

[< Back to insights](#)

Turkey: limitation periods for wage-related claims

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Turkey

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The first draft law on Labour Courts ('Draft Law') was transmitted by Parliament on 25 May 2017 with some amendments, having been submitted to the relevant public institutions and organisations for review, two days earlier.

One of the provisions that the Draft Law introduces, is a new limitation period in relation to claims for accrued but untaken paid leave and compensation payable upon termination. Although the Labour Act provides for a five year limitation period for wage-related claims, the Court of Appeal has been applying the general limitation period of 10 years for both untaken paid leave and termination payments. The first version of the Draft Law had suggested decreasing this period to two years from the date of termination of employment. However, the authorities reacted strongly against this provision because it was considered to significantly limit employees' right to file an action for money due to them. As a result, the limitation period has been increased to five years.

The Draft Law was accepted by the Committee on Justice on July 20, 2017.

Accordingly, an additional Article 3 will be added to the Labour Act, which provides that the following are subject to a five year limitation period from the date of termination of employment:

- Severance compensation;
- Notice compensation;
- Bad faith compensation;
- Compensation arising from the termination of the employment contract in breach of the principle of equity; and
- Untaken paid leave.

Comment

The practice of the Court of Appeal has been seen as contrary to the clear provision of law – especially in terms of claims for accrued but untaken paid leave. Simultaneously, the 10 year limitation period obliges employers to keep employee documents and records for protracted periods. Therefore, while still protecting the rights of employees, the five year limitation will lighten the burden on employers and provide consistency for all wage-related claims.