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# LEGAL FRAMEWORK FOR SOCIAL ENTERPRISES IN TURKEY



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# How social enterprises are defined according to Turkey's legal framework?

There is a conceptual confusion between the concepts of social entrepreneurship, social enterprise, commercial enterprise, non-profit organization and civil society organization. This conceptual confusion poses an obstacle to social enterprises in expressing themselves clearly and increasing their numbers. Hence, it is imperative that a common definition and understanding be formed among these entities that operate closely with the social enterprises.

# The main types of social enterprises that exist in Turkey

## **-Foundations and Civil Society Organisations:**

Foundations and NGOs can establish economic enterprises and companies to manage commercial activities, or they can be partners in companies. Income which is obtained from commercial activities can be used in the direction of the purposes of foundations and NGOs



- Cooperatives:

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically-controlled enterprise.

## Companies:

In Turkey, non-profit companies are not defined as a separate legal entities and there is not any specific legal regulation about it. But there are some companies which are managed as social business

# The process of registering a social enterprise in Turkey

## Foundations and Civil Society Organisations:

□ Economic enterprises can only be established to support the activities of the

association or foundation and to generate income.

□ There are no tax exemptions from foundations / association economic

enterprises or companies.

□ At least seven people are required to establish an NGO



## Cooperatives:

❑ There is no separation between cooperatives in the legislation and there is no

specific definition as social co-operative. Therefore, all cooperatives are

subject to the same principles and do not have an exception.

❑ A high share of capital is required during the establishment phase.

❑ Tax exemptions are not available





## Companies:

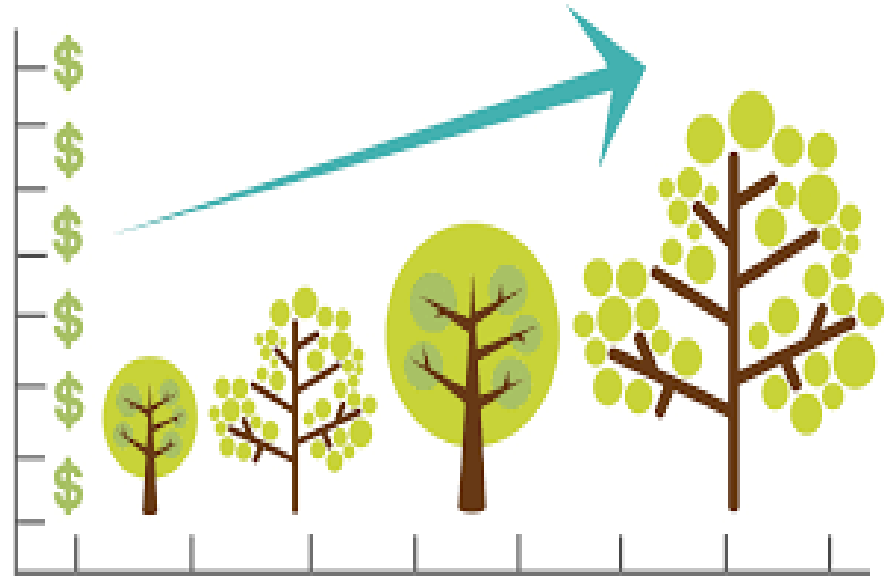


**In our legislation, there is no clear definition of a company; It is generally defined as a company in which two or more persons come together and combine their labor or goods with a contract to reach a common place**



# How social enterprises are treated under tax law in Turkey?

Although it is known that not for profit entities function their roles for social purposes to serve the public, they are taxed the same way for-profit companies are. Tax exemption and public benefit statuses are highly bureaucratic processes and the privileges which are granted to a very limited number of Civil Society Organizations (CSOs) by the Council of Ministers in Turkey (TACSO, 2012).



Hence, it could be strongly advised that tax exemptions be provided to all social enterprises to enable them to have a coverage for the public benefit status. In present day, Turkish CSOs are more active thanks to the Foundations Law that was adopted in 2008 to improve the legal environment and also they are more aware of the deficiencies in the laws that still restrict their activities. It is evident that future reforms are both necessary and inevitable in the legal framework.



## References:

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