



# COUNTRY GUIDE: TURKEY

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# ABOUT US

ZAPEO is an International PEO co-employer providing Employer of Record ( EOR ) Services in more than 113 countries around the world.

As an EOR, we provide employment contracts, payroll employees, pay over any taxes and statutory contributions and provide sponsorship for visa applications in order to comply with specific laws and regulations in the country.

We also assist with onboarding and termination of both local or expatriate employees.

## BENEFITS

- Legal compliance
- Time and cost savings
- Access to global talent
- Flexibility
- Reduced liability
- Expertise



# WORK PERMITS AND VISAS



The majority of employees will require a working visa in Turkey, and will need to apply for each work permit when they apply for their visa.

All personnel will apply for a work visa at the Turkish consulate or embassy in their native country. Simultaneously, they will apply for a work permit through the Turkish Ministry of Family, Labor, and Social Services.

In Turkey, visas cannot be issued for more than 90 days in a 180-day period. Anyone remaining for more than 90 days must apply to the Directorate General of Migration Management for a short-term resident permit. Work permits in Turkey are valid for one year at first, but can be extended to two years, then three years following a second extension.

Employees who have lived and worked in Turkey for eight years in a row can apply for an indefinite work permit that does not need to be renewed.

# EMPLOYMENT CONTRACTS



## Probation period

The Employment Law in Turkey expressly stipulates that new workers must complete a trial term of up to two months.

## Notice period

- The statutory period is two weeks for employees whose term of employment is less than six months;
- Four weeks for employees whose term of employment is between six months
- One and a half years; six weeks for employees whose term of employment is between One and a half years to three years
- Eight weeks for employees whose term of employment is longer than three years.

## Minimum wage

The net minimum wage is TRY 11402.32 and the gross minimum wage is TRY 13414.50.

## Working hours and overtime

The maximum work week is 45 hours. Overtime pay is 1.5 times the regular hourly rate – or the employee can choose to take the equal time off in lieu (1.5 hours every additional hour worked) within 6 months. Overtime earnings must be paid at double the regular hourly rate if an employee works on a national holiday declared by the government. If the contract specifies a working week of 45 hours, overtime is paid at 1.25 times the normal hourly rate – or the employee can choose to take the equivalent time off in lieu (1.25 hours per extra hour worked) within 6 months. Overtime hours cannot exceed 270 hours in a calendar year.

## Termination

According to labor law, there are three options for ending an employment contract. The contract can be terminated by either the employee or the employer, or it can be terminated automatically. If a worker is terminated, it may be for personal reasons; yet, it is considered resignation regardless of the cause. Alternatively, the employment contract may be dissolved for reasons such as marriage, military duty, or retirement, which are legal rights provided to the worker. The employer considers inefficiency, non-compliance, department closure, and downsizing to be "termination for justifiable reason."

# EMPLOYMENT CONTRACTS



## **Severance**

Employees are entitled to a severance payout of one month's salary for each year of service when their job is terminated, subject to certain circumstances. On a six-month basis, the government establishes a cap for such payments.

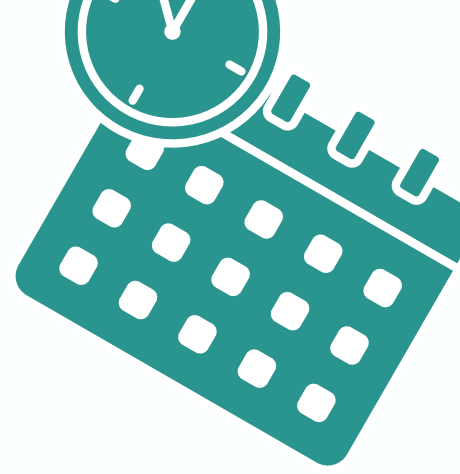
## **Non-compete clause**

The legislator specifies that non-competition clauses are only valid if the employer provides an employee with information about the customer portfolio, production secrets, or the employer's work, and judges consider the potential significant harm that the use of this information may cause.

## **Collective bargaining**

Collective agreements must be in writing and signed for a minimum of one year and a maximum of three years. Collective agreements cannot be extended, shortened, or dissolved before their expiration by the parties that signed them. Collective agreements for works that last less than a year may be executed for a term of less than a year.

# PAID TIME OFF



## Annual Vacation

Employees are entitled to paid yearly leave after working for at least a year, including the probationary period. Paid time off is calculated based on the number of years of service:

- Years 1 through 5: 14 working days,
- More than five years but less than fifteen: 20 working days'
- 26 working days for more than 15 years old.

## Sick

Employers are not required to offer sick pay to their employees, but employees have the right to sick pay through government disability programs. In fact, most firms continue to pay employees their full wage while they are sick and remove the amount provided by the Social Security Institution from their income.

## Maternity

Pregnant women are entitled to 8 weeks of maternity leave before and after childbirth. They are also entitled to lump-sum pregnancy, delivery, and nursing benefits.

## Paternity

After the kid is born, the father is entitled to 5 days of paid paternity leave.

## Family

Employees may also be permitted to work part-time after the birth of a child, with the amount of leave based on the number of children the employee has. If both parents work, they are both eligible to work part-time until their kid enters primary school. Parents are also entitled to up to ten days of leave to attend treatment/medical appointments for a disabled or chronically ill kid.

## National Holidays

There are in total 14 paid public holidays.

## Other Paid Time Off

Loss of an immediate family member - 3 days paid.

Military/legislative duty - up to 90 days paid.

# EMPLOYEE BENEFITS



## Statutory

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### Unemployment

Contributions to unemployment funds are 1% of employees' wages and 2% of their employers' payrolls.

### Workers compensation

Employer bears total cost. Injury/disease must first be assessed.

### Social Security

For Turkish citizens, 20.5 % for the employer and 14% for the employee. A foreign person who is still covered by their home country's social security system does not need to pay Turkish social security premiums for a maximum of three months.

### Retirement

Covered by Social Security.

### Health

In Turkey, health insurance is required. Expats must have health insurance in order to get residence or work permits.

## Private

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### Workers compensation

N/A

### Retirement

Private retirement schemes available.

### Health

Private health insurance available.

### Life

Private life Insurance available.



# TAX



## Personal Income Tax ( PIT )

- **Tax year** : Taxes are paid in two equal installments each year, the first at any time between March and May, and the second in November.
- **Tax rate** : Rates range between 15-40%.
- **Tax method** : Residents in Turkey are taxed on their worldwide income, whilst non-residents are solely taxed on their earnings in Turkey. Income tax is applied at progressive rates on taxable income after various deductions and allowances.
- **Tax residency requirements** : Residents are people who have a legal residence in Turkey or plan to settle there. Persons with unknown residence status are deemed residents if they have resided in Turkey for more than six months in a calendar year. Individuals who do not have a legal residence in Turkey or who do not dwell in Turkey for more than six months in a calendar year are considered restricted taxpayers.
- **Double taxation agreements ( DTA's )** : Turkey has signed double taxation agreements with a number of nations.

## Investment Income Tax

In Turkey, there are no specific laws for capital gains taxation. Capital gains and losses are accounted for when calculating taxable corporate income. The dividend payer is exempt from WHT and the dividend recipient is exempt from CIT in dividend distributions between Turkish resident entities. In general, all interest income is taxable. WHT applies to interest income on bank deposits denominated in both Turkish lira and foreign currency. Interest income is recorded in its whole, and any WHT incurred on it is deducted from the CIT computed. In general, royalty income (e.g., from patents, copyrights, or licenses) earned by non-resident persons or businesses that do not constitute a PE in Turkey is subject to WHT at a rate of 20%.

## Taxable Income

Residents in Turkey are taxed on their worldwide income, whilst non-residents are solely taxed on their earnings in Turkey. Income tax is applied at progressive rates on taxable income after various deductions and allowances.

Expats are not subject to a separate tax regime.

# PAYROLL



## Payroll Elements

- **Income:** Salaries, wages, and allowances received by working persons.
- **Deductions:** The total amount of personal deductions for the year cannot exceed the yearly minimum gross salary. Can include premiums, donations, educational costs etc.
- **Benefits in Kind:** The Labor Law does not specify the exact types of benefits in kind that an employer must provide to their employees.
- **Employer contributions:** Social security, Workers compensation and Unemployment.

## Payroll Taxes

All workers working for a resident employer are included on the local payroll, according to Turkish tax legislation. The employer withholds taxes and other duties on employees' earnings at the source, and the employees get the net amount after deductions. Employers must disclose income tax and stamp tax when completing the withholding tax return. Employers who file the social security premium declaration on a monthly basis should disclose the social security premiums and the unemployment premiums.

## Payroll Calendar

Payroll is done on a monthly basis in Turkey. Work completed between the first and final days of the month is usually compensated on the last day of the month.

# LEGISLATION AND STATUTORY BODIES



## LEGISLATION

- Turkey Labor Law

## STATUTORY BODIES

- Ministry of Labor and Social Security.
- Social Security Agency.
- Turkish Revenue Administration



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