

SEPTEMBER 2020

## Time Extension for the Distribution of Dividends in Capital Companies

A provisional article (i.e. Article 13) has been added to the Turkish Commercial Code (Law No. 6102, "TCC") on April 16, 2020 by the Act to Mitigate the Impacts of the Novel Coronavirus Outbreak on Economic and Social Life (Law No. 7244).

According to the Provisional Article 13 of the TCC, capital companies shall determine to distribute up to only 25% of the annual net profit of 2019 until September 30, 2020. Nevertheless, profits of previous years and the free legal reserves cannot be distributed, and the Board of Directors cannot be authorized by the General Assembly to distribute advance dividends.

However, this provision is not applicable to the companies in which 50% of the share capital is directly or indirectly owned by the government, provisional administrations, municipalities and other public entities.

Furthermore, if the resolution to distribute the dividends concerning the fiscal year of 2019 has already been taken by the General Assembly and yet shareholders have not been fully or partially paid, payments which exceed the 25% of 2019's annual net profit will be postponed until September 30, 2020.

A new Presidential Decree (Law No. 31248) has been published in the Official Gazette on September 18, 2020 to extend the time limit stipulated under Provisional Article 13 of the TCC. Accordingly, the date determined under the Provisional Article 13/1 of the TCC is suspended for another three months. In accordance with the Decree, it can be decided to distribute up to only 25% of annual net profit of 2019 until December 30, 2020 in capital companies.

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