

CLIENT ALERT

CORPORATE LAW | TÜRKİYE

NOVEMBER 2023

REVISED REQUIREMENTS FOR MINIMUM SHARE CAPITAL AMOUNTS OF TURKISH COMPANIES

LEGISLATION REGARDING SHARE CAPITAL

Turkish Commercial Code

Under Turkish law, the amount of share capital in joint stock and limited companies are regulated under several pieces of legislation. The most important of these is the minimum amount of share capital required for incorporation, which generally applies to all joint stock and limited companies. Pursuant to Article 332 of the Turkish Commercial Code No. 6102 ("**TCC**"), the minimum share capital amount required to incorporate a joint stock company was 50,000 Turkish Lira ("**TRY**"), and for non-public joint stock companies with a registered share capital system it was at least TRY 100,000. For limited companies, this minimum was set as TRY 10,000, according to Article 580 of the TCC.

Presidential Decree

The abovementioned amounts have been amended as follows by the Presidential Decree numbered 7887, published in the Official Gazette of 25 November 2023 and numbered 32380 ("**Decree**"), effective from 1 January 2024¹:

	Current Minimum Capital Amount	New Capital Amount
Limited companies	TRY 10,000	TRY 50,000
Joint-stock companies	TRY 50,000	TRY 250,000
Non-public joint stock companies with registered share capital	TRY 100,000	TRY 500,000

These updated amounts will only be applied to joint stock and limited companies incorporated after 1 January 2024, meaning that existing companies whose current share capital is below the updated share capital amounts do not have to make mandatory share capital increases. However, the Ministry of Trade published an announcement on 26 November 2023, where it reminded that it would be beneficial for current companies to increase their share capital to the prescribed minimum amount in order to strengthen their equity structures.

¹ According to the Revision Decree dated 26 November 2023 and numbered 32381, the effective date stated in the Decree has been revised as 1 January 2024.

Specific Regulations

The above being said, it is worth mentioning that companies operating in regulated areas, such as banking and insurance, are subject to special regulations regarding their minimum share capital amounts. Following the recent increase operated with the abovementioned Decree, the insurance legislation was also updated through the Circular No. 2023/27 issued by the Insurance and Private Pension Regulation and Supervision Agency on 27 November 2023. Accordingly, the minimum share capital requirements for insurance/reinsurance companies were amended as follows:

	Current Minimum Capital Amount	New Capital Amount
Life insurance companies		
Base capital	TRY 40,000,000	TRY 100,000,000
Required capital for all branches	TRY 285,000,000	TRY 725,000,000
Non-life insurance companies		
Base capital	TRY 40,000,000	TRY 100,000,000
Required capital for all branches	TRY 395,000,000	TRY 1,500,000,000
Reinsurance companies		
Base capital	TRY 40,000,000	TRY 100,000,000
Total capital required for both life and non-life	TRY 200,000,000	TRY 700,000,000

In addition, special laws may impose several additional share capital-related obligations, for example, Article 35/3 of the Attorneyship Law No. 1136 stipulates that joint stock companies whose share capital equals or exceeds five times the minimum share capital amount required for incorporation are obliged to have a contract lawyer. To that end, and since the Decree sets the minimum share capital amount as TRY 250,000 for newly incorporated companies, any newly incorporated companies whose share capital exceeds TRY 1,250,000 will be required to have a contracted lawyer.

INITIAL SHARE CAPITAL AND SHARE CAPITAL INCREASES

Initial Share Capital

In order to meet the conditions stipulated in the relevant legislation regarding share capital, companies must either pay the minimum amount of share capital upon incorporation, or reach the relevant amount of share capital through capital increases following incorporation. In capital companies such as joint stock companies and limited companies, the share capital can be contributed in cash or in kind. For joint stock companies, at least one quarter of the nominal value of the shares committed in cash must be paid before registration. The remaining amount must be paid within 24 months following the registration of the company. On the other hand, for limited companies, all cash contributions to the share capital must be paid within 24 months after the registration of the company.

Share Capital Increases

As a matter of principle, a resolution of the general assembly is required for capital increases. However, for joint stock companies with a registered capital system, the board of directors may increase the share capital on the basis of an authorisation granted by the general assembly, limited to a certain amount and in a specified period of time.

As mentioned above, capital increases may be performed through capital commitments in kind or in cash, as well as from internal resources. For an increase to be made through a capital commitment, the existing share capital must have been fully paid-in. This is to prevent the dilution of shareholders who are financially incapable of participating in the capital increase, by increasing the share capital through external resources, even though the company has internal resources.

A share capital increase through internal resources, on the other hand, is a way of increasing the share capital of the company by converting (i) reserves (which are allocated by the articles of association or the general assembly decision and not dedicated to a specific purpose), (ii) the freely usable parts of the legal reserves and (iii) any funds permitted to be converted, into share capital. For such an increase, the existence of the internal resources to be allocated to the capital increase must, among others, be confirmed by the approved annual balance sheet and must be verified by a clear and written declaration of the board of directors. Furthermore, if there are funds in the balance sheet that can be converted into the share capital, then it is prohibited to increase the share capital through a cash capital commitment without first converting these funds into share capital.



In compliance with Turkish bar regulations, opinions relating to Turkish law matters that are included in this client alert have been issued by Özdirekcan Dündar Şenocak Ak Avukatlık Ortaklığı, a Turkish law firm acting as correspondent firm of Gide Loyrette Nouel in Türkiye.

CONTACTS

ARPAT ŞENOCAK
senocak@odsavukatlik.com

NİL DUMAN
nil.duman@odsavukatlik.com

You can also find this legal update on our website in the News & Insights section: [gide.com](https://www.gide.com)

This newsletter is a free, periodical electronic publication edited by the law firm Gide Loyrette Nouel (the "Law Firm"), and published for Gide's clients and business associates. The newsletter is strictly limited to personal use by its addressees and is intended to provide non-exhaustive, general legal information. The newsletter is not intended to be and should not be construed as providing legal advice. The addressee is solely liable for any use of the information contained herein and the Law Firm shall not be held responsible for any damages, direct, indirect or otherwise, arising from the use of the information by the addressee. You may request access to, rectification of, or deletion of your personal data processed by our Communications department (privacy@gide.com).