

Establishing a Liaison Office in Turkey and its Commercial Advantages

Introduction

Turkish laws allow foreign companies to open liaison offices to do required research in their industry. These offices cannot carry out commercial activities. Here, the aim is to enable foreign companies to discover the potential in the domestic market, do research on investment opportunities and create new opportunities for themselves by conducting business activities in one of five different fields. Thus, it is possible to attract more foreign investment into Turkey.

Liaison offices enable foreign companies which were established according to foreign country laws to do market research in Turkey without conducting any commercial activity, to collect information about its sector and to benefit from some advantages. The number of active liaison offices in Turkey is 787 as of 31.12.2017.[\[1\]](#)

This article will stress the structural details of liaison office types and how it could be beneficial for foreign investors.

In Which Fields Can a Liaison Office Be Established?

The Ministry of Trade can issue certificates of incorporation to each foreign company providing that they conduct services within one of the five fields. These fields are as follows; [\[2\]](#)

- Representation and Hosting,
- Control, Inspection and Provision of Suppliers in Turkey with regards to Quality and Standard,
- Technical Support,
- Communication and Transfer of Information, and
- Regional Management Centre

Representation and Hosting: This service branch can be issued for five years. It allows foreign companies to be represented in its sector and at similar organisations. Also, it enables firms' officials to coordinate and organise business services in Turkey. Hence, these company officials can conduct business meetings at these offices and promote new business policies.

Control, Inspection and Provision of Suppliers in Turkey with regards to Quality and Standard: This field of activity can be issued for five years by the Ministry of Trade. It allows foreign

company officials to inspect local suppliers that produce goods and services in the name of foreign companies. Inspections aim to keep the quality up to the foreign companies' standards at all times. Moreover, this title covers foreign companies' product and supplier demands.

Technical Support: The purpose of this field of activity is to enable foreign companies to provide services to local distributors regarding training or technical support, and support local suppliers and manufacturers to improve the quality standards. Thus, foreign companies would advance their efficiency in the Turkish market. This field of activity can be issued for five years.

Communication and Transfer of Information: This area aims to send information to foreign companies about progress in the market, consumer patterns, the sales progress of the competitors and distributors, performance of the distributor firm and other similar matters. Thus, foreign companies would be able to gather information about the Turkish market from a distance. Certificate of incorporation can be issued for five years for this purpose.

Regional Management Centre: This activity permit can be issued for ten years. Liaison offices of foreign companies can provide coordination and management services regarding producing investment and management strategies for the foreign companies' entities located in other countries, planning, introduction, sales, after-sale services, brand management, financial management, technical support, research and development, international procurement, testing recently developed products, laboratory services, research and analysis, training of employees and similar services.

Incorporation and extension applications must be concluded within 15 days of the application date. In the incorporation application, it must be assured that the liaison office of the foreign company will conduct services for at least 3 years in Turkey.

If foreign companies want to establish liaison offices in financial fields that are regulated by specific financial laws, these applications must be assessed by institutions and organisations which are authorised by those laws. Furthermore, the Ministry of Trade can give a decision about these applications after it receives the opinions of these institutions and organisations.

What are the Required Documents for the Incorporation of a Liaison Office?

Article 7 of the Regulation for Implementation of Foreign Direct Investment Law lists the required documents for incorporation applications. The list includes an application form, a letter of commitment indicating the scope of activity of the liaison office and including a statement that the office will not carry out commercial activities, the authorisation document of foreign company official who signed the letter, the 'Certificate of Activity' of the parent company approved by the relevant Turkish Consulate or approved in accordance with apostille procedures and a power of attorney in case that another person will carry out the establishment transactions of the liaison office.

These documents must be sent to the Ministry of Trade after the required documents have been officially translated into Turkish. If the application will be made by an authorised lawyer, a power of attorney must be issued to the lawyer via an official authority (such as notary public) in the country where the parent

company is located. Then, the power of attorney must be internationally validated (such as apostille), and finally, it must be translated into Turkish.

What are The Taxation Advantages of Establishing a Liaison Office in Turkey?

Liaison offices are exempt from income tax, corporation tax and stamp duty tax as they cannot conduct commercial activities in Turkey. As it can be seen from the interpretation of the article 23 (s14) of the Income Tax Law numbered 193, the employer must pay employees' salaries from its income from abroad over currency other than Turkish Lira in order to be exempt from these taxes.

Conclusion

The liaison office model in the Turkish law provides feasible grounds for foreign companies to do preliminary research about their future investments. The establishment and management of a liaison office require technical and comprehensive work. To illustrate, a work permit visa application must be made for each employee if these foreign employees will work at the liaison office in Turkey. Therefore, it is recommended to seek legal advice from a lawyer who is specialised in establishment, management and extension of liaison offices to receive fruitful results.

[\[1\]](#) It is the data of the Ministry of Trade's official website.

[\[2\]](#) Art 8 of the Regulation for Implementation of the Foreign Direct Investment Law