

Turkey: New law for automatic participation in a pension plan administered by a tax resident insurance or pension company

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In brief

Turkish authorities have recently introduced a new law for automatic participation in a pension plan. This law aims to increase the savings ratio and to preserve employees' economic welfare at their retirement. The legislation will come into force as of January 1, 2017. Global mobility programs should consider how this new law, and its exceptions, will impact their mobile workforces.

In detail

Below is a brief summary of what the new regulation provides:

Is there an exception to this general mandate?

Participation in a private pension plan will be mandatory for employees. However, employees have a right to renege on the contract within two months after they are informed that they are participating in the private pension plan.

Who is required to participate?

Individuals satisfying all of the below conditions:

- Turkish citizens or blue card holders;
- under 45 years old,
- employees contracted to an employer or employees working at state bodies.

As noted above, employees can temporarily suspend the payment under some pre-determined circumstances.

How much will the employee pay?

Minimum contribution amount will be 3% of their gross salary income. Employees can voluntarily pay more.

How will the contributions be paid?

The contributions should be paid to the pension plan on the day following the day in which the month's salaries are paid (at the latest). It is the employer's responsibility to make deduction from the employee's salary. However, if they do not, employers will be responsible for the loss on the savings of the employee.

What happens if there is a change in the employer?

The contributions can be transferred to the pension contract of the new workplace. If there is no pension contract at there, the employee can keep on paying under his/her former contract.

The takeaway

Companies should consider what employees will be subject to this new mandate, specifically those that are Turkish citizens or blue card holders (a similar status as citizens.) This may include mobile employees who are

Turkish citizens that are working abroad or in Turkey, as well as employees who have dual citizenship if they continue their Turkish employment.

The potentially welcome exception for affected mobile employees to renege

on the pension contract could avoid a long-term requirement to make contributions. But it appears that initial participation must still be made. As a result, companies will need to consider how they are going to track and manage this new requirement.

Let's talk

For a deeper discussion of how this issue might affect your business, please contact your regular Global Mobility engagement team or one of the following professionals from PwC Turkey:

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