
Export Revenues Must Now be Brought in Turkey: Introduced by the Communiqué on the Protection of the Value of Turkish Lira

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Turkish Lira (TRY) has been alarmingly losing its value for the last couple of months. Indeed, it lost well over 70% of its value against, for instance, US Dollar. While the predictions about the consequences of the "*currency crisis*" that erupted in Turkey continue to be made, Turkish businesses called for ensuring the stability of the exchange rates. In this regard, the Turkish government has been working on the potential solutions to overcome the currency fluctuation mainly resulting from the tension between the US and Turkey.

In September 2018, to avoid further devaluation of the Turkish Lira, the Turkish government published a communiqué¹, which brings strict rules in relation to the export sales of the Turkish companies. The Communiqué is based on the Decree of the Council of Ministers No. 32 on Protection of Value of Turkish Lira ("**Decree No. 32**"), which was originally published in 1989 and has amended various times depending on the monetary policy of the respective government.

What is brought by the Communiqué is of significance on the following reasons:

- It will cause the contracts to be redesigned in compliance with the legislation.
- Exporting companies whose production depends on imported inputs will be heavily affected from the fluctuations in the currency because they will have to convert currencies multiple times as the legislation requires.
- Potential foreign investors' decisions will be affected at least to some extent.

OBLIGATION REGARDING EXPORT REVENUES

Prior to the Communiqué, the most significant amendment to Decree No. 32 regarding export prices was published on 08.02.2008: "*Decree No. 2008/13186 Amending Decree No. 32 on Protection of the Value of Turkish Currency*". One of the highlights of the said Amending Decree was that it has done away with the previous regulation which dictated every exporter to bring their export revenue to Turkey and *sell*² it to the banks within 180 days. With the Amending Decree, exporters were allowed to reserve and use their export revenue freely.

However, 180 days rule has come into force again with additional regulations by the latest Communiqué. According to the Communiqué; exporters are obliged to bring at least 80% of their export revenue to Turkey and to *sell* the foreign currency to a bank operating in Turkey within 180 days. A change to the old regulation is that exporters are left with a 20% window that they can

reserve abroad.

The Communiqué will remain in force for one year starting from September 4, 2018³.

OBLIGATION TO RESHAPE THE PAYMENT METHODS

Another addition of the Communiqué to the old regulation is the limitation on the acceptable payment methods for bringing the revenue. Said payment methods are as follows:

- Letter of Credit Payment
- Payment Against Documents
- Payment Against Goods
- Acceptance Letter of Credit Payment
- Payment Against Documents with Acceptance Credit
- Payment Against Goods with Acceptance Credit
- Payment in Cash

Additionally, customs administrations must be notified in case that the revenue is brought back by a passenger entering Turkey.

SPECIFIC TIME PERIODS FOR SPECIFIC EXPORTS

The Communiqué brought various specifications for several certain goods. These specifications consist of different time periods for certain goods. The specifications can be listed as follows:

- Export transactions in exchange of foreign currency (cash) must be realized in 24 months.
- Export revenues of contractor firms must be brought back into Turkey and sold to a bank within 365 days.
- Revenues of exports through consignment must be brought back to Turkey and sold to a bank within 180 days.
- Revenues of products that are exported temporarily must be brought back to country and sold to a bank within 90 days from expiration or date of sale in case that the products did not return in time or sold.
- Revenues of exports through leasing or credit must be brought back to the country and sold to a bank with 90 days.

SANCTIONS FOR NON-COMPLIANCE

The Communiqué states that exporters must close the export accounts after the relevant payment has been timely brought in Turkey. In case that an account is not closed, the intermediary banks must notify the Tax Offices within five days along with a statement describing the stage of transaction.

Then the relevant Tax Office must issue a warning providing a 90-day period to the exporter to

close the account. Time extensions may be granted to the exporters upon reasonable request or force majeure events⁴.

The Law No. 1567 Regarding the Protection of Value of Turkish Currency foresees certain fines in case of non-compliance with the Communiqué. According to the Law, an exporter violating the time periods shall be fined up to 5% of the current value of their export revenue. However, a certain period of time is allowed to the exporter following the issuance of the fine, in which the amount of fine to be paid is reduced to between TRY 3,000 and 25,000 so long as the exporter brings the revenue to Turkey.

CONCLUSION

Free reserve of export revenue has been in force for the last 10 years. Along with the introduced Communiqué, the exporters that depend on imported products will face double loss on exchange since they must sell the export revenues and then invest in imports, which require foreign currency. Considering the fluctuation in the currency, exporters' costs appear to be significant.

With trade wars and currency crisis, any action from the Turkish Government is crucial, and must be issued with expertise. Although the current state has parallels with general economic policy in the world, such practices are considered to be harmful to exporters which raises speculative views on the issue. Additional and more effective measures for ongoing currency crisis are awaited from the Turkish Government.

More readings on the ongoing trade wars:

[Turkey Initiated A Safeguard Investigation To Steel Imports](#)

[EU's Provisional Safeguard Measures On Steel Products And A Practical Guide For Importers](#)

Footnotes

1 Communiqué No. 2018-32/48 regarding Decree No. 32 on the Protection of the Value of the Turkish Currency dated 04.09.2018

2 The term *sell* used in the said Decree refers to converting the currency into Turkish Lira through banks.

3 The Communiqué was originally put in force for a duration of six months, which was then extended to one year on March 3, 2019.

4 Listed as bankruptcy, dissolution, arrangement for bankruptcy, death of the firm owner, strike, lockout, impossibility due to official decisions or banks' actions, natural disasters, war, blockade, Isos, impairment or extinquishment of assets, lawsuits or arbitration.