

Turkey Revises Restrictions on Foreign Currency Agreements

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Turkey has announced new rules for its recent restrictions on foreign currency agreements, as well as extended the scope of certain exemptions ([more](#)). The latest exemptions mainly apply to sales and rental of real estate or heavy machinery.

According to recent announcements, the following contract types are permitted to be made in a foreign currency, or be indexed to a foreign currency:

- Real estate sale and rental agreements where one of its parties are:
 - Non-Turkish citizens who are resident in Turkey.
 - Companies located in free zones within the scope of their activities in the free zone.
 - Branches, representation offices, offices, or liaison offices in Turkey for persons residing outside Turkey.
 - Companies held by persons residing outside Turkey with at least 50% direct or indirect shareholding or that are under joint control of persons residing outside Turkey.
- Real estate rental agreements regarding:
 - Accommodation facilities that are certified by the Ministry of Culture and Tourism for operational purposes.
 - Duty free shops.
- Sales and rental agreements for heavy machinery.
- Labor agreements executed with seamen.

Agreements made by contractors of state-owned institutions excluding the agreements regarding real estate sales and employment were already exempt from the restrictions, provided these contracts relate to performance of a tender, agreement or international agreement awarded by the state, now real estate rental agreements can also be made in a foreign currency. Contracts to be executed by contractors or third parties contracting with underwriters and contractors under the defined project contracts are now also exempt.

Electronic communication services which either start abroad and end in Turkey, or start in Turkey and end abroad were already exempt from the restrictions. Under the most recent changes, services which start and end abroad are now also exempt from the restriction. The scope of the services has also been extended beyond electronic communication services. Accordingly, contracts regarding services which start and/or end outside Turkey can be made in a foreign currency, or be indexed to a foreign currency.

All types of work/construction agreements can now be made in a foreign currency, or be indexed to a foreign currency, provided that they have foreign currency costs. Previously, the ban applied to all kinds of work/construction agreements (other than construction of ships).

Foreign currency restrictions apply to service and license agreements regarding hardware and software that are developed in Turkey. However, agreements regarding hardware and software which is developed outside Turkey can

be made in a foreign currency, or be indexed to a foreign currency.

The contract value for transportation services has been clarified and accordingly can be indexed to fuel-oil prices.

Redetermination of the contract values into Turkish Liras is not required for:

- Vehicle lease contracts and commercial vehicle sales contracts for the purposes of passenger transport and financial leasing agreements regarding real properties and movables executed before 13 September 2018 are exempt from the foreign currency restriction.
- Collected or defaulted debts arising from the agreements falling within the scope of the currency restriction.
- Deposits regarding real property lease agreements
- Securities issued for the execution and enforcement of agreements

The Communiqué Amending the Communiqué regarding Decree Number 32 on The Protection of The Value of Turkish Currency (2018-32/52) was announced in Official Gazette number 30597 on 16 November 2018, entering into force on the same date. Please see this [link](#) for the full text (only available in Turkish).

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