

TURKISH PROPERTY TAX INFORMATION

*The information provided herein is intended as a guide only. While **Property Tax International Limited** makes every effort to ensure the accuracy of the information we take no responsibility or liability for any inaccurate, delayed or incomplete information, nor for any actions taken in reliance thereon.*

Non Residents

Non-residents are taxed in Turkey on income arising from Turkish sources only and are liable to a number of other property related taxes outlined below. The tax year in Turkey is the calendar year and an individual is considered resident in Turkey if s/he spends 183 days or more in any tax year in Turkey.

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 in Turkey:

Turkish Transfer fees @ 1.65% (1.5% in 2009) are payable by both the buyer and the seller side on the sale of a property. These fees (i.e. 3.30% in total) are based on the declared value of the property. However, the declared value of the property cannot be lower than the 'tax value' determined by the local municipality, 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.

Turkish Stamp duty is levied on sale & lease contracts. The rates range from 0.165% - 0.825% (0.15% - 0.7% in 2009) and depends on the value of the contract.

Ongoing property taxes payable in Turkey are as follows:

Turkish 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 eg 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 Turkish tax return must be filed between March 1st and March 25th after the end of the year, with taxes payable in 2 equal installments – March & July.

Local Turkish 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%

The above rates are applicable for the mentioned real estates if these are located outside of a metropolitan municipality area. If the properties are located inside the area of a Metropolitan Municipalities, the below rates will be applied:

- Residences 0.2%
- Other buildings 0.4%
- Land 0.2%
- Vacant land (but allocated for construction purposes) 0.6%

Other applicable taxes are as follows:

Turkish Capital Gains Tax (CGT) 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%. A capital gain of up to TRY 7,700 in 2010 is exempt from CGT. Details of the disposal must be made within 15 days of sale. Property, if owned after January 1st 2007 and held for more than 5 years is exempt from Turkish CGT.

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

Worldwide income

Rental income received in Turkey will first have to be declared before the **Turkish tax** authorities. You may be liable to declare this income within your resident tax return.

If resident in the UK or Ireland you will have to declare any income received in Turkey in your annual resident tax return. There is a double taxation agreement between Turkey and the UK but not with Ireland so double taxation relief applies in the case of UK tax residents. Please contact us for further details regarding double taxation relief and/or filing your Resident Tax Return. Talks are underway between the Irish and Turkish governments to establish a Double Tax Treaty between the two countries but no definite decision has been given at this time.

CONTACT: Property Tax International can organise the completion and filing of all necessary Turkish tax returns in addition to advising on your property tax obligations in your home country:

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