

BIPO TIMES

January 2024 Vol. 77

www.biposervice.com

Payroll Compliance & HR Practices in Türkiye

Overview

Türkiye's payroll compliance and local HR practices are characterised by a complex regulatory landscape that businesses operating in the country must navigate. The Turkish government imposes strict regulations on payroll management, encompassing tax deductions, social security contributions, and other statutory requirements. Adherence to these regulations is crucial to ensure legal compliance and avoid penalties.

Additionally, local HR practices in Türkiye often involve a strong emphasis on cultural nuances and interpersonal relationships. Building and maintaining effective communication channels within the workplace are essential, and understanding the local labour market dynamics is key for successful human resource management in Türkiye.

Overall, businesses need to be well-versed in the intricacies of Türkiye's payroll compliance and local HR practices to operate seamlessly in the country's business environment.

Basic Country Facts



Capital
Ankara



Population
84.97 million
[The World Bank](#)



Currency
Turkish Lira (TRY, also ₺)



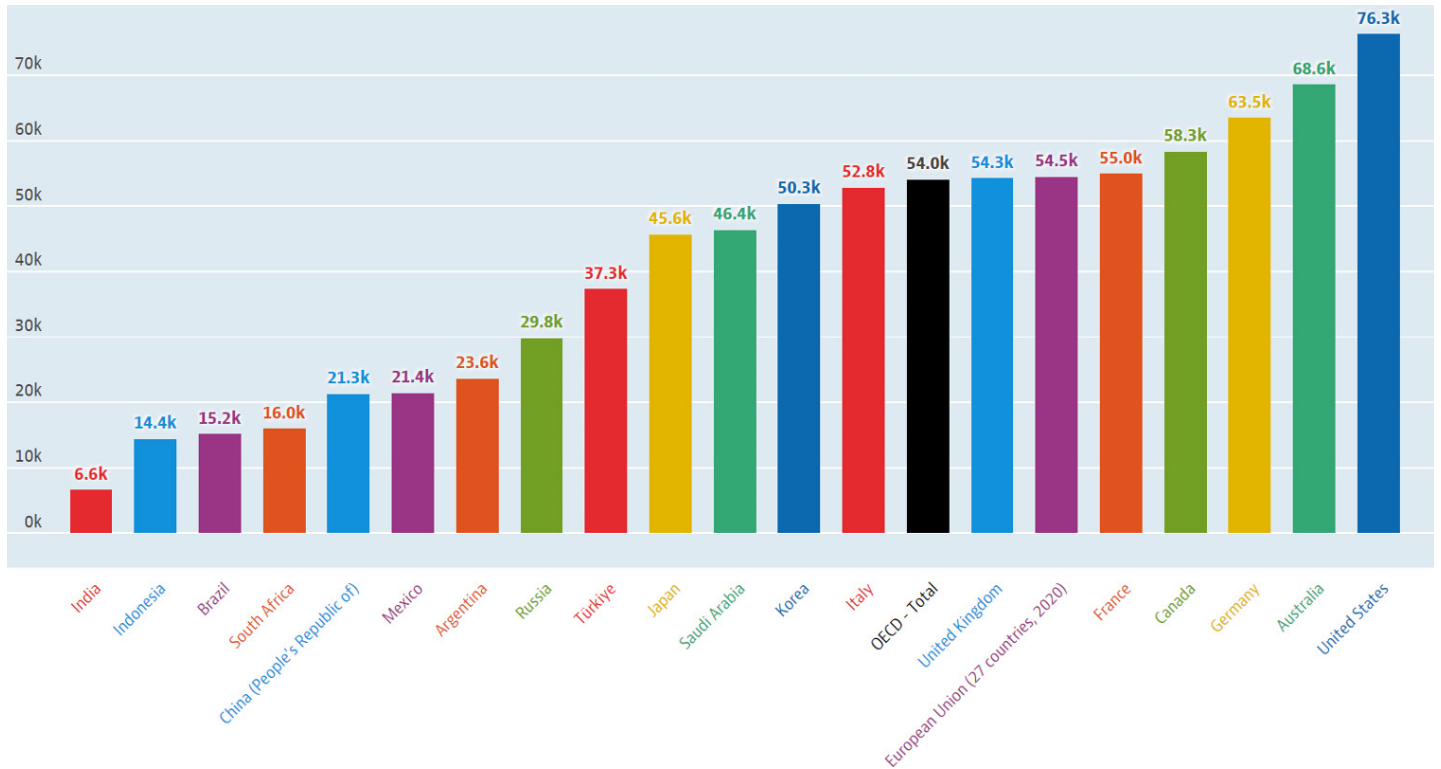
GDP per Capita
USD \$10,674.50 (as of 2022)
[The World Bank](#)

Top 5 Reasons to Invest in Türkiye

1. Robust Economy

- Annual GDP Growth (5,6% - 2022)
- Gross domestic product (GDP) Total, 37,300 US dollars/capita

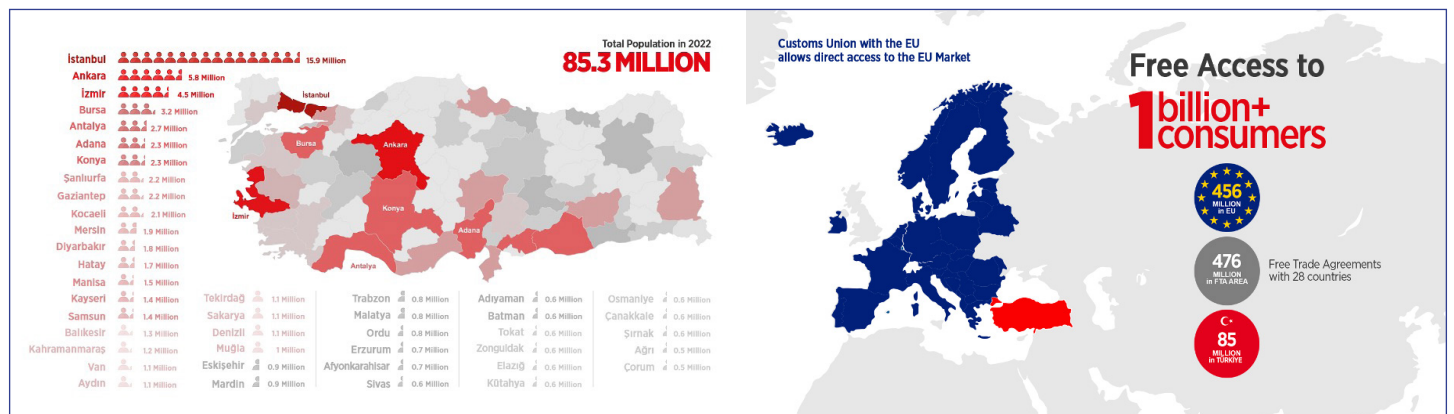
Türkiye's GDP is increasing within G20 Countries' economies, and the growth momentum is set to continue in the coming years.



Source: Aggregate National Accounts, SNA 2008 (or SNA 1993): Gross domestic product

2. Large Domestic & Regional Markets

- **Urbanisation:** More than 24 urban centres, each with populations of over 1 million, support Türkiye's thriving domestic market through their production of goods and services. In terms of population, Istanbul is the largest city in Europe.
- **Access to Markets**



3. Strategic Location

Türkiye has a global market access at the nexus of Europe, Asia and Africa, thus creating an efficient and cost-effective hub to major markets.

Proximity to Major Markets

Türkiye offers easy access to 1.3 billion people and a combined market worth of USD 28 trillion GDP in Europe, MENA, and Central Asia within a 4-hour flight radius.

Same Day Reachability of Key Markets

Türkiye's strategic location enables easy reach to markets across 16 different time zones, from Tokyo to New York.

Global Connectivity

Turkish Airlines connects 342 destinations in 121 countries.

4. Favourable Demographics

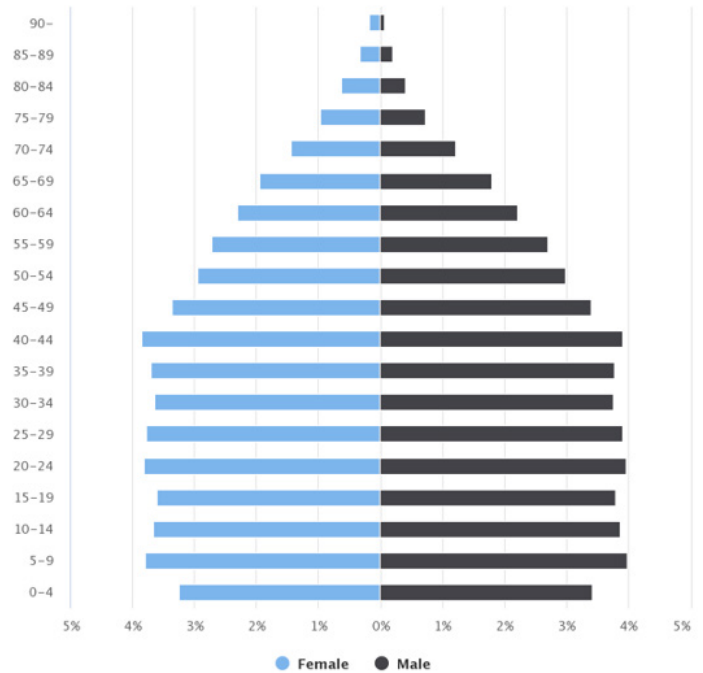
The young and well-educated population of Türkiye is a great asset as investors are facing considerable challenges during global expansion. Türkiye offers excellent opportunities with its growing, young, and dynamic population – the driving force behind a strong labour pool and a lucrative domestic market.

Population-Age Group Pyramid (2022)

Türkiye, with half of its population under the age of 33.5 in 2022, has the largest youth population among the EU member countries.

Population Projections (2025-2075, million)

Türkiye's population was registered as 85.2 million in 2022. It is expected to reach 88.4 million by 2030, and 92.3 million by 2040, according to the Turkish Statistical Institute (TurkStat). The population is projected to maintain its growth momentum until 2050, when it will peak at 93.5 million.



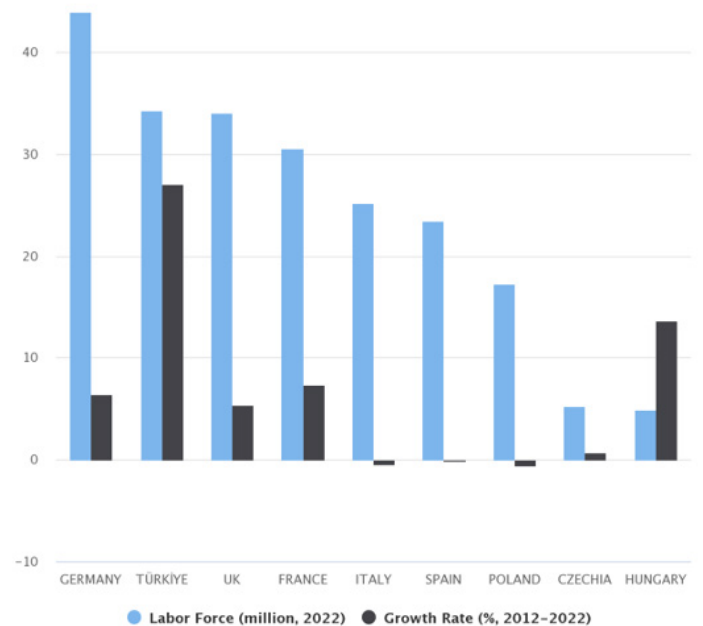
5. Skilled and Competitive Labour Force

Türkiye's overall labour force is around 34.3 million people, which makes the country the 2nd largest labour force in Europe. Türkiye's young population is an important contributor to labour force growth and has boosted the country's rank over peer countries. Türkiye has posted the largest labour force growth among the EU countries.

Number of Universities and University Graduates




| | 2002 | 2022 |
|--------------------------------|---------|---------|
| Number of Universities | 76 | 208 |
| Number of University Graduates | 248,310 | 903,673 |



Business Culture in Türkiye

The Basics of the Turkish Work Culture

| Type | Features | Countries |
|--|--|---|
| Culturally Diverse (Combines a heavily diverse and heterogeneous set of elements that have been derived from the various cultures of the Eastern Mediterranean, Western Asia, Central Asia, Middle East, with Eastern European and Caucasian traditions) | <ul style="list-style-type: none">• Language: Turkish is the official language, and although English is becoming more common among younger generations, do not assume business meetings with senior managers will be in English. Research ahead, play safe and ask if an interpreter will be needed.• Greetings: Shake hands. Make eye contact when greeting and during conversations, which can be animated and feature hand gestures.• Negotiations and Business Relationships: Turks generally like to feel relaxed with business acquaintances, building a trusting, long-term partnership.• Dress Code: Conservative and formal, suits and ties for men and smart, reserved combinations for female members of the team. Acceptable to leave jackets aside during the hottest summer months.• Out of Hours: Meals are a chance to relax and continue building personal relationships, so allow the host to lead the conversation in the business direction. The host pays, then you reciprocate with the next meal.• Communication: Accepting and respecting people's differences and understanding that everyone is unique. |  |

Visas & Work Permits in Türkiye

Many companies expanding into new market's look towards a Professional Employer Organisation (PEO) and Employer of Record (EOR), such as BIPO Türkiye, to set up their HR Systems, recruit staff and operate payroll to save time and money. This includes acquiring immigration and work documentation. After several years of serving our valuable partners in this area, we are fully aware of potential problems and have the experience to solve them on time.

Visa Types

| | |
|---|--|
| Tourist/Business | 10 categories including Tourism, Transit, Business Meetings, Conference, Festivals, Sports, and Art |
| Official Visa | 2 categories |
| Student/Education | 7 categories |
| Work Visa | 7 categories including Employment, Assigned – lecturers/sportspeople/artists/Free Zone workers/journalists |
| AMS Visa for Assembly, Maintenance and Service | Short-term, multi-entry Visa for 90 days in 365 days without needing a work permit |
| Other Purposes | 8 categories including Medical, Tour Operators, and Family Reunification |

Work Permits

Applying for a work permit is strict process designed by the Ministry of Manpower and Directorate of Migration. Using a consultant and a sponsor company makes the life of the foreigner and the main company much easier.

Application from Abroad

Foreigners Abroad with an Employment Contract and Letter of Invitation OR Assignment Letter. The employer/sponsor can apply for the work permit while the employee applies for the Work Visa.

Application from Türkiye

Foreigners in Türkiye who enter with an e-Visa and have a Tourist Residence Permit with more than six months validity can look for work, and the employer can apply for the work permit without the employee needing to contact the consulate.

Documents needed for the application process of work documentation:

| From the Employer for Work Permit | From Employee for Work Visa |
|--|--|
| <ul style="list-style-type: none">• Letter of Petition on letterhead paper requesting the Work Permit and the application form – scanned for online application and a signed hard copy.• Personnel application printed out and signed by both parties. If not available, the signed employment contract with all details of employment, salary, duties, and duration of work.• The Turkish Trade Registry Gazette excerpt shows the company's shareholding and capital structure.• Profit and loss statement and last approved balance sheet notarised by an auditor or chartered accountant.• Certificate of incorporation.• Copy of employee passport translated and notarised, plus photo.• Copies of all educational qualifications and work experience relevant to the job – translated and notarised. Check if degrees or diplomas require authorisation by any Turkish Institute of Higher Education.• Authorisation for individuals to complete the work permit process online (Visa electronic signature). | <ul style="list-style-type: none">• A passport valid for at least 90 days over the expiration date of the Visa PLUS a translated and notarised copy and blank pages for the Visa.• Application form for Work Visa. Passport-styled biometric photographs.• Copy of the signed employment contract.• All relevant qualifications, work experience (if necessary), and a translated and notarised copy.• Petition Letter on letter headed paper from the employer, signed by an authorised person to act on behalf of the company detailing employment details, duties, and duration.• Proof of residency in the country applying from.• A clean Police report from the home country, PLUS the country of residence, if applicable.• Health insurance (may depend on the Embassy) but recommended until covered by the Social Security Institution (SSI). |

Tax Laws in Türkiye

Personal Income Tax (PIT)

| | |
|---------------------------------|-----|
| For incomes over ₺ 1,900,000.00 | 40% |
| For incomes over ₺ 550,000.00 | 35% |
| For incomes over ₺ 150,000.00 | 27% |
| For incomes over ₺ 70,000.00 | 20% |

The lowest rate is 15% of incomes for individuals with incomes of ₺ 70,000.00 or less.

Social Insurance Taxes

Employers generally contribute 20.5% of employees' payroll and deduct 14% from employees' earnings to remit to the Social Security Institution (SSI).

Corporate Income Tax

The standard rate of 20% was increased to 25% for returns on earnings in 2021 and 23% for income generated in 2022 before returning to 20% for 2023, depending on legislation. The standard rate for the financial sector is 25%.

Indirect Taxes: Value Added Tax (VAT)

The generally applied VAT rates are set at 1%, 10%, and 20% as of July 2023. Commercial, industrial, agricultural, and independent professional goods and services, goods and services imported into the country, and deliveries of goods and services as a result of other activities are all subject to VAT.

Withholding Tax (WHT)

Resident individuals pay 15% on dividends and 20% on royalties and fees for technical services. Non-resident companies and individuals pay 15% on dividends, up to 10% on interest payments and 20% on royalties and technical services fees.

Basics of Employment

Working Hours

| Type | Definition |
|----------------------|---|
| Working Hours Daily | Under Article 63 of the Turkish Labour Code, working hours per day cannot exceed 11 hours |
| Working Hours Weekly | Under Article 63 of the Turkish Labour Code, working hours in a week cannot exceed 45 hours |
| Rest Breaks | Up to four (4) hours: 15 minutes of break Up to 7.5 hours: 30 minutes of break More than 7.5 hours: one hour of break |
| Days Off | Employees shall be allowed to take a rest for a minimum of 24 hours (weekly rest day) without interruption within a 7-day time period, provided they have worked on the days preceding the weekly rest day as indicated in Article 63. For the unworked rest day, the employer shall pay the employee's daily wage, without any work obligation in return. |

Overtime

| OT Turkey Easy Chart | | | | |
|-------------------------------|--|----------------------------------|--|---|
| Accepted Weekly Working Hours | Working Hours | Weekdays | Weekend | Public Holiday |
| 45 Hours | Below 45 Hours | No Overtime Payment | 100% | 200% / Time off in lieu is NOT possible |
| | Above 45 Hours | 150% / Time off in lieu possible | 1 Day payment for weekend is compulsory + 150% for Overtime / Time off in lieu is possible | 200% / Time off in lieu is NOT possible |
| Payment Formula | [(Monthly Gross Salary/225) *Rate] * OT Hours | | | |

Annual max Overtime cannot exceed 270 Hours
Daily Overtime cannot exceed 11 hours (8+3 or 7.5 + 3.5)

Employment Contracts

| | |
|---|--|
| Contracts for Definite / Fixed-term Employment | This is for a fixed term with a set date for the end of employment. A fixed-term contract can be renewed once only (except in specific circumstances) and thereafter converts to an indefinite contract. |
| Contracts for Full-time Employment | The worker in full-time employment is contracted to work the full, normal weekly working period of 45 hours. The hours may be distributed unevenly over a week, although may never exceed 11 hours on one day. |
| Contracts for Part-time Employment | Contract for a worker whose normal weekly working time is significantly less than that of an employee working full-time. Weekly 120 hours maximum is common in practice. |

Statutory Contributions

| Insurance Branch | Employer's Liability | Employee's Liability | Total |
|-------------------------------------|----------------------|----------------------|--------------|
| Short-term Social Security Premiums | 2% | 0% | 2% |
| Long-term Social Security Premiums | 11% | 9% | 20% |
| Unemployment Employee Premiums | 2% | 1% | 3% |
| General Health Insurance Premiums | 7.5% | 5% | 12.5% |
| Total | 22.5% | 15% | 37.5% |

5% of the employer's share in the long-term social security premiums of the employees are also subsidized by the Turkish state for the private sector employers if they pay the social security premiums for their employees on time and have no outstanding debt to the social security institution. In that case, the total social security premium burden decreases from 37.5% to 32.5%.

Minimum Wage

| | |
|------------------------------------|----------------------|
| Minimum Wage 2023 Gross | TRY 13,414.50 |
| SSI Base | TRY 13,414.50 |
| SSI Employee Premium (14%) | TRY 1,878.03 |
| Unemployment Employee Premium (1%) | TRY 134.15 |
| Total Deductions | TRY 2,012.18 |
| Net Min Wage | TRY 11,402.32 |

| | |
|------------------------------------|----------------------|
| Cost to Employer | |
| SSI Employer Premium (15.5%) | TRY 2,079.25 |
| Unemployment Employer Premium (2%) | TRY 268.29 |
| Total Cost to Employer | TRY 15,762.04 |

Leave Types

| Type of Leave | Definition | Note |
|--|---|--|
| Annual Leave | 1 to 5 service years: 14 Days 5 to 15 service years: 20 Days 15+ service years: 26 Days | Paid Leave |
| Maternity Leave | All female employees are entitled to maternity leave from work eight (8) weeks before and eight (8) weeks after the confinement. In the case of multiple pregnancies, additional two (2) weeks added to the entitled eight (8) weeks leave before the confinement. | Paid Leave, upon the request of the employee, an unpaid maternity leave up to six (6) months might be granted after the expiry of the maternity leave. |
| Marriage Leave | 3 Days | Paid Leave |
| Paternity Leave | Employees are entitled to five (5) days leave in the event of employee's spouse giving birth. | Paid Leave |
| Bereavement Leave | Employees are entitled to three (3) days of paid leave in the event of the death of the employee's mother, father, brother, sister, and child. | Paid Leave |
| Shared Parental Leave for Disabled Child | One of the parent employees of a child who has at least seventy percent disability or chronic disease based on medical report is entitled to ten (10) days (uninterrupted or in portions) of paid leave in a year for attending treatment of disabled or chronically ill child. | Paid Leave |

| Type of Leave | Definition | Note |
|-----------------------------|--|------------|
| Nursing Leave | All female employees are allowed daily a total of one and half hour nursing leave from their return to work until their infant new-born child turns one (1) year old. Nursing leave is considered within the daily working time. Employee herself decides when and in how many parts she will use the nursing leave. | Paid Leave |
| Child Adoption Leave | Employees are entitled to three (3) days of paid leave in the event of adoption of a child. | Paid Leave |
| New Employment Search Leave | All employees are entitled to use no less than two (2) hours off within working hours to seek new job. Job seeking hours might be merged and can be used at one time. | Paid Leave |

Severance & Notice

| Type | Definition |
|---------------------------|--|
| Severance Pay | <p>At least one full year (365 days) of employment service is the essential requirement in the establishing eligibility for the severance pay. Length of employment service refers to the period of service with allowable breaks defined in the Labour Law. Calculation of length of services plays crucial importance in the entitlement of the severance pay. Severance pay is calculated on the basis of last month's gross salary of the employee and exempted from income tax. Severance pay is only subject to stamp tax.</p> <p>In the calculation of severance pay, in addition to the monthly gross salary, wage and salary related remunerations including benefits, allowances, premiums are taken into account.</p> <p>Gross salary, which is used in the calculation of severance pay, cannot exceed the ceiling determined every six months by the Ministry of Labour and Social Security. Between 01 July 2023 and 31 December 2023, Severance Pay Ceiling is 23.489,83 TL.</p> <p>Severance Pay Formula: Gross Salary / 365 * Length of Service (days) – Stamp Tax (0.00759 * Gross Salary)</p> |
| Notification Compensation | <p>This is a compensatory amount paid to the employee at immediate termination if termination notice subject to the designation of the TLC is not provided earlier. Therefore, if an employer wishes to terminate an employee immediately without any notice period, such employer shall pay to the employee the following amounts of salary to compensate for that period:</p> <ul style="list-style-type: none"> • 2 weeks of pay for employees worked for less than 6 months; • 4 weeks of pay for employees worked for more than 6 months, less than 18 months; • 6 weeks of pay for employees worked for more than 18 months, less than 36 months; • 8 weeks of pay for employees worked for more than 36 months. |

Recruiting in Türkiye

The recruitment process is the first stage of making your company operational and competitive in Türkiye. However, complications surround moving staff in and obtaining residence permits and work visas. Once recruited and onboarded, employers must comply with various procedures to ensure employees can legally work in Türkiye.

The recruitment and onboarding process continues with these responsibilities:

Registration of Employees

Social Security Institution (Sosyal Güvenlik Kurumu, SSI or SGK) one day before the first day of employment at the latest. Newly established companies have one month after incorporation to register employees. Employees must be registered with the Turkish Revenue Administration (Gelir İdaresi Başkanlığı GİB). Verifying employees' national identity number doubles as their Tax Identification Number (TIN). Foreigners in Türkiye for more than six months must obtain a TIN via the central taxpayer registry.

Employees' Legal Checks in Türkiye

Pre-hire checks are not subject to any specific legislation. They are commonly undertaken, but the candidate must permit those relating to criminal, credit and health background, political beliefs, or memberships or 'sensitive' personal data. Non-sensitive data, such as educational and work experience, can generally be obtained without the applicant's consent, as employers can rely on this being necessary to ascertain suitability for the role.

After Hiring and Onboarding

Employers must comply with the requirements of the Labour Code, Code of Obligations, and other applicable Codes. Statutory minimum standards include wages, sick leave, working hours, maternity allowances, paid vacations, termination, and severance, notice periods and social insurance payments.

All the statutory minimums can be improved by contracts or CBAs. Examples include the following:

- Working hours are restricted to 45 a week under the Labour Code's Working Time Regulations. Hours are usually divided equally between five working days unless agreed otherwise, in which case no single working day can exceed 11 hours.
- Employees working 45 hours each week receive 50% above their regular hourly rate for extra hours. Those working fewer than 45 receive 25% extra until they exceed 45 hours when the 50% extra applies. Overtime cannot exceed 270 hours in a year under the Overtime Regulations Code.
- Statutory maternity leave is 16 weeks, usually split equally before and after the due date/birth. If the employee's good health is medically certified, they can work up to three weeks before the due date, taking unused leave in the post-natal period.

Employee Benefits in Türkiye

- Salary and similar payments
- Bonus, additional payments, and similar payments
- Private insurances
 - Private health insurance
 - Private pension system
- Car allowance
- Meal allowance
 - In cash meal allowance payments
 - Through meal cards (Multinet, Sodexo etc.)
- Transportation allowance
- Company shuttle
- Bonus and reward payments, benefits in-kind, supply and food benefit

Around the World with BIPO

At BIPO, we are committed to facilitating international business growth. Here's a quick look at how we foster discussions with the business community, sharing our expertise at local events across the region!

Singapore & Shanghai

4-5 Dec & 11-12 Dec
HR Analytics in PowerBI
Workshop with Henry Liew



Spain

15 Dec
SIEF International Business
Development Seminar
with Laurent-Pierre Sans



Philippines

5 Dec
Ask Our Expert Series: Tax
Annualization in the Philippines
with Mary Ann Anda



Article contributed by

Erkin Senbay

Country Manager, Türkiye

E: erkin.senbay@biposervice.com

About BIPO

Established in 2010 and headquartered in Singapore, BIPO is a global payroll and people solutions provider. Our comprehensive **total HR solutions** include our Human Capital Management (HCM) suite, Global Payroll Outsourcing (GPO) and Employer of Record (EOR) service across **150+ global markets**.

Connect with our experts today: hello@biposervice.com

Copyright © 2023 BIPO Service. All rights reserved.

Find out more



www.biposervice.com



www.facebook.com/biposvc



www.linkedin.com/company/bipo-svc

