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# *Communiqué on Export Income Regarding Decree No. 32 on the Protection of the Value of the Turkish Lira Currency*


### *Summary*

*With the Communiqué Regarding Decree No. 32 on the Protection of the Value of the Turkish Lira Currency (Communiqué No: 2018-32/48) (the "**Communiqué**"), published in Official Gazette number 30525 dated 04 September 2018, procedures and principles for export income arising from exports by residents of Turkey have been determined, and it has become mandatory to bring export income to Turkey and sell 80% of this export income to a bank. The Communiqué entered into force on the date of publication and the provisions of the Communiqué shall be valid for a period of six months.*


## Obligation to bring export income to the country and sell it to a bank

According to the Export and Import Circular of the Undersecretariat of the Treasury General Directorate of Banking and Foreign Exchange dated 23 July 2009, foreign exchange export income shall be disposed of freely by the relevant parties. The Communiqué requires export income arising from export transactions carried by residents of Turkey **to be transferred to the bank mediating the export and brought to Turkey** following the payment of the importer and within 180 days at the latest following the actual export date. In addition, it is required that **at least 80% of the said income must be sold to a bank.** While this new requirement to sell export income in a bank may bring significant commercial impact for export firms, wide authority to overcome the questions and problems that may arise in practice has been given to The Ministry of Treasury and Finance ("**the Ministry**") in the Communiqué.

The Communiqué requires that export income be brought to the country in Turkish lira or in foreign exchange that is declared, and it is permitted to bring foreign exchange in return for a Turkish lira denominated export. The payment methods stated are "Letters of Credit", "Documentary Collections", "Open Account", "Acceptance Credited Payment by Letter of Credit", "Acceptance Credited Documentary Collections", "Acceptance Credited Open Account " and "Advance Payment", in parallel to the related article of the Import and Export Circular.

In terms of liability, exporters are responsible for bringing export income into Turkey, for selling it to a bank and for closing export accounts on time. In cases where commercial risk is undertaken by banks and factoring companies by way of sales of receivables, the responsible parties will be determined by the Ministry. In addition, the banks mediating the export are required to monitor the transfer of export income to Turkey and the sales of export income in banks.

## Adjustments regarding specific exports

In some cases, the Communiqué states the time allowed for bringing export income to Turkey as being different from the general rule of 180 days following the actual export date. According to the Communiqué, the time to allowed for bringing export income to the country and selling it to a bank are as follows in the below special circumstances:

- 365 days for exports by contractors to locations abroad,
- 180 days following a firm sale for exports carried out using the consignee process; 180 days following the end of international fairs, exhibitions, and weeks for goods sent to those fairs, exhibitions and weeks to be sold in exchange for income.
- 90 days from the end of the period or from the date of a firm sale for goods which are temporarily exported abroad and not returned to the country within the given period or the additional time permitted, or if the goods are sold within these periods.
- 90 days following the maturity dates specified in the credit sale or lease agreement for goods exported using a credit or lease under the current Export Regime and Financial Leasing Legislation.

## Time limit for sales in exchange for advance foreign exchange payments[1]

In the Communiqué, a time limit of 24 months is set for carrying out the actual export for exports where the income is paid in advance in foreign exchange. The utilization period of advance foreign exchange payment is determined to be the document period for exports with Inward Processing Authorization Certificates; Tax, Duty and Charge Exemption Certificates; sales and deliveries considered to be exports; and foreign exchange earning services and operations.

However, it is stated that advance payments that are not returned in full all at once, or for which the export is not carried within the specified period, will be subject to prefinancing provisions and the periods of utilization will be extended, as long as the buyer agrees, for the same length of time as the additional export commitment period which is granted.

## Account closing procedure

It is expected that when exporting goods for commercial purposes, the accounts related to exports for which the income is brought to Turkey on time will be closed by intermediary banks. Accounts that are not closed within the specified time will be reported to the Tax Office Directorate or the Tax Office Presidency by intermediary banks. In this case, 90 days will be allowed and the accounts will be closed, except in cases of force majeure or just cause. In the event of force majeure, an additional six months shall be granted in six month increments for the duration of the force majeure. The conditions regarding what constitutes a force majeure and the manner in which they are authenticated are mentioned in the Communiqué.

In addition:

- Export accounts with shortfalls of up to 10% of the income in customs declarations or forms (including deficiencies arising from insurance costs), regardless of the presence of

[1] Situation in which the advance payment method is used and the payment is made in foreign currency.

force majeure, and which do not exceed USD 100,000 or its equivalent, will be closed and cancelled by banks.

- Open accounts of up to 10% of the income in customs declarations or forms (including deficiencies arising from insurance costs), and impacted by a force majeure, and which do not exceed USD 200,000 or its equivalent, will be closed and cancelled by the related Tax Office Directorate or Tax Office Presidency.
- With regard to each customs declaration, cancellation requests for open accounts with shortfalls equal to or more than USD 200,000 or its equivalent will be reviewed and concluded by the Ministry, taking into consideration force majeure and just cause situations.

## Reductions from export income

Reductions of export income that can be made, and offsetting operations that can be performed by banks are outlined in the Communiqué in detail, unlike the Export and Import Circular. It is stated that in cases where reductions are allowed, export income will be considered to be brought to Turkey in due course.

## Enforcement of the Communiqué

The provisions of the Communiqué entered into force at the date of publication, and it is stated that the provisions will be **valid for six months.** The period allowed for transferring income for export transactions shall be the period in force in the Communiqué when the actual export is carried out, even if this period extends beyond the effective date of the Communiqué.

In addition, the Ministry is authorized to extend the period of validity of the Communiqué and to change the amounts and periods in the Communiqué.

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