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## LIMITATION OF PROFIT DISTRIBUTION STIPULATED BY LAW NO.7244 HAS EXTENDED UNTIL 31/12/2020

As we have explained in detail in our [Tax Bulletin 2020/007](#) with the Law No: 7244; from the publication of the Law until September 30, 2020, some limitations stipulated to the profit distribution of Turkish companies.

The President is authorized to extend the limitation period, which is until 30.09.2020, up to three months. In other words, The President has the authority to extend the limitation period until 31.12.2020. With the Presidential Decree 2948 the president has extended the period until 31.12.2020.

Therefore;

- From the publication of the Law until 31/12/2020, only up to 25% of the profit for the 2019 period can be decided to be distributed, and cash profit distribution decision cannot be taken for the part exceeding 25%.
- Until 31/12/2020, previous years' profits and free reserves cannot be subject to distribution. In other words, a 100% distribution limitation will be valid until 31/12/2020 for profits and free reserves<sup>1</sup> regarding the periods before 2019.
- Until 31/12/2020, general assembly cannot authorize board of directors to distribute advance dividends.

Kind regards.

<sup>1</sup> Free reserves refer to the reserves that are decided to be allocated by the general assembly, except for the part of the general legal reserves exceeding half of the capital or issued capital and those separated by Law and contract.



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