

SOCIAL SECURITY REGULATIONS

Introduction

The lack of a minimum retirement age and very low minimum contribution periods caused a financial imbalance in the Turkish social security system in the 1990s.

With the idea of restructuring the social security system in the mid-2000s, two important laws were enacted by the Turkish parliament: the “Social Security Institution Law” (which merged the three institutions providing social security to employees, self-employed persons, and civil servants separately into a single institution covering all three groups) and the “Social Insurance and General Health Insurance Law”.

As of 2023, those who contribute to the social security system (premium payers) are around 25 million people. The number of pensioners is around 15 million.

Social Security Insurance Branches

The Social Security and General Health Insurance Law classified certain types of risks into three different insurance branches and determined the contribution rates accordingly.

Short-term Insurance Branch

The short-term insurance branch includes work-related accident insurance, occupational disease insurance, sickness insurance, and maternity insurance. The rights and benefits provided for temporary incapacity, permanent incapacity, grants to the beneficiaries of the insured such as funeral allowance, etc. are all in this category.

The law stipulates minimum qualifying periods in order to be entitled to the rights and benefits in the case of temporary incapacity: In order to be entitled for maternity benefits, for instance, social security premiums must be paid for at least 90 days while entitlement to the birth grant requires the payment of premiums for a minimum 120 days. On the other

“As of 2023, those who contribute to the social security system (premium payers) are around 25 million people.”

hand, in the cases of temporary and permanent incapacity due to a work-related accident or an occupational disease, there is no minimum qualifying period stipulated by law.

Long-term Insurance Branch

The long-term insurance branch includes old-age insurance, invalidity insurance, and survivors' insurance. The rights and benefits provided for old-age pension, a single lumpsum old-age payment, invalidity pension, grants to the beneficiaries of the insured such as survivors' pension or funeral allowance, etc. are all in this category.

The retirement age, generally speaking, is 58 years for women and 60 years for men. The retirement age for both sexes is projected to be 65 years in the year 2048.

Other than the minimum age threshold, in order to be qualified for retirement pension, social security premiums for a minimum of 9.000 days must be paid for the self-employed persons and civil servants whereas paying premiums for 7.200 days is sufficient in the case of employees.

Unemployment Insurance Branch

The unemployment insurance branch covers unemployment benefits provided for employees who lose their jobs for reasons other than their own fault or will.

In order to be eligible for the unemployment insurance, the employee must have continuously worked and paid unemployment insurance premiums for a minimum period of 600 days in the last three years and social security premiums for a minimum period of 120 days prior to losing his/her job.

The unemployment insurance is open only to the employees. In other words, self-employed persons and civil servants are neither required to pay unemployment insurance premiums nor eligible for its benefits.

The minimum unemployment benefit is 40% of the average earnings in the last four months but it cannot be more than 80% of the gross monthly legal minimum wage.

"The retirement age, generally speaking, is 58 years for women and 60 years for men."

General Health Insurance

Apart from the aforementioned three branches of insurance, general health insurance is also a compulsory scheme within the Turkish social security system. It is defined in the law as an insurance which ensures maintenance of health statuses of individuals and the financing of costs that arise in case the individuals experience health risks.

Social Security Premiums

The current regulations stipulate that the compulsory social security premiums have to be shared between the employer and the employee. The legal burden to pay the portion of the employee is on the employer as well however that can be deducted from the employee's salary.

Social security premiums are calculated as a percentage of the employee's gross earnings which include salaries and wages, bonus payments, and private health insurance and individual retirement system payments made by the employer.

For each of the abovementioned insurance branches, different contribution rates apply:

3

"Social security premiums are calculated as a percentage of the employee's gross earnings..."

INSURANCE BRANCH	Employer's Liability	Employee's Liability	TOTAL
Short-term social security premiums	2%	0%	2%
Long-term social security premiums	11%	9%	20%
Unemployment insurance premiums	2%	1%	3%
General health insurance premiums	7.5%	5%	12.5%
TOTAL	22.5%	15%	37.5%

A social security payment cap is applied when the amount of the aforementioned earnings exceeds a certain threshold. This cap is formulated as 7.5 times the minimum wage. Over this threshold, the premium to be paid remains unchanged.

Apart from the abovementioned contributions made by the employer and the employee, the Turkish state also makes contributions in order to support the social security system. The state contributes as much as one-fourth of all the premiums collected for long-term and general health insurance branches as well as 1% for the unemployment insurance (which is equal to employee's share).

Furthermore, 5% of the employer's share in the long-term social security premiums of the employees are also subsidised by the Turkish state for the private sector employers, provided that they pay the social security premiums for their employees on time and have no outstanding debt to the social security institution. In that case, the total social security premium burden decreases from 37.5% to 32.5%.

The social security premiums are paid on a monthly basis and deductible from taxable income.

"A foreign employee who does not have social security coverage elsewhere has to be registered in the Turkish social security system by the local employer."

Social Security Requirements for Foreign Employees

A foreign employee who does not have social security coverage elsewhere has to be registered in the Turkish social security system by the local employer.

Foreign employees who have social security coverage in another country, on the other hand, are exempt from paying social security contributions in Türkiye provided that;

- a) a reciprocal agreement was signed between Türkiye and their home country, or
- b) their home country is party to the European Convention on Social Security.

The proof of the social security coverage must be submitted to the local social security office in Türkiye.

According to the European Convention on Social Security, an employee working in one of the signatory countries will be subject to the social security scheme of the origin country

when he/she is assigned to another signatory country temporarily (for a maximum duration of 12 months). When the assignment period exceeds 12 months, the foreign employee will be subject to the social security scheme of the host country unless otherwise is agreed by the social security institution of the host country.

In the case of the bilateral agreements between Türkiye and other countries, maximum durations for temporary assignments and their extension periods are also determined in such agreements. Within the period of the temporary assignment as well as the extension period, the person will be subject to the social security scheme of the origin country.

Even if the foreign employee assigned to Türkiye has a social security coverage in a country which is neither a signatory of the European Convention on Social Security nor has a bilateral social security agreement with Türkiye, provided that certain documents are submitted to the local social security institution in Türkiye, an exemption for a period of 3 months is granted.

GURULKAN ÇAKIR GÜNAY AVUKATLIK ORTAKLIĞI

Beybi Giz Plaza, Office 43
Maslak 34398
Istanbul, Türkiye

T +90 212 215 30 00
M info@gurulkan.com
W www.gurulkan.com



Gurulkan Çakır Günay Avukatlık Ortaklığı ("Gurulkan Çakır Günay") is an attorney partnership registered at Istanbul Bar Association with a license number 105 and at the Union of Turkish Bar Associations with a license number 206.

This publication provides general information only and should not be relied upon in making any decision. It is not intended to provide legal or other advice. Gurulkan Çakır Günay and its partners will not be liable for any loss or damage arising from reliance being placed on any of the information contained in this publication.

Before acting on any information, readers should consider the appropriateness of the information provided herein, having regard to their legal and financial status, objectives and needs. In particular, readers should seek independent professional advice prior to making any decision.

This publication may not be reproduced, in part or whole, by any process without prior written consent of Gurulkan Çakır Günay.