

Turkey Updated Rules for Distributing Advance Dividends

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Turkey has made changes to its calculation and distribution rules for advance dividends. Changes apply to advanced dividends for joint-stock companies (not subject to the Capital Market Law), limited liability companies, as well as limited partnerships. Notably, advance dividends are now paid to shareholders in proportion to payments made to the company in consideration for capital share (not in proportion to each party's shares). Also, advance dividends are now distributed with priority for privileged shareholders.

The Amendment Communiqué on the Advance Dividend Distribution ("**Amendment Communiqué**") was published in Official Gazette number 30522 on 1 September 2018. The Amendment Communiqué makes changes to the Communiqué on Advance Dividend Distribution, published in the Official Gazette number 28379 on 9 August 2012.

Notable changes include:

- Advance dividends are no longer paid to shareholders in proportion to each party's shares (pro rata). Rather, advance dividends are now paid in proportion to payments made to the company in consideration for capital share.
- Advance dividends are now distributed with priority given to privileged shareholders.
- If a company decides to distribute an advance dividend and a loss occurs at the end of the related fiscal period, only free reserve funds can be used to deduct the loss. General reserve funds can no longer be used.
- The amounts which must be reserved for privileged shareholders cannot be taken into account anymore when calculating an advance dividend's amount for distribution. Only the amounts reserved for non-shareholders should be considered (as determined in the company's article of association).
- The rule which stipulates that members of the executive body cannot receive dividends will not apply anymore if members of the executive body are also simultaneously company shareholders.
- The calculation method for advance dividends has been updated (annex to the Communiqué).

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

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