine, South Korea, Georgia, Israel, Montenegro, Macedonia, Malaysia, Egypt, Moldova, Mauritius, Serbia, Singapore, Syria (suspended as from 2011), Chile, Tunisia, and Jordan.

Turkey also applies trade defence measures against imports from third countries under various trade defence instruments, the main ones being anti-dumping, countervailing and safeguard instruments. These are discussed further below.

As a result of the Customs Union between the European Union and Turkey, Turkey's trade-related legislation displays a mixed structure containing provisions both enacted entirely by Turkey and those transposed from the EU's *acquis communautaire*.

A short description of the scope of the EU-Turkey CU is provided below for a better understanding of the functioning of trade rules between two partners.

16.1 Scope of the EU-Turkey CU

The Ankara Agreement, which formed the basis of the subsequent Association between Turkey and the European Communities, was signed in

1963. The Ankara Agreement foresaw three phases for the establishment of a customs union between the contracting parties, namely a preparatory, a transitional and a final stage. While the Ankara Agreement put in place the provisions regarding the preparatory stage, the Additional Protocol, which was signed in 1970, set forth the provisions concerning the transitional stage. Finally, pursuant to the adoption of the Customs Union Decision of the Association Council in March 1995, the final stage of the EU-Turkey CU came into force.

The EU-Turkey CU imposes two main obligations on Turkey in relation to trade in goods:

- Turkey must, in relation to countries which are not members of the European Union, align itself to the Common Customs Tariff with respect to industrial goods covered by the CU (published every year in Annex 2 to the Decree on the Import Regime of Turkey)[6] and Turkey must adjust its customs tariff whenever necessary to take account of changes in the Common Customs Tariff.

- Turkey must incorporate into its internal legal order the EU's instruments relating to the removal of technical barriers to trade, which entails incorporation of a large portion of the EU's technical legislation concerning trade in goods.

The scope of the EU-Turkey CU is, however, limited to industrial products and processed agricultural products. Agricultural products (which are not processed), as well as coal and steel products, do not fall within the scope of the EU-Turkey CU. Trade in goods falling under these two categories is governed by separate preferential agreements concluded between Turkey and the EU.

a) Agricultural products

Article 11(2) of the Ankara Agreement defines agricultural products as

[6] With respect to processed agricultural goods (as published every year in Annex 3 to the Decree on the Import Regime of Turkey), both the EU and Turkey apply an additional "agricultural component" duty which is considered to correspond to the ratio of agricultural products used in processed agricultural goods.

the products listed in Annex II to the Treaty establishing the European Community, which, at present, corresponds to Annex I to the Treaty on the Functioning of the European Union (TFEU).

Agricultural products are left outside the scope of the EU-Turkey CU by means of Article 11(1) of the Ankara Agreement, which provides that the association between the contracting parties shall extend to agriculture and trade of agricultural products in accordance with special rules.

The Additional Protocol further elaborates on the free movement of agricultural products and stipulates that the provisions necessary for achieving the free movement of agricultural products between the EU and Turkey shall be adopted once it is established that Turkey has adopted the measures of the EU's Common Agricultural Policy (CAP). In the meantime, Article 35 of the Additional Protocol provides that the EU and Turkey have to grant each other preferential treatment in their trade in agricultural products.

Finally, Article 26 of the Customs Union Decision, which repeats what was set forth in the Additional Protocol, provides that the EU and Turkey shall progressively improve, on a mutually advantageous basis, the preferential arrangements which they grant each other for their trade in agricultural products.

Based on the provisions provided by the Additional Protocol and the Customs Union Decision, the Association Council adopted Decision 1/98, whereby the EU and Turkey agreed on a preferential regime for the trade in agricultural products.

Given that agricultural products are not covered by the EU-Turkey CU, the provisions of the CU legislation do not apply to these products. Decision 1/98 provides for a temporary preferential treatment until Turkey adopts the CAP measures and the provisions necessary to achieve the free movement of agricultural products between the EU and Turkey are adopted by the Association Council.

b) Coal and steel products

Coal and steel products, exactly like agricultural products, are left outside the scope of the EU-Turkey CU by means of a specific provision which sets forth that the Ankara Agreement shall not apply to products within the province of the then still existing European Coal and Steel Community (the "ECSC").

After the adoption of the Customs Union Decision, which initiated the final phase of the EU-Turkey CU, the ECSC and Turkey concluded a preferential trade agreement for coal and steel products which were excluded from the scope of the EU-Turkey CU. The products, despite being covered by the TFEU now, remain outside the scope of the EU-Turkey CU.

16.2 Modernisation of the EU-Turkey CU

The current CU covers industrial and certain processed agricultural products. Agricultural products are governed by the EU-Turkey Association Council Decision 1/98 (based on mostly ad hoc preferential concessions on certain agricultural products) whereas coal and steel products are governed by a separate free trade agreement between Turkey and the EU.

Furthermore, the limited scope of the current CU does not provide for trade relations between the parties in other economic areas such as agriculture, services and public procurement. Inclusion of agricultural products in the CU would fill a gap in the bilateral trade relations of the parties.

European and Turkish trade negotiators therefore started talks in 2015 on improving bilateral trade relations and upgrading the existing EU-Turkey CU, which is twenty years old. Cecilia Malmström, the EU Trade Commissioner, and Nihat Zeybekci, the Turkish Minister of Economy, announced in May 2015 that both parties had signalled their accord for more liberal trade relations and an enhanced market access within the framework of the EU-Turkey CU.

After the conclusion of a Memorandum of Understanding between the parties, the EU conducted a public consultation with stakeholders, drew up a detailed impact assessment and also commissioned a study from an external consultant. Pursuant to the report prepared by the external consultant in October 2016, the modernisation of the CU could feasibly focus on the following two scenarios:

- maintaining the current CU with its scope unchanged along with the preferential trade agreement on coal and steel products; plus a free trade agreement covering trade in agriculture and fishery products, services and establishment, non-tariff barriers, and public procurement; or

- replacing the CU and establish a free trade agreement that covers all trade in goods, including industrial, agricultural, and fishery products, plus services, non-tariff barriers, establishment, and public procurement.

Following the abovementioned comprehensive preparatory work carried out throughout 2016, the Commission proposed in December 2016 to modernise the CU and to further extend the bilateral trade relations to areas such as services, public procurement and sustainable development. As of May 2018, the Commission's proposal is still being discussed in Council.

17. Tariff Classification

The importer is legally responsible for the correct tariff classification of the goods at the time of importation into Turkey. This responsibility arises even if the importer employs an agent to handle the customs declarations on his behalf.

The Harmonised Commodity System adopted by the World Customs Organisation[7] determines the commodity codes at the level of 6 digits. That is the basis for the adoption of the Turkish Customs Tariff Schedule which is divided at the level of 10 digits. Importers must classify their goods under the Turkish Customs Tariff Schedule which contains sub-divisions to the level of the ten digit code. The Customs Tariff Schedule is published at the end of each year and it will be applicable in the following calendar year.[8]

Consequently, the tariff classification consists in determining the relevant code within the Turkish Customs Tariff Schedule, which will then be used for the application of the Turkish tariff measures. These can include tariff suspensions, tariff preferences, anti-dumping duties or the application of non-tariff measures such as import quotas or surveillance measures.

The correct tariff classification of goods is therefore not the only relevant factor for the determination of the applicable import duties.

The general principle is that goods must be classified according to their objective characteristics and properties at the time of their presentation for customs clearance. However, there are other elements that may be taken into account such as, for example, the intended use of the product when this can be assessed on the basis of the objective characteristics of the goods. A case by case analysis will need to be made.

Importers can obtain certainty on the tariff classification of goods by requesting, from the designated customs authority, a Binding Tariff Information (BTI). BTI applications are accepted by the following six General

[7] www.wcoomd.org

[8] For instance, the Turkish Customs Tariff Schedule applicable in 2018 was published on 31 December 2017 on the Turkish Official Journal No. 30287.

Directorates of Customs and Trade: İstanbul, Orta Anadolu, Ege, Uludağ, Orta Akdeniz, and Doğu Marmara. BTI application can also be filed electronically.

BTI is issued free of charge; however, certain expenses incurred by the customs authorities are requested from the applicants, such as the expenses for chemical analysis or assessment of the goods or return of the goods to the applicant.

BTI binds the customs authorities only with respect to goods to be customs cleared after the issuance of the BTI, and only with respect to the tariff position of the goods. In this respect, the declarant must prove that the goods declares under the customs declaration must correspond in all respects to the goods described in the BTI. BTI remains valid for a period of six years as from the date of issuance. BTI becomes invalid if:

- the BTI is no longer in line with the customs tariff classifications as a result of an amendment to the latter;
- the BTI is no longer in line with the mandatory nomenclature, explanations and customs tariff classifications of the World Customs Organization as a result of an amendment to the latter; and
- notification of the annulment or amendment of the BTI to the person at the request of whom the BTI was issued.

18. Valuation

Duties (and, if applicable, non-tariff measures) are in most cases imposed as *ad valorem* duties where the duty is calculated as a percentage of the value of the product, instead of on the basis of the properties of the product. The duty is therefore imposed on the customs value of the goods which must be determined according to the rules contained in the Turkish Customs Code.[9]

Importers must therefore take into account specific rules to determine the customs value on which the import duty will be applied. The customs value of the products shall be determined pursuant to Articles 45 et seq. of the Turkish Customs Regulation which lay down the following six valuation methodologies to be applied in turn:

- transaction value of the goods;
- transaction value of identical goods;
- transaction value of similar goods;
- deductive method;
- computed value; and
- residual method.

In order to determine the customs value, the customs authorities must first use the transaction value of the goods. In the case where it is not possible to use the first method, other methods shall be tried in the above order. If the customs value of the product cannot be determined by using any of the first five methods, then the customs authorities may have recourse to the last method, i.e. the residual method. As long as the customs value of the product can be determined by using a method which comes first in the order, other methods which come later in the order cannot be used. However, the order of deductive method and computed value method may be changed where the declarant requests this in writing and the customs authorities decide to approve such request.

[9] Regulation (EU) No 952/2013 of the European Parliament and of the Council of 9 October 2013 laying down the Union Customs Code, [2013] OJ L 269/1. (Union Customs Code or UCC).

The determination of the customs value on the basis of the transaction value of the goods is done by adding the following expenses on top of the actual transaction price paid or payable:

- commissions and brokerage fees (other than those paid by the importer to its representative for the services rendered in relation to the representation services rendered abroad), containers treated as a whole with the goods, and packaging costs which are not included in the actual price paid or payable (or undertaken by the purchaser);

- a reasonable portion of inputs provided by the purchaser for the production of the products without adequate remuneration (such as materials or parts assembled into the imported product, equipment used in production, raw materials consumed in the production, and services rendered relating to, for example, engineering, product development, design and planning);

- royalties and licence fees which must be paid by the purchaser pursuant to the delivery terms but not included in the price paid or payable;

- portion of the revenues generated from the re-sale, disposal, or use of imported products;

- freight and insurance expenses incurred until the port or place of entry in Turkey.

Objective and quantifiable data shall be taken into consideration in the determination of additional expenses to be added to the price paid or payable for the determination of the transaction value. No addition shall be made to the price paid or payable for the determination of the customs value other than those enumerated in the legislation.

The following expenses shall not be included in the customs value of the product on the condition that they can be distinguished from the actual price paid or payable:

- freight and ocean expenses incurred after the entry into the Turkish customs territory, or into the customs territories of which Turkey forms a

part as a result of international agreements;

- expenses incurred after importation in relation to construction, mounting, installation, maintenance and technical services for industrial facilities, machinery and equipment;

- interest expenses incurred by the buyer pursuant to a financing agreement with respect to the purchase of the imported goods;

- commissions paid by the importer to its representative for the services rendered in relation to the representation services rendered abroad;

- customs duties to be paid in Turkey as a result of importation or sale of products.

With respect to the interest expenses, it is irrelevant whether the financing was provided by the seller or by a third person. However, the financing agreement must be made in writing and the buyer is obliged to prove that the product is sold at the price indicated as the actual price paid or payable, and the interest rate does not exceed the interest rates applicable to that type of transaction in the financing country.

When the transaction value cannot be used, the importer must rely on the following alternatives in the order specified below, except that the last two options can be reversed at the request of the declarant:

- the transaction value of identical goods sold for export to the customs territory of Turkey and exported at or about the same time as the goods being valued;

- the transaction value of similar goods sold for export to the customs territory of Turkey and exported at or about the same time as the goods being valued;

- the deductive method: the value based on the unit price at which the imported goods, or identical or similar imported goods, are sold within the customs territory of Turkey in the greatest aggregate quantity to buyers which are not related to the sellers; or

- the computed value, consisting of the sum of three main elements. First, there is the cost or value of materials and fabrication or other processing employed in producing the imported goods. Second, there is an amount for profit and general expenses equal to that usually reflected in sales of goods of the same class or kind as the goods being valued which are made by producers in the country of export for export to Turkey. Third, there is the cost or value of transport and insurance of the imported goods and loading and handling charges associated with the transport of the imported goods to the place where the goods are brought into the customs territory of Turkey.

In the case where the customs value of the product cannot be determined by the abovementioned five methods, it should be determined in light of any other method in line with existing provisions in Turkey and with the Agreement on Implementation of Article VII of GATT 1994, Article VII of GATT 1994, and provisions of the Turkish Customs Code and Turkish Customs Regulation on the customs value of goods.

Determining the customs value of the goods concerned can sometimes be a difficult task. Importers should take into account the provisions contained in the Turkish Customs Code, together with the provisions of the implementing regulations and decrees of the Turkish Customs Code.

19. Origin and Preferences

Determining the origin of goods is important, as trade-related measures often depend on the country in which the goods originate. In certain cases, importers must therefore clarify the origin of their goods to determine if certain trade-related measures are applicable. In this respect, preferential and non-preferential origin must be distinguished.

19.1 Non-preferential Rules of Origin

The non-preferential rules of origin are used for determining the origin of products subject to all kinds of commercial policy measures (such as anti-dumping measures and countervailing duties, retaliatory duties, quantitative restrictions and import restrictions, surveillance of imports, and quotas). Other provisions, such as those related to public tenders or origin marking, are also linked with the non-preferential origin of the products.

The basic rules on non-preferential origin state that the goods originating in a country or territory shall be those wholly obtained or produced in that country or territory. When goods originate in more than one country or territory, the origin will be determined on the basis of the substantial transformation test: goods whose production involves more than one country or territory shall be deemed to originate in the country or territory where they underwent their last, substantial, economically-justified processing or working, in an undertaking equipped for that purpose and resulting in the manufacture of a new product or representing an important stage of manufacture.

19.2 Preferential Rules of Origin

Preferential origin confers certain benefits on goods traded between particular countries, namely entry at a reduced or zero rate of duty. Importers should refer to the rules laid down in the specific relevant legislation.

As a result of the Customs Union between Turkey and the EU, Turkey grants preferential treatment to least developed countries and developing countries as determined in the EU's generalised system of preferences. Such

preferential treatment is indicated every year in Turkey's importation regime regulated by a Council of Ministers Decree.

However, importers should also look into the specific preferential trade agreements concluded between Turkey and its trade partners for other preferential origin rules.

For products which are subject to preferential trade, the documents necessary to prove the origin is determined either in light of the provisions set forth in the relevant preferential trade agreement or unilaterally by the parties to the preferential trade agreement.

Products wholly obtained in a beneficiary country are considered as originating in that beneficiary country. For other products, the working or processing required to be carried out on non-originating materials is generally set out in the relevant regulatory text. It usually relies on the technical/industrial criteria, the added value or the economic criteria, or the change of tariff heading. However, the abstract criterion based on the substantial processing is not usually taken into account for preferential origin.

It is, under certain conditions, possible to use material originating in a preferential partner country other than that from which the goods are exported. When only two partners of the preferential agreement are involved, this is called bilateral cumulation. In addition, manufacturing can take place under certain conditions within a regional group, leading to regional cumulation.

Importers should take into account that they can request Binding Origin Information from the General Directorate of Customs which operates under the Ministry of Customs and Trade. These decisions will be binding concerning the origin of the products. Binding Origin Information shall be binding both on the customs authorities and on the holder for a period of three years from the date on which the decision takes effect. However, Binding Origin Information can be revoked under certain conditions specified in the Turkish Customs Code.

19.3 Generalised System of Preferences

Article 16 of the Decision No. 1/95 of the EU-Turkey Association Council establishing the Customs Union between Turkey and the EU sets forth that Turkey shall bring its customs regimes in line with the EU's preferential trade regimes. In this respect, in 2002, Turkey started to gradually adopt the EU's generalised system of preferences.

Within the framework of the compliance strategy, unilateral preferences granted by the EU to beneficiary countries have been reflected in Turkey's importation regime regulations. As of April 2018, Turkey implements the entire GSP regime of the EU with respect to goods covered by the Customs Union (industrial goods and processed agricultural goods).

Turkey's GSP system is implemented in line with its international obligations, in particular those arising from the World Trade Organization, and is based on the following principles:

- Customs duty preferences are granted unilaterally;
- Granting of preferences is not binding;
- Preferences may be partially or wholly removed; and
- Preferences shall not prevent the tariff reductions based on "Most-Favoured Nation" treatment to be made unilaterally or to be agreed as a result of international negotiations.

Preferential tariffs applied in the framework of GSP are indicated in the Column "GSP Countries" of Annexes II and III of the Import Regime Decree each year. The developing counties and the least developing countries which will benefit from the preferential tariffs are in turn indicated in Annexes 4A and 4B to the Import Regime Decree each year. Preferential tariffs applied in the framework of GSP are only applicable to goods originating in the countries specified in each year's Import Regime Decree.

As regards the new origin rules adopted by the EU in the framework of its GSP regime, Turkey has undertaken such new origin rules as of 1 January 2015.

20. Tariff Suspension

Turkey applies tariff suspension only for industrial goods which are not manufactured in Turkey or in the EU. For industrial goods which are manufactured in Turkey or in the EU but in insufficient quantities, a quota may be implemented. Hong Kong traders should note that the coal and steel products covered by the free trade agreement between Turkey and then European Coal and Steel Community do not fall within the scope of tariff suspension system.

Tariff suspensions and quota arrangements enter into force and are applicable with respect to both Turkey and all the EU Member States. Finished goods or products destined for retail sale cannot be brought into the tariff suspension and quota system.

The list of goods for which customs duties are suspended within the framework of the tariff suspension system are indicated in Annex V to the Import Regime Decree every year. Therefore, importers must examine the applicable list published in Annex V prior to filing any application for a tariff suspension. The following conditions apply for the granting of an autonomous tariff suspension:

- a request is made to the Ministry of Economy;
- the duty foregone exceeds a minimum threshold of EUR 15,000 per year;
- goods are not produced in Turkey and the EU;
- the applicant will use the merchandise for purposes other than trade.

More information and forms can be found on the Import Decree No. 2018/1.[10]

[10] Import Decree No. 2018/1 published in the Turkish Official Gazette No. 30287 dated 31 December 2017.

21. Customs Clearance

21.1 Customs Declaration

a) What is a customs declaration?

A customs declaration is the act by which a person indicates in the prescribed form and manner a wish to place goods under a given customs procedure with an indication, where appropriate, of any specific arrangements to be applied.

Customs declarations may be made in writing or using a data-processing technique or, in certain circumstances, through other means. The general rule is that an electronic declaration is lodged.

b) What steps must be taken to import goods successfully into Turkey?

An entry summary declaration must be filed for all the goods brought to the customs territory of Turkey except for those carried in vessels which pass through Turkey's territorial waters and airspace.

An entry summary declaration must follow the format prescribed in Annex 10 of the Turkish Customs Regulation. In addition, when notifying the customs office of entry, the following deadlines, as contained in Article 67 of the Turkish Customs Regulation, should be respected according to the means of transport crossing the border:

Maritime Transport	
1. Containerised cargo other than short sea shipping	24 hours before loading onto the vessels on which the goods will enter the customs territory of Turkey
2. Bulk or break bulk cargo other than short sea shipping	4 hours before the arrival of the vessel at the first port of entry into the customs territory of Turkey
3. In case of goods coming from: - Ports belonging to the customs territory of the EU	2 hours before arrival of the vessel at the first point of entry into the customs territory of Turkey

Maritime Transport	
- Ports of the North Sea, the Black Sea and the Mediterranean Sea	
4. Between a territory outside the customs territory of the Union and the French overseas departments the Azores, Madeira or the Canary Islands, where the duration of the voyage is less than 24hours	2 hours before arrival at the first point of entry

Air Transport	
1. Duration of less than 4 hours	Actual departure
2. Duration of 4 hours or more	4 hours before the arrival of the aircraft at the first airport in the customs territory of Turkey

Rail Transport	
In all cases	

- rail transport: 2 hours before the arrival of the goods at the place for which the customs office of first entry is competent; and
- road transport: before the arrival of the goods at the place for which the customs office of first entry is competent.

An entry summary declaration must be made electronically and a paper declaration may only be permitted where the systems of the authorities or of the person lodging the declaration are not functioning.

Goods brought into the customs territory of Turkey are presented to customs by the person who brings it or, depending on the circumstances, by the person who is in charge of transportation after the arrival of the goods. The person who presents the goods to customs shall link the goods to the entry summary declaration or customs declaration that has been submitted previously. A customs-approved treatment or authorised use is then assigned to the goods presented to customs.

The procedure relating to the assignment of a customs-approved treatment or authorised use to the goods notified under an entry summary declaration shall be completed (i) within 45 days for goods delivered via maritime transport starting from the date on which the entry summary declaration is filed, and (ii) within 20 days for goods delivered by other means of transport starting from the date on which the entry summary declaration is filed.

Starting from the moment of presentation to customs until the assignment of a customs-approved treatment or authorised use, goods remain under the status of “temporary storage goods” and can only be stored in the places and under the conditions approved by the customs authorities.

The goods which will be put under a specific customs procedure shall be declared to the competent customs authorities in line with the requirements of the customs regime concerned.

Customs declarations can be filed in writing, by a computerised system of data processing, by oral statement, or any other behavior through which the owner of the goods declares his or her intention to put the goods under a customs procedure.

A written declaration is normally submitted in the form of a customs declaration form. However, the basic principle is that the customs declaration should be filed through a computerised system of data processing.

Customs duties arising from the importation of goods are notified to the declarant on the declaration of release for free circulation. Furthermore, authorisation and compliance documents required by relevant foreign trade legislation must be attached to the declaration of release for free circulation.

c) Must the customs declaration be accompanied by any documentation?

The general rule is that an electronic declaration is lodged following the format prescribed in Annex 14 of the Turkish Customs Regulation.

The documents to accompany the declaration will depend on the type of customs procedure requested. Furthermore, the tariff classification position of the goods must be known in order to determine the precise list of documents required for the customs declaration. It is necessary to conduct research and do necessary preparations as to whether the goods are subject to any prohibition, authorisation, quota, and standards, and whether the customs authorities require any specific documents such as warranty certificate, surveillance certificate, sanitary certificate, analysis report or CE documentation. Such information may be found on the webpage of the Ministry of Economy (www.ekonomi.gov.tr) or other relevant regulatory bodies.

There are special rules for simplified and incomplete procedures. For instance, special rules allow the submission of incomplete customs declarations whereby not all the particulars required in a declaration are submitted, or some of the required documents are not enclosed.

d) Who must make the customs declaration?

The entry summary declaration may be lodged by the carrier as well as by (i) another person acting on behalf of the carrier or (ii) any person who is able to present the goods in question or have them presented at the customs office of entry.

After the goods arrive in the customs territory of Turkey, the carrier that is liable for the transportation of goods after arrival presents the goods to customs and links the goods declared to the previously filed entry summary declaration or customs declaration.

e) What happens after the summary declaration has been lodged with customs?

During the period between presentation of a customs declaration and assignment of a customs-approved treatment or authorised use, the goods are known as 'goods in temporary storage'. This is not to be confused with warehousing which is a customs-approved treatment in its own right.

The procedure relating to the assignment of a customs-approved treatment or authorised use to the goods notified under an entry summary declaration shall be completed (i) within 45 days for goods delivered via maritime transport starting from the date on which the entry summary declaration is filed, and (ii) within 20 days for goods delivered by other means of transport starting from the date on which the entry summary declaration is filed.

21.2 The Clearance Procedure

a) Customs procedures

There are eight customs procedures in Turkey – release for free circulation, transit, customs warehousing, inward processing, temporary admission, end-use, outward processing and export.

Placing goods under a customs procedure generally requires the lodging of a customs declaration to that effect indicating the wish to place the goods under a given customs procedure. The procedure for doing this has been outlined above. The necessary documents required under the relevant customs procedure must be submitted and the goods presented to customs.

Goods declared under the regimes of exportation, outward processing, transit or customs warehousing remain under customs surveillance from the date on which the customs declaration is registered until the goods exit the customs territory of Turkey or are destroyed or the relevant customs declaration is cancelled.

Customs warehousing, inward processing, processing under customs control, temporary admission, and outward processing regimes are subject to authorisation. The authorisation shall be granted only after the necessary undertakings are offered for due treatment of goods, and the necessary guarantees are paid. Furthermore, the authorisation shall not be granted if the administrative regulations to be adopted by the customs authorities in order to supervise the implementation of the regime with respect to goods in question are disproportionate to the economic reasons targeted by the relevant regime.

The authorisation granted by the customs authority will lay down the conditions for the use of the procedure.

i) Release for free circulation

The release of the goods for free circulation is only possible after the collection of customs duties and trade defence measures, and the completion of administrative requirements necessary for importation.

As regards the goods which are subject to reduced or zero rate customs duties as determined by the Council of Ministers due to their end use, no customs duty shall be collected or a duty lower than the normal rate of duty shall be applied, in case the goods undergo their prescribed end use.

The aforementioned procedure requires written authorisation. The requests for application of no or reduced customs duty rates due to the goods' end use shall be filed by a person established in Turkey through a computerised data processing system at the competent customs authority of the place where the goods will be released for free circulation.

ii) Transit

The transit procedure is applied to the following goods transported from one point to another point in the customs territory of Turkey under customs inspection:

- goods which have not been released for free circulation and not been subject to import duties and trade defence measures, and

- goods whose administrative procedures for exportation have not been completed.

Goods which are subject to the transit procedure can be transported within the customs territory of Turkey (i) from a foreign country to another foreign country, (ii) from a foreign country into Turkey, (iii) from Turkey to a foreign country, (iv) from one national customs authority to another national customs authority.

It is obligatory to provide a guarantee for the goods put under the transit regime in order to cover the customs duties which would have arisen otherwise. However, no guarantee shall be requested for transportation via airway, pipeline, railway, and sea unless specifically set forth in the regulations.

There are other internal transit conventions which allow movements between and through the territories of the contracting parties without applying import duties, other taxes or commercial policy measures.

A primary example is the TIR (“Transports Internationaux Routiers”) currently regulated by the Customs Convention on the International Transport of Goods Under Cover of TIR Carnets in 1975 (TIR Convention 1975). The TIR Convention 1975 was approved by Turkey on 16 January 1985 and entered into force on 12 May 1985. The TIR system is an international customs transit system. As with other customs transit procedures, the TIR procedure enables goods to move under customs control across international borders without the payment of the duties and taxes that would normally be due at importation (or exportation). A condition of the TIR procedure is that the movement of the goods must include transport by road. Goods move from a customs office of departure in one country to a customs office of destination in another country under cover of an

internationally accepted customs transit document, the TIR carnet, which also provides a financial guarantee for the payment of the suspended duties and taxes. The guarantee system is managed by an international organisation, which is currently the International Road Transport Union. In total, there are 70 Contracting Parties to the TIR Convention.

Another example of an international transit convention is the İstanbul Agreement, which governs the ATA carnets issued within the framework of temporary admission. ATA carnets issued under this agreement are customs documents under which goods can be transported between the contracting parties under temporary importation and exportation without the need of an additional document.

The ATA carnet system operates under the coordination of the World Chambers Federation and World ATA Carnets Council and through the national guarantor institutions which are appointed officially in each contracting party.

iii) Customs warehousing

Customs warehousing allows the owner to hold imported goods in Turkey and choose when he pays the duties or other commercial policy measures or re-exports the goods.

The warehouse procedure is intended primarily for storage purposes. The customs authorities may authorise that the goods undergo certain treatment or resale.

iv) Inward processing

Inward processing allows goods to be imported into Turkey for processing without payment of duties and VAT, provided the products which result from the processing are re-exported.

Within the framework of the inward processing regime, there are two different types of procedure:

- **Conditional exemption system:** under the framework of this system, raw materials, auxiliary materials, packaging materials and processing materials (which will be used in the production of the goods to be exported under the inward processing certificate) are imported into the customs territory of Turkey without the implementation of trade defence measures but after the provision of a guarantee securing the customs duties. After the exportation of the product manufactured under the inward processing certificate, the guarantees received for the customs duties are released.

- **Reimbursement system:** under the framework of this system, raw materials, auxiliary materials, packaging materials and processing materials (which will be used in the production of the goods to be exported under the inward processing certificate) are imported into the customs territory of Turkey and all the customs duties and trade defence measures are applied to the products imported for the manufacturing of the final product. After the exportation of the product manufactured under the inward processing certificate, duties collected upon importation are reimbursed. Goods imported under this system are required to comply with the technical regulations and standards necessary for importation.

v) Temporary admission/importation

Temporary importation means that goods may be used in Turkey without payment of duty or trade defence measures under certain conditions and re-exported afterwards in the same state as they were in at the time of import.

It is also possible that goods which belong to a person established outside Turkey and which cannot be brought into Turkey with full exemption under a temporary admission scheme may be imported under the temporary admission regime with partial exemption.

Goods imported under a temporary admission scheme shall be

declared through a computerised data processing system or by submission of an oral declaration form to the customs authority. Oral, rather than paper, declarations can be made for certain types of goods. However, the customs authorities may require additional documents to support the oral declaration.

vi) Outward processing

Outward processing allows goods to be exported outside Turkey for processing or repair and then re-imported into Turkey with total or partial relief granted from import duties.

Without such a system, duty would have to be paid on the goods as produced in Turkey as well as on the value added abroad.

The customs duty to be collected on the goods processed under the outward processing regime is the difference between the duties to be collected on the processed goods and the duties which would have been collected on the goods temporarily exported for further processing had such goods been imported back into Turkey on the same date.

Goods which are temporarily exported for repair are re-imported into Turkey under full exemption from duties if the repair was due to a warranty agreement, a legal obligation, or a production mistake.

vii) Exportation

The export procedure concerns the exit of goods from the Turkish customs territory. This entails the application of all exit formalities, including, where applicable, the payment of export duties, or export refunds, and the presentation of export licences.

The carrier or the representative of the carrier shall file an exit summary declaration concerning the goods exiting the customs territory of Turkey. The carrier or the representative of the carrier shall notify the exit of the vessel until the moment of exit. An exit declaration can be filed through a computerised data processing

system covering all the goods carried in the vessel.

b) Customs-approved treatments or uses

Entry into any of the four types of customs-approved treatment or use normally requires only a physical act. The types of customs-approved treatment are:

- The placing of goods under a customs procedure: which are discussed above.
- The re-exportation of goods from the Turkish customs territory.
- The destruction of goods.
- The abandonment of goods to the State.

21.3 Tax Payment (Customs Tariff & VAT)

For goods subject to customs duties on importation, the customs duty obligation arises at the moment when the goods enter free circulation. For temporary admission of goods with partial exemption from customs duties, the customs duty obligation arises on the date on which the customs declaration is registered.

In addition, according to Article 10 of Turkish VAT Law No. 3065, the importation of goods is subject to VAT. For goods subject to customs duties on importation, VAT becomes due at the moment when the customs duty obligation arises. For goods which are exempted from customs duties, VAT becomes due at the moment at which the customs declaration is registered.

Furthermore, two more customs obligations are incurred upon importation pursuant to Turkish customs legislation:

- for importation of radios, televisions, and all equipment capable of receiving visual and/or audio transmissions, a tax label must be purchased; and
- for certain products which are determined in the importation regime, a

housing development fund fee is collected upon importation. The rates of such fees are indicated each year in the Council of Ministers Decree which lays down the importation regime and the applicable customs duty rates.

22. Regulations on Postal Shipments

The post has traditionally been one of the most widely used methods of sending not only information but also other goods from one person to another. Customs are necessarily involved in international postal traffic since, just as in the case of goods imported and exported by other means, they have to: ensure that the appropriate duties and taxes are collected, enforce import and export prohibitions and restrictions, and in general ensure compliance with the laws and regulations which they are responsible for enforcing.

Because of the special nature of postal traffic, however, the customs formalities in Turkey with respect to items delivered by post are somehow different from those applied to goods transported by other means. Goods, postbags and postal parcels shipped to the Turkish customs territory, shipped abroad from the Turkish customs territory, or returned to Turkey are subject to control and inspection by the customs authorities. Letters which do not contain goods fall outside the scope of these rules.

Déclaration en Douane (Form CN23) is accepted as a customs declaration by the customs authorities for postal shipments such as samples and personal belongings which are not of a commercial nature. For boxes which arrive without a Déclaration en Douane and are not of a commercial nature, an oral declaration form is drawn up. A customs declaration shall be made for goods which are of a commercial nature.

Postal shipments which include goods to be put under an inward processing regime, temporary admission regime or returned goods regime shall be treated in line with the provisions of the respective regimes. If deemed necessary, customs officers may inspect and examine certain parcels.

Customs duties that are determined by the customs authorities in relation to the parcels which are treated, are collected from the recipient of the parcels by the customs authority.

Commercials goods to be exported shall be declared by means of a customs declaration and treated in line with the provisions of the exportation regime.

It is to be noted that any information left off customs declarations forms can lead to delays within customs, and may result in the item being returned to the sender. Also, false declarations are a breach of Turkish law.

23. Packing, Shipping and Insurance (Air/Ocean)

23.1 Entry and Warehousing

a) Entry of goods

From the moment that goods enter into the customs territory of Turkey, they are subject to the supervision of the customs authorities and may be subject to customs control. In general, goods which are brought into the customs territory must be conveyed without delay to the customs office designated by the customs authorities.

Immediately upon their arrival at the customs office or other designated place, the goods are to be presented to customs by the person who brought the goods into the customs territory of Turkey, the person in whose name or on whose behalf the person who brought the goods into that territory acts, or the person who assumed responsibility for carriage of the goods after they were brought into the customs territory of Turkey. Generally, the goods are to be unloaded solely with the authorisation of the customs authorities and only in places designated or approved by those authorities.

b) Customs warehousing

Customs warehouses are places that have been approved by and are under the supervision of the customs authorities and may be either public or private. Public warehouses are available for the use of any person for the warehousing of goods, whereas private warehouses are reserved for the storage of goods by the holder of an authorisation for customs warehousing.

23.2 Shipping Requirements

a) Packing

International shipping puts high demands on the packing of goods.

Hong Kong traders should be aware of the risk of damage that might be caused by breakage, moisture, excess weight or pilferage. Therefore, it is recommended that the following requirements should be respected when packing:

- provide for strong and adequately sealed containers,
- distribute the weight of the goods evenly,
- use moisture-resistant materials, and
- respect product-specific hazardous materials packing requirements, if applicable.

Furthermore, Hong Kong traders should be aware of the fact that, pursuant to Turkish customs law, both "*the cost of containers*", and "*the cost of packing, whether for labour or materials*", must be added to the price actually paid or payable for the imported goods to determine their customs value. In other words, the higher the expenses for packing, the higher the customs value of the imported goods. Obviously, this provision only applies if the costs for packing are not already included in the price paid or payable for the imported goods.

b) Shipping

The cost of shipment, the delivery schedule and the accessibility to the product by the purchaser are important factors to be considered when determining the method of shipping. In this regard, Hong Kong traders may find it useful to consult with their freight forwarders. Freight forwarders may also assist Hong Kong traders in preparing price quotations by advising on, among others, freight costs, port charges and costs of special documentation.

In general, air carrier shipments will be more expensive than sea carrier shipments. However, an air carrier's additional costs may be offset by quicker delivery times and lower domestic shipping costs, if a local airport is nearer to the final destination than coastal seaports.

Goods that are imported into Turkey have to be accompanied by a valid transport document (*e.g.* a bill of lading or an airway bill). Additional documentation might be required depending on the specific nature of the imported goods. Given that carriers are often used for large and bulky shipments, Hong Kong traders should furthermore keep in mind the need to reserve space well before the actual shipment date. Inexperienced traders should consult with their freight forwarders in this respect.

23.3 Marine and Air Insurance

The continuing growth in world trade is resulting in unprecedented levels of goods moving across borders. This rise in trade volumes has increased the potential for companies' goods to be lost or damaged in transit. To guard against this risk, Hong Kong traders should arrange adequate insurance of their goods.

Export shipments are usually insured against loss, damage and delay in transit by cargo insurance. If the sales agreement makes a Hong Kong trader responsible for insurance, he should either obtain his own policy or insure the cargo under a freight forwarder's policy for a fee. If, pursuant to the terms of sale, it is the buyer who is responsible to insure the imported goods, Hong Kong traders should not automatically assume that the buyer will have obtained adequate insurance. In fact, a Hong Kong trader may still have to bear the financial loss in case a buyer neglects to provide for adequate coverage and the goods are damaged.

Shipments by sea should be covered by marine cargo insurance. Marine insurance compensates the owner of goods transported overseas in the event of loss that cannot be recovered from the carrier such as losses and damage sustained from shipwreck, fire, etc. Air shipments may also be covered by marine cargo insurance or it may be purchased from the air carrier.

The cost of protection, i.e. the insurance premium, for the same consignment carried between the same two points will not be the same for sea and air transportation. In fact, the costs will generally be lower for goods

moved by air. This is because insurers assume that the risk of damage or loss during air transportation is likely to be less.

24. Turkish Import Regulations

Pursuant to its obligations under the Customs Union with the EU, Turkey has adopted a common trade policy with the EU towards imports from third countries with respect to goods covered by the Customs Union. Like the EU, Turkey has a relatively liberal import regime. In general, import licensing is not required for products entering Turkey, except for certain sensitive products like agricultural goods, tobacco, weapons, etc., and products governed by quantitative restrictions (i.e. quotas) and surveillance.

24.1 Import Licensing

The Turkish import licensing system is based on the premise that no import licences are required unless specific products are subject to import surveillance, quantitative restrictions or safeguard measures.

As regards import surveillance, specific products may be monitored by Turkey in order to closely follow the trends in the imports of certain products. In practice, Turkish surveillance measures take the form of a minimum import price in order to protect the domestic industry and prevent tax losses from importation. Goods priced below the minimum import price determined in the surveillance measure can only be imported along with a certificate of surveillance.

24.2 Tariff Quotas and Suspensions

Tariffs may be suspended for industrial goods which are not manufactured in Turkey and in the EU. For industrial goods which are manufactured at insufficient levels in Turkey and in the EU, tariff quotas may be opened. In this respect, it is important to note that tariff suspension is not applied with respect to iron and steel products which are not covered by the Customs Union between Turkey and the EU.

As regards tariff quotas, producers established in Turkey may apply for a tariff quota, which is then brought by the Ministry of Economy to the attention of the European Commission. Tariff quotas are then discussed in the European Commission's Economic Tariff Questions Group. As a result of

these negotiations, tariff quotas may be opened by the Decrees published by the Council of Ministers throughout the year.

As regards tariff suspensions, no application can be made for finished goods and goods destined for retail sale. An application for the suspension of tariffs can be filed for the following products:

- products used by producers established in Turkey in their own production;
- products which are not manufactured in Turkey or in the EU; and
- the total annual amount of customs duties suspended shall not be less than € 15,000.

Products for which the duties are suspended are indicated in Annex V of Turkey's Importation Regime published every year in the Turkish Official Journal setting the customs duty rates for products.

New suspension and quota decisions enter into force either on 1 January or 1 July of each year, depending on when the decision to suspend the tariff or open a quota is rendered. The applications for suspensions and quotas must be made by 15 February or by 15 August each year.

25. Trade Defence Measures

Turkey may adopt trade defence measures against dumped or subsidised imports from other countries, including the EU Member States, leading to an increase in tariff duties. In addition, Turkey may decide to protect its industry against a sudden increase in imports of a particular product by means of safeguard measures.

25.1 Anti-dumping and Anti-subsidy Measures

In order to combat unfair trade practices which cause or threaten to cause material injury to the Turkish domestic industry, following certain procedures Turkey may increase the import duties on imports of specific products from certain countries for which dumping or subsidisation is found.

a) Anti-dumping

Law No. 3577 on the Prevention of Unfair Competition from Imports, as amended, provides the main legal basis for Turkey's anti-dumping measures. According to this Law, anti-dumping duties are to be imposed if three conditions are met: (i) a finding of dumping; [11] (ii) a determination of material injury (or threat thereof) to the Turkish domestic industry;[12] and (iii) a causal link between dumping and injury (or threat of injury). Furthermore, the Turkish investigating authority also examines whether the adoption of measures is in the public interest even though the Law does not expressly set forth such condition.[13]

[11] A product is considered dumped if its export price to Turkey is less than the comparable price for a like product established in the ordinary course of trade within the exporting country. Computations of the dumping margin may be complicated, as the necessary adjustments for differences in market structure (a distinction is made between market and non-market economies), taxation, time of sales, and range of products considered to be affected have to be taken into account.

[12] The determination of injury requires evidence of: significant increases in the volume of dumped imports, either in absolute terms or relative to production or consumption in Turkey; price undercutting; and the adverse impact on Turkish industry in relation to production and utilisation of capacity, stocks, sales, market share, price changes, profits, returns on investments, cash flow, and employment. The Law stipulates that there must be a causal link between dumping and injury.

[13] The public interest include the interest of the industry and of the users and consumers. The cost of adopting the measures by Turkey must not be disproportionate to the benefits.

The Ministry of Economy (the "MoE") is responsible for investigating complaints and assessing whether they are justified. The measures may then be imposed by the Board of Evaluation of Unfair Competition from Imports, deciding on the basis of the investigation report produced by the MoE. Provisional measures can also be imposed.

i) Initiation of the investigation

Proceedings for an investigation can be initiated by written request from the industry or *ex officio* by the MoE. Any natural or legal person, or any association not having legal personality, acting on behalf of the Turkish industry (i.e. representing at least 25% of Turkey's total production of the product concerned), may submit a written complaint to the MoE. If the complaint contains sufficient "*prima facie*" evidence of dumping and material injury, the MoE will initiate an anti-dumping proceeding. Once it has received the complaint, the MoE has 45 days to decide whether to initiate an investigation or reject the complaint.

ii) Main steps of the investigation

The investigation is carried out by the MoE (Directorate-General of Imports). In cases involving the Chinese mainland, the MoE will identify an analogue country with similar conditions which will be taken into account in order to determine the normal value of the products concerned. Regardless of this, exporters have the opportunity to claim market economy treatment (MET) if they can demonstrate that they operate under market economy conditions and are free from significant State interference. If a claim for market economy treatment is accepted, the normal value will be calculated on the basis of the cost information provided by the exporter. If the claim for market economy treatment is rejected, the exporters may still claim that they are free from State interference with respect to export prices, and request individual treatment (IT) in the calculation of anti-dumping duties. It should be noted that the Turkish investigating authority usually uses Turkey as the analogue country.

From the date of publication of the notice of initiation in the *Turkish Official Journal* (or from the date on which notification was dispatched by the MoE in case the exporters received an individual notification from the MoE), exporters have 37 days to submit the questionnaire response containing detailed information about the company's export activities in the EU as well as their MET claim; and 37 days to submit their views on injury to the Turkish industry. These time-limits may be extended.

In cases where an investigation involves a significant number of exporters, the MoE may resort to sampling (i.e. the selection of representative companies on which to base the calculations of dumping).

The questionnaire responses may also be subject to an on-the-spot verification by the MoE. Several months after initiation, MoE officials may carry out further verification visits at the exporters' premises in order to ensure that any of the information submitted is accurate.

Selected time limits of Turkey's anti-dumping proceedings

From the date of publication of the notice of initiation in the Turkish Official Journal	Actions
Within 37 days from the date of individual notification or from the date of publication of the notice of initiation	Exporters to submit duly completed questionnaire about their companies' export activities in Turkey as well as their comments to the MoE.
Any time after 60 days	The MoE may impose provisional anti-dumping duties.
Within 1 year	The MoE must conclude the investigation. The MoE may terminate the proceeding without the imposition of anti-dumping duties; or impose definitive anti-dumping duties; or conclude the investigation by accepting 'price undertakings' from exporters agreeing to revise their prices. The

From the date of publication of the notice of initiation in the Turkish Official Journal	Actions
	MoE may also extend the duration of the investigation by 6 months.
Within 18 months	Definitive deadline for the conclusion of the investigation.

Note: The time limits are for reference only. Different anti-dumping investigations may have different time limits, which are specified in the relevant Notice of Initiation published in the Turkish Official Journal.

Source: Regulation on the Prevention of Unfair Competition from Imports, (Turkish Official Journal No. 23861 dated 30 October 1999, as amended)

iii) Outcome of the investigation

Any time after sixty days from initiation, the MoE may impose provisional duties, if the existence of dumping and injury to the domestic industry has been preliminarily established. The investigation must be concluded within 1 year from initiation. The MoE may terminate the proceeding without the imposition of anti-dumping duties; or impose definitive anti-dumping duties; or conclude the investigation by accepting undertakings from exporters agreeing to revise their prices. If duties are imposed, they will expire five years after their date of imposition, or after the conclusion of any expiry review should measures not thereafter be maintained. The MoE tends to apply the so-called "*lesser duty rule*," whereby the duties imposed are calculated according to the dumping or injury margin, whichever is lower.

iv) Undertakings

Hong Kong exporters would be interested to know that, once it becomes clear that the investigation will lead to the imposition of duties, the companies concerned might want to consider price undertakings in order to avoid the imposition of such duties against their exports. Undertakings are a form of anti-dumping measure

where an exporting producer undertakes to increase its export prices of the product concerned to Turkey to non-dumped or non-injurious levels. Undertakings are negotiated with the MoE late in the anti-dumping investigation, when the duty rates have been calculated on the basis of the cooperating exporting producers' dumping or injury margins.

The acceptance by the MoE of an undertaking leads to the non-application of anti-dumping duties to the imports of the product concerned manufactured by the company benefiting from the undertaking. The MoE enjoys wide discretion in accepting or rejecting undertakings offered by exporting producers. As a general rule, the MoE will not accept undertakings from exporters which did not cooperate or did not sufficiently cooperate in the investigation, or which did not produce or export the product concerned during the period of investigation.

In light of the above, price undertakings would, in practice, normally only be an option for companies which cooperated in the anti-dumping investigation and for which the MoE has found dumping. Each company will have to assess whether a price undertaking is a better solution than paying the duties.

v) Appeal

Individual cooperating exporters may challenge the definitive anti-dumping duties before the administrative courts and subsequently appeal to the Council of State. A WTO Member (including, of course, the Chinese mainland) may have recourse to the WTO dispute settlement system to discuss the conformity of the adopted measures with the WTO Anti-dumping Agreement.

Turkey's Anti-dumping measures against products originating in Hong Kong
(Measures in force as at 3 May 2018)

Imposition Date		Product	Rate of Duty	Remarks
1.	17.12.2008	Glass lids/covers	US$0.91/kg	Duty maintained for another five years starting from 17.04.2016.

Turkey's Anti-dumping measures against Chinese mainland-origin products
(Measures in force as at 3 May 2018)

Definitive duties (63 cases)

Imposition Date		Product	Rate of Duty	Valid Until
2.	13.07.1999	Fittings	$800/Ton	21.04.2023
3.	28.07.2005	Only wall-type split air-conditioners & only outdoor unit of wall-type split air-conditioners (except for outdoor unit of vrf systems) & only indoor unit of wall-type split air-conditioners	25%	08.03.2023
4.	24.09.2016	Porcelain and ceramic tableware and kitchenware	8%	03.03.2023
5.	20.08.2004	Certain types of new pneumatic tires, of rubber	60%	02.12.2022
6.	21.12.2016	Heavy plate	16.89%-22.55%	29.11.2022
7.	01.07.2016	Quilted textiles	17.29%	20.10.2022
8.	06.02.2016	Concrete pump / concrete pump truck	5.10%-12.27%	12.07.2022
9.	26.04.2013	Fully drawn yarn (FDY)	$0.25/KG-$0.30/KG	16.10.2019
10.	04.02.2005	Pentaerythritol	$270/TON	14.05.2022

Imposition Date		Product	Rate of Duty	Valid Until
11.	01.07.2016	Solar panels	$20-25/m^2	01.04.2022
12.	05.08.2010	Cored wire of base metal	21.12%-28.87%	23.02.2022
13.	05.08.2003	Hinges of base metal & hat-racks, hat-pegs, brackets and similar fixtures of base metal & base metal mountings, fittings and similar articles suitable for furniture	$1.64/KG-$0.75/KG	21.12.2021
14.	05.08.2003	Interchangeable tools for drilling metals with working parts of high speed steel	$6/KG-$10/KG	07.12.2021
15.	22.01.2010	Glass fiber reinforcement materials	24.50%-35.75%	03.11.2021
16.	07.06.2004	Textile fabrics impregnated with polyurethane- (leather substitutes & others) & textile fabrics coated, covered or laminated with polyurethane- (leather substitutes & others)	$1-$2.2/KG	02.11.2021
17.	07.06.2004	Slide fasteners	$3/KG	02.11.2021
18.	27.06.1997	Refillable pocket flint lighters	$0.05/Unit	30.10.2021
19.	07.02.2004	Metallized yarn, whether or not gimped, being textile yarn, or strip or the like of heading 5404 or 5405, combined with metal in the form of thread, strip or powder or covered with metal	$2.2/KG	13.10.2021
20.	15.05.2015	Seamless tubes, pipes and hollow profiles of	$100-$120/ton	04.08.2021

Imposition Date		Product	Rate of Duty	Valid Until
		iron (other than cast iron) or steel		
21.	20.12.2003	Baby carriages, parts (chassis only)	$12/Unit-$8/Unit	19.07.2021
22.	03.06.2004	Ropes and cables (including locked coil ropes)	$1/KG	14.07.2021
23.	12.11.2015	Unframed glass mirrors	27.0%	01.07.2021
24.	20.06.2015	Chiller	36.63%-49.64%	01.07.2021
25.	23.07.2015	Dyed sheet metals	23.4%	24.06.2021
26.	25.07.2009	Articulated link chain and parts thereof	$1.200/ton	19.06.2021
27.	25.07.2009	Certain made-up textile articles and fabrics made of artificial or synthetics fibers	70.44 (At most $5/Kg)	24.05.2021
28.	18.04.2009	Certain tube or pipe fittings of iron or steel	$663/Ton	20.04.2021
29.	04.07.2003	Glass lid/cover	$0.91/kg	17.04.2021
30.	12.04.2015	Sodium formiate	31.0%	12.04.2021
31.	25.07.2009	Fan coil	56.50%	12.02.2021
32.	26.12.2014	Safety glass	10%-66.1%	18.11.2020
33.	25.07.2014	Welding machines	$29-$154/Unit	16.09.2020
34.	22.05.2003	Ball point pens	$0.066/Unit	22.08.2020
35.	18.09.2002	Motorcycle tyres & motorcycle tubes	37%-100%	25.07.2020
36.	14.09.2002	Bicycle tyres & bicycle tubes	$0.73-$2.02/kg	24.07.2020
37.	11.04.2003	Cylindrical door locks (excluding electro mechanicals) & other door locks (excluding electro mechanicals) & only cylinder and case	$4/kg	16.07.2020

Imposition Date		Product	Rate of Duty	Valid Until
		for door locks		
38.	15.01.2009	Knives for electromechanical domestic kitchen appliances	$20.85/KG	23.05.2020
39.	04.07.2003	Stud-link of iron or steel & welded link chain of iron or steel	$1069/Ton	10.05.2020
40.	26.03.2014	Motor hue (tiller)	49.49%-92.25%	17.04.2020
41.	11.01.2008	Yarn of man made or synthetic or artificial staple fibres	$0.49-$0.80/KG	17.04.2020
42.	13.02.2008	Certain finished or semi-finished artificial leather	$1.9/Kg	12.04.2020
43.	01.11.2000	Woven fabrics of synthetic filament yarn	21.13%-70.44%	21.01.2020
44.	04.12.2007	Polyester textured yarn	$268-$351/TON	17.12.2019
45.	08.05.2002	Hook & loop	$3.86/KG	13.11.2019
46.	11.01.2008	Tarpaulin made of polyethylene/polypropylene	$1.06/Kg	11.11.2019
47.	08.05.2002	Pencils with leads of graphite and pencils with leads of crayons encased in a rigid sheath	$3.16/144 Unit	09.08.2019
48.	21.12.2013	Aluminium foil of a thickness not exceeding 0,2 mm, not backed	22%	26.07.2019
49.	05.05.2013	Instantaneous gas water heaters	20.12%-59.65%	11.07.2019
50.	31.10.2007	Laminated flooring	$1.60-$2.40/m^2	03.05.2019
51.	11.11.2001	Pocket lighters, gas fueled, non-refillable & pocket lighters, gas	$0.05/Unit $0.05/Unit $0.01/Unit	26.04.2019

Imposition Date		Product	Rate of Duty	Valid Until
		fueled, refillable with electrical ignition system & parts of lighters		
52.	24.10.2007	Textured yarn of nylon or other polyamides, measuring per single yarn more than 50 tex	37.40%	27.03.2019
53.	18.09.2002	Blankets & long pile fabrics of synthetic fibers and others of man-made fibres for blankets	$4/KG	23.01.2019
54.	03.08.2012	Diesel engines	152.48%-165.18%	21.11.2018
55.	26.01.2001	Wall clocks (battery accumulator or main powered)	$2.10/Unit	05.10.2018
56.	20.03.2012	Electric storage water heaters	22%-49%	19.09.2018
57.	08.07.2006	Polyester synthetic staple	$0.21/KG	16.07.2018
58.	30.09.2000	Woven fabrics of synthetic and artificial stable fibers	87%	05.05.2018
59.	19.04.2012	Welded stainless steel tubes, pipes & profiles	13.82%-25.27%	15.03.2018
60.	29.08.2006	Refractory bricks of chromite, magnesite or chrome magnesite; other articles-containing magnesite, dolomite or chromite	$145/Ton	15.03.2018
61.	13.05.2006	Endless transmission belts of trapezoidal cross-section (v-belts), other than v-ribbed	$5.04/KG	15.03.2018
62.	24.02.2006	Plywood consisting solely of sheets of wood, each ply not	$240/M3	10.07.2017

Imposition Date		Product	Rate of Duty	Valid Until
		exceeding 6 mm thickness		
63.	24.02.2006	Granites	$174/Ton	10.07.2017
64.	30.12.2006	Stranded wire, ropes and cables	$1/KG	14.07.2021

Anti-dumping investigations underway Targeting Chinese Mainland-origin Products (2 cases, taking into consideration only new anti-dumping investigations) as at 3 May 2018.

Date of Initiation of Anti-dumping Proceedings		Product
1.	30.10.2017	Lighters (gas oven and cooker components)
2.	21.01.2018	Acryclic or modacrylic synthetic filament tow

Remark: Anti-dumping duty is levied on the basis of CIF price before duty.
Source: Turkish Official Journal

b) Anti-subsidy

Law No. 3577 on the Prevention of Unfair Competition from Imports, as amended, provides the main legal framework governing Turkey's countervailing measures. Apart from the provisions on the definitions and calculation of subsidies,[14] the rules are similar to that on anti-dumping, particularly with regard to the determination of injury, the definition of domestic industry, initiation procedures, imposition of provisional and definitive measures, and termination of proceedings.

The three conditions to be satisfied before the imposition of a countervailing measure are that: (i) the subsidy must be specific (*i.e.* an export subsidy, or a subsidy limited to a company, an industry or a group of companies or industries); (ii) a material injury to Turkish domestic industry must exist; and (iii) there must be a causal link between

[14] A subsidy exists if there is a financial contribution by a government in the country of origin or any form of income or price support, which confers a benefit on the recipient. Examples of measures which may amount to a subsidy are, inter alia, grants, loans at preferential interest rates, tax benefits, provision of goods or services at preferential rates, and provisions of equity capital contrary to the usual investment practice of private investors.

dumping and injury. Furthermore, the MoE takes into account the public interest even though the anti-subsidy legislation does not explicitly impose this as a condition.

The MoE tends to apply the so-called “lesser duty rule,” whereby the amount of the countervailing duties is established in accordance with the subsidisation or injury margin, whichever is lower. The margin of subsidisation is calculated in terms of the benefit conferred on the subsidised products, whereas the injury margin is set at a level necessary to remove the injury.

There are currently no countervailing measures imposed on Hong Kong or Chinese mainland-origin products.

Turkey’s Countervailing investigations against Chinese mainland-origin products
(As of 3 May 2018)

Anti-subsidy investigations underway targeting Chinese mainland-origin products (1 case) as of 3 May 2018

Date of Initiation of Anti-subsidy Proceedings	Product
02.03.2018	Acryclic or modacrylic synthetic filament tow

Source: Turkish Official Journal

25.2 Safeguards

In general terms, safeguard measures can be adopted in those cases where there is a sudden increase in imports of a particular product into Turkey causing or threatening to cause serious injury to the Turkish domestic industry. Decree No. 2004/7305 of the Council of Ministers sets out the provisions for the adoption of safeguard measures by Turkey.

a) Initiation of a safeguard investigation

For any safeguard action, the Turkish domestic industry may send the petition to the MoE directly or the MoE can initiate an action on its own initiative. Once a request is made by the Turkish industry (or their

associations), the MoE will handle the complaint.

Under Decree No. 2004/7305, before a safeguard measure is applied to particular products, the MoE must find “serious injury”. The investigation must examine the trend of imports and serious injury or threat thereof, in relation to factors including the volume of imports, the price of imports, and the consequent impact on Turkish producers as indicated by trends in certain economic factors such as production, capacity utilisation, stocks, sales, market share, profits and employment.

b) Outcome of the investigation

Under Decree No. 2004/7305, provisional safeguard measures may be adopted by the MoE in critical circumstances. These measures may be in the form of increased customs duties, quantitative restrictions, import quotas etc. Definitive safeguard measures can be adopted (increased customs duties and/or quotas) by the MoE through implementing Decrees. Any measures, if adopted, would have to apply to imports from all third countries, except developing countries whose imports are below a certain threshold. The duration of any of the measures should not exceed four years, but may be extended for four more years.

If the safeguard measure leads to the establishment of a quota, account is taken of the need to maintain traditional trade flows and the volume of goods exported under contracts concluded on normal terms and conditions before the entry into force of the safeguard measure. In general, the quota is not to be lower than the average level of imports over the last three representative years for which statistics are available.

Turkey's safeguard measures affecting products originating in Chinese mainland

(Measures in force as at 3 May 2018)

Imposition Date		Product	Rate of Duty	Valid Until
1.	06.08.2015	Wallpapers	$4/kg as of 2018	05.08.2018
2.	08.11.2011	PET	6.40% until 7.11.2018	07.11.2020
			6.20% until 7.11.2019	
			6.00% until 7.11.2020	
3.	03.02.2018	Toothbrushes	$0.23/unit until 03.02.2019	03.02.2021
			$0.22/unit until 03.02.2020	
			$0.21/unit until 03.02.2021	

Safeguard investigations underway Targeting Chinese Mainland-origin Products (1 case, taking into consideration only new safeguard investigations) as at 3 May 2018.

Date of Initiation of Safeguard Proceedings	Product
27.04.2018	Flat Products
	Bars, Rods, Wires, Angles, Shapes, and Sections
	Railway or Tramway Construction Materials
	Tubes, Pipes, and Hollow Profiles
	Stainless Steel Products