

Turkish Property Tax Overview for Non-Residents:

Owners of rental property in Turkey, who are non-resident there, are liable to pay taxes. An Individual is considered non-resident in Turkey if s/he does not spend 183 days or more in any tax year (calendar year) in Turkey or does not have their primary residence there.

There is an agreement between The United Kingdom of Great Britain and Northern Ireland and The Republic of Turkey for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and capital gains. But at present, Ireland and Turkey have not signed a Dual Taxation agreement but one is expected in near future. This will impact the tax implications on income received from Turkish property.

Taxes payable when purchasing a property are as follows:

Transfer fees @ 1.5% are payable by both the buyer and the seller side on the sale of a property. These fees (i.e. 3% in total) is based on the declared value of the property. But the declared value of the property cannot be lower than the 'tax value' determined by the local town hall, which is also used as the base of the property tax. 1.5% is also payable on the register of new buildings constructed on land.

The **VAT** rate in Turkey on the sale of property is 18%. But sales of houses which are below 150 meter square in net area, are subject to 1% VAT. If an immovable is owned by a company in Turkey, than selling this immovable after having held for 730 days (2 full years) might not be subject to VAT and corporate tax. This exemption also depends on some other conditions.

Stamp duty is levied on sale & lease contracts. The rates range from 0.15% - 0.75% and depends on the value of the contract.

Ongoing taxes payable in Turkey on property are as follows:

Rental Income for a non-resident is taxed at scaled rates from 15% - 35%. Expenses directly related to the renting of the property are allowable as a tax deduction e.g. repairs & management fees. There is also a lump-sum expense method, which allows the taxpayer to deduct 25% of the gross income as the expense without proving with documents.

Tax is deducted by way of a withholding tax. If a DTA comes into effect reduced rates of withholding tax may apply. A tax return must be filed by 25th March of the following year with taxes payable in 2 equal payments – March & July.

Local Property taxes (rates) are payable in 2 equal installments – May & November. Rates are calculated based on the value of the property and are subject to thresholds set by the Tax Authorities as follows:

- Residences 0.1%
- Other buildings 0.2%
- Land 0.1%
- Farming land 0%
- Vacant land (but allocated for construction purposes) 0.3%

Other applicable taxes are as follows:

Capital Gains arising from the sale of property is treated as income in the year of assessment. It is taxed at the marginal rate of 15% - 35%. Up to a certain gain (TRY 6,800 in 2008) is exempt from the tax. The capital gains must be filed within 15 days after the sale. Property, if owned after 1 January 2007, held for more than 5 years is exempt from CGT.

Inheritance Tax rates vary from 1% - 30%. Tax on inherited property is deducted from the taxable value of the asset.

If you are considering buying property abroad or have already made an overseas property investment, it is important that you are aware of your tax obligations and the property taxes associated with such a purchase.

We aim to:

- Offer a complete taxation solution tailored to the overseas investor: Individual or Company Tax Returns, VAT returns...
- Provide a professional service at an affordable price
- Minimise the overall tax liability by writing-off all legitimate expenses
- Ensure tax compliancy in foreign tax jurisdiction
- Make available a comprehensive service ensuring you realize the maximum profit potential from your investment.

The information provided here is intended as a guide only. Specific advice should always be sought on the application of the relevant legislation in any particular situation. While we make every effort to ensure it's accuracy, we take no responsibility or liability for any inaccurate, delayed or incomplete information, nor for any actions taken in reliance thereon