

# Turkey's New Ban on Setting Salaries in Foreign Currencies

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Turkey

As a result of a presidential decree aimed at protecting the value of the Turkish lira, residents in Turkey are now prohibited from agreeing to the value of monetary obligations in a foreign currency (or indexed to a foreign currency) in certain types of contracts, including employment contracts.

Presidential Executive Decree 85 was published on September 12, 2018, amending Decree 32 on the Protection of the Value of Turkish Currency and became fully effective on October 13, 2018.

The decree has raised many questions as to its implementation. In the field of employment law, these questions were mostly raised by Turkish subsidiaries of international companies in relation to whether expatriates fell within the scope of the decree and, if so, how their salaries could be paid going forward. Since the decree uses the term "Turkish residents," the general understanding was that it would also apply to foreign employees, while they are "resident" in Turkey. However, subsequent secondary legislation (Communiqué no 2018-32/51) was published on October 6, 2018, and clarified this point.

Pursuant to the communiqué, Turkish residents who are not Turkish citizens are allowed to determine the value and financial obligations in their employment contracts in foreign currency or indexed to foreign currency. In other words, the employment contracts of foreign employees do not need to be amended in terms of re-determining their salaries in Turkish liras under the new secondary legislation.

The communiqué also specifies that the foreign branches, offices, agencies, and liaison offices of Turkish companies based outside of Turkey are exempt from the decree, as are foreign companies operating in Turkey as long as at least 50 percent of the shares are owned (directly or indirectly) by a party that is not resident in Turkey. Thus, these companies are still allowed to determine the value of financial obligations in their employment and service contracts in foreign currency or indexed to foreign currency.

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