

## CORONAVIRUS UPDATES – TURKEY: DIVIDEND DISTRIBUTIONS

A new omnibus bill (the **Omnibus Bill**) was published in the Official Gazette on April 17, 2020, with the aim of reducing the impact of the Covid-19 pandemic on economic and social life. In an effort to preserve equity of companies, the Omnibus Bill adds a provisional article to the Turkish Commercial Code, which restricts dividend distributions for 2019 fiscal year.

Companies must postpone and not make cash dividend distributions exceeding 25% of the net profit pertaining to 2019 fiscal year until September 30, 2020. Similarly, companies are not allowed to distribute profits pertaining to previous years or reserve funds as dividend or authorize the directors to make interim dividend payments until then.

These restrictions are also applicable to companies that had already resolved to distribute dividends for the 2019 fiscal year but had not yet paid (or had partially paid) them. The Omnibus Bill envisages a carve out for companies whose majority capital (i.e., more than 50%) is directly or indirectly held by the state, governorship, municipalities, villages, governmental entities or by the funds whose majority capital (i.e. more than 50%) is owned by the government.

The Omnibus Bill sets the restriction period initially until the end of September. However, the President may shorten this period or extend it for up to three months. Procedures and exceptions to the temporary restriction on dividend distributions will be clarified by the Ministry of Trade.

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