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**IDEAL HOME in TURKEY**

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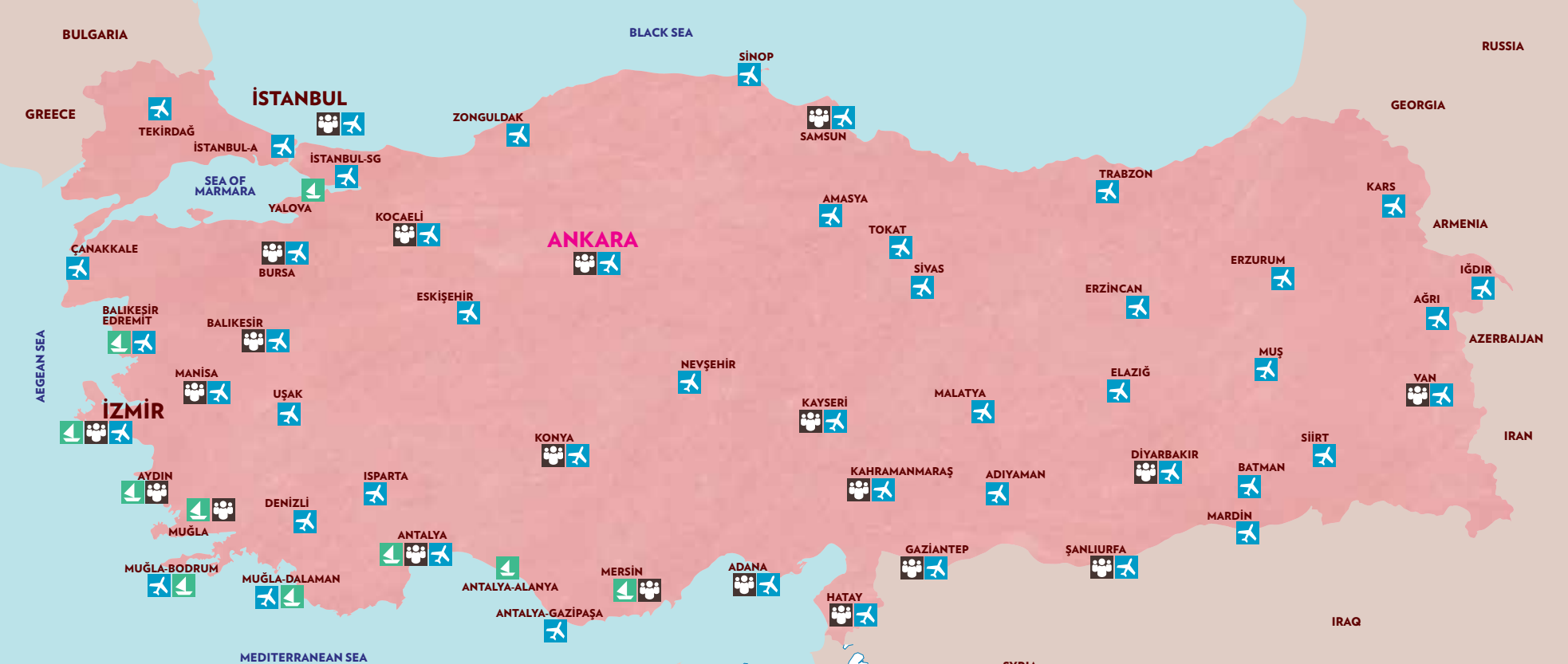
# How to buy property in TURKEY?

Revised  
2<sup>nd</sup> Edition  
15.000 copies

A guide  
for individual  
investors

September 2014





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to the world

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## Acknowledging the kind contribution of



*The information contained herein is provided for informational purposes only and is not, and may not be relied on in any manner as, legal, tax or investment advice. This booklet does not purport to be all-inclusive or to contain all of the information that a prospective investor may desire or need.*

*Except where otherwise indicated herein, the provided information is based on matters and legislations as they exist as of the date of preparation and not as of any future date, and will not be updated or otherwise revised to reflect information that subsequently becomes available, or circumstances existing or changes occurring after the date hereof.*

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# Why should you invest in Turkey?

Turkey is day by day acquiring itself a more significant place in both the global political and economic landscape. One of the prime architects of the important economic thrust the country has been experiencing in recent years was undoubtedly the real estate investments. Today Turkey, which is the 17th biggest economy in the world, harbors great expectations for the next decade such as becoming one of the world's top 10 economies and making Istanbul a finance capital.

These targets have in their core the construction and real estate sectors and Turkey has already taken giant strides towards its targets. Turkey, which has succeeded in becoming one of the rare countries that received “investable” rating from international rating agencies in recent years, also manages to maintain stability in the real estate sector. According to the results of “Emerging Trends in Real Estate® Europe 2014” report, which contains the estimates in real estate sector and which is comprised of the cooperation of PwC and Urban Land Institute (ULI), Istanbul, one of the most favorite cities of last year, continues to be the most popular destination for future development opportunities at rank 7 among the best 10 cities. Therefore, primarily Istanbul and many other Turkish metropolitan cities have a serious investment potential with regard to the real estate market when compared with the European metropolitan cities.

What is the most appropriate way of investing in real estate in Turkey, which provides such a significant value for investment? This is the point where we, the Association for Real Estate Investment Companies (GYODER) enter the scene, as the real estate platform of Turkey, to guide individual foreign investors and provide a significant source to answer to all of their questions when they want to purchase real estate in Turkey. We worked and strived to prepare contents to provide you with all clues that will facilitate the process and guide you through your real estate investment process from A to Z. This booklet, which will provide you with even the most intricate details of the process of acquiring real estate in Turkey, aims to serve as a reference guide to cover all fundamental issues that need to be taken into consideration from choosing the most appropriate real estate investment, to evaluating and selling them at their value. The first two editions of our booklet were published as 10 thousand units, drawing an intense level of attention. We have revised our booklet to re-submit it for your use.

We hope it will help you to find the right real estate investment in our country and be satisfied with its return.

Aziz TORUN  
GYODER Chairman

# What are the facts and figures about Turkey?

6.5 mln residential units are expected to be regenerated in the next 20 years, an industry of USD 400 bn.

Economical growth 9.2% and 8.5% in 2010 and 2011.

Expected to become within the first 10 economy in the world by 2050.

17th largest economy in the world, 2013 GDP USD 821 bn.

**Secondary** potential cities for investment: Ankara, İzmir, Antalya, Bursa, Kocaeli, Adana and Mersin.

Turkey is visited by 34 mln tourists in 2013.

Turkey is the 6th most favourable tourism destination in the world.

20 cities over 1 million population

Istanbul, as the financial centre of Turkey, has a growth potential of additional office development.

Istanbul is the 5th most favourable city in the world, 3rd most favourable city in Europe.

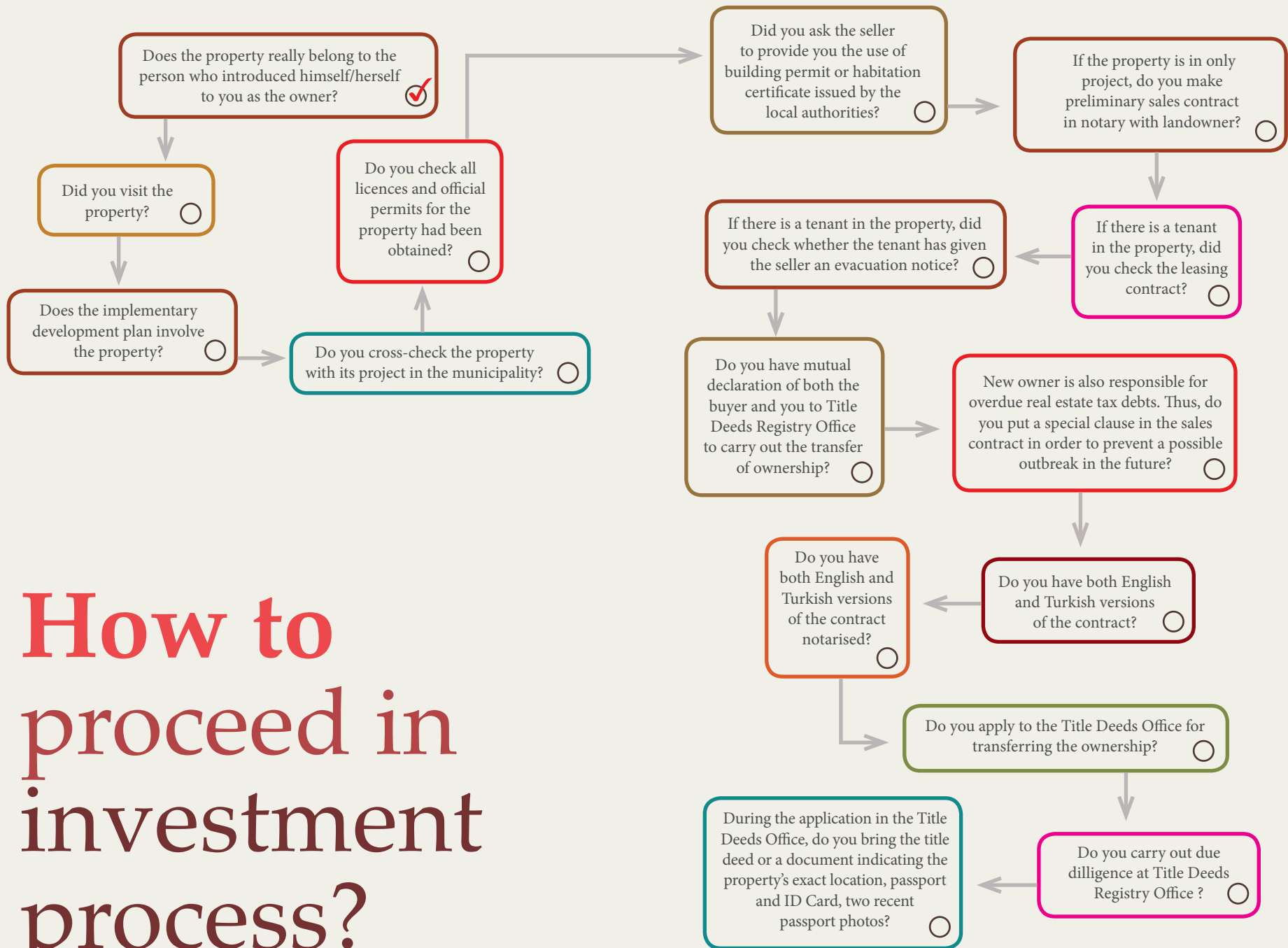
500,000 housing sales annually in Turkey.

Up to 400 point direct flights from Istanbul, 22 direct access to the capital cities within 2 hours.

A population of 75 mln 50% under age 30.

Over USD 3 bn FDI to real estate in Turkey during 2013, expected FDI in real estate is USD 5 bn in mid-term and USD on bn in long term.

# How to proceed in investment process?



# Acquisition phase

## Can foreign real persons acquire real estate?

Foreign real persons, who are citizens of the countries that have been announced by the Council of Ministers (except for Syria, Armenia, Cuba, Israel and Cyprus) are entitled to acquire ownership rights in Turkey.

In any event, the total size of land cannot exceed 30,000 sqm for each person. In addition, foreign real persons are only entitled to acquire real estate up to 10% of the total surface area of the relevant district.

In order for a foreigner to officially understand whether or not she/he can acquire a specific real property, the prospective buyer must apply to the relevant land registry office for approval. The acquisition can be performed upon the issuance of the relevant land registry's approval.

## Is there a different procedure applicable for property acquisitions performed by foreigners?

Aside from the procedure mentioned above, there are no differences between foreign real persons or Turkish citizens regarding an acquisition of property.

## Is there a different tax treatment for property transactions in Turkey between Turkish taxpayers and foreigners?

In principle there is no difference between Turkish residents and non-residents for property acquisitions for taxation purposes. Foreigners are subject to the same rules with the Turkish citizens/residents.



The land registry system used in Turkey is a reliable and secure system, whereby every real estate transaction is officially registered.

### Is there a difference between the procedures to be applied for office and villa or apartment/condo acquisition?

Transactions involving acquisition of office and villa or apartment/condo are subject to the same official procedures.

### Can the foreign successors of the foreign property owner inherit the property?

The foreign successors can acquire real property by way of inheritance, subject to the following conditions; (i) the successor must be a citizen of the countries that have been announced by the Council of Ministers; (ii) the real property shall not be within the borders of restricted zones (such as military zones, security zones, etc.) (iii) the total size of real property that will be inherited by a single successor shall not exceed 30,000 m<sup>2</sup> and 10 % of the total surface area of the relevant district.

If the successor is not entitled to acquire property due to any of the above-mentioned restrictions, the successor is obliged to sell the property to an eligible third party within a maximum period of one year. Otherwise, the property will be sold by the Ministry of Finance, and the sale price will be paid to the successor.

### How to find a property: Is it necessary to use a real estate agent?

Property can be acquired through a direct transaction that is completed with the landowner or, alternatively, a real estate agent may be hired to find a suitable property satisfying the relevant requirements. Real estate agents are paid via commission if and when the transaction is completed. As per market practice, the real estate agents charge 3-4% (including VAT) of the purchase price. Such commission is usually borne equally between the buyer and the seller.

### Am I paying the right price?

There are real estate appraisal companies which determine the current market value of properties. These companies can be used to understand the accuracy of the purchase price. Alternatively, real estate agents working in the neighbourhood can be visited to understand the market value of the properties within the relevant area.

### How secure is the Turkish land registry system?

The land registry system used in Turkey was initially formed by the Ottoman Empire, and gradually developed into the existing system over the years. It is a reliable and secure system, whereby every piece of real estate transaction is officially registered. Land registry records are public; therefore, the rights of third parties, who acquire ownership or an interest in any form of real estate in land registry records, are respected. Beyond the official ledgers, information regarding the legal status of real properties (ownership rights, rights registered in favour of third parties, encumbrances, etc.) is also maintained in a computer system called Takbis.

### Is it necessary to conduct a site survey?

Before proceeding with any real estate transaction, it is advisable to conduct a site survey to provide information regarding the legal status of the target property, and to identify any foreseeable legal risks and their effect on the use of the subject properties for the intended purpose. The main information and documentation to be evaluated in carrying out such site survey are as follows:

- **Evaluation of current ownership**

Ownership details of the property should be examined prior to the transaction to ensure that the seller legally owns the property.

- **Encumbrances over the property**

Title deed records of the property should be examined to determine if there are any outstanding liens, mortgages, or any other encumbrances in favour of third parties attached to the property. It should be also examined if there are any other annotated rights, such as easements, promises to sell, etc. If there are no encumbrances or annotations, the ownership of the property may be transferred without any restriction or legal risk.

- **Cadastral Records**

The cadastral records of the property must be in conformity with the relevant zoning plans, and must not contain any notable or unusual information. Also, the cadastral borders (ownership borders) of the property must match the borders of the property as indicated in the zoning plans.



### • Zoning Status of the Property

The zoning plan and plan notes must be examined before the municipality in order to identify the types of activity (such as residential, office, hotel, etc.) building can be used for.

### • Construction License and Building Utilization Permit

The construction license and building utilization permits are the main permits that must be obtained from the relevant municipalities in order to construct a new building or to carry out alterations to an existing building. The property must hold a valid construction license and building utilization permit that confirming that the building is constructed in accordance with the construction license. If the reason for the lack of an occupancy permit is an inconsistency between the completed building and the construction license, the relevant municipality may demolish the building or require it to be modified so as to conform to the construction license, and the landowner may be subject to various fines, as well.

### • Current Physical Status of the Property

The actual status of the property and its neighbourhood should be evaluated by visiting the property. Due diligence regarding the compliance of the current physical status of the property with its original as-built projects should be carried out before entering into any agreement.



**If you are to buy a building under construction, make sure that the contractor is financially reliable and legally authorised.**

## What are the main types of purchase agreements?

### • Purchase/Sale Agreement (Direct Acquisition)

According to Turkish law, the sale of a property can only be completed before the relevant land registry with the attendance of both the seller and purchaser. In order to transfer the ownership, the parties must execute a standard transfer deed prepared by the relevant land registry. Acquisition of the property can be accomplished through purchase directly from the existing landlords. Real estate agents, if involved, charge a commission for their involvement in the purchase as mentioned under our response to previous question.

### • Promise to Sell Agreement

Prior to the sale of property, the seller and purchaser may enter into a preliminary “Promise to Sell Agreement.” This is the only preliminary agreement that can be validly executed between the parties and, in order to be binding, it should be prepared by and signed before a notary public.

In order to qualify for protection against third party claims, the Promise to Sell Agreement should be registered with the land registry. In the event of non-registration of the Promise to Sell Agreement, any subsequent purchase of the property by a third party acting in good faith will be valid.

## What are the payment options available?

The purchase price of the property may be made cash, via wire transfer or blocked checked.

## Should the acquisition of the property be done in person?

Either the purchasing party (i.e. foreign real person) or his/her legal representatives can conduct transactions regarding the acquisition of property. If acquisition transactions are carried out by way of a power of attorney, such power of attorney must be drafted and regulated by a notary public, and must also be signed before the notary public, who, under Turkish Law, has the power to control and certify that the authorization to act on behalf of such person is being duly granted. The power of attorney that is to be used for the acquisition of property must include the full name and address of the legal representative(s), as well as all of

the authorities granted to the legal representatives for the acquisition of the property.

If the power of attorney is drafted and executed abroad, it should be notarized and apostilled. In order to be binding, the translation of such power of attorney must be notarized in Turkey.

### **Are there any rules regulating the right and obligations of the parties living in the same property? (Condominium Law-Management Plan)**

A management plan is an agreement between condominium owners that regulates the management of the main structure and common areas. All condominium owners and their successors are bound by the provisions of the management plan.

The purpose of the management plan is to determine rights and obligations of the parties to each other, who live in the same property, and to provide rules on the management of the property concerning the purpose and method of use and the other issues related to management, such as operations, auditing, maintenance, and repair work, and to ensure the establishment and continuity of a peaceful, healthy, safe and proper working system of the property in accordance with the rules of Condominium Ownership Law.

The provisions of the management plan are valid to the extent they are in compliance with the provisions of the Condominium Ownership Law. Accordingly, condominium owners cannot add provisions into the management plan that alter or substitute the mandatory provisions of the Condominium Ownership Law.

The board of condominium owners (the “Board”) is responsible for the management of the common areas. The condominium owners are the natural members of the Board, and are entitled to participate in the management of the entire building in accordance with the provisions of the Condominium Ownership Law. The Board may outsource management power to professional management companies.

In addition, each person has also rights and obligations to the other persons living in the same property arising from Condominium Ownership Law and Civil Law.

### **Is it necessary to hold a tax number to acquire a property?**

A tax number is requested from the buyer at the time of the property acquisition before the land registry. A foreign real person may obtain a tax number by applying to any tax office, together with a copy of his/her passport (translated and certified by a notary public).

### **What are the main taxes related to property transactions?**

In principle every property acquisition for individuals are subject to some transaction taxes such as “Title Deed Fee”, “Value Added Tax”, “Stamp Duty,” and “Notary Charges”. Additionally, holding a property in Turkey triggers a wealth tax called “property tax.” Income derived from property such as rental income or capital gain obtained at the time of disposal of property would also subject to “Income tax”.

Each tax mentioned above would subject to specific calculation, payment, declaration rules and of course have some exemptions.

### **What is “Title Deed Fee”? How it is calculated and paid?**

“Title Deed Fee” is calculated according to the “Fee Law” for the transactions concluded at the title deed registry such as property buying/selling, registration of rental contract, annotations of any transaction made at registry etc. At the time of acquisition, title deed fee at the rate of 2% is applicable over the sales price for buyer and seller separately. Fee has to be paid to the tax office before the transaction made at the registrar.

### **Is VAT applicable for all property acquisitions in Turkey?**

In principle every commercial, industrial and professional transaction made in Turkey is subject to VAT. So, in principle property sales also fall into the scope of VAT. On the other hand in the following cases there is no VAT applicable for property sales:

- If the seller/owner of the property is an individual who is not dealing with any commercial activity.
- If the seller of the property is a company which is not dealing with real estate trading on a regular basis and having held the said property for more than two years.

### What are the VAT rates to be applied for property acquisitions?

General VAT rate in Turkey is 18% and this rate is also applicable for the property sales. In principle property sales including office, residential properties, land acquisitions etc. are all subject to 18% VAT which is calculated over the sales price. But, there are different VAT rates set for the residential properties fulfilling some specific conditions.

### What are the VAT rates specific to residential property sales?

In addition to normal VAT rate at 18%, rates at 1% and 8% are also applicable for the residential units having net area less than 150 sqm with some additional conditions. Thus, we strongly suggest consulting your advisor for the exact VAT rates for a residential unit less than net area of 150 sqm. Please note that residential units having a net area of more than 150 sqm and all other properties in Turkey are subject to 18% VAT as mentioned above.

### What is “Stamp Tax” and how is applied to the property transactions?

All originally signed copies of agreements signed in Turkey are subject to stamp tax over the highest monetary value stated or referred in the agreement at 0.948%. Leasing agreements are subject to stamp tax at 0.189%. On the other hand agreements signed between individuals who are not dealing with any commercial activity do not subject to stamp tax. Signatory parties are mutually liable for the payment of the stamp tax. No stamp tax is calculated if parties conclude their agreement in front of the title deed registrar.

### What are the financing models for a property acquisition?

The most common financing for property acquisitions is mortgage financing, under which the financing institution establishes a mortgage over the target property in consideration for a loan of up to approximately 75% of the market value of the target property. Foreign real persons are also entitled to benefit from this mortgage financing model offered by Turkish financial institutions.

### What kind of loans am I offered?

There are fixed rate and floating rate loans both on the shelf. But fixed rate loan is common in Turkey. So, by choosing the first one, you can pay your loan with equal monthly instalments and a fixed interest rate through the life of your loan. By doing so, a fixed interest rate enables you to learn the exact amount of your monthly instalments in advance and your loan will not be affected by volatile market conditions.

### How establishment of a Mortgage is done?

A mortgage can only be established through an agreement in compliance with a certain official form. The official mortgage deed must be executed and registered by the parties before the relevant the land registry office.

The legal scheme concerning the establishment of liens on immovable properties, i.e. mortgages, is mainly regulated under the Turkish Commercial Code numbered 6102 (the “TCC”). Pursuant to the TCC, a mortgage can be established on an immovable property in order to secure current or future credits. Furthermore, the debtor is not required to take possession of a property that is the subject matter of a mortgage. A mortgage can only be established on real estate that is registered in the title deed registry.

Foreign real persons can become the mortgagor or the mortgagee without being subject to any approval.

### As a foreigner which requirements should I meet for the mortgage? What are the application conditions?

To get any kind of loan, including mortgage, it is legally compulsory to be 18 years or older.

You must provide evidence of your monthly net income. Even though incomplete houses are also subject of mortgage in some certain conditions, common practice requires that the property to be purchased must be ready to be occupied and have minimum right of easement.

Maximum LTV is up to 75% of the value of the property that you are going to buy.

Even though 120 months is most preferred one, loan maturity for mortgages goes up to 180+ months.

As loan currency, you can prefer TRY, USD, EURO or some other convertible currencies if available.

### Is there a compulsory property insurance requirement?

According to the Law on Natural Disaster Insurance, “compulsory earthquake insurance” (DASK) must be held for the property. The title deed registries and the institutions providing utility services will not perform any transactions regarding the property if this compulsory insurance is not held. Apart from such mandatory insurance, the owner of the property may, at his/her own discretion, insure the property against risks, including, but not limited to, theft, fire, flood, storm, etc.

### What are the other conditions to be remarked for financing?

In order to protect your property, mandatory earthquake insurance is required. For other possible risks; life insurance and home owners insurance are recommended.

A guarantor is not necessary at the time of application. However, a guarantor or co-borrower may be required as additional collateral.

For fixed rate mortgages, a certain percentage of the pre-paid amount may be charged as a pre-payment penalty.

### Following the approval, what are the paces to finalize the process?

There are three quick phases to finalize the process before title deed transfer.

#### • Appraisal

If your loan application is approved by a financial institution (FI), there will be an appraisal process to determine value and confirm legal conformity of the property you are going to buy. The appraisal process is committed through the FI and finalized in a few days.

#### • Pre-contractual Information Sheet

After the appraisal process is completed, you have to sign the pre-contractual information sheet. According to the Turkish

Mortgage Law, the loan contract must be signed one day after the pre-contractual information sheet has been signed. The pre-contractual information sheet contains all the details of your loan, payment schedule, interest rate, principal amount, monthly instalments for the first year, annual instalments for the remaining years and all the fees.

#### • Signing Loan Contract

Once the pre-contractual information sheet has been signed, one business day later you can sign the loan contract, payment schedule and other credit documents. After you sign these documents, the pledge documents are prepared by the FI.

If all required documents are complete and accurate and submitted in a timely manner, it takes on average a week from the application date to disbursement day.

### How is the disbursement and title deed process?

On date of appointment, the FI contiguously establishes the first degree lien on the property after registration of sale of the property in title deed office. Then the FI transfers the loan amount to the seller's bank account or delivers a guaranteed check for the loan amount to the seller.



Transaction costs- title deed transfer charge: A tax of 2 % is payable on the sale of the real property. This charge is payable by both buyer and seller separately

# Holding phase

## Is it possible to obtain a residency permit after acquiring a property?

According to the “Law on Foreigners” and “International Protection”, foreigners who have acquired property in Turkey are entitled to apply for a short-term residency permit. Short-term residency permits are granted for one year for each application. The applicant is required to declare a residence address when filling out the forms.

## How to start using the utility services?

The owner of a property may only apply for subscription of the utility services (such as electricity, water and sewage system connection) following the issuance of the building utilization permit. Accordingly, if the building utilization permit is in place, following the acquisition or leasing of the property, the new owner or tenant must apply to the relevant institution, and should execute an agreement regarding usage of the relevant utility service. The new owner or tenant can use the utility services following the execution of the utility service agreement, and after making payment of the subscription or deposit fee.

## What are my tax liabilities if I hold the property only for my own use?

Income tax is applicable only if you rent your property and earn “rental income” or sell your property and derive “capital gains”. So, if you hold your property in Turkey only for your own use and not rent it to any other parties, you will not be subject to any income tax in Turkey.

## Can I lease my property to third parties?

Turkish citizens as well as foreign real persons are free to dispose of their property. They may sell, lease or pledge their property to third parties.

## Can the parties freely determine rental amounts?

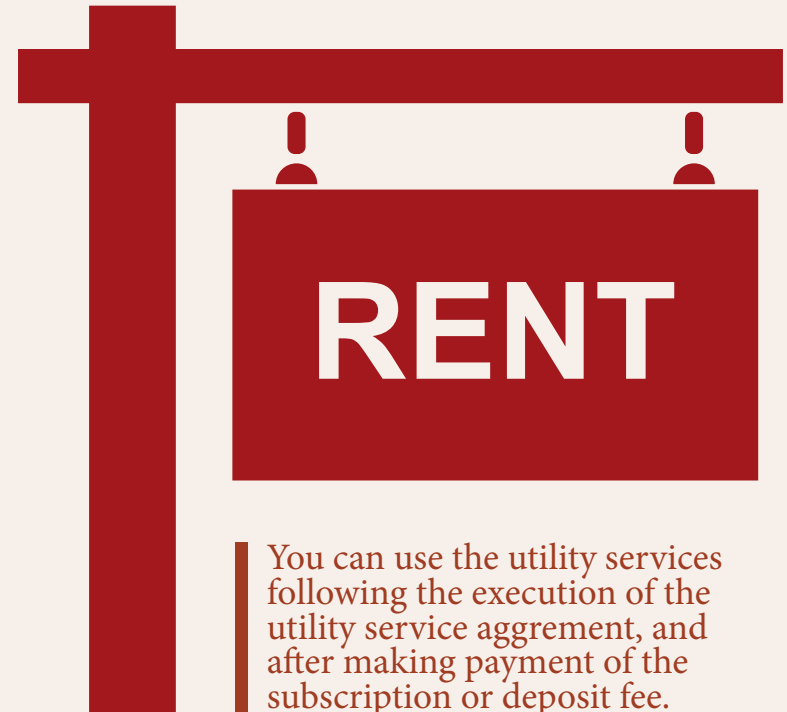
The freedom of contract is one of the main principles of the Turkish Lease Law. Therefore, except for the mandatory provisions of the Lease Law, the parties can freely determine contract terms, including rental amounts.

## Is rental adjustment possible?

Parties to a lease agreement can regulate a rental adjustment rate. According to the Turkish Lease Law, adjustment rates for rents paid in Turkish Lira cannot exceed the Producer Price Index. However, the parties may determine a higher adjustment rate in their lease agreement and exercise such rate if they both agree to do so.

## Is foreign currency rental possible?

The parties may determine a foreign currency for rent payments.



You can use the utility services following the execution of the utility service agreement, and after making payment of the subscription or deposit fee.

### What is the maximum lease duration?

There are no restrictions regarding the term of a lease agreement. Parties are free to determine the term of the lease agreement by mutual agreement. However, the Turkish Lease Law regulates all extensions and terminations of lease agreements.

### Do lease agreements bind third parties?

Lease contracts can be annotated before the relevant title deed registry. In such a case, the tenants are entitled to claim their rights against third parties, such as a new owner of the property. The annotation of a lease agreement prevents eviction of the tenant (during the lease term) from the premises, if and when the property is transferred to a third party.

### How is my rental income taxed in Turkey?

Rental income is subject to "Income Tax". Income Tax is calculated on a yearly basis by taking into consideration for all rental income collected during the calendar year. Rental collections relating to the previous years and current year are subject to tax as the income of the year in which collection is made, whereas collections made for future years in advance are taxed as income of the year to which they relate. Moreover, the income obtained at the time of a lease transaction made on the basis of a foreign currency is converted to Turkish Lira using the exchange buying rate of the Turkish Central Bank effective on the date collection is made and the tax is levied accordingly.

Yearly rental income is declared via an annual income tax return between 1st and 25th of March in the following year that the rental income is obtained and taxed at the rates between 15% and 35%. Income Tax is paid in two equal instalments in March and June.

Specific portion of the rental income derived from residential property by the individuals is held exempt from Income Tax. The exempt amount is TRY 3,300 for the year 2014.

Taxpayers who derive rental income that is subject to withholding tax (please refer to the following question for details) will submit a tax return in the event the gross amount for this rental income exceeds TRY 27,000, which is the cap set for submitting a tax return in 2014. At the time of determining this cap, the gross rental income which is subject to withholding tax as well as residential rental income exceeding the exemption amount are taken into account together.

**An independent lawyer will negotiate on your behalf and advise you on any penalties you might incur for late payment or other delays.**

In the scope of declaring rental income obtained during a calendar year, individuals are allowed to deduct some expenses.

As regards expenses to be deducted while determining the base for the rental income to be taxed, there are two methods that can be selected by the taxpayers. These are:

#### • Real Expense Method

In case of selection of the real expense method, following expenses that are incurred in relation to the leased properties can be deducted from the gross rent amount:

- Lighting, heating, water and lift expenses
- Administrative expenses,
- Insurance expenses for the properties and rights leased out,
- Interest expense of the borrowing made and spent for the properties and rights leased out,
- 5% of the acquisition amount of the property rented out for residential purposes for a period of five years (this deduction equalling the 5% of the acquisition amount will only be applied to the income derived from the relevant property, the portion not deducted will not be treated as excess expense),
- Property tax, duties, charges and goodwill as well as participation amounts for expenditure paid to municipalities,
- Amortizations,
- Repair expenses,
- Rents and other real expenses paid by those who have leased out properties and rights which they have rented.
- Rent amounts of residential or accommodation units occupied by those persons who lease out their residential units (excluding rent amounts paid by non-resident taxpayers in a foreign country), and
- Damages, losses and indemnities.

The portion of these expenses corresponding to the income amount held exempt from tax cannot be deducted.



### • Lump Sum Expense Method

Taxpayers who prefer the lump sum expense method can deduct the lump sum expense corresponding to 25% of the amount remaining after the offsetting of exemption amount from the rental income. Taxpayers who prefer this method cannot use the real expense method for the next three years.

### What happens if my lessee is a company?

Legal entities have to calculate tax withholding at 20% over rental payments for properties leased by real persons and pay the relevant amounts to the affiliated tax office. Real persons obtaining the relevant rental income offset these taxes that are levied to their earnings from the tax that will be calculated over their yearly declared earnings.

### Should I charge VAT to my rental income?

No. Rental income obtained by individuals who are not dealing with any commercial activity or from the properties that are not part of the enterprise are not subject to VAT. So, as an individual lessor you will not charge any VAT.

### Does stamp tax applicable if I sign a rental agreement?

As mentioned above, in principle all originally signed agreements having a

monetary value signed in Turkey are subject to “Stamp Tax” including leasing agreements over the total leasing amount stated in the agreement at 0.189%. On the other hand, since leasing agreements between two individuals are exempt from stamp tax no tax is calculated.

### Is it obligatory to register rental agreement to the title deed registry? What are the fiscal liabilities if we register?

No. It is not obligatory. But, if parties agree to register Title Fee at the rate of 0.683 % over the total rental amount is calculated and paid to the Tax Office.

### Should I pay property tax for all my properties in Turkey? How and when?

Yes. Land and buildings in Turkey are subject to property tax and the taxpayer is the owner of the building.

Property tax rates vary depending on property type and its location (whether the property is located within the boundaries of a metropolitan municipality). Tax rates that are currently effective according to these criteria are as follows:

	Residential unit	Workplace	Arable land	Other land
Ordinary regions	1%	2%	3%	1%
Metropolitan municipality boundaries and surrounding areas	2%	4%	6%	2%

Property tax is calculated over values determined by municipalities for the streets and avenues. So, you should check your property's tax value by the related municipality.

Property tax liability for persons who purchase property starts as of the beginning of the year following the year in which the sale is made.

Property tax is paid in two equal instalments, the first one due for payment in March, April and May and the second one due for payment in November.

Also, as an additional liability called “the surcharge for the protection of immovable cultural assets” is collected together with the property tax at 10% of the annually collected property tax.



# Disposal phase

## Are there any different principles applicable while selling a property owned by a foreign real person?

There is no difference regarding the principles of a property sale by a foreign real person and a Turkish citizen. However, if the purchaser is a foreign real person, the procedure as set forth under “acquisition” above, will apply.

## Should I pay income tax if I decide to sell my property?

Yes. Capital gains derived from the disposal of properties, which have been acquired by individuals in return for an acquisition amount and which are held for less than five years, are subject to income tax. Thus, no Income Tax is calculated for the capital gains obtained from the property sales after 5 year holding period.

## How is capital gain taxed in Turkey?

Individuals deriving capital gain from the property sales have to declare their income on a yearly basis with Income Tax declaration. The tax base is the positive difference between the sales price and the acquisition value. While determining the earnings to be taxed, “expenses incurred due to disposal and remained under the responsibility of the seller”, and “Taxes and charges paid” are separately deducted in addition to the cost amount of the property. Moreover, of the capital gains obtained during a calendar year, TRY 9,700 is exempt from income tax for the year 2014.

## How is title deed charge calculated at the time of disposal?

Similar to the fee calculated and paid at the time of acquisition, title deed fee at the rate of 2% is also applicable over the sales price for buyer and seller separately. Fee has to be paid to the tax office before the transaction made at the registrar.

## Should I add VAT to my selling price?

If the owner of the property is an individual who is not dealing with commercial activity, no VAT is applied. However, if the purchase and sales of properties are made within a business organization that can perform this activity on a regular basis, property sales will be subject to VAT. Please note that Turkish Ministry of Finance classifies sales activities of individuals as made within business organization if an individual makes more than one sale within one calendar year or one sales per year in the consequent years.



Your tax liability changes if you are the shareholder of a company holding a property in Turkey.





Before making any transaction, consult your advisor for the latest double tax treaty provisions.



### Do my tax liability changes if I am the shareholder of a company holding a property in Turkey?

Yes. As being a non resident individual shareholder of a Turkish company, you may obtain “dividend” income from your Turkish investment. Or, at the time of disposal, you may obtain “capital gain” from the sale of your Turkish Company shares.

Your Turkish company holding a property in Turkey will be subject to Corporation Tax at the rate of 20% over its all yearly income. After tax profit can be distributed to the shareholders after setting aside first and second degree legal reserves. Please note that Turkish REIT’s are exempt from corporate tax. So, REIT’s can distribute all their after legal reserve income without any corporate tax burden.

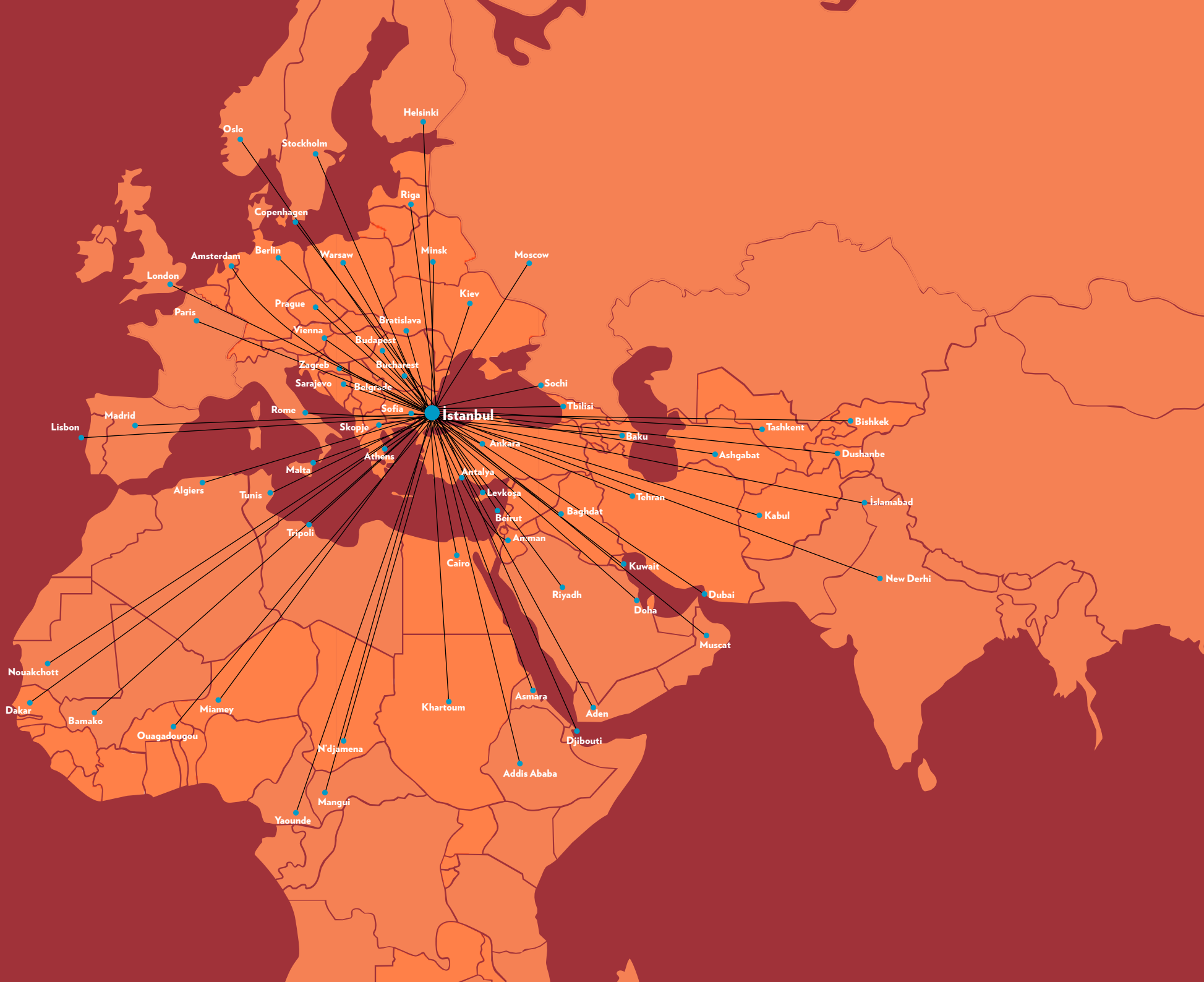
At the time of profit distribution, Turkish company has to withhold Income Tax for their non-resident shareholders at the rate of 15%. This rate can be reduced to 10% or even 5% if there is a Double Tax Treaty between Turkey and the Country on which the shareholder is resident. Please also note that withholding tax rate for the dividend distributions of Turkish REIT’s is 0%. So, if you have a Turkish REIT shares and receive profit from these REIT’s, no withholding tax will be calculated at the time of profit distribution. The withholding tax calculated by the distributing Turkish Company will be the final tax burden for the non-resident shareholder at the Turkish level.

If non-resident shareholder decides to sell his/her shares in the Turkish Company, capital gains in principle would be taxable. If the Turkish company is a public company such as Turkish REIT’s, capital gains will be taxed via withholding by the intermediary banks or brokerage houses. The withholding tax rate for public companies is 0%. So, no capital gains tax is calculated for the disposal of shares of the Turkish Companies by non residents. All other share disposals will be subject to capital gains at the rate up to 35%. Again, in the case of “Double Tax Treaty” between Turkey and shareholders’ country, capital gains would be avoidable. In most of the treaties, sale of Turkish company shares after 1 year holding period would limit Turkey’s taxation rights. But, before making any transaction please consult your advisor for the latest double tax treaty provisions.

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