



## A Brief Comparison of Limited Liability Partnerships and Joint Stock Companies

With the entry into force of the Turkish Commercial Code No 6102 (the “**Commercial Code**”) on 1 July 2012, differences between two widely preferred capital company types became blurry. Below table compares key characteristics of both company types. As per the compared items, we believe that while limited liability partnerships are ideal for *start-ups*, *family* and *holding* companies, joint stock companies seem more suitable for elaborate and complex operations.

Compared by	Limited Liability Partnership	Joint Stock Company
<b>Number of Incorporators</b>	One incorporating partner will suffice.	One incorporating shareholder will suffice.
<b>Minimum Share Capital</b>	10.000.-TL (approximately EUR 4,400.-).	50.000.-TL (approximately EUR 21,800.-); or 100.000.-TL (approximately EUR 43,600.-) if registered share capital system is adopted.
<b>Number of Directors</b>	One <i>Manager</i> will suffice.	One <i>Board member</i> will suffice.
<b>General Assembly Meetings</b>	Registration with the Trade Registry is not mandatory.	Presence of Ministry <i>commissar</i> and registration with the trade registry are mandatory (costs will amount to ~EUR 500.- each year).
<b>Corporate Organization</b>	Not provided in the Commercial Code.	Flexibility recognized by the Commercial Code.
<b>Tax and Public Debt Liability of Partners/Shareholders and Directors</b>	Liability of partner(s) as well as manager(s) may be triggered.	Liability of Board member(s) may be triggered, yet no liability is provided for shareholders. However if shareholder(s) will also act as Board member(s), there is not any practical difference as per liability.
<b>Going Public</b>	Not possible. A limited liability partnership may have maximum 50 partners.	Joint stock companies may go public.
<b>Articles of Association</b>	Flexible, since share transfer restrictions may be included and enforceable.  Affirmative votes of partners representing 2/3 or ¾ of share capital is required for the amendment of articles of association.	More rigid, it is not possible to include all share transfer restrictions at partnership level.  Substantial amendments of articles of association require affirmative votes of ¾ of shareholders representing share capital of company, or must be adopted unanimously.
<b>Squeeze-out (<i>çıkarma</i>) and separation (<i>çıkma</i>) of partners / shareholders</b>	Possible.	Possible only if shareholder is not paid its capital contribution to the company.
<b>Issuance of Bonds (<i>tahvil</i>) for borrowing</b>	Not possible.	Possible.
<b>Share Transfer</b>	Must be performed by fulfilling a number of formalities ( <i>i.e.</i> , execution of share transfer agreement before a Notary Public; approval of general assembly of partners; registration with the Trade Registry; etc.).	Endorsement and delivery of registered ( <i>nama yazılı</i> ) (temporary) share certificates, or delivery of bearer ( <i>hamiline</i> ) share certificates will suffice. If no share certificates are issued, an ordinary share transfer agreement must be executed.
<b>Income Tax Generated during a Share Transfer</b>	Income tax ( <i>capital gains tax</i> ) is applicable; no exemption is granted.	Exempted if (temporary) share certificates are held more than two (2) years.
<b>Value Added Tax (if participating shares are sold)</b>	18% value added tax will apply if transferred shares are not held more than two years.	Normally 18% will apply; however if (temporary) share certificates are issued, no value added tax will be generated.