

# Global Rules on Foreign Direct Investment

## Turkey

In Turkey, companies with foreign ownership (FDI Companies) must notify foreign direct investments (FDI) to the Ministry of Industry and Technology (the Ministry), but approval is only required to establish a liaison office. In certain sectors, however, FDI is prohibited or restricted.

Since 2018, the notification process for FDI Companies is largely online and completed through the Ministry's e-notification system. Changes to the capital and shareholding structure of FDI Companies must be notified within one month. Otherwise, FDI Companies submit annual notifications by filling out a standard form requiring general information pertaining to the FDI Company, including its trading name, address, tax identification number, and brief information regarding its subsidiaries, if any. In addition, the form requires disclosure of the FDI Company's shareholding structure, including the percentage of equity held by foreign shareholder(s). Finally, the notification form also asks whether any FDI were made in the previous year, and if so, in what amount, whether any profit was transferred overseas, and whether any franchise, know-how, licensing or technical support agreements were signed.

Foreign entities seeking to establish a liaison office must obtain approval from the Ministry. Liaison offices may not engage in any commercial activity and therefore may not generate any income or incur any losses. Permits to establish liaison offices are limited to three years, but may be extended.

Except in certain limited sectors, foreign investors are free to make FDI in Turkey on an equal footing with Turkish investors. The most relevant sectors in which FDI is prohibited or restricted are broadcasting, maritime activities, real estate, and aviation:

- In the broadcasting sector, foreign persons or entities may not own more than 50% of the total share capital of any broadcasting company

operating in Turkey or directly hold shares in more than two Turkish broadcasting companies.

- Maritime transportation activities within Turkish waters are reserved by law to Turkish citizens and entities.
- In the real estate sector, foreign individuals (i) cannot own more than 10% of the surface area of a district that is open to private ownership or (ii) or more than 30 hectares (or 60 hectares with Presidential authorization). Foreign entities may acquire real estate only for the limited purposes set forth under certain laws (e.g., Petroleum Law).
- If at least 50% of a Turkish company's shares are owned by foreigners, or if foreigners have the authority to appoint or dismiss a majority of the Turkish company's board of directors, then, this Turkish company may acquire real property only in furtherance of the purpose defined in its articles of association. The same restrictions apply if a company with foreign capital becomes a shareholder, directly or indirectly, in another Turkish company and the ultimate shareholding percentage of the foreign investor reaches or exceeds 50 percent. Permission is required for such companies to acquire or own real property located in military or security zones.
- In the aviation sector, the majority of commercial airline companies' shares must be held by Turkish citizens, and the majority of these companies' board of directors must also be comprised of Turkish citizens.

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