



# PRIMETAX GUIDE: ESTABLISHING INTERNATIONAL HOLDING COMPANIES IN TÜRKIYE

## Introduction

Türkiye provides tax benefits for international investment structures with the Corporate Tax Law No. 5520. This law introduces robust incentives designed to attract both domestic and foreign investors by encouraging the establishment of international holding companies in Türkiye. By creating a legal and fiscal environment favourable to companies whose primary activity is the ownership of shares in foreign entities, the Turkish legislation opens the door to a compelling, tax-efficient platform for global operations.

Under Turkish legislation, an “international holding structure” refers to companies that primarily exist to participate in foreign companies. The central aim of Law No. 5520 is to position Türkiye as a financial and operational hub where global investors can centralise their international equity interests. To realise this objective, the law introduces several high-impact corporate tax exemptions and withholding tax reductions that substantially enhance the fiscal attractiveness of locating holding structures in Türkiye.

One of the most significant incentives is the corporate tax exemption on foreign participation income, particularly dividends. According to Clauses (b) and (c) of Article 5 of the Corporate Tax Code, dividend income earned by a Turkish-resident joint stock company, derived from foreign subsidiaries, can be exempt from corporate income tax if four key conditions are met.

·First, the Turkish holding company must hold at least 10% of the foreign entity's paid-in capital.

·Second, this shareholding must be maintained continuously for at least one year.

·Third, the foreign subsidiary must be subject to an effective tax burden of at least 15% in its home jurisdiction. If the subsidiary operates in the financial sector—including banking, insurance, or securities investment—this threshold increases to 20%, matching the Turkish corporate tax rate.

·Finally, dividend income must be transferred to Türkiye no later than the corporate tax filing deadline for the fiscal year it is earned.

These requirements are relatively easy to satisfy for legitimate international operations, and they offer companies an opportunity to repatriate earnings from foreign subsidiaries without incurring any corporate tax liability in Türkiye. This exemption creates a powerful rationale for many multinationals to consolidate their holding structures in Türkiye, especially given the country's strategic geographic position and growing network of double taxation treaties.

Equally notable is the exemption from corporate tax on capital gains derived from the disposal of foreign participations. If a Turkish joint stock company sells its stake in a foreign joint-stock or limited liability company, the capital gain from that transaction can be exempt from Turkish corporate tax, provided that certain conditions are met.

*·At least 75% of the company's non-liquid assets must consist of shares in foreign companies held continuously for at least one year.*

*·The shareholding being sold must represent at least 10% of the foreign company's capital and have been held for at least two full years before the disposal.*

*These provisions offer long-term investors and private equity firms a legally sound and tax-efficient exit route for their foreign participations, provided the assets are held through an adequately structured Turkish entity.*

In addition to these generous corporate tax exemptions, Law No. 5520 also provides an advantage on withholding tax for outbound dividend distributions. Dividends distributed by Turkish-resident holding companies to non-resident corporate shareholders—specifically those organised as joint stock or limited liability companies—are subject to a reduced withholding tax rate of just 7.5%, but only when the dividend stems from foreign participation income that has already qualified for the corporate tax exemption in Türkiye. This low rate is particularly advantageous compared to global norms and further reinforces Türkiye's appeal as a jurisdiction for international holding operations.

These incentives create a compelling package for businesses looking to optimise their international tax planning. The law is generous and strategically targeted, aimed at attracting substantial capital flows into Türkiye by offering a highly competitive holding regime. When layered on top of Türkiye's central location, well-developed professional services sector, and improving treaty network, the legal framework under Corporate Tax Law No. 5520 represents a significant opportunity for companies seeking a stable, efficient base for cross-border investment.

These provisions offer tax relief and a strategic advantage for multinational groups, private equity funds, and holding structures with active or planned foreign participation. Establishing a holding company in Türkiye under the framework of Law No. 5520 allows businesses to centralise global earnings, reduce tax leakage, and increase capital mobility—all within a compliant and investor-friendly legal environment.

As global tax competition continues evolving and transparency and compliance standards tighten worldwide, Türkiye's forward-leaning approach offers a robust solution for structuring international investments. Businesses and advisors would be well-served to consider Türkiye as a regional player and a globally relevant holding jurisdiction capable of supporting sophisticated, tax-optimized global investment strategies.

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