

Investment Guide

REAL ESTATE ACQUISITION AND INVESTMENT GUIDE IN TURKEY

Turkey, nothing significant progress with its developing economy in recent years, investments in construction and real estate sectors, is becoming a center of attraction for institutional and individual investors. In this process, the country offers significant opportunities to foreign investors who need to master local dynamics to make successful investment decisions. As **Eta Ment** team, we are closely following developments in order to provide support to investors in real estate acquisition and investment issues, which are highly dependent on internal and external factors and have unique problems, with our experienced and industry-dominated staff. In order to meet the needs of our customers in Turkey, and to help them achieve successful results in investment decisions we present Real Estate Acquisition and Investment Guide in Turkey to the investors, where we provide sector-specific knowledge. The information in this guide is general, not social, tax or legal advice.

Geography & Climate

Turkey has a unique geographical position partly on land which is partly in Asia, Europe and is a bridge between the two continents throughout history. Turkey's land area is larger than any European state and almost all of the country is on the Asian continent. The country that once has most of the Balkans, has an imperial heritage from North Africa, and the Middle East. Turkey is a unique country that has Istanbul which is one of the most beautiful cities in the world.

Turkey has a distance of 1565 km between the east and the west and 666 km distance between the southern and the northern part of the country. The country has neighbors the Black Sea in the north, Georgia, and Armenia in the northeast, Azerbaijan, Nakhchivan, Iran in the east, Iraq, and Syria in the southeast, **Mediterranean and Aegean Sea in the west** and in the northeast, European Union

countries Greece and Bulgaria. The country also has the Istanbul and the Dardanelles Straits on the Sea of Marmara, also known as the Turkish Straits. Ankara is Turkey's capital and with Istanbul, the largest city and port of the country, which connects Europe and Asia, the country has great influence in the strategically important location.

Turkey has a geographical climate that experiences four seasons at the same time. In the country, which has the characteristic of transition between Mediterranean and Black Sea climates in the coastal regions, the summers are hot and dry except for the Black Sea coasts. In spring and autumn, temperate climate trends are observed. The winters are cold except for the **Mediterranean coast** and there are few snowy days in the West. Inland soils are mostly snowy and cold, the hottest months are July and August, and the coldest months are January and February.

Residence Permit

The residence permit is one of the documents that foreigners have to take who decided to settle in Turkey for various reasons. The residence permit application is made online by applying to the website of the immigration administration according to the type of residence permit you are considering the terms of the short term, student, family, long term and human residence permit types.

Foreigners who will stay longer than for the time allowed for visa or visa exemption or 90 days in Turkey, are required to obtain a residence permit. Applications must be made before the expiry date of visa or residence permit.

Foreigners who have completed their application must be present at the provincial / district immigration administration in the province where they want to live on the appointment time. Foreigners who do not have a valid excuse are considered to have never applied if they are not present in the relevant immigration administration. In case of a valid excuse, the administration requests information and documents. Extending the residence permit is the same procedure.

The residence permit applications are not accompanied by an escort application and the application and permit document of each foreigner are issued separately. In addition to the applications that can be made by foreigners themselves, applications can be made through the legal representative or lawyer of the foreigner. However, the

administration may require the foreigner to be present during the application if he deems it necessary.

Six types of residence permits have been issued by law and online applications are made through the e-ikamet system for the first application, extension application, and transition applications.

Residence Permit Types

Short-Term Residence Permit

- Foreigners who will arrive to conduct scientific research
- Foreigners who will own immovable property in Turkey
- Foreigners who will establish business or commercial connections
- Foreigners who will participate in on-the-job training programmes
- Foreigners who will arrive to attend educational or similar programmes
- Foreigners who wish to stay for tourism purposes
- Foreigners who intend to receive medical treatment
- Foreigners who are required to stay in Turkey pursuant to a request or a decision of judicial or administrative authorities
- Foreigners who will be transferred to a short-term residence permit in case of the family losing their residence permit requirements
- Foreigners who will attend a Turkish language course
- Foreigners who will attend an education programme, research, internship or, a course by way of a public agency
- Foreigners who will apply within six months upon graduation from a higher education programme in Turkey
- Foreigners who do not work in Turkey but will make an investment within the scope and amount that shall be determined by the Council of Ministers, and their foreign spouses, his and her foreign minor children or foreign dependent children
- Citizens of Turkish Republic of Northern Cyprus

Family Residence Permit

Family residence permits are issued to the foreigners who have lost Turkish citizenship by obtaining a leave of absence or to the foreign spouse of foreigners and refugees who hold one of their residence permits and of those with secondary protection status, or to foreigner\'s spouse\'s minor foreign child, and to his or her spouse\'s dependent foreign child.

Student Residence Permit

- Foreigners who shall receive primary or secondary education and who do not hold a family residence permit (Without taking residence permit, foreigners can continue studying until they are 18 (for primary and secondary education). However, when they are over 18 and still go on taking secondary education, those students are required to take residence permit.)
- Foreigners who shall attend an associate, undergraduate, graduate or postgraduate programme or receive education for speciality in medicine (TUS) or in dentistry (DUS) are issued residence permits.

Student residence permit ensures the student to be only the supporter of spouse and children in family residence permit applications. It does not provide any right to the other relatives about residence permit.

Long-Term Residence Permit

With the approval of the Ministry, the long-term residence permit is issued by the governorates for foreigners who have stayed in Turkey for at least eight years without interruption or meet the conditions set by the Migration Policies Board. Refugees, conditional refugees, and holders of secondary protection status, as well as holders of humanitarian residence permit and temporary protection are granted the right to a long-term residence permit.

Long-term residence permit is issued indefinitely.

Humanitarian Residence Permit

- Humanitarian residence permit has been issued within the framework of Foreigners and International Protection Laws in the case of the child's best interests,
- -Where, notwithstanding a removal decision or ban on entering Turkey, foreigners cannot be removed from Turkey or their departure from Turkey is not reasonable or possible,
- In the absence of a removal decision in respect of the foreigner
- Where there is a judicial appeal against the actions carried out
- Throughout the removal actions of the applicant to the first country of asylum or a safe third country
- In cases when foreigners should be allowed to enter into and stay in Turkey, due to emergency or in view of the protection of the national interests as well as reasons of public order and security, in the absence of the possibility to obtain one of the other types of residence permits due to their situation that precludes granting a residence permit
- In extraordinary circumstances

humanitarian residence permit may be issued.

Residence Permit for Victims of Human Trafficking

Within the framework of Foreigners and International Protection Laws, a residence permit for victims of human trafficking shall be granted to foreigners who are victims of human trafficking or where there is strong circumstantial evidence that they might be victims.

Those who have these conditions and permission to work do not have to apply for a residence permit in Turkey. Work permit holder foreigners have the right to stay in Turkey without a residence permit for the duration of work permits.

Turquoise Card

Those who get a residence permit by making an investment in scope and amount determined by the President of the Republic of Turkey and Turquoise cardholder foreigners can obtain Turkish citizenship subject to the decision of the President of the Republic of Turkey.

Foreigners who meet any of the following criteria may be eligible for Turkish citizenship, subject to the decision of the President of the Republic of Turkey:

- Made a minimum fixed capital investment of USD 500,000 or equivalent foreign currency or Turkish lira, as attested by the Ministry of Industry and Technology
- Acquired a property worth a minimum of USD 250,000 or equivalent foreign currency or Turkish lira with a title deed restriction on its resale for at least three years, as attested by the Ministry of Environment and Urbanization
- Created jobs for at least 50 people, as attested by the Ministry of Family, Labor and Social Services
- Deposited at least USD 500,000 or equivalent foreign currency or Turkish lira in banks operating in Turkey with the condition not to withdraw the same for at least three years, as attested by the Banking Regulation and Supervision Agency
- Bought at least USD 500,000 or equivalent foreign currency or Turkish lira worth of government bonds with the condition that they cannot be sold for at least three years, as attested by the Ministry of Treasury and Finance

- Bought at least USD 500,000 or equivalent foreign currency or Turkish lira worth of real estate investment fund share or venture capital investment fund share with the condition that they cannot be sold for at least three years, as attested by the Capital Markets Board of Turkey

Real Estate Acquisition Process

Who Can Get Property in Turkey?

In Turkey, except for citizens of certain countries (Syria, Armenia, Cuba, Israel, and Cyprus) that are foreign natural persons, qualify to acquire property rights in Turkey. However, the total size of the land cannot exceed 300,000 m² per person. In addition, real persons of foreign nationality can acquire real estates up to 10% of the total surface area in the neighborhood concerned. This rate can be increased by the Turkish authorities.

Natural persons of foreign nationality need to apply to land registry offices in Turkey in order to formally understand whether they will buy a property. If the land registry office in Turkey gives approval, the real estate acquisition process is carried out subsequent thereto.

Except for the limitation mentioned in the first paragraph above, no distinction or discrimination is made between real persons of foreign nationality and Turkish citizens in the country during the acquisition stage.

Difference Between Foreign and Turkish Taxpayers

There isn't any difference between Turkish citizens and foreign nationals residing in Turkey in taxation applications after real estate acquisition. Foreigners, Turkish citizens and people living in Turkey too can benefit from the same rights. With the amendment made in the past year, by bringing positive benefits in payment value-added tax for foreigners (KDV), being a foreigner in the first sale in the deed of the new buildings constructed as residential and business premises, is considered as advantageous.

The land registry system that kept records of real estate in Turkey is known to be a robust and reliable system in which every real estate transaction is officially registered by the institutions.

Difference Between Commercial Real Estate, Villa and Housing Acquisitions

In its simplest definition, there is no difference between in acquisition of a commercial real estate (Factory, Warehouse, Plaza, Shop, Shopping Mall, Office) which brings money with the facilities in it, and villas on the shore of Bosphorus that divides Europe and Asia.

The Heritage of the Foreign Real Estate Owner

Foreign real estate owners who completed the real estate acquisition stages and became the owner of the real estate can transfer their real estate to their legal heirs through inheritance. However, they should not be a citizen of the countries mentioned in the first paragraph here (Syria, Armenia, Cuba, Israel and Cyprus). If the immovable property is located in military areas and security zones and is open only to Turkish citizens, then real estate cannot be transferred to foreign nationals through inheritance. If the total size of the property taken over by a single heir exceeds 300,000 m² and exceeds 10% of the total surface area of interest, if the heir does not have the right to acquire the real estate due to the above-mentioned restrictions, the heir is deemed to be obliged to sell the real estate to a third party accepted by law within 1 year. Otherwise, the real estate is put up for sale by the Ministry of Treasury and Finance and the sale price is paid to the heir.

Finding A Property in Turkey

You can contact the seller directly for real estate acquisition or you can get support from the local real estate sales consultant **ETA MENT** for the accurate and complete delivery of the documents during the completion of official transactions.

The Right Price in Real Estate Acquisition

In Turkey, it is asked from real estate appraisal companies to prepare neutral and objective reports on the value of the property in the real estate sales to foreign natural persons. The relevant government agencies are operating in accordance with this report. Real estate appraisal companies, on the other hand, determine the price of the property by evaluating the value of the property in terms of quality and quantity with the signature of 3 independent experts. Alternatively, there are also consultancy companies showing the real estate prices per square meter changes in every neighborhood over the years in Turkey.

Is the Land Registry System in Turkey Safe?

Land registry system established in Turkey, the foundations of it were laid by the Ottoman Empire, and it has been in use for hundreds of years by being updated in line with the technology of the day. This system is registered with the official authorities of each real estate sale and purchase transactions and stands out as a robust and secure system. Because since the Turks have preferred real estate as a traditional investment tool for centuries the system forced to be robust and secure.

The land registry records are kept in a public system and the rights of third parties that own the title and benefit of the real estate are respected. Information on the legal status of immovable property is recorded in physical books and is also stored in the computer system called TAKBIS.

Reviews Necessary for Real Estate Acquisition

Before performing real estate acquisition process in Turkey, having information about the legal status of the property concerned, in order to predict the possible legal risks and the effect of the investor on the use of the property for the purposes he wants, a review is needed.

This review provides an advantage for investors to prevent various risks beforehand. These issues;

- **Real Estate Evaluation**

It is necessary to investigate whether the seller is owner of the real estate in the land registry system. By examining the details of the property, it can be verified that the seller is the legal owner of the property.

- **Mortgages on Real Estate**

In favor of third parties in property inspection, it needs to be looked for any outstanding debt, foreclosures, mortgages. For this, deed records can be examined. Other annotated rights such as easement right, commitment etc. should also be checked. If there is no annotated right, it is appropriate to transfer the property without being subject to restriction or forbidden risk.

- **Cadastre Records**

It needs to be detected that whether cadastre records, which is the work of determining the places, areas, borders, values and legal status of all land, terrain, and properties in the country by the state and tying to the plan by establishing a regular and sound land registry, correspond to the zoning plans of the municipality and do not contain any unusual information. It should be remembered that the property boundaries in the cadastre, ie property boundaries, must match the property boundaries specified in the zoning plans.

- **Zoning Status**

Which activity is allocated for the use of the property to be purchased with real estate acquisition, must be learned by asking the relevant municipality within the boundaries of the property. If the zoning status is registered for the purpose of residence, the relevant real estate cannot be used for commercial purposes.

- **Construction Permit and Occupancy Permit**

When a new building is to be built or when changes are made to the existing building, a building permit and occupancy permit must be obtained from the relevant municipality within the boundaries of the property. This permit confirms that the property was built in accordance with the construction license.

If there is no permission to use the building or there is a discrepancy with the construction permit, the municipality may decide to demolish the building or modify it in accordance with the construction permit. In addition, the owner of the land may be subject to various fines.

- **Current Physical Status of Real Estate**

Before becoming a party in the sales contract, the real estate must be visited to know its current physical condition. Conducting due diligence regarding the compliance of the physical situation with the final project, comes to the forefront in the examinations necessary for the real estate acquisition process.

Major Purchasing Agreements

There are two types of purchase agreements. The first is a purchase / sale agreement, ie a direct acquisition, and the other is a sales promise agreement.

Purchase / Sales Agreement

In Turkish law, the sale of a property is made only by the presence of both the seller and the buyer in the presence of the relevant land registry. In addition, direct acquisitions can be realized with the participation of persons who have been issued sales and purchase power of attorney. The seller and the buyer are required to sign a standard transfer document prepared by the land registry.

If you buy a building under construction in Turkey, especially if there is an acceptable time for completion of the project it is essential to know that that the contractor, ie the project owner, is financially reliable and legally competent.

Sales Promise Agreement

Before the purchase of the real estate, the buyer and the seller can sign a preliminary sales promise agreement between them. In order for this agreement to be binding and valid, it must be signed before a notary public.

In order to prevent the claims of third parties on the real estate, the sales promise agreement must also be registered in the land registry. Otherwise, the transaction of a third party stating that it is well-intentioned is considered valid. Annotation in the sales promise agreement is valid for a period of 5 years.

Payment Options for Real Estate Acquisition

As a payment option in real estate acquisition, the purchase price can be made in cash, by bank transfer or through a blocked check. In addition, payments can be made with bitcoin which is used in many national and international markets recently. In Bitcoin payments, a certain commission is taken and payment is provided through the bank.

Power of Attorney for Real Estate Acquisition

Natural persons of foreign nationality or their legal representatives may carry out the related transactions during the real estate acquisition process. If the purchase is made with power of attorney, it must be organized and prepared by a notary public. Furthermore, according to Turkish law, the authority to audit and approve that it has been granted the power to act on behalf of the person giving the power of attorney needs to be signed in the presence of a notary public.

Writing the full names and addresses of the legal representative or representatives, as well as all authorizations given to legal representatives for the acquisition of real estate in the power of attorney to be used for real estate acquisition, is one of the points to be considered for the smooth completion of the process.

Power of Attorney Prepared in Abroad for Real Estate Acquisition

If the power of attorney prepared and made abroad, by following these transactions it can be made binding in Turkey. These;

- The signatory's photo should be in power of attorney,
- Signing, sealing or stamping the photograph by the authority that issued the power of attorney,
- Preparation of the power of attorney in the official language of the country of issue,
- Notarization and apostille of power of attorney by the notary,

Also, in order for a power of attorney to be binding, it needs to be translated by a notarized translator in Turkey.

Property Ownership Law and Management Plan in Real Estate Acquisition

The management plan regulates the management and operation of the main structure and common areas where the real estate is located and is an agreement between owners of condominiums. And it includes provisions that have been passed to condominium owners and their heirs for adherence to the terms of the management plan.

It includes determining the rights and obligations of the parties living in the same real estate project, counting the purposes of use, establishing the rules of general management such as property management operations and supervision, maintenance and repair. The aim is to ensure that the peace, health and safety of the people living in the property are established and maintained in a proper functioning system in accordance with the Law on Condominium Ownership.

The provisions of the management plan only apply if they are in accordance with the Property Ownership Act. The provisions of a management plan that prevent or replace the mandatory provisions listed in the Condominium Law cannot be made.

The board of condominium owners consists of natural memberships of condominium owners responsible for managing common areas and has the right to participate in the management of the entire building according to the Law on Ownership.

In addition, each person has the rights and obligations arising from the Property Law and Civil Law for other persons involved in the same real estate project.

Tax Number in Real Estate Acquisition

To start the acquisition process of the land registry office real estate in Turkey, people who are going to buy the property are asked to have a tax number. **Real persons of foreign**

nationality can go to any tax office with their passports that have been translated and approved by a notary public and can obtain a tax number.

Major Taxes in Real Estate Acquisition

In Turkey principle real estate acquisition transactions by individuals "**Land Mortar**", "**Value Added Tax**", "**Stamp Duty**" and "**Notary Mortar**" has to be paid as some tax treatment. In addition, the "Notary Costs" constitute an expense item while performing the aforementioned operations.

In addition, various capital gains are taxed in Turkey. To own real estate in Turkey "Real Estate Tax" name makes mandatory the payment of a wealth tax.

If an income is obtained by renting the related property after the acquisition of the real estate, the Income Tax can be paid by declaring the rental income obtained. However, because of adequate control mechanisms in this regard could not be developed in Turkey, rental income tax can not be charged sufficiently. The increase in value arising from the disposal of the property is also subject to "Income Tax".

There are exceptions to these taxes, subject to payment and declaration rules, by making certain calculations for each tax type listed above.

Deed Mortar for Real Estate Acquisition

According to the Law on Fees, the title deed fee is taken for the transactions to be realized in the title deed registry like real estate acquisition and sale processes, registration of rental contracts, and annotation of all transactions made in the land registry records. This fee has been reduced to 1.5% until 31 December 2019, starting from January 1, 2020, it is foreseen to be realized in the purchase and sale of housing and business by taking 2% title deed separately from the buyer and seller. The deed fee is calculated over the sales price and must be collected separately from the buyer and the seller and must be paid to the tax office before dealing with the registrar.

Value Added Tax in Real Estate Acquisition (VAT)

While all kinds of real estate sales transactions for Turkish citizens in Turkey subject to Value Added Tax, land and workplace sales are also assessed and taxed within the same scope.

There are exceptions to this situation. These;

- Turkish citizens who have been granted work or residence permits and have been living abroad for more than 6 months,
- Foreign natural persons residing in Turkey
- **A legal entity which does not have its business center in Turkey and does not generate income via a workplace or a resident representative in Turkey is exempted from VAT.**

In Turkey, foreign natural/legal person of the KDV exception for such transactions tax exemption only in cases where the real estate transfer fee to be brought to Turkey and paid

in foreign currency to be known to be valid. At the same time, it is requested to hold the property in question for at least 1 year after acquisition for tax exemption. If the property is sold within 1 year of acquisition, VAT must be paid to the tax authorities with late payment interest.

With the exception of sales to foreigners (who do not reside in Turkey) mentioned in the above paragraph; if the person acquiring the real estate does not conduct this business for commercial activity, that is, it does not gain any commercial profit from the purchase or sale of real estate, or the seller of the real estate does not regularly trade real estate as a legal entity and holds the property for more than 2 years, VAT exemption is applied regardless of whether the sale is made to real or legal entity and the transactions are carried out without VAT.

VAT Rates in Real Estate Acquisition

VAT rate applied in basic commodities and services in Turkey is 18% and this ratio is also considered essential for real estate sales. Whether for office, residential, land acquisition or for all similar real estate sales, in principle 18% VAT is calculated on the sales price. Under certain conditions, different VAT rates are required for real estate sales.

Valid VAT Rate for Sale of Real Estate

As mentioned above, real estate sales are paid to tax offices by paying 18% VAT on sales. Apart from this rate, it is applied at 1% and 8% rates under certain conditions for houses with net area less than 150 m². The relevant conditions generally include exceptions for buildings that are not included in the metropolitan boundaries and exceptions at a unit square meter tax value of the land on which the house is built.

Delivery of the houses larger than 150 square meters subject to %18 VAT, which temporarily (Until the end of 2019) lowered to 8% in Turkey, still 8% VAT is applied. In the delivery of the houses with a building license obtained after 2017 and less than 150 square meters, within the boundaries of the metropolitan municipality, these houses, which were built as luxury or first class, were subject to a VAT rate of 1 percent only for those with a land area of less than 500 lira. In accordance with the amendment made, now the houses whose building permits obtained in 2017 and after and the houses with a land value up to thousand liras(excluding thousand liras) are being sold with %1 VAT. As of today, %8 VAT is calculated in the sales of houses (in metropolitan municipality and luxury or first-class construction) that have land square meter value over 1000 liras and smaller than 150 square meters. However, this rate is valid until the end of 2019 for those who exceed 2 thousand pounds. From January 1, 2020, it is known that real estate sales will take place with 18 percent VAT instead of 8 percent.

Stamp Tax in Real Estate Acquisition

In Turkey, there is a Stamp Tax received from legal and official paper documenting transactions between persons with persons, persons with institutions or institutions with

institutions. 0,948% stamp tax is levied on the highest monetary value specified in the contract or with reference to the contract from the contracts signed in Turkey.

Stamp tax is not taken in the sales promise contracts, and stamp tax is not collected from the pre-paid real estate sales agreements.

In the lease agreements, the calculation is made on the total rental period in the contract and not on the general stamp data rate, and a stamp tax of 0.189% is collected on the total rent.

If the parties do not engage in any commercial activity, no stamp duty is levied on the signed agreements.

The parties that sign contracts are held jointly and mutually responsible for the stamp duty. The parties that sign contracts are held jointly and mutually responsible for the stamp duty. The official deed signed in front of the land registry officer for real estate purchase or sale transactions is not exempted from the stamp duty.

Processes Before The Title Deed for Financing

In the financing process, three stages have to be completed in order to complete the process before the title deed transfer.

1. Stage 1- Appraisal

When credit applications for real estate acquisition are approved by the financial institution, the appraisal is required to determine the value of the property to be purchased and to check its legal status. The appraisal includes identification of the real estate, its condition, its suitability for the intended purpose and/or its opinion on its possible financial value in the free market by real estate appraiser. Appraisal is realized by the financial institution applied and it is announced within a few days.

2. Stage 2- Pre-Contract Information Form

According to the Turkish legislation for signing the mortgage loan contract, after appraisal, the pre-contract information form must be signed. The pre-contract information form contains the following details; loan amount, payment schedule, interest rate, principal amount, monthly installments and all fees information.

3. Signing of the Loan Agreement

It is necessary to sign the loan agreement which must be signed within a reasonable time after signing the pre-contract information form, as well as the payment plan and other loan documents. The financial institution is obliged to prepare the collateral after the documents are signed. It is known that the process will take an average of one week from the application date to the due date if the required documents are completed at the right time.

After the date of appointment, the financial institution establishes the first-degree mortgage on the real estate after realizing the registration of the land registry in the title deed office, the financial institution will then forward the loan amount to the seller's bank account for

the acquisition of real estate or provide the seller with a guaranteed check for the loan amount.

Real Estate Retention Process

In accordance with the Law on Foreigners and International Protection in Turkey, real estate acquired foreigners by applying for a short-term residence permit they can obtain a residence permit provided that each application can cover a maximum period of 2 years. When submitting the forms, a housing address must be declared.

While foreign real persons in Turkey performing real estate acquisition in Turkey in order to obtain Turkish citizenship, they had to obtain a compulsory real estate valuation report. Now, not only in order to obtain Turkish citizenship, it is being made compulsory to obtain a valuation report for all real estate sales whose buyers and sellers are foreign real persons. It should be noted that the relevant report is valid for 3 months from the date of issue.

Turkish Citizenship by Real Estate Investment

Foreign real persons who acquired real estate in Turkey can gain the right to apply to a short-term residence permit for up to 2 years. In addition to this, foreign real persons can obtain Turkish Citizenship if they have lived permanently in Turkey for 5 years before the application date.

With the amendment made to the Turkish Citizenship Law, now the possibility of becoming a Turkish citizen through investment has been made and the existing investment limits for transition to Turkish citizenship without any time limitation have been reduced and the right to become a Turkish citizen without waiting 5 years.

The requirements for this are as follows:

1. The purchase of a real estate worth at least USD 250.000 by a real person of a foreign national,
2. Establishment of condominium and condominium easement for purchased immovable,
3. Obtaining Turkish citizenship is facilitated on condition that the real estate cannot be transferred to another person for 3 years.

By putting an annotation of not being sold the real estate for 3 years in the title deed registry records, it will not be possible for foreign real persons, who apply for the acquisition of Turkish citizenship by buying real estate, to sell their real estate for 3 years.

Electricity and Water Services of Purchased Real Estate

Real estate owners gain the right to start the subscription process in order to benefit from public services (electricity, water, and sewerage system, etc.) after they were given permission to occupancy permit. For those who have a building permit, the new real estate owner or tenant should apply to the relevant public institutions and sign a service contract with the public institutions after the real estate is acquired or leased. After signing of the service contract and payment of subscription or deposit fees, they are given the opportunity to benefit from the services.

Income Tax in Own Use of Real Estate Owner

In Turkey, there is income tax implementation which by means of earn rental income by real estate rental or gaining capital gains by selling the property. Therefore, the retention of real estate in Turkey for the purpose of personal use only and not rented to any natural or legal person for any other transaction does not make income tax payment is required.

Sale or Rent of Real Estate

Turkish citizens and foreign real persons in Turkey are completely free to transfer their property to third parties and they are fully liberal to sell, rent or collateralize their real estates. The only exception is the inability to sell the property for 3 years after the payment of USD 250,000 for the acquisition of Turkish citizenship through investment. Rent income can be obtained by renting the real estate or real estates that are bought in order to acquire Turkish citizenship.

Rent Amount of The Real Estate

Freedom of Contract In accordance with the provisions of the Turkish Code of Obligations, the parties can determine all contract terms as they wish, including the rent amounts in Turkish Lira. It is not possible to determine the foreign currency or foreign currency indexed rent amount in real estate lease agreements. But the real people who live outside Turkey or established companies branches in Turkey, representative offices, offices or liaison offices or those people directly or indirectly 50% or more shareholders which they are Turkish companies and / or joint control and / or they are kept under control; or, as long as the agreement relates to its activities in free zones, it is permitted to determine the prices in the lease agreements to which companies in the free zones are tenants, indexed in foreign currency or foreign currency.

Increase Rates in Real Estate Rent

The parties agreeing on the rental price and who are within the freedom of the contract can regulate the rental rate increase rates among themselves. According to the laws of Turkey, rates of increase for rents paid in Turkish Lira, do not exceed the Consumer Price Index (CPI). In cases where it is possible to determine the rental amounts in foreign currency, the rent value cannot be changed during the first 5 years. This restriction, if the tenant is a merchant in the position of private or public legal entity engaged in trade as specified in the Turkish Commercial Code, this restriction will not be applied until 1 July 2020 in roofed workplaces.

Renting of Real Estate by Currency

People living in Turkey, in agreements signed between them, the rent must be determined in Turkish Lira and recorded. In other words, rent amounts cannot be written in foreign currencies, determined or indexed. The exception to this: The real people who live outside Turkey or established companies branches in Turkey, representative offices, offices or liaison offices or those people directly or indirectly 50% or more shareholders which they are Turkish companies and / or joint control and / or they are kept under control; or, as long as the agreement relates to its activities in free zones, it is permitted to determine the prices in the lease agreements to which companies in the free zones are tenants, indexed in foreign currency or foreign currency.

Real Estate Rental Times

Although the parties do not have any restrictions for the termination of the lease agreement, they can determine the duration of the lease agreements by mutual agreement. In the absence of agreement between the parties on this matter, the Turkish Code of Obligations regulates the terms of the extension of the lease agreement and sets the conditions for termination.

Binding of Real Estate Lease Agreements to Third Parties

Since there is the possibility of annotation in the real estate lease agreements before the title deed registration, the tenants may act as new owners of the property and claim rights against third parties. After the annotation process, if the real estate is transferred to a third party or when it is transferred, the eviction of the tenant from the real estate is prevented.

Taxation of Real Estate Rent Income

The rental income obtained by natural persons in Turkey, are taxed by the name of Income Tax and is declared annually by calculating all the rental income collected during a calendar year. If rent income is not taxed in the previous years, it is collected and taxed as income of the related year.

In the abovementioned allowed situations, the income obtained after the determination of the rent amount in foreign currency, The Central Bank of the Republic of Turkey calculates the foreign exchange rate applicable on the day the rent is received and converts it into Turkish Lira and the income tax is calculated and collected accordingly.

Annual rental income in Turkey, are taxed and charged at a rate of 15% to 35% by declaring on 1-25 March of the following year after the income tax return and the rental income were obtained. Income tax is paid in two equal installments in March and June.

A certain portion of real estate rent income is exempt from income tax and this exemption amount is 5,250 TL for 2019. For the taxpayers who obtain rental income from the workplace, if the gross amount of the rental income exceeds 40.000 TL for 2019, a declaration is required.

With the declaration of the rental income obtained, it is possible to deduct some expenses from the tax in the calendar year.

Rent income to be taxed when calculating the rent income base, there are two methods to be used by taxpayers in terms of tax deductible expenses. These are stated in the legislation as “real” and “lump” expense methods.

Tax Deductible Expenses - Actual Expense Method

By using actual expenses method following actual expenses can be deducted from the gross amount of rental income:

- Lighting, heating, water and elevator expenses
- Insurance expenses relating to the rented property and rights,
- Management costs,
- Interest of debts relating to the rented property and rights and 5% of acquisition value of a rented house for 5 years beginning from the date of acquisition (This deduction applies only to rental income of the rented house; non-deductible part is not evaluated as expenditure surplus),
- Depreciations,
- Taxes, fees, charges and special assessments paid for the rented property and rights, as well as charges paid by lessor to municipalities for participation to spending,
- Repair and maintenance expenses,
- Rent of the house accommodated by the lessors who rent their own property, (It is not allowed for taxpayers not residing in Turkey),
- Cost of damages and compensations

The portion of the above-mentioned expenses corresponding to the income exempted from tax amounting to TL 5,250 for 2019 is not counted as tax deductible expenses.

Tax Deductible Expenses- Lump-sum Expense Method

Taxpayers who have opted for the lump sum method can, after deducting the amount of exception from their rental income, set off the lump sum expenses at 15% of the remaining amount against actual expenses. It is not possible to opt for lump sum expenses method in the case of leasing rights.

Taxpayers who have chosen the lump sum expenses method cannot choose actual expenses method before three years have elapsed.

The Tenant is a Commercial Earning Company or Merchant

In Turkey, by making 20% deduction (withholding) from rental payments that will be made to legal entity tenants and traders, is deposited in the tax office on behalf of the lessor. In the event that the real estate is leased to company or a real person with a commercial profit if the rent income exceeds the annual declaration limits, the owner of the real estate must make a declaration with an annual income tax return. While making the declaration, they must remove the deductible expenses and deduct the amount deducted by the lessee from the tax amount to be calculated over the remaining amount after the discounts and declare the remaining portion in two installments to the tax office in March and June.

VAT on Rental Income

Value-added tax does not apply to rental income in Turkey. The income arising from the renting of real estates that do not have any commercial activity or have no connection with the commercial enterprise is not subject to value-added tax.

Lease Agreement and Stamp Tax

Since lease agreements signed in Turkey is considered a monetary value, the rate of 0.189% on the total amount specified in the lease agreement Stamp Duty is paid. Lease agreements signed between two real persons are counted as exemption from stamp duty and the tax is not calculated.

Registration of The Lease Agreement to The Land Registry

Lease agreements has no requirement to be registered on the title deed in Turkey. However, since the registration of the agreement is considered to be a monetary value, a title deed fee of 0.683% must be paid over the total rental amount during the registration process.

Real Estate Tax

While in Turkey, land, terrain and real estate owners pay property tax, tax rates vary depending on the type and location of the property. Real estate taxes at different rates are collected for settlements, businesses, arable land and other lands with the classification of ordinary regions and metropolitan municipality borders and surrounding areas.

Dwellig Unit

Workplace

Arable Land

Other Areas

Ordinary Areas

%1

%2

%3

%1

Metropolitan Municipality Borders and Surrounding Areas

%2

%4

%6

%2

The property taxes calculated by the municipalities are calculated based on the value determined in the streets and avenues where the property is located. The property tax amount for real estate is obtained from the municipality where the property is located.

The real estate tax obligation to be paid to the municipality after the purchase of a new real estate starts at the beginning of the year following the sale. The real estate tax paid in two equal installments is paid in first March, April or May and the second in November.

Besides property tax in Turkey, there is "contribution to the protection of cultural property" tax which is charged with property tax and claimed 10% of the property tax.

Real Estate Disposition Process

Sale of Real Estate

There is no distinction or exception to foreign nationals or Turkish citizens in the sales of real estate. In the real estate acquisition phase, real estate sales can be made except for foreign nationals who are citizens of some countries (Syria, Armenia, Cuba, Israel, and Cyprus) mentioned in the title of "Who Can Get Real Estate in Turkey?"

Income Tax on Real Estate Sales

After the sale of real estate, the people who made the sale pay income tax on earnings. If the real estate is held for less than 5 years, the increase in value during the disposal of the real estate is subject to income tax.

If the real estates obtained through donation or inheritance or not an equivalent to value or even if a value for money has been acquired, the value increases obtained after the disposal of the real estate after 5 years of holding are not subject to tax.

Capital Gain Taxation in Real Estate Sales

Real persons who gain value surplus due to their real estates after the sale of real estate declare their income with income tax declaration annually. The tax base is calculated by subtracting the real estate acquisition value from the sale price. If this difference is positive, it is declared and if it is negative, it is not declared. The determination of the taxable income is determined by deducting the real estate acquisition value as well as the expenses and taxes incurred as a result of the disposal and remaining under the responsibility of the seller, from the sale price. The acquisition value is increased by the said increase rate if the increase in the Producer Price Index is 10% or more in the period between purchase and sale. This is called cost indexing in the literature.

For the year 2019, TL 14,800 of the capital gains obtained during one calendar year is exempt from income tax. As a result, if there is a difference between the purchase and the sale below this amount there is no need to declare.

Title Deed Fee After The Sale of Real Estate

2% of land registration fees are paid when disposing of real estate in Turkey. This rate is applied until 31 December 2019 by decreasing to 1.5% in housing and business deliveries. The deed fee calculated over the sale price is charged separately from the real estate buyer and seller. Before going to the land registry office, the land registry fee must be paid to the tax office before proceeding with the registry officer.

Value Added Tax on Real Estate Sales

If the buyer of the real estate is constantly engaged in the purchase and sale of real estate during the sale phase, the value added tax is applied to the sale price as it makes a commercial gain. VAT is not applied to real persons who acquire the property for their own use and do not earn commercial gain by continuously trading. If the Ministry of Treasury and Finance detects multiple sales within a calendar year or successive sales in the following years, natural persons are classified as merchants and value-added tax is applied to the sales to be made by the merchants.

Tax Liability of Real Estate Owners

The Procedure of Acquiring Turkish Citizenship through Investment

Limits to be paid for transitions to Turkish citizenship are reduced thus foreigners who buy real estate worth at least 250.000 USD can become Turkish citizens.

Application Process for Turkish Citizenship

At least a purchase of real estate worth \$ 250,000 or above the request for Turkish citizenship is being processed with the application to be made to the General Directorate of Land Registry and Cadastre during the transfer of title deeds.

The General Directorate of Land Registry and Cadastre checks whether the purchased property or real estate is worth at least US \$ 250,000. At this stage, a licensed real estate appraisal company prepares the valuation report of the purchased property. The title deed administration checks this appraisal report and checks the eligibility for Turkish citizenship transactions. A valuation report from real estate agents or consulting firms other than a licensed real estate appraisal company is not considered valid.

After checking the valuation report for citizenship proceedings, the Land Registry Office makes a declaration of conformity which lasts between 3 and 7 days. Once the application is approved, it is necessary to apply to the Immigration Office for a residence permit without making an appointment. When the Immigration Office approves, it is necessary to apply to the General Directorate of Population and Citizenship Affairs on the same day with the confirmation paper and residence permit documents. Following the deed application, all transactions can be followed from a single place in the Citizenship Offices in Istanbul and Ankara.

The application process for Turkish citizenship takes between 45 and 60 days.

Frequently Asked Questions in the Turkish Citizenship Application Process

· Is it also possible for my family to become Turkish citizens?

· Yes. You, your spouse and all your children under the age of 18 can become Turkish citizens. In practice alone, the relevant institutions do not carry out Turkish citizenship procedures for children aged between 17.5 and 18 years.

· Can I purchase more than one real estate to reach the limit of US\$ 250.000?

You can purchase more than one real estate with a total value of at least USD 250.000. But you should apply for all at the same time. Your application for citizenship is accepted only if the values declared to the General Directorate of Land Registry and Cadaster are above USD 250.000.

· Which Ministry sets the Unsold Comment?

The real estate appraisers confirm whether the worth of the real estate is more than USD 250.000. The Ministry of Environment and Urbanization requests the “entailed estate

annotation” from the General Directorate of Land Registry and Cadaster. The payment of the real estate that you purchased must be made by bank transfer to the property owner

- **How should I calculate the USD and TL exchange rates?**

The value of the immovable on USD basis shall be calculated by the Land Registry and Cadaster General Directorate over effective selling price of the Central Bank of the Republic of Turkey on the date of sale.

- **How long does it take to conclude the citizenship process?**

If the documents required for citizenship applications are complete, your application shall be concluded within 45 to 60 days. The government has opened private offices to reduce this time.

- **Shall I acquire citizenship when I meet all the requirements?**

The process of citizenship approval depends on the fact that you do not pose a threat to national security and this is verified and finalized through national security archives.

- **Can I acquire Turkish citizenship by purchasing a rentguaranteed commercial property?**

You can purchase any real estate with a total value of USD 250.000 or above

- **I do not have time to come to Turkey. How can I get Turkish citizenship?**

You can have this process made without coming to Turkey by giving power of attorney to a trusted consulting company

- **How many people can apply for a title deed?**

Only one person and first degree relatives (spouse and children under 18) can acquire citizenship.

- **I have purchased real estate in Turkey before. Now can I apply for citizenship?**

The application can be made with real estate purchases and investments realized after 18.09.2018.

- **Do I have to waive my existing citizenship when I become a Turkish citizen?**

No. Depending on your own state regulation, Turkish laws permit dual or multiple citizenship.

- **Do I have to do compulsory military service if I get Turkish citizenship?**

When your child under the age of 18 comes to the military age, he is obliged to do military service. Persons entitled to dual citizenship are able to do military service in one of the two countries of which they are citizens. If you have completed your military service, you may need to prove it by a document. Persons older than 22 years of age are required to apply to the General Directorate of Population and Citizenship Affairs whether they hold special conditions or not.

- **Which nationalities are accepted for Turkish passports?**

All citizens who purchase property in Turkey can make application.

- **I have a 16-year-old and a 19-year-old child. Can both benefit from the application for Turkish citizenship?**

No. Only children under the age of 18 in the Turkish citizenship application procedures with the purchase of real estate and with his wife is accepted. Individuals over the age of 18 cannot benefit from citizenship with their family. People over the age of 18 can also apply for their own by buying real estate worth at least \$ 250,000.

- **Can I obtain citizenship for my disabled child over 18?**

You can obtain citizenship by documenting that your child is in need of care.

- **Does the application for Turkish citizenship apply for real estate acquisition in installment or under construction?**

Yes. If the notary-approved sales promise agreement is made and the payments are over US \$ 250,000, Turkish citizenship applications can be made for the real estate under construction in installments. The important point here is that the total of the paid installments is over 250.000 USD.

- **The process of citizenship can last for 2 months. Can I obtain a residence permit during this process?**

Once your application is approved, you and your 1st degree family members will be granted a residence permit on the same day without any waiting period.

- **Is it possible to have dual citizenship in Turkey?**

Yes, Turkey allows dual citizenship, but you should consult with your consulate of your own nationality. Some countries, such as India, China and Saudi Arabia may impose restriction on dual citizenship.

- **How can I become a Turkish citizen if I am not a citizen of any country (stateless, heimatlos)?**

You can apply for Turkish citizenship when you purchase a property with a value of at least USD 250.000 together with a proof of your heimatlos (travel document issued by the United Nations).

- **Is there any critical point to know?**

The ministry wants to ensure that the minimum value is USD 250.000. Certified real estate appraisers value real estate to prevent price fraud. There may be deviations of up to 20% between the sales price and the valuation. Therefore, we recommend that you make calculations by taking this fact into account and purchase the real estate accordingly

The Process of Being a Turkish Citizen by Making Investment

1. **Opening bank account:** The account should be opened in the name of the investor.
2. **Making investment:** Necessary investment transactions such as deed transfer, cash deposit, government bond / share purchase should be realized.
3. **Residence permit application:** Applicants are required to obtain a residence permit during the application for citizenship. Holders of residence permits are able to continue living abroad as long as they wish.
4. **Turkish citizenship application:** You can apply for Turkish citizenship immediately after obtaining a residence permit. You are not required to come to Turkey during the application process.

Documents necessary to apply for the Turkish Citizenship through Investment

- Application form
- ID card of the country of citizenship (passport, ID card, birth certificate, identity register copy and etc.)
- 4 passport photos per each family member
- Birth certificate
- Valid residence permit or a valid tourist visa on your passport
- If married, the identity cards of the spouse and children under 18, if any, and the original official documents proving family ties (marriage certificate, birth certificates of children).
- If the spouse or relatives are Turkish citizens, photocopy of ID cards and residence addresses in Turkey
- Payment receipt for application
- Valuation report
- Receipt illustrating the payment of USD 250.000
- Title deed or the notarized commitment to purchase property

Property Tax

Property tax in Turkey is seen as a wealth tax and represents the wealth of real estate such as land, terrain and building. Turkey removed the granting of property tax statement which has an important place in practice, and Taxpayers' notifications regarding their properties are made through the "Property Tax Notification Form". While the notification form includes

the identity, address, title deed and taxation information of the taxpayer, no base information is provided on the form. Therefore, the form does not qualify for declaration.

Municipal authorities assess the taxpayer according to this information, and then, according to the information contained in these declarations discretions are made every four years and the tax value for the next year is calculated taking into account the discretion made.

The buildings are located within the territory of Turkey are constitute the subject of the real estate tax. Thus, the building tax payers, are paying taxes only for buildings in Turkey. In other words, taxpayers' buildings abroad are not covered by this tax. At the same time, incomplete constructions under construction are not considered buildings.

Completed buildings (flat or workplace) that have a residence or use permit are considered buildings even if they are not actually resided or used.

Taxpayer of Property Tax

The owner of the building, if available owner of the right of use, in the absence of both of them is referred to as natural or legal persons who save the building. If a building has both the owner and usufruct owner, the usufruct owner is responsible for the obligations of the building.

Obligations of those who own a building with common right are determined in proportion to their shares. In the case of an associate partner, the owners are responsible for the taxation in a chain. Since the shares in the joint ownership are determined, the obligation arises in proportion to the shares. In the case of associate ownership, the shares of the partners are unclear and all of them are entitled together and equally to the building. Therefore, it is assumed that there is a chain responsibility in the ownership of the subsidiary.

The property tax is collected from the owner of the building, if any, the owner of the right of use, and those who save the building if neither of them exists.

Notices of Property Buyers or Acquisitors

A person who acquires a new real estate pursuant to the Property Tax Law does not pay property tax for the year in which he acquired the property. A person who acquires a new real estate pursuant to the Property Tax Law does not pay property tax for the year in which he acquired the property. But until the end of the year, the taxpayer acquiring the property is obliged to notify the municipality where the property is located. If there is less than three months to the end of the year, for example on November 15, if real estate is purchased, the notification must be submitted within three months, ie by February 15.

Property taxpayers are required to notify only when new construction is completed or if a part of the construction is already in use before the end of construction, or as soon as the use of each part is started.

Sellers of real estate may be subject to a follow-up of a past debt such as property and garbage tax related to the property they sell at a later date. It is stated that it is useful to inform the municipality where the real estate is located with a petition that includes the sales information, immediately after real estate sales, in order to avoid a follow-up of the related sales at a later date.

Beginning and Ending of Liability in Real Estate Tax

The taxation of the building tax starts from the date of the date on which such changes occur and the discretionary action is taken in case of reasons that change the tax value, the date on which the discretionary transaction is carried out in every four years, and budget year following the date of exemption. Obligation for buildings that are burned down, destroyed, become completely unusable or subject to exemption while being taxable, the date of occurrence of such events shall expire following the installment. In addition, the taxes for buildings that are prohibited on the basis of the authorization given by the laws, will not be collected as long as these situations continue.

Timeout in Real Estate Tax

Starting from the beginning of the year following the calendar year in which the tax receivable was born, the provision that the tax that was not notified to the tax and taxpayer within five years shall be time-barred. The statute of limitations on taxes and penalties of buildings and land which are not declared shall begin from the beginning of the year following the date on which it is learned by the Contracting Entity that this building and land is notified. According to this situation, the buildings, land and terrain that have been excluded from the notification should be notified to the taxpayer within five years of the beginning of the year following the date on which the relevant municipality learned that it was not notified. Otherwise, the property tax, which cannot be levied within the said period, expires.

Rate of Real Estate Tax

The rate of real estate tax is determined as different, normal, incremental and discounted rates according to the purpose of use of the various buildings, their location and some properties of the owners.

The rates in the property tax are determined as one-thousandth for dwellings and two-thousandths for other buildings and businesses. The Council of Ministers is authorized to reduce these rates by half and increase them threefold. For buildings within the boundaries of metropolitan municipalities, these rates are increased by 100%, in other words, two-thousandths in residential buildings and four-thousandths in other buildings. On the other hand, it is foreseen that the land tax, which is significant in urbanization and generally subject to a higher rate of tax than the buildings, cannot be less than the tax to be collected

from the land in order to prevent the sanitary objections to be filled with makeshift or unlicensed buildings.

Property tax rate for retirees, housewives, disabled people, veterans, martyrs, widows, orphans and those who have no income, reduced to zero and not received since 2007, provided that they have a single dwelling whose gross area does not exceed 200 m2.

The discounted rate is applied to the portion of the tax value that hits the share. It is not deemed necessary to live in the residence of the taxpayer himself. However, those who have shares in more than one dwelling cannot benefit from the discount in dwellings. In order to benefit from the reduced rate, an application must be made to the municipality. Proof of documents clearly demonstrating the situation must be submitted together. If any of the conditions to benefit from the reduced rate is lost, the change is notified.

Rate Type

Building Type

Location of Building

Taxpayer Status

Rate (per thousand)

Normal

Residential

-

-

1

Non-Residential

-

-

2

Incremental

Residential

Metropolitan borders and their adjacent areas

-

2

Non-Residential

Metropolitan borders and their adjacent areas

-

4

Reduced

Residential

(In case of having a single house not exceeding 200 m2)

-

People with no income.

0

-

Only persons who receive monthly Social Security Authority.

0

-

Veterans, widows and orphans of martyrs

0

Calculation of Real Estate Tax

The following information needs to be known when calculating building tax:

- The square meter unit value of the land on which the house or workplace is built and the number of square meters of the land share,
- Cost of square meters determined according to the status of concrete and carcass, masonry or wood of the houses and buildings and construction class,
- Tax rates of residences and businesses within or outside the metropolitan municipality,
- Exterior measurement of the building,
- Wear allowance reduction,
- Heater and elevator difference.

There are a number of ways to calculate the building tax value. These ways are:

- The average figure in the scale showing the normal construction cost of square meters will be multiplied by the surface area of the building.

- The difference that will arise as a result of the multiplication mentioned above shall be added to the difference of the elevator, heating or air conditioning installation if any. This additional figure will be 6% for the elevator and 8% for the heating or air conditioning.
- Thus, the depreciation share corresponding to years and construction type is deducted from the total value found.
- After deducting the depreciation share, the amount of the land or the share of the land determined according to the minimum measurements is added to the remaining amount.

Payment of Real Estate Tax

The first installment of the property tax is paid in March, April and May and the second installment is in November. Real estate taxes of property assets such as buildings, which are characterized by the name of the immovable, are paid through the taxpayers who own the property. Immovable property owners can apply to the real estate services directorates of their respective municipal councils and make payments.

The immovable property must be paid to the municipality to which it belongs. In case of immovable properties that are obliged to pay the property tax in another city, payments can be made from any municipality by PTT or by taking the Property Tax Liability number into a bank account number belonging to the Municipalities. In addition, property tax can be made online via the Internet. Payments can be paid online by accessing the relevant tab from the e-municipality system of the municipalities.

Income Tax

Liability of Income Tax

In Turkey, income tax includes limited liability to tax and full obligation concepts. Full obligation is a form of liability in which all of the real person's earnings and revenues from inside or outside Turkey are taxed.

People who live in Turkey continuously for more than 6 months in one calendar year and persons who reside in Turkey are considered to be settled in Turkey in terms of income tax. Also public offices and institutions, etc. Turkish citizens living in foreign countries are also considered as full taxpayers due to the affairs of these institutions. The residence is the place where the person lives with the intention of staying and settling permanently.

If the following foreigners stay in Turkey for more than 6 months, they are not considered settled in the country.:

- Persons who come to Turkey for certain and temporary duty or work, science men, experts, civil servants, press and broadcast journalists and other persons whose

circumstances are similar to these persons are charged or treated or returned for rest or travel purposes.

- Those who have been detained or remained in Turkey for reasons not available, such as detention, conviction or illness.

Turkish citizens residing in foreign countries are subject to official offices and institutions or organizations and undertakings headquartered in Turkey, and Turkish citizens residing in foreign countries are taxed on the basis of full liability for the affairs of the said apartments, institutions, organizations and undertakings.

Limited liability; real persons who are not settled in Turkey are taxed exclusively on earnings and incomes obtained in Turkey.

Elements Of Income Tax

Income and income taxes subject to income tax are as follows. These revenues are taken into account in real and pure amounts unless there is a contrary provision in the Income Tax Law.

- Commercial gains,
- Agricultural gains,
- Fees,
- Self-employed earnings,
- Real Estate Capital gains,
- Securities Capital gains,

Other gains and revenues.

Taxation of Real Estate Capital Income

The liable persons of immovable property's income are the owners, tenants (persons having the rights to use actually), possessors, servitudes and usufruct right owners of the property and their tenants in the event of leasing of a rented property and right.

Real estate capital income is the income derived from the leasing of property and rights by the persons listed below.

- Owners; (the owner of the property or right of ownership of the leased property, that is, the person whose name has been registered in the title deed.)
- Possessor; (A person who has the power to use it on a property or right. This person may also be in the holder or possessor position.)

- Holder; (Persons who hold and control real estate or property at hand and have actual control over these.)
- Easement right holders; (Persons who hold the same right established in favor of another real estate or person on a real estate by registering the title deed.)
- Owners of Right of Usufruct; (Persons who are registered in the title deeds on behalf of their rights to use, holding, possession on real estate pursuant to law or contract.)

Tenant; (It is the person who has leased the property or the right to a real estate. The income from the leasing of a rented real estate or right by the tenant to another person is also the real estate capital will.)

Determination of Real Estate Capital Income

Real estate capital income is the amount of rent collected in cash or in kind within the calendar year from the leasing of goods and rights. Rents collected monthly are converted to money with a precedent. Rents that are collected in advance and collected in advance are counted as the income of the related years. In the case of death and abandonment of the country, the rents collected in advance are considered to be the proceeds of the period in which the tax was lifted.

The assets that are added to the real estate by the lessee to increase or expand the economic value of the real estate are transferred to the lessor free of charge (In case of transfer of securities at a value lower than the equivalent value, the difference is considered as free transfer.) at the end of the lease period, and the said assets are deemed to have been collected on this date in terms of the lessor. The money received by the owner under the name of expenses such as elevators, heating, maintenance, water and lighting, is part of the gross revenue and is considered as income for the owner. Because these are the expense to be deducted from the revenue for the lessor.

Collection Status of Real Estate Capital Income

Provided that they have information, the rental fee is deemed to have been collected in case of depositing money in their names, enforcement office, public institution, notary, bank or mail. The assignment (It is not checked whether the assignment is equivalent. In the case of prudent assignments, the condition of collection of the invoice shall not be required.) of the receivable arising from self-employment gain to another person or exchange with the debt to the customer is subject to collection. In self-employment earnings, the collection should not be considered solely as the cash collection of the proceeds. Assignment (transfer) of the debt in the form of savings in the form of transfer (reciprocal) is not examined. The transfer of prerequisite is not sought in the transfer of prudent.

Precedent Rent Cost

The rent value of the rented goods and rights cannot be lower than the equivalent rent value. The equivalent rent value of the goods and rights that are left free of charge to others is considered as the rent of these goods and rights. The precedent rent in the building and land is 5% of the tax value determined in accordance with the Tax Procedure Law, if the

appraised or determined rent by the competent private authorities or the courts is not available, and if the appraised or determined rent is not available. Precedent rent in other goods and rights; 10% of the cost value of these goods and rights, if this price is not known, is taken as a basis.

Exemption of Real Estate Capital Income

The income obtained from the renting of the buildings as a residence within a calendar year is exempt from the income tax of TL 5.400 for the 2019 calendar year (TL 4.400 for the 2018 calendar year).

Those who cannot benefit from real estate capital income exemption; those who are obliged to declare their commercial, agricultural or professional earnings by annual declaration (including the owners of commercial proceedings subject to simple procedure), income from buildings rented outside the home, those who have received proceeds on the limit of exception and have not declared or are under-declared, the wages obtained separately or together, regardless of whether or not a declaration is required, the sum of the gross income of real estate capital income and other earnings and revenues is classified as those exceeding the amount included in wage income.

The rental income obtained must exceed the exemption amount. Otherwise, if the rent income obtained is below the exemption limit, the income does not need to be declared with the annual income tax return.

Declaration of Real Estate Rent Income

If the revenue obtained in a calendar year exceeds the specified amount of exemption, (The exemption amount to be applied to the obtained revenues is TL 5,400 for 2019 calendar year) it is compulsory to submit an annual income tax return for the income obtained.

Taxation Of Real Estate Value Increase Gains

Gains arising from the disposal of goods and rights have been recognized as value increase gain. The statement of disposal refers to the sale of goods and rights, transfer and assignment in exchange for an equivalent, exchange, expropriation, nationalization, and placing as capital in trading companies.

The gains arising from the disposal of rights registered as real estate are taxed as an increase in value gain (4 years for those acquired before 01.01.2007). In accordance with these provisions, the proceeds obtained from the disposal of the real estate acquired without prejudice and the gains arising from the disposal of the real estate after being held for more than 5 years starting from the date of acquisition are not taxed.

In the determination of the gain arising from the disposal of real estates, cost value indexing can be made (For indexing, the increase rate must be 10% or more) and for the year 2019, it benefits from an exception of TL 14,800.

Acquisition of real estates is done with registration of title deeds. However, in some special cases where the real estate is left to the actual use of the owner before the date of registration of the title deed, the date of actual use is accepted instead of the date of registration to the title deed.

The tax tariff to be applied for the 2019 calendar year is as follows;

Up to 18.000 TL

%15

2.700 TL for the 18.000 TL of the 40.000 TL, more

%20

7.100 TL for the 40.000 TL of the 98.000 TL, (TL 7.100 for 40.000 TL of 148.000 TL in wage income), more

%27

22,760 TL for 98,000 TL of more than 98,000 TL, (36,260 TL for 148,000 TL of more than 148,000 TL in wage income), more

%35

Continuously Buying and Selling Real Estate

In the case of continuous real estate trading, the income obtained is not taxed as an increase in value but as a commercial gain. Sales made within a commercial organization, even if a single sale has been made, will be considered as commercial gain, if more than one sale has been made without a commercial organization (more than one in one year or one in each year) it will be necessary to determine the purpose for which the sale was made.

In this case, trading transactions for profit-making purposes should be evaluated within the scope of commercial gain, while trading transactions for personal needs or for the protection of wealth should be evaluated within the scope of increase in value gain. At the same time, if such gains are earned by a business entity, the income is taxed as business income. The income obtained from the sale of the land purchased and acquired by Trampas in part or in whole within 5 years from the date of acquisition by being parceled and sold in this period or later years are taxed as commercial gain.

Income Tax Return, Place and Time of Payment

Income tax return is a statement showing the income and tax levy to be realized. The relevant declaration can be accessed through the Revenue Administration website. Annual income tax returns are issued from the beginning of March of the following year until the evening of the 25th day. If the income consists only of commercial earnings determined in a

simple manner, it is given from the beginning of February to the evening of the 25th day of the following year.

The income tax is paid in two installments. If the income does not consist only of commercial earnings determined in a simple manner, the first installment is paid until the end of March and the second installment is paid until the end of July. If the income consists only of commercial earnings determined in a simple manner, the first installment is paid until the end of February and the second installment is paid until the end of June.

Income tax payers' payments are made to the tax offices where they reside, to the tax offices where their businesses are connected, or through banks.

Environmental Service Taxes

Although environmental taxes have found their place in many EU and OECD countries, there is no such environmental tax application in Turkey. The reason for this is that the introduction of taxes in the Turkish tax system is based on fiscal purposes. While environmental taxes applied in EU and OECD countries aim to reduce their use by imposing an additional cost on goods and services, as well as to ensure the development of environmentally friendly technologies, there is no tax on the environment in Turkey except for the environmental cleaning tax (ÇTV).

Earthquake Insurance

Compulsory earthquake insurance is generally an insurance system developed for the dwellings within the municipal boundaries. To the buildings which are registered as title deeds and which are built as private houses on the immovables subject to private ownership, to the independent sections within the scope of the Floor Ownership Law, to the independent sections used within these buildings for commercial purposes, offices and similar purposes, to the houses built by the state due to natural disasters, easement has been established in the buildings, the deed has not yet been revised and the title deed in the qualification of land, etc. buildings that appear as, land cooperative houses have not yet been allocated mandatory earthquake insurance is required.

Insurance for dwellings that do not yet have independent title deeds can be made based on the declaration of the insurer and with the information of the land title deed.

Buildings outside the scope of insurance as follows: Buildings registered in the village account and built by the inhabitants of the village and the surrounding areas and hamlets, all commercial or industrial buildings, buildings which do not have a project and have not received engineering services, buildings determined to be modified or weakened in a way that adversely affects the carrier system, buildings constructed in contradiction with the

relevant legislation and project in a way that adversely affects the carrier system, buildings decided to be demolished by the authorized public institutions and buildings that are not suitable for use as abode, disrepair, dilapidated or abandoned.

Inheritance and Transfer Tax

Inheritance tax is one of the typical examples of wealth taxes as “inheritance tax” and “inheritance shares” are applied in two separate ways. In the inheritance procedure, the remaining heritage is taxed as a whole before it is shared among the heirs. In the pourparty share procedure, instead of being taxed as a whole, the inheritance is taxed separately for those who have inherited each heir.

Inheritance and Transfer Tax is the subject of tax on goods belonging to citizens of the Republic of Turkey and goods located in Turkey through inheritance or for whatever reason without any immediate effect from one person to another. In other words, in order for inheritance and retribution to be subject to tax, either the property must be within the borders of Turkey or the person who inherited or transferred the property must be a citizen of the Republic of Turkey.

The tax payer is referred to as persons who acquire property through succession or without delay, while those who acquire property within the borders of Turkey are referred to as Turkish citizens who acquire property abroad and foreigners whose residence is in Turkey.

The obligation starts on the date of the declaration when the declaration is required. However, in cases where the declaration is not necessary and for the goods not shown in the declaration given earlier, it starts on the date determined by the administration. The liquidation case begins on the date of completion of the liquidation proceedings by the court.

Our Team

Our team consists of highly qualified and motivated professionals, who are all experts in their field. With many years of experience in the business, they have the expertise to provide comprehensive, first-rate services to our clients.

Legal Notice

FEES ON OUR PRICES*

* Villas and apartments: 6% Excluding VAT + current VAT (20%), so **7.2% including VAT**

* Land : 8% Excluding VAT + current VAT (20%), so **9,6% including VAT**

** Fees charged to the buyer unless otherwise stated and notified on each product information sheet.