

# Turkey

## MARKET REVIEW

**First half of 2018.** New transactions amounting to US\$4.64bn were carried out in the first half of 2018. The amount of transactions realised in the same period of 2017 was US\$4.56bn. These amounts indicate that the new transactions carried out in the first half of the year increased by 1.80% as compared to the same period of 2017.<sup>1</sup>

**The year 2017.** The amount of new transactions carried out in 2017 totalled US\$10.66bn. The volume of transactions in 2016 amounted to US\$9.45bn. The volume of transactions in 2017 registered an increase of 12.79% as compared to 2016.<sup>2</sup>

**2018 estimated volume of transaction.** The volume of transactions in 2018 is projected to reach US\$5.22bn. This amount indicates a projected decrease of 23.7% as compared to the volume of transactions for 2017.<sup>3</sup>

**Estimated volume of leasing transactions projected in Turkey between 2018 and 2021.** The Turkish economy grew by 7.4% (at fixed prices) in 2017. GDP registered an increase of 20.83% in the first half of 2018 as compared to the same period of the previous year.

The Turkish economy is expected to grow by 3.8% in 2018 and 2.3% in 2019 as per the 2019–21 New Economy Programme issued by the Ministry of Treasury and Finance. It is assumed that the growth rate will be 3.5% in 2020 and 5% in 2021. GDP growth average was 4.5% between 2005 and 2010 and 6.2% between 2011 and 2017, respectively.

**An overview of the Turkish leasing industry.** The Association of Financial Institutions was established from the Financial Leasing, Factoring and Finance Companies Law that came into force on December 13, 2012. The Association of Financial Institutions (Financial Leasing, Factoring and Finance

## ASSOCIATION

### ASSOCIATION OF FINANCIAL INSTITUTIONS (ASSOCIATION OF FINANCIAL LEASING, FACTORING AND FINANCING COMPANIES)

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Corporations Association) was established on July 25, 2013 according to the Financial Leasing, Factoring and Financial Corporations Act 6361 of December 13, 2012.

FİDER, namely the Turkish Leasing Association, has been wound up. All financial leasing, factoring and finance companies that are active in Turkey are obliged to be a member of the Association of Financial Institutions.

In Turkey, the right of engagement into financial leasing operations is exclusively granted to the financial leasing companies and investment and development (non-deposit taking) and participation banks. The number of leasing companies is currently

**Table 1: Estimated volume of transactions for 2018–25**

(TLbn/US\$)	2018	2019	2020	2021	2022	2023	2024	2025
GDP (TL)	3,741	4,450	5,150	5,742	6,385	7,100	7,895	8,780
GDP (US\$)	763	795	858	926	970	1,015	1,063	1,113
Machinery investments (TL)	355	401	515	574	639	710	790	878
Machinery investments (US\$)	72	72	86	93	97	102	106	111
Leasing penetration ratio (excluding real estate)	0.062	0.017	0.044	0.055	0.065	0.065	0.065	0.065
Leasing volume (excluding real estate)	22.08	6.64	22.45	31.29	41.76	46.44	51.64	57.42
Real estate leasing volume	3.53	1.00	3.37	6.26	8.35	9.29	10.33	11.48
Total leasing volume (TL)	25.61	7.63	25.82	37.55	50.11	55.72	61.96	68.90
<b>Growth rate (TL)</b>	<b>3%</b>	<b>-70%</b>	<b>238%</b>	<b>45%</b>	<b>33%</b>	<b>11%</b>	<b>11%</b>	<b>11%</b>
Total leasing volume (US\$)	5.22	1.36	4.30	6.06	7.61	7.97	8.34	8.74
<b>Growth rate (US\$)</b>	<b>-23.7%</b>	<b>-74%</b>	<b>216%</b>	<b>41%</b>	<b>26%</b>	<b>5%</b>	<b>5%</b>	<b>5%</b>

Note: \*Excluded operational leasing of fleet rental companies  
Participation Banks Association of Turkey (TKBB) figures are included

24. There are 16 bank affiliates, five supplying company (vendor) affiliates and three independent entities.

**Leasing under the Turkish legislation.** In order to replace the Law on Leasing No. 3226, which entered into force on June 28, 1985 (previous law), the Law on Leasing, Factoring and Financing Firms No. 6361 (Law) was adopted by the Turkish Grand National Assembly on November 21, 2012. The Law contains the following provisions:

1. Article 5 regulates the legal structure of firms and the establishment of firms as joint stock companies.
2. Article 4 stipulates that before the establishment of firms, preliminary authorisation must be procured from the BDDK (Banking Regulation and Supervision Agency).
3. Paid-in capital regulated by Article 5 must be a minimum of TL20m (around US\$4m).
4. Article 7 stipulates that firms having procured the establishment authorisation must also obtain activity authorisation from the BDDK.
5. From the definition of a company in Article 3 of the Law and the definition of a branch in Article 8, it appears that the authority allowed by the previous Regulation for firms established abroad to open branch offices in Turkey will no longer be granted. A branch-office can be opened by local or foreign leasing companies resident in Turkey.

The new products provided to the leasing sector by the new Law can be found below:

1. Paragraph 3 of Article 2 of the Law, entitled “Scope”, stipulates that the provisions of this law related to leasing operations will not apply for operating leasing operations made by leasing companies. The definition of operating leasing is provided in sub-paragraph (b) of the first paragraph of Article 3 of the Law, entitled “Definitions”. These two articles stipulate that leasing companies can carry out operating leasing operations. With this provision, another dimension has been added to the leasing sector and the interest of global companies to the leasing market is expected to increase.
2. Article 18 of the Law stipulates that the goods purchased from a lessee can be subject to leasing and sale-and-leaseback type operations can be made. As there was no such provision in the previous law, and there were court decisions stating that sale-and-leaseback is not a leasing operation, such leasing operations could not be made from 1995 to the present day. With Article 18 of the new Law, a new and important

product has been introduced to the sector.

3. It is indicated in the first paragraph of Article 19 of the Law that computer software’s reproduction can be subject to leasing. Under the previous law, regardless of the “reproduction” distinction, computer software was out of scope. A new product has been introduced to the sector.
4. In the second paragraph of Article 19, it is indicated that “complementary parts and accessories” can also be subject to leasing. The previous law covered only independent, integral goods by leasing. This new provision is expected to make an important contribution in terms of volume to the sector. For instance, under the previous law, it was not possible to lease a ship engine, to make the external coating, or the roof of a building, energy efficiency attachments. Under the new regulation, such operations will be possible.

Operational conveniences provided under the new Law include:

1. Under the previous law, there was a provision stating that leasing agreements cannot have a term of less than four years. For certain goods, the BDDK was authorised to reduce this term down to two years. Under the new Law, there is no restriction provision on this subject. The parties can determine the term of the agreement freely.
2. In the first paragraph of Article 22 of the Law, entitled “Form and Registration of the Agreement”, it is indicated that the agreement will be made in writing. Under the previous law, the agreement should be made at a notary public and in statutory form (the parties should personally go to the notary public). The new Law removed the obligation to make the agreement in a notary public and accepted as sufficient the conclusion of the agreement in writing.
3. The fourth paragraph of Article 7 of the Law stipulates that, “provided that all partners are leasing firms established in Turkey, without obtaining an establishment and activity authorisation, a leasing company can be established for the leasing of a ship only. The provision that “such companies are subject to articles of this Law other than the provisions related to agreements” is included. With this regulation, leasing companies can, if they so desire, establish a separate leasing company for each ship they will lease. In this way, due to a risk occurring in relation with the leased ship, ship creditors cannot address the ships of the leasing company leased to others. Furthermore, as indicated in the article, such compa-

**Table 2: Financial leasing industry performance indicators**

	December 2012	December 2013	December 2014	December 2015	December 2016	December 2017	June 2018
Financial leasing receivables (net)/shareholder's equity	4.04	5.02	5.19	5.64	6.02	6.40	6.78
Non-performing loans (gross)/lease receivables (net) (%)	7.99%	6.95%	6.71%	6.03%	6.26%	5.55%	5.29%
Period's profit/shareholder's equity (%)*	10.09%	9.05%	9.19%	12.42%	12.53%	11.61%	14.99%
Period's profit/total assets (%)*	2.28%	1.85%	1.72%	2.21%	2.07%	1.79%	2.23%
Balance-sheet foreign currency net position/ shareholder's equity (%)	39.76%	52.67%	38.57%	42.00%	53.33%	52.88%	64.10%

Note: \*June 18 figures are estimated on yearly basis

**Table 3: Financial leasing industry main balance-sheet figures**

(TLbn)	2016	2017	2017 (H1)	2018 (H1)	Growth % 16-17	Growth % 17-18 (H1)	2015 balance- sheet share	2016 balance- sheet share	2017 balance- sheet share	2017 H1 balance- sheet share	2018 H1 balance- sheet share
Financial leasing receivables (net)	44.02	52.02	47.43	59.45	18%	25%	90.34%	90.77%	89.49%	90.45%	89.94%
Non-performing loans (gross)	2.94	3.05	2.71	3.32	4%	22%	5.79%	6.06%	5.25%	5.18%	5.02%
Specific provisions	1.82	1.83	1.66	1.97	0%	18%	3.66%	3.75%	3.14%	3.17%	2.97%
Banks	1.56	2.64	2.02	2.75	70%	36%	3.92%	3.21%	4.54%	3.86%	4.17%
Total assets	48.50	58.12	52.44	66.10	20%	26%	100.00%	100.00%	100.00%	100.00%	100.00%
Credits taken	31.24	37.78	33.56	44.65	21%	33%	66.99%	64.42%	65.00%	64.00%	67.54%
Shareholder's equity	7.80	8.60	8.37	9.26	10%	11%	17.05%	16.08%	14.80%	15.95%	14.01%
Profit/loss (net)	0.92	0.95	0.61	0.66	3%	8%	1.99%	1.90%	1.64%	1.16%	1.00%

Source: BRSA

nies not being subject to the articles other than the provisions of this Law related to agreements, can be single shareholder joint stock companies established according to the related provisions of the Turkish Commercial Code. In short, a leasing company can carry out ship leasing business, without procurement of an establishment and activity authorisation, through a joint stock company which is its participation and of which it is the single founding partner. At the end of the term of the agreement, this company will be liquidated.

4. In the first paragraph of Article 22 of the Law it is indicated that agreements related to movable goods (such as automobiles) having a special register, will be registered and annotated on that register and notified by the leasing company to the Association. In the second paragraph of the same article, it is indicated that agreements related to goods with no special register will be registered on a special register kept by the Association. Under the previous law, agreements were registered on a special register at the notary public in the place of residence of the lessee. Such a dispersion of the registration system prevented it from being functional. The new Law made the registration system a centralised system, providing the possibility to the concerned parties to inquire easily. As a matter of fact, in the third paragraph of Article 22, it is indicated that the special register at the Association will be open to everyone and that no one can argue that it was not aware of the registration on the register. In the fifth paragraph of Article 22 of the Law, it is indicated that after registration and annotation, third persons cannot refer to leasing companies for the acquisition of real rights on the goods subject to leasing, thereby determining clearly the function of the registration.
5. The sixth paragraph of Article 22 of the Law stipulates that under Article 940 of the Turkish Commercial Code No. 6102, the lessee is considered as the owner of the ship, and in the seventh paragraph, that under Article 49 of the Law on Civil Aviation No. 2920, the lessee is considered as the owner of the aircraft. With these two articles of the new Law, foreign capital leasing companies have an equal status with Turkish capital firms, for ship and aircraft activities.

Under the general application related to certain restrictions imposed on foreign companies engaged in air and sea transport, the rule has been set to consider whether the lessee's shareholders and not the leasing company has Turkish capital or not. As a result of these new regulations, obstacles to foreign capital leasing firms operating in Turkey to engage in ship and aircraft activities have been removed.

**Table 4: New leasing business volume by year (including real estate)**

	Leasing volume (US\$m)	Rate of increase in business volume
1999	945	-52.00%
2000	1,630	72.49%
2001	732	-55.09%
2002	1,328	81.42%
2003	2,166	63.10%
2004	2,921	34.86%
2005	4,236	45.02%
2006	5,271	24.43%
2007	8,203	55.63%
2008	5,303	-35.35%
2009	2,197	-58.57%
2010	3,183	44.88%
2011	4,891	53.66%
2012	5,360	9.59%
2013	6,990	30.41%
2014*	11,007	9.26%
2015*	9,492	-13.76%
2016*	9,454	-0.40%
2017*	10,663	12.79%
2017 March*	2,180	
2018 March*	2,272	4.22%
2017 June*	4,557	
2018 June*	4,639	1.80%

Note: \*Participation Banks Association of Turkey (TKKB) and Fleet Rental Companies Association of Turkey (TOKKDER) figures are included

Source: AFI (Association of Financial Institutions)

6. In the first paragraph of Article 37 of the Law, on exemptions and tax rate determination, as problems arose because it was not indicated clearly in the previous law, it is stipulated expressly that transfer and amendment agreements and guarantees will be exempt from stamp duty and fees.

7. According to the second paragraph of Article 37 of the Law, registration to the land register of real estate leased under leasing agreements made by the method of sale-and-leaseback, at the end of the agreement term, will be exempt from the land register fee. Together with this regulation, with Article 51 of the Law, the following paragraph has been added to the 20th paragraph of the section entitled "I-Land Register Transactions" of the tariff No. 4 entitled fees to be collected from Title Deed and Cadastre operations, of the Law on Fees:

*"4,55 per thousand from the transferer, during the sale to the lessor of the immovable on condition to be taken back by the lessee at the expiry of the leasing agreements made via sale and leaseback method (in case it is observed that the immovable has not been taken back for any reason whatsoever by the lessee, the amount of fee corresponding to the difference between the rate indicated in sub-paragraph (a) and the rate indicated in this sub-paragraph will be collected from the concerned persons, together with delay interest according to the provisions of the Law No. 213)"*

With this provision, an important cost element in sale-and-leaseback transactions has nearly been removed and the feasibility of the application has been increased.

8. With Article 40 of the Law, the establishment within six months of an Association of Leasing, Factoring and Financing Companies (consumer finance association), as a professional association in the nature of a public organisation, is decreed. Leasing, factoring and financing companies (consumer finance) must register with the Association within one month as of their procurement of operating authorisation from the BDDK.

**Cross-border leasing.** Companies which are not resident in Turkey but which are authorised to engage in leasing activities in the country where they operate can make leasing agreements with firms resident in Turkey. Registration of these agreements will be made by the AFI (Association of Financial Institutions).

The Association does not register agreements covering goods other than aircraft, ships, medical devices and high technology products. Therefore, goods other than those

indicated cannot be subject to cross-border leasing. Goods must be under the ownership of the lessor and insured.

As for cross-border operations, if the lessor is abroad the lessee resident in Turkey will declare and pay the VAT for the lessees (general rate 18%, for certain medical devices 8%, for ships and aircraft 1%) by virtue of Article 9/1 of the Law on VAT.

The lessee will pay 1% corporate tax withholding on leasing rentals to be paid abroad, by virtue of Article 30 the Law on Corporate Tax (in the Decree of the Council of Ministers No. 2009/14593 adopted on December 1, 2009 and published in the Official Gazette dated March 2, 2009, it is indicated that leasing rentals are classified as "income from immovable property" and 1% corporate tax withholding will be made on the leasing income).

Goods subject to cross-border leasing will be imported in Turkey in the scope of the provisional import regime.

There is no restriction or special provision related to leasing operations made by leasing companies established in Turkey to lessees established abroad. The said operations can be realised in accordance with regulations on customs, imports and exchange.

**Accounting and taxation.** Repetitive Article No. 290 has been supplemented by Law No. 4842 published in the Official Gazette of April 24, 2003 to Law No. 213 on Tax Procedures.

Repetitive Article No. 290 defines specific transactions, which may be recognised as financial leasing, for application to such financial leasing contracts concluded from July 1, 2003, setting forth in detail the method of the calculation of tax bases in

**Table 5: New leasing business volume by year (excluding real estate)**

	Total volume (US\$m)	Real estate leasing volume	New business volume (excluding real estate)	Rate of increase in business volume
1999	945	71	874	-52%
2000	1,630	64	1,566	79%
2001	732	67	665	-58%
2002	1,328	69	1,259	89%
2003	2,166	144	2,022	61%
2004	2,921	200	2,721	35%
2005	4,236	344	3,892	43%
2006	5,271	390	4,881	25%
2007	8,203	919	7,284	49%
2008	5,303	584	4,719	-35%
2009	2,197	264	1,933	-59%
2010	3,183	365	2,818	46%
2011	4,891	597	4,294	52%
2012	5,360	429	4,931	15%
2013	6,990	1,315	5,675	15%
2014*	11,007	2,478	8,529	-5%
2015*	9,492	2,002	7,490	-12%
2016*	9,454	1,579	7,875	5%
2017*	10,663	1,476	9,187	17%
2017 March*	2,180	514	1,666	
2018 March*	2,272	271	2,001	20.1%
2017 June*	4,557	807	3,750	
2018 June*	4,639	531	4,108	10%

Note: \*Participation Banks Association of Turkey (TKBB) and Fleet Rental Companies Association of Turkey (TOKKDER) figures are included

Source: AFI (Association of Financial Institutions)

transactions meeting the definition of financial leasing on the part of both lessees and lessors.

Financial leasing is defined as follows: they are such leases which result in the transfer to the lessee of any risks and benefits arising from having possession of an economic value regardless of whether the title is transferred to the lessee upon the expiry of the lease term.

A given leasing operation is treated as financial leasing in the case of the existence of any of the following in a leasing operation:

- Transfer to the lessee of the title to the economic value upon the expiry of the lease term.
- Granting the lessee the right to sell the economic value at a cost lower than the economic current market price upon the expiry of the lease term.
- A lease term covering such a part larger than 80% of the economic life period of the economic value.
- Current value sum of rent payments to be made as per the contract constituting such a value larger than 90% of the current market price of the economic value.

This regulation introduced in 2003 is in compliance with International Accounting Standard (IAS) No. 17. Repetitive Article 290 of VUK (Tax Procedural Law) is not a regulation relevant to accounting records; rather, it is a regulation relevant to the calculation of the tax base.

The Communiqué on the Forms and Contents of Financial Sheets prepared by BRSA and published in the Official Gazette of May 17, 2007 strictly stipulates that accounting records shall be entered in compliance with the Turkish Accounting Standards with effect from January 1, 2008.

The Turkish Accounting Standards are in compliance with the International Accounting Standards in terms of contents and standard numbers. Therefore, the financial sheets and book records of financial leasing companies have been rendered compliant with the international standards from January 1, 2008.

For financial leasing transactions from December 31, 2018, the Turkey Accounting Standard 17 (IAS 17, the same as) will replace Turkey No. 16, Financial Reporting Standard (IFRS same with 16).

Provisions for doubtful receivables reserved for non-performing loans are allocated according to the provisions of the Regulation published by BRSA. Financial companies which want to report according to No. 9 Turkey Financial Reporting Standards (IFRS 9 the same) will be able to reserve accordingly after September 30, 2018 with the condition of declaration to BRSA.

The applicable rate of corporate tax is 20%. Corporate tax is paid under pre-paid taxes in quarterly periods. Pre-paid taxes paid in the interim periods are deducted from corporate tax calculated upon the close of a fiscal year.

**Table 6: Financial leasing industry penetration ratio**

Year	GDP	Machinery investments	New business volume (including real estate)	New business volume (excluding real estate)	Penetration*	Penetration**	World leasing volume (US\$bn)***
1998	71,892,898	8,231,200	535,644	511,370	0.71%	6.21%	432,500,000
1999	107,164,345	8,739,969	428,606	396,085	0.37%	4.53%	473,500,000
2000	170,666,715	16,935,399	1,050,579	1,009,778	0.59%	5.96%	498,900,000
2001	245,428,760	16,289,675	947,880	861,409	0.35%	5.29%	476,600,000
2002	359,358,871	25,745,309	2,099,069	1,992,536	0.55%	7.74%	461,600,000
2003	468,015,146	38,493,150	3,136,819	2,927,706	0.63%	7.61%	511,300,000
2004	577,023,497	63,431,620	4,127,527	3,849,272	0.67%	6.07%	579,100,000
2005	673,702,943	76,189,662	5,702,014	5,239,521	0.78%	6.88%	582,000,000
2006	789,227,555	92,179,719	7,702,221	7,140,153	0.90%	7.75%	633,700,000
2007	880,460,879	92,966,790	10,230,726	9,089,259	1.03%	9.78%	780,400,000
2008	994,782,858	92,147,661	6,811,738	6,077,874	0.61%	6.60%	732,800,000
2009	999,191,848	87,495,994	3,385,834	2,983,390	0.30%	3.41%	557,330,000
2010	1,160,013,978	114,796,188	4,844,359	4,289,083	0.37%	3.74%	594,500,000
2011	1,394,477,166	158,270,582	8,448,456	7,437,519	0.53%	4.70%	796,700,000
2012	1,569,672,115	162,005,719	9,582,278	8,814,766	0.56%	5.44%	868,000,000
2013	1,809,713,087	182,309,733	13,888,066	11,254,193	0.62%	6.17%	884,000,000
2014****	2,044,465,876	206,444,356	24,899,676	19,306,904	0.94%	9.35%	944,310,000
2015****	2,338,647,494	262,979,725	26,405,400	20,924,705	0.89%	7.96%	1,005,300,000
2016****	2,608,525,749	283,682,160	30,081,291	25,229,983	0.97%	8.89%	1,099,770,000
2017****	3,106,536,751	327,036,646	38,856,414	33,461,386	1.08%	10.23%	
2017 Q1****	649,272,436	63,230,789	7,969,834	6,086,874	0.94%	9.63%	
2018 Q1****	787,974,458	78,553,414	8,714,417	7,630,213	0.97%	9.71%	
2017 H1****	1,383,698,011	141,061,518	16,469,901	13,539,943	0.98%	9.60%	
2018 H1****	1,671,978,717	171,711,020	19,044,177	16,736,398	1.00%	9.75%	

Notes:

At current prices – TL thousands

\*Annual leasing volume (including lease statistics of fleet rental companies) as a percentage of GDP

\*\*Annual leasing volume (including lease statistics of fleet rental companies) as a percentage of machinery-equipment investments

\*\*\*Source: *World Leasing Yearbook 2017*

\*\*\*\*Leasing statistics of participation banks and operating lease statistics of fleet rental companies are included

**Value-added tax.** Implementation of value-added tax (VAT) is discussed briefly as follows: A leasing company pays VAT all at once upon procurement of commodities covered by leasing. It collects VAT from the lessee along with the monthly rentals as calculated on the basis of invoices issued for rentals (meeting the applicable renting period; namely monthly, quarterly, bi-annual, etc.).

It recovers such VAT paid on the basis of the commodity value (principal claims at the same time) all at once from the lessee throughout the lease term such as 36, 48 and 60 months. It deducts the sum of VAT collected from the lessor from the sum of VAT paid to the suppliers. When the sum of VAT collected from the lessee is in excess of the sum of VAT paid to the supplier (this calculation is made on the basis of all the contracts, not a single contract), any excess VAT thereof is paid directly to the tax administration.

Because the mechanism operates in this way, leasing companies are regularly net VAT creditors. In other words, they have to refinance VAT. As in some country applications, any sum of VAT for which they are credited are not refunded by the tax administration in any such periods when they have credits to VAT.

The general VAT rate is 18%. The VAT rate has been reduced to 8% for some commodities (like medical equipment and tractors) and reduced even further to 1% for some other commodities. The general rule is that a VAT rate applicable for a given commodity is also applicable for leasing in case that commodity is acquired by way of leasing.

However, as an exception to this rule, the VAT rate is 1% in the case of machines specified by the Decree on the VAT rates on the basis of their GTİP (Harmonised Commodity Description and Coding System). Numbers are imported through leasing. However, the following conditions must be met so that VAT at a rate of 1% may be applied to the machines specified on the basis of GTİP:

- a. They are not used.
- b. They are not in the nature of parts and accessories.
- c. The lessee is a VAT payer or has such income determined on the basis of balance sheets.

Some of the machines for which the VAT rate is 1% in cases when they are acquired by leasing are listed below:

- a. Construction machinery.
- b. Agricultural machinery (excluding tractors).
- c. Textiles dyes and finishing machinery.
- d. Food and drink manufacturing machinery for industrial purposes.
- e. Cranes, elevators, conveyor belts, escalators (excluding fork-lifts).
- f. Machinery used in mining.
- g. Electric energy generation equipment.
- h. Steam boilers.
- i. Furnaces and stoves.
- j. Cooler and heater pumps.

**Registration of financial leasing contracts.** *Registration of financial leasing contracts concluded domestically.* By virtue of Art.22 of the Law No:6361 on Financial Leasing, Factoring and Financing Firms (Law)(the English translation of the Law is available at [www.fkb.org.tr](http://www.fkb.org.tr)), contracts related to immovable properties must be registered and annotated in the annotations box of the land register where the immovable property is located, and contracts related to movable properties having a special register will be registered and annotated in that register, and will be also notified to the Association by the lessor.

Contracts related to movable properties which have no special register will be registered to a special register kept by the Association. In summary, records and electronically signed image files of all financial leasing contracts concluded in Turkey are kept by the Financial Institutions' Association, in a highly secure and

**Table 7: Leasing share by asset type (2014–18)**

Asset type (US\$ thousands)	2014	Share	2015	Share	2016	Share	2017	Share	2018 H1	Share
Road vehicles	159,708	2.1%	154,134	2%	122,967	2%	143,935	2%	79,375	5%
Air transport conveyance	175,296	2.3%	59,463	1%	75,733	1%	65,140	1%	9,142	1%
Ships and other sea-going vessels	178,981	2.3%	217,818	3%	133,649	3%	92,413	1%	21,929	1%
Railroad transport vehicles	0	0.0%	1,843	0%	2,937	0%	2,743	0%	0	0%
Heavy equipment and construction machinery	1,537,750	20.1%	1,363,379	21%	1,542,728	23%	1,671,399	27%	387,997	26%
Health industry and aesthetic instruments	228,781	3.0%	218,184	3%	195,833	4%	173,387	3%	46,722	3%
Metal processing machines	567,427	7.4%	435,641	7%	437,285	8%	458,871	7%	129,380	9%
Textile machines	532,156	7.0%	410,112	6%	441,781	7%	450,148	7%	171,134	11%
Electronic and optical devices	99,679	1.3%	67,447	1%	102,231	2%	69,122	1%	11,257	1%
Information technologies and office systems	139,439	1.8%	138,911	2%	123,730	3%	109,988	2%	15,150	1%
Real estate	2,218,294	29.0%	1,806,529	28%	1,458,834	25%	1,279,812	21%	235,714	16%
Plastic processing machines	130,244	1.7%	129,346	2%	123,065	2%	137,325	2%	37,107	2%
Tourism equipment	80,249	1.1%	85,315	1%	53,639	1%	62,664	1%	9,774	1%
Printing and paper processing machines	108,077	1.4%	76,422	1%	96,252	2%	78,302	1%	36,439	2%
Agricultural and livestock farming machines	148,297	1.9%	137,041	2%	156,254	1%	155,009	3%	68,220	5%
Other machinery and equipment	1,332,759	17.5%	1,063,292	17%	1,062,854	18%	1,243,576	20%	244,871	16%
<b>Total</b>	<b>7,637,138</b>	<b>100%</b>	<b>6,364,877</b>	<b>100%</b>	<b>6,129,772</b>	<b>100%</b>	<b>6,193,833</b>	<b>100%</b>	<b>1,504,209</b>	<b>100%</b>
Leasing transaction volume of participation banks	872,000		649,949		400,641		643,999		233,675	
Operational leasing volume of fleet rental companies	2,497,677		2,477,349		2,923,300		3,815,336		1,431,655	
<b>Grand total</b>	<b>11,006,815</b>		<b>9,492,175</b>		<b>9,453,713</b>		<b>10,653,168</b>		<b>3,169,539</b>	

easily accessible environment. The software of the Contract Registration System has been created by the Central Registry Agency (MKK). MKK also operates and hosts the system.

To summarise the functioning of the system, financial leasing firms register financial leasing contracts related to goods owned by them having a special register to the related special register. Special registers are indicated hereunder:

- The registration of contracts related to immovables will be made to land registers in land registry directorates.
- The registration of contracts related to road transport vehicles will be made to the traffic register.
- The registration of contracts related to air transport vehicles will be made to the register retained by the Civil Aviation General Directorate.
- The registration of contracts related to sea vessels will be

made to the ship registry.

- The registration of contracts related to railway vehicles will be made to the Railways Regulation General Directorate.
- The registration of contracts related to construction equipment will be made to the Chambers of Commerce.
- The registration of contracts related to agricultural machinery will be made to Chambers of Agriculture.

Financial leasing contracts related to the goods mentioned above will be registered to the registers which are indicated and notified to the FKB by the leasing company which enters them in the Contract Registration System. Notification will be considered and made to the FKB when at least the information relating to the contract indicated hereunder and the contract's e-signed image file are loaded on to the system:

- General code of the goods.

**Table 8: Leasing volume by sector 2015–18**

	2015**		2016**		2017**		2018 H1**	
	Purchase cost (US\$)	Share (%)						
<b>Agriculture</b>	<b>223,853</b>	<b>2.36%</b>	<b>205,815</b>	<b>2.18%</b>	<b>172,010</b>	<b>1.61%</b>	<b>54,712</b>	<b>0.51%</b>
Agriculture, livestock, forestry	222,330	2.34%	202,877	2.15%	163,021	1.53%	53,634	0.50%
Fishing	1,523	0.02%	2,938	0.03%	8,989	0.08%	1,078	0.01%
<b>Manufacturing industry</b>	<b>3,018,869</b>	<b>31.80%</b>	<b>2,931,101</b>	<b>31.00%</b>	<b>3,144,926</b>	<b>29.49%</b>	<b>817,821</b>	<b>7.67%</b>
Mining of energy producing materials	148,920	1.57%	172,339	1.82%	92,455	0.87%	55,964	0.52%
Mining except energy producing materials	102,360	1.08%	115,638	1.22%	124,767	1.17%	39,039	0.37%
Food, beverage and tobacco industry	307,481	3.24%	210,122	2.22%	165,782	1.55%	48,429	0.45%
Textile	659,033	6.94%	652,773	6.90%	742,855	6.97%	246,031	2.31%
Leather industry	14,044	0.15%	10,663	0.11%	11,799	0.11%	5,629	0.05%
Wood and timber industry	85,951	0.91%	84,989	0.90%	32,129	0.30%	5,833	0.05%
Paper industry	147,520	1.55%	149,073	1.58%	89,558	0.84%	41,152	0.39%
Nuclear fuel, oil and coal products	37,396	0.39%	36,877	0.39%	8,928	0.08%	3,263	0.03%
Chemical industry	65,194	0.69%	100,039	1.06%	82,857	0.78%	15,831	0.15%
Rubber and plastic processing industry	199,971	2.11%	159,396	1.69%	192,705	1.81%	62,543	0.59%
Other mining industry	126,836	1.34%	123,011	1.30%	127,300	1.19%	24,799	0.23%
Metallurgical industry	453,823	4.78%	407,858	4.31%	366,056	3.43%	111,069	1.04%
Machine-building industry	214,839	2.26%	210,198	2.22%	240,861	2.26%	40,472	0.38%
Electricity and optical equipment industry	48,546	0.51%	62,672	0.66%	68,746	0.64%	9,853	0.09%
Transportation vehicle industry	133,636	1.41%	116,112	1.23%	151,050	1.42%	18,266	0.17%
Other manufacturing industry	140,688	1.48%	162,743	1.72%	142,633	1.34%	39,245	0.37%
Electricity, gas and water supplying	132,631	1.40%	156,598	1.66%	504,445	4.73%	50,401	0.47%
<b>Services</b>	<b>6,083,099</b>	<b>64.09%</b>	<b>6,173,141</b>	<b>65.30%</b>	<b>7,091,254</b>	<b>66.50%</b>	<b>2,275,707</b>	<b>21.34%</b>
Construction	1,462,244	15.40%	1,581,629	16.73%	1,770,618	16.61%	516,174	4.84%
Vehicle servicing	558,893	5.89%	445,888	4.72%	402,858	3.78%	130,174	1.22%
Tourism	279,328	2.94%	293,399	3.10%	91,418	0.86%	30,128	0.28%
Transportation warehousing and communication	309,144	3.26%	315,177	3.33%	338,732	3.18%	43,198	0.41%
Financial intermediation*	2,566,089	27.03%	3,017,680	31.92%	3,855,975	36.16%	1,434,455	13.45%
Real estate brokerage	361,925	3.81%	157,849	1.67%	236,908	2.22%	57,050	0.54%
Defence and social security	2,674	0.03%	1,230	0.01%	1,267	0.01%	633	0.01%
Education	69,130	0.73%	35,261	0.37%	57,495	0.54%	2,206	0.02%
Health and social services	267,339	2.82%	218,125	2.31%	202,111	1.90%	43,590	0.41%
Individual persons employing workers	125,998	1.33%	76,261	0.81%	109,036	1.02%	14,675	0.14%
International organisations	6,686	0.07%	1,633	0.02%	2,584	0.02%	389	0.00%
Other social services	73,650	0.78%	29,011	0.31%	22,252	0.21%	3,036	0.03%
<b>Consumer housing finance</b>	<b>76,830</b>	<b>0.81%</b>	<b>0</b>	<b>0.00%</b>	<b>201,191</b>	<b>1.89%</b>	<b>8,189</b>	<b>0.08%</b>
<b>Other</b>	<b>89,524</b>	<b>0.94%</b>	<b>143,655</b>	<b>1.52%</b>	<b>53,483</b>	<b>0.50%</b>	<b>13,110</b>	<b>0.12%</b>
<b>Total</b>	<b>9,492,175</b>	<b>100%</b>	<b>9,453,712</b>	<b>100%</b>	<b>10,662,864</b>	<b>100%</b>	<b>3,169,539</b>	<b>30%</b>

Notes:

\*Operating lease statistics of fleet rental companies are included

\*\*Leasing Statistics of Participation Banks Association of Turkey (TKKB) are included

- b. Trade name of the lessor.
- c. Tax identification number of the lessor.
- d. Official of the lessor recording the entry.
- e. Type of contract (original, amended, lessee transfer, lessor transfer).
- f. Date of the contract.
- g. Number of the contract.
- h. Value of the goods subject to contract.
- i. Lessee's name/surname or trade name.
- j. Lessee's address.
- k. Turkish Republic identity number or tax identification number of the lessee.

The registration of financial leasing contracts related to goods other than those mentioned above will be made to the FKB. There is no operational difference between notification and registration operations.

The registration of contracts is not a constituent condition in legal terms. However, registered contracts can benefit from the legal security provided by the Law. The legal security provided by the registration has been expressed as follows in the reasoning of art.22 of the Law, related with registration: *“The article regulates the form of the financial leasing contract and the registration to a special register. In the financial leasing relationship, although the lessee holds the possession of the goods and the economic ownership, the legal owner of the goods is the financial leasing company. For the system to operate regularly, this situation must not be deteriorated within the term of the contract. The Turkish Civil Code provides for the acquisition by well-intentioned third persons of property or other limited rights in kind of a person who is not owner. In this way, the acquisition of the goods from the lessee, in good faith, will always be possible. This article stipulates that immovable properties will be registered to the declarations section of the land register of the place where they are located and movable properties which have their own special register will be registered or annotated to the registry where these goods are registered and movable goods which have no special register will be registered at the special register kept by the Financial Institutions' Association, renouncing from their registration at the notary public which was a system that did not meet the needs in practice. It is stipulated that the special register to be kept by the Financial Institutions' Association will be open to everyone and nobody can argue not being aware of the record in the registry and well-intentioned third persons are prevented from acquiring ownership or other limited rights in kind from non-owner persons.”*

In addition to the above-mentioned legal protection, Art.28 of the Law No:6361 stipulates that in the case that the lessee goes bankrupt or is subject to enforcement proceedings, the goods subject to financial leasing cannot be attached, and will not be covered by the bankruptcy. In order to benefit from this article of the law, the contract must have been registered.

For detailed information on the functioning of the Contract Registration System, you may examine the document entitled “Circular on Rules and Procedures Regarding the Registration of Financial Leasing Contracts to the Special Registry” which can be found on our website at [www.fkb.org.tr](http://www.fkb.org.tr).

Leasing companies operating in Turkey are members of the FKB. Furthermore, development, investment and participation banks are also authorised to provide leasing. The banks mentioned are not members of the FKB; however, they must register the

financial contracts they conclude to the register kept by the FKB or if they lease goods having their special register, they must notify them to the FKB.

#### **Registration of financial leasing contracts concluded abroad.**

By virtue of Art.21 of the Law No:6361 on Financial Leasing, Factoring and Financing Firms (Law), the registration of financial leasing contracts related to operations to be realised in Turkey by financial leasing companies established abroad with lessees established in Turkey, will be made the Financial Institutions' Association. For the realisation of the registration operation, first the compliance of the contract with the definition of financial leasing within the framework of the Law No: 6361 must be determined by the FKB official, following which the contract will be registered.

The Customs Administration will not initiate the operations for the entry into Turkey of the goods subject to contract, without seeing the registration certificate prepared by the FKB. The FKB is also responsible for the deletion from the register of the contract at its expiry. The Customs Administration will not initiate operations related to the exit from Turkey of the goods covered by the contract, without seeing the certificate of deletion prepared by the FKB. For detailed information on the subject, please see “Circular on Registration of Financial Lease Contracts Covering Financial Lease of Persons Residing Abroad to Persons Residing in Turkey” on our website.

As the FKB is entitled for the registration of operations where the lessor is outside Turkey and the lessee is in Turkey, statistics related to these operations started to be published as of 2014. As these operations are included in the volume of operations of the country where these leasing companies reside, they are published only for information purposes. They are not included in the volume of leasing transactions of Turkey.

#### **Notes:**

- 1 Participation Banks Association of Turkey (TKBB) and Fleet Rental Companies Association of Turkey (TOKKDER) figures are included.
- 2 Participation Banks Association of Turkey (TKBB) and Fleet Rental Companies Association of Turkey (TOKKDER) figures are included.
- 3 Participation Banks Association of Turkey (TKBB) figures are included.



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