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Ban on Foreign Currency Payment in Certain Sale of Goods Contracts Lifted

With the amendment made to the Communiqué on the Decree numbered 32 Regarding the Protection of the Value of the Turkish Currency (the "Communiqué"), effective as of April 21, 2022, for buyers residing in Türkiye, except for vehicle sale contracts, in the event that there is an agreement in the sale of goods contracts that all payments under the contract are to be made in foreign currency or indexed to foreign currency, it was regulated that these obligations must be fulfilled in Turkish lira.

Following this regulation, on April 21, 2022, the Ministry of Treasury and Finance (the "Ministry") made an announcement stating that the contract price could be paid in foreign currency for certain sale of goods contracts, except for vehicle sale contracts. Although the Ministry provided an exemption for the prohibition on payment in foreign currency in certain circumstances, this announcement was causing problems in practice as it lacked a legal basis.

Accordingly, as a result of the requests received from different sectors and the examination of the problems in practice, the Communiqué Amending the Communiqué (Communiqué No: 2024-32/69) published in the Official Gazette dated February 28, 2024 and numbered 32474, amended Article 8, paragraph 9 of the Communiqué regulating sale of goods contracts, thereby providing a legal basis for the exemptions in the Ministry's announcement and introducing additional exceptions to the aforementioned prohibition of payment in foreign currency.

With the amendment, payment obligations can be fulfilled in foreign currency in the following contracts:

- a) Payment obligations within the scope of negotiable instruments in foreign currency that got into circulation before April 19, 2022 in relation to the performance of sale of goods contracts concluded before April 19, 2022;
- b) Payment obligations that arises from invoices issued before April 19, 2022;
- c) Payment obligations that arises from precious metals and diamond trading transactions and settlement of these transactions in foreign currency at Borsa Istanbul A.Ş. Precious Metals and Diamond Market;
- ç) Within the scope of the Communiqué on the Status of Foreign Trade Capital Companies (Export: 2004/12) published in the Official Gazette dated December 8, 2004



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and numbered 25664 and the Communiqué on the Status of Sectoral Foreign Trade Companies (Export: 2004/4), payment obligations within the scope of sale of goods contracts for exports to be realized through Foreign Trade Capital Companies (FTCC) or Sectoral Foreign Trade Companies (SFTC) based on an intermediated export contract and exports to be realized based on an intermediated export contract through companies with the status of Export Consortium within the scope of the Decree on Export Supports put into force by the Presidential Decree dated August 17, 2022 and numbered 5973 and E-Export Consortium within the scope of the Decree on E-Export Supports put into force by the Presidential Decree dated August 24, 2022 and numbered 5986;

- d) Payment obligations within the scope of sale of goods contracts concluded for the delivery of goods subject to transit and customs warehouse regimes, temporary storage and free zone provisions in the Customs Law dated October 27, 1999 and numbered 4458, including the sale and delivery of exports subject to customs declaration;
- e) Payment obligations regarding the delivery of goods subject to the sale of goods contract concluded with the companies operating in the free zone within the scope of foreign trade transactions.

The effective date for the first three subparagraphs listed above, which have already found an application area based on the Ministry's announcement, has been set as April 21, 2022, while the effective date for the remaining subparagraphs has been set as February 28, 2024.

The new regulation aims to eliminate the difficulties caused by the introduction of the obligation to pay in Turkish lira in sale of goods contracts, which are frequently encountered in commercial life. Payment obligations in sale of goods contracts, which are not subject to the exceptions, must be fulfilled in Turkish lira, even if they are agreed in foreign currency or indexed to foreign currency.