Restrictions on Dividend Distribution Extended to 31 December 2020

Within the scope of the fight against the Covid-19, the provisional article 13, which was added to the Turkish Commercial Code ("TCC") on April 16, 2020, brought some restrictions on the dividend distribution rights of equity companies until 30 September 2020 and the exemptions regarding the companies covered by the regulation, the procedures and principles in relation to the practice were determined by the Communiqué issued by the Ministry of Commerce ("Ministry") and published in the Official Gazette on 17 May 2020. With the aforementioned Communiqué, the scope of the restrictions in the provisional article 13 of the TCC has been clarified, the companies exempted from the restrictions have been determined and the steps to be taken by the companies within the scope of the exemptions are regulated. You may find our review on the aforementioned regulations, the consequences of the general assembly resolutions taken contrary to the restrictions, the liability of the shareholders and board members due to these decisions, and the alternatives that may come to the agenda other than the dividend distribution.

In the first paragraph of the provisional article 13 of the TCC, it was regulated that the President is authorized to extend or shorten the date of 30 September 2020 (which is the last date on which the restrictions will apply) for 3 months. With the President's Decree No. 2948, which was issued based on the said authorisation and published in the Official Gazette on Friday, September 18, 2020, it was decided to extend the period specified in the provisional article 13 for 3 months. Accordingly, the dividend distribution rights of equity companies within the scope of the dividend distribution restriction for the 2019 fiscal period is restricted until December 31, 2020. Therefore, the execution of the resolutions regarding dividend distribution in companies that have not distributed dividends for 2019 fiscal year before the provisional article 13 entered into force, has been postponed in terms of the part exceeding 25% of the dividend until 2021.