

Law on Restriction of Distribution of Profit due to COVID-19 Pandemic has been published

17 Apr 2020

Within the framework of the measures taken against the COVID-19 pandemic, the Union of Chambers and Commodity Exchanges of Turkey had made an announcement to all companies with its letter dated 1 April 2020, restricting distribution of profit exceeding 25% of the distributable profit of 2019 financial year, in order to protect their equity.

Legal basis and details on the application of the restriction of profit of companies has been determined under the Law number 7244 on Reducing the Economic and Social Effects of New Coronavirus (COVID-19) and Amendment of Certain Laws ("**Law**"), which is published in the Official Gazette on 17 April 2020.

In this regard, as per provisional article 13 added to Turkish Commercial Code number 6102, until 30 September 2020, shareholders of commercial companies shall

- Only decide to distribute up to 25% of the net distributable profit for the financial year 2019,
- Not distribute previous years' profits or any distributable capital reserves, and
- not authorize the board of directors for advance profit distribution.

If there is a previous shareholders resolution on distribution of 2019 financial years' profit, any unpaid amounts to shareholders which exceed 25% of the 2019 net profit shall also be postponed after 30 September 2020.

The restriction will not apply to any companies having more than 50% of their capital held directly or indirectly by the state, special provincial administrations, municipalities, villages, other state legal entities or funds owned more than 50% by the state.

The President is authorized to shorten the period for a limitation or provide an extension by three months.

The scope and any exemptions, as well as procedures and principles on the application of the restriction will be determined by the Ministry of Commerce, by obtaining the opinion of the Ministry of Treasury and Finance.

Please see this [link](#) for the full text of the Law (only available in Turkish).

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