

## Overview of Measures Taken by Turkey against COVID-19 Pandemic- 20.04.2020

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### General situation

- Turkey has reported<sup>1</sup> over 78.546 Covid-19 cases and 1.769 deaths as of 17 April, since the first ever case was confirmed on 11 March.
- Containment measures by the government included social distancing, travel bans on visitors from high-risk countries and quarantine for nationals returning from those countries, closures of schools, stores, and entertainment venues along with bans on mass prayers and public gatherings.
- Nationwide confinement was announced first for those over 65 years or with chronic illness and later extended to include anyone under 20 years. A full lockdown is not put in place.
- Work from home is encouraged whenever possible but age groups between 20 – 65 continue to work including employees aged between 18-20 who are exempt from the confinement measures.
- Face masks are mandatory on public transport, in the markets and other communal spaces and 31 cities are now closed to all but essential traffic.

### Fiscal Measures

- Turkish government announced an economic stimulus package about 100 billion TL or 2,3% of GDP. It includes tax breaks, breaks for Social Security Premium payments, complementary 2 billion TL (\$308 million) for citizens in need and a small increase in pensions.
- Economic stimulus consists of 75 billion TL (\$11,6 billion or 1,5 % of GDP) in fiscal measures, as well as 25 billion TL (\$3.8 billion or 0,5 % of GDP) for the doubling the credit guarantee fund.
- Key support measures include:
  - Raising minimum pension from 1000TL to 1500TL and cash assistance to families in need,
  - Increased employment protection by loosening of short term work allowance rules. The period for working time rules will be increased from two to four months.
  - Reduced/postponed taxes for affected industries (particularly tourism),
  - Direct support to Turkish Airlines and other affected entities,
  - Extension of personal and corporate income tax filing deadlines,

### Support for businesses:

- On 18 March, Turkey launched Economic Stability Shield, a \$15.3 billion 21-point stimulus package to tackle the coronavirus pandemic. This included:
- A three-month deferral of loan payments (principal and interest) by companies and additional financial support to affected businesses if necessary.
- 53,6 million TL worth of VAT and social security premiums between April and June will be postponed for six months in the following sectors: retail trade, shopping malls, iron-steel, automotive, logistics-transportation, housing, hospitality, manufacturing of furniture, mining

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<sup>1</sup> <https://covid19.saglik.gov.tr> 10 April, 2020

and quarrying, construction, publication and printing press, food-beverage, textile-garment, entertainment and event-organisation services and various freelance professions.

- A reduction of VAT on domestic air travel from 18% to 1% for three months;
- The accommodation tax (in hotels and tourism facilities) will be cancelled until November.
- April, May and June easement fees and revenue share payments related to hotel rentals are postponed for six months.
- On 22 March, public banks Ziraat Bankası, Vakıfbank and Halkbank, and three private banks (İşbank, Akbank and QNB) announced support packages to the enterprises and individuals regarding the issue. All individual and corporate clients are allowed to postpone interest and principal payments due on 31 March. State banks announced that, they will allow restructuring of loans with up to 12 months of additional time for sectors such as hard-hit tourism, as well as up to a six-month non-payment period.
- Exporters will be given stock financing assistance to maintain capacity during the slowdown.
- The Credit Guarantee Fund increased its limits from 25 billion TL (\$ 3.85 billion) to 50 billion TL (\$ 7.7 billion) billion for the use of SMEs and companies with liquidity needs and collateral deficit. The aim is to encourage the introduction of loan packages for social purposes under favourable and advantageous conditions for SMEs.
- The firms that have fallen into default in April, May and June have a “force majeure” note in their credit registry.
- The minimum wage support of monthly 75 TL will continue to be implemented for 12 months and benefit approximately 7.8 million people.
- The Short Work Allowance will be implemented to encourage less layoffs. Within the Short Work Allowance, 3 months of salary support will be given to the employees of affected business.
- New working capital loans will be made available to all firms, conditional on their preserving their current employment level, within a 25.000 Turkish Lira limit, 36 months maturity, 6 months grace period and subsidised 7.5% interest rate.
- A "craft-and-trade credit card" will be made available to all craftsmen and small traders under a 25.000 Turkish Lira limit.
- The scope of the state-supported receivable insurance has been expanded from 25 million TL to 125 million TL to guarantee the receivables of SMEs.
- The SME Development Organisation KOSGEB took measures which include deferral of SME debts until 31 January 2021 if requested, starting with the first payment on this date. The preceding payments could be paid at 3 months intervals without any legal interest.
- The beneficiaries of KOSGEB’s project-based support programs and entrepreneurship supports, whose supporting period will end in March 2020, will be able to demand 4 months of additional time without any decision needed from the evaluation committee of the program.
- Firms established in technoparks will be exempt of rents for two months.
- In regard with capital companies, a temporary amendment to the Turkish Commercial Law has been enacted on 17th April, 2020:
  - Amended law limits the dividend payments in cash of companies with 25% of their 2019 profits (except for the SOEs and will be valid until 30/09/2020)
  - Free reserve funds and previous profits will not be applied,
  - General Assembly cannot authorise the executive committees to dividend advance payments

- In the case of a company has already taken a decision for dividend payments before the amendment has been enacted, - if the payment is not due or partially due – the sum exceeding the 25% of the 2019 net profit, could be deferred until 30/09/2020.
- Presidency of the Republic could extend the date envisaged until 31/12/2020 or shorten.
- Pursuant to the provisional article titled “Temporary Employment Protection”, which is to be included to the Labor Law, the employment contract of the workers that are subject to any kind of work and service contract will not be terminated by the employer for three months; except for the cases where worker do not comply with the rules of ethics and good faith. The employer may send the worker to unpaid leave -completely or partially- without any need for approval and with a time limit not exceeding three months.
- Employees who are sent to unpaid leave by the employer and who cannot benefit from the short-time work allowance, as well as employees who have been dismissed after 15.03.2020 and cannot claim unemployment benefits according to other provisions of the law are entitled to daily payment of 39,24 TL (~5,7 \$) from the Unemployment Insurance Fund, as long as they remain unpaid or unemployed.

## Monetary and Macro-financial Measures

- On 17 March, the Turkish Central Bank cut the policy rate by 100 basis points to 9,75%.
- A package of financial measures was introduced.
- Liquidity facilities were augmented (including with longer-term instruments and at discounted rates).
- The reserve requirements on foreign currency deposits were reduced by 500 basis points for banks meeting lending growth targets.
- A new TL lending facility for SMEs in the export sector was set up.
- Exporters’ inventory financing is being supported by extending maturities for existing and new export rediscount credits.
- On 31 March, a second package of measures of the Turkish Central Bank allowed for an increase in outright purchases of sovereign bonds and broadened the pool of assets for use as collateral in central bank transactions.
- The bank regulator announced forbearance measures, primarily to limit the accounting impact of TL depreciation and fall in security prices.
- The LTV limit on mortgages was raised from 80% to 90%.
- Public banks granted firms affected by the crisis, a 3-month moratorium on bank loan repayments (principal and interest).
- Debt enforcement and bankruptcy proceedings (except in alimony cases) have been suspended.

## Exchange Rate and Balance of Payments

- Both gross and net reserves have declined some 10% from recent peaks.
- Net reserves were \$27.1 billion as of April 3<sup>rd</sup>. Gross reserves are \$58 billion.

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