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**CIRCULAR 18/16**

**Subject: Decision and Communiqué Preventing Residents of Turkey that do not Receive Income in Foreign Currencies from Foreign-Currency Borrowing**

“Amending Decision on Decision No 32 Regarding Protection of Value of Turkish Lira” and respective “Amending Communiqué (Communiqué No: 2018-32/46) on Communiqué on Decision No 32 Regarding Protection of Value of Turkish Lira (Communiqué no 2008-32/34)” were published in the Official Gazette dated 25.01.2018 and numbered 30312. Amending Decision No: 2018/11185 on Decision No 32 Regarding Protection of Value of Turkish Lira will enter into force on the date of 02.05.2018.

In summary, according to new arrangements, which are detailed below;

Starting from the date of 02/05/2018 any resident who does not receive income in foreign currencies will not be able to borrow in foreign currency neither from abroad nor from Turkey.

For foreign currency borrowing by residents of Turkey from abroad or from Turkey, total income generated in foreign currencies within last 3 financial years will be considered. In case where the credit balance is less than 15 million U.S.D, the amount of loan to be taken shall not exceed the total foreign currency income of the last 3 fiscal years and it is now obliged to have all foreign currency incomes of last 3 fiscal years ratified by certified public accountants.

In case where it is later understood that the credit balance exceeded the total foreign currency income of the last 3 fiscal years, such exceeding amounts shall be recalled or transferred into loans in Turkish Liras.

This decision also completely forbids natural persons to borrow any foreign currency from abroad or from Turkey.

As of the date of 02/05/2018, any outstanding foreign exchange cannot be renewed as foreign exchange loans. All foreign exchange loans used before the date of 02/05/2018 shall be included in the credit balance calculations.

Details regarding said Decision and Communiqué are given below:

1. According to the decision, as of the date of 02/05/2018, 2018 any resident who does not receive income in foreign currencies will not be able to borrow in foreign currency neither from abroad nor from Turkey. In this regard, the income in foreign currency covers “the revenues from export, transit trade, export sales and deliveries and foreign exchange earning services and activities under the relevant legislation”. The cases where foreign currency income requirement does not apply are as follows:

- Foreign currency loans to be used by public institutions and agencies, banks and leasing companies, factoring companies and finance companies resident in Turkey.

- Any foreign currency loan with a credit balance (meaning outstanding balance unpaid of all cash currency loan obtained from Turkey or from above) of 15 million USD and more to be used by residents in Turkey.
  - Any foreign currency loan to be used by companies who reside in Turkey who are designated to obtain loans under an investment incentive certificate as well as the foreign currency loans to be used for financing the machinery and devices listed in the customs tariff statistics positions included in the row 17 of the Annex (I) list of Decision On Determination of Value Added Tax Applicable on Goods and Services which entered into force with the Cabinet Decree dated 24/12/2007 and numbered 2007/13033.
  - Foreign currency loans to be used by companies who were awarded a tender contract for domestic tenders which were announced internationally or resident in Turkey who undertake defense industry tenders approved by the Undersecretariat of Defense Industry who reside in Turkey.
  - Foreign currency loans to be used by companies assigned to carry out the public-private partnership projects who reside in Turkey.
  - Foreign currency loans not exceeding the amount of possible foreign currency income documented and which were used by companies who reside in Turkey who did not record any foreign currency income provided that they document their connections and possible foreign currency incomes related to export, transit trade, export sales and deliveries, foreign exchange earning services and activities.
  - Any foreign currency loan to be used by companies who reside in Turkey under the principles set forth by the Ministry.
2. For the foreign currency loans to be obtained by companies who reside in Turkey from Turkey or from abroad, total amount of foreign currency incomes of last 3 fiscal years shall be considered.
- In case where, on the date of use, the credit balance of the part using such credit is lower than 15 million USD, the addition of the amount of credit to be used and the amount of outstanding credit balance shall not exceed the foreign currency income of last 3 fiscal years.
  - The banks as well as leasing companies, factoring companies and finance companies who reside in Turkey are obliged to check the suitability of the credits given to the principles set forth hereinabove.
  - When applying for a loan, companies who reside in Turkey whose credit balance is less than 15 million USD are obliged to have their foreign currency incomes of last 3 fiscal years ratified by public accountants.
  - In case where it is later understood that the credit balance exceeded the total foreign currency income of the last 3 fiscal years such exceeding amounts obtained from the domestic branches of banks (including free zone branches) leasing companies, factoring companies or finance companies, shall be recalled or transferred into loans in Turkish Liras
  - In case where it is later understood that the credit balance exceeded the total foreign currency income of the last 3 fiscal years such exceeding amounts obtained from the foreign branches of banks (including off-shore branches and excluding free zone branches) leasing companies, factoring companies or finance companies, shall be recalled or transferred into loans in Turkish Liras

Respectfully,

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