

## **BUY PROPERTY IN NORTH CYPRUS - ENGLISH GUIDE**

### **BUYING A PROPERTY IN THE TURKISH REPUBLIC OF NORTHERN CYPRUS (TRNC)**

Buying a property in the Turkish Republic of Northern Cyprus can be complicated and stressful if you are not familiar with the necessary legal procedures.

We at "**ONE MEK Investment Company Ltd**" are proud to have many years of experience in the field of conveyancing for the purchase and sale of residential and commercial property in Northern Cyprus. We are an active registered company in North Cyprus and have a large network of lawyers, tax advisors and service providers who can professionally assist you with your property purchase.

### **BUYING A PROPERTY FROM ABROAD IN NORTHERN CYPRUS IS MUCH EASIER...**

Since January 2021, we have entered into several partnerships with renowned lawyers in Northern Cyprus. We offer our clients who wish to purchase a property in the Turkish Republic of Northern Cyprus (TRNC) the services of a law firm based in the Turkish Republic of Northern Cyprus.

The merger gives us the flexibility to provide our clients with the option to instruct both us and the law firm selected from our network to handle, among other things, all upcoming transactions in the TRNC.

This gives the client the opportunity to visit the offices of the law firm to sign a power of attorney instead of having to fund multiple trips to the TRNC during the course of the transaction.

If the client wishes, all communication can also be handled through the law firm.

The legal fees for the entire purchase process vary depending on the law firm and currently range from around £1,500 to £2,000.

## **PURCHASE PROCEDURE**

### **Costs associated with buying a property**

Four cost blocks are incurred with every property purchase and sale:

#### **Capital gains tax**

The capital gains tax (Stopaj Tax), which is payable to the tax office, is payable by the seller.

The tax office requires a copy of the purchase contract to be submitted before the transfer of ownership. It then calculates the capital gains tax based on the estimated value of the property, which is currently **4%**.

First-time sellers can exercise their option to be exempt from capital gains tax.

#### **VAT**

The tax office requires a copy of the purchase contract to be submitted before the transfer of ownership. It then calculates the VAT based on the contract value of the property, which is currently **5%**.

The payment of VAT depends on whether the transaction is subject to VAT or not.

This depends on whether the seller (the person who has the title to the property, not just the contractual ownership or possession of the property) is classed as a "professional seller" by the tax office (i.e. whether the transaction is commercial in nature or profit-orientated).

If the seller qualifies as a professional seller, the transaction is subject to VAT. If the seller is a private individual and not a professional seller, the transaction is not subject to VAT.

### **Transfer fee for the entry of the title in the land register**

Transfer fees, which are payable to the Title Deed Transfer Office shortly before the transfer of ownership, are payable by the buyer and are currently **12%** for private individuals and **6%** for registered companies in North Cyprus.

The Land Registry checks the purchase contract before the transfer of ownership to determine the value of the property and calculates the transfer fee on the basis of the determined value.

### **Stamp duty**

Stamp Duty, which is payable to the Inland Revenue, is calculated on the contract value of the property. In general, stamp duty is payable by the buyer, although the parties can change this at any time by an express clause in the contract of sale.

All sales contracts must be registered with the District Land Registry within 21 days of signing and it is now mandatory that stamp duty of **0.5%** should be paid before the registration.

### **HOW WE CAN HELP**

The multilingual team at "**ONE MEK Investment Company Ltd**" - English, German, French, Russian, Arabic, Farsi, Spanish & Portuguese - offers independent and professional services to clients wishing to purchase a property, assisting and facilitating safe and efficient transactions from pre-construction to completion.

At an initial meeting, we will find out the details of the property you wish to purchase and review any informal agreements you have made with the seller regarding the purchase price, payment schedule and any items included in the sale.

We will explain the procedure you need to follow, including the taxes and fees you will need to pay, and can make enquiries on your behalf to ensure that the transactions are carried out safely and efficiently.

At this stage, the selected law firm may also obtain a power of attorney from you to ensure that we can act on your behalf and sign documents if you are away from North Cyprus for an extended period.

## **SERVICES PROVIDED BY THE LAW FIRM**

The general principles of conveyancing solicitor services are set out below:

- a) The law firm will carry out a land registry search at the relevant land registry office to confirm that the seller is the registered owner of the property and that the property is free from any liens, encumbrances or charges. The law firm will analyse the documentation and check that the relevant planning permissions, building permits and approvals are in place.
- b) In order to protect your rights and interests, the law firm will draw up a contract of sale tailored to your specific requirements, including the details of the sale, the completion dates, the payment schedule and any fixtures and fittings, the responsibilities of both parties and penalties for delay and compensation clauses. The contract will be given to you and the seller for review and if both parties are satisfied with the contents, the contract will be signed.
- c) Once the contracts have been signed and exchanged, the law firm will register the purchase contract with the Land Registry. All contracts for the purchase of property must be registered at the District Land Registry within 21 days of signing the contract and stamp duty of **0.5%** of the property value and half of the transfer fee (12%) of **6%** of the property value must be paid before registration. By registering the contract, you are protected against the property being sold or transferred to a third party and against liens being placed on the property later.
- d) According to TRNC laws, non-TRNC citizens are entitled to purchase only one property at a time up to a maximum of 5 donums per household, provided that the property consists of only one dwelling and is completed at the time of transfer (unless you form a company or form a trust with a local person or law firm). The Turkish Republic of Northern Cyprus (TRNC) Real Estate Acquisition and Long Term Rental (Foreigners) Law (52-2008) stipulates that any non-TRNC citizen must obtain a purchase licence from the TRNC Council of Ministers before the title to the property can be registered in their name. The law firm will make the application for a purchase licence on your behalf and follow up the application until it is completed.

- e) The Council of Ministers will carry out relevant searches, such as property, military and immigration searches. The Council of Ministers must also ensure that you are of good character and have no criminal record. If these requirements are met, authorisation to purchase will be granted. The solicitor's office will notify you as soon as authorisation has been granted and will complete the necessary forms for valuation in the Land Registry. The taxes due on completion will be paid - the second half of the transfer fee (12%) amounting to **6%** of the property value - and the law firm will initiate the transfer of the title deeds into your name.

### **THE PURCHASE AUTHORISATION**

Obtaining the purchase licence is a lengthy process and can take up to a year or more, but this does not mean that you will not be able to take possession of your new property as soon as the contracts have been exchanged. The law firm is always on hand to answer questions and assist you at every stage of the process so that you can enjoy your property to the full without having to worry about conveyancing.

### **BUYING PROPERTY IN THE TRNC - FREQUENTLY ASKED QUESTIONS**

***I am not a TRNC citizen but would like to buy several properties in the TRNC?  
How can I do this?***

You can sign the purchase agreement for multiple properties in your own name; however, you can only apply for a purchase licence and acquire ownership of one property. Therefore, you will need to find an authorised representative (this person should be a friend or relative or someone you know and trust) to take ownership of the property and hold it in trust for you, or you will need to set up a TRNC company. Please ask us for detailed advice on trusts and companies.

Another option is to set up a company in North Cyprus to hold several properties. For this, our partner law firm will also take care of the formation of the company. Details are available on request.

***Can my children, my spouse and I each buy a property?***

The law currently allows the husband and wife to each own one property. Your own children aged 18 and over can also own one property each.

***How long does the purchase authorisation process take and what is involved?***

This procedure can take some time - current estimates are around one year. The process includes enquiries with the Land Registry, the Immigration Office and the military. Please note that in order to apply for a purchase licence, you will need to provide a police clearance certificate with an apostille (criminal record) from the country in which your passport was issued.

***Do I have to wait for my purchase licence before I can move into my property?***

No. As soon as your property is completed, you can take possession of it and move in. As soon as the contracts between the parties have been exchanged and registered at the Land Registry, you will receive the beneficial ownership and contractual rights to the property. By registering the contract, you are protected against the property being sold or transferred to a third party and against liens being placed on the property at a later date.

***Can I sell my property before I get my purchase licence?***

This depends on the terms of your purchase agreement. However, we will always try to negotiate with the seller to include a clause allowing you to sell the property before you receive the title. We would then simply prepare an assignment of contract to be signed between you, the seller and the new buyers, transferring all your rights and obligations under the contract to the new buyers. This topic is very complex and requires intensive consultation, because many parameters and conditions can be involved and these must be determined and contractually authorised on both sides (buyer and seller).

***What taxes are due on the purchase and when are they payable?***

Apart from the Stamp Duty of 0.5% and half of the transfer fee (12%) amounting to 6% of the property value, which is payable within 21 days of signing the contract, taxes are usually payable directly at the end of the transaction after your purchase authorisation has been granted and the title deeds are transferred into your name. However, some sellers require VAT to be paid on the sale price at the time the property is transferred.

**The tax rates are as follows:**

- Land registration fee: 12 %
- Value added tax (VAT): 5%
- Stamp duty: 0.5%

Total: 17.5%

***Do I have to register the purchase contract and pay the applicable taxes?***

No. You do not necessarily have to register the purchase contract or have it registered by your lawyer. The total tax on registration is 6.5% (0.5% + 6%). You can save this sum for the time being. The only risk is that if the property developer goes bankrupt, your investment will be lost. For this reason, it is also advisable to invest with reputable, strong and self-financed property developers.

For investors who want to buy several properties during the construction phase and possibly sell a few of them shortly before or after completion, it is also advisable not to register any purchase contracts. Here it is important to note that all purchase contracts should offer the flexibility for resale and that the agreements for resale of the properties must in any case be contractually recorded and signed by both parties (buyer & seller). The conditions vary depending on the property developer, but many things should be negotiated before the purchase.

**STAY IN THE TURKISH REPUBLIC OF NORTHERN CYPRUS**

Since the laws and regulations of the European Union are not applied in the Turkish Republic of Northern Cyprus, citizens of the European Union must comply with the residence procedure like other nationals. There is no automatic right to reside and work in the TRNC for EU citizens.

Upon entry into the TRNC, the passport is stamped/scanned at the port of entry and authorises the person to remain in the TRNC without working for the period of time indicated on the tourist visa or by the police upon entry. At the end of this period, the person in question must leave the TRNC; otherwise, they may face heavy fines for exceeding the visa period. Persons who wish to stay in the TRNC for longer than the period of validity of the tourist visa must apply for a residence permit.

Foreigners who wish to stay in Northern Cyprus for longer than 90 days within a 180-day period require a residence permit. It allows free entry and exit to the TRNC. The residence permit for Northern Cyprus allows foreigners to stay in Northern Cyprus for longer than 90 days. Foreigners who are in possession of a valid work permit or settlement permit do not need to apply for a separate residence permit.

We support clients in applying for a residence permit. If you would like to discuss this further, please contact us. Our team will help you with your questions & suggest and introduce you to a few law firms and service providers.

## **WHAT KIND OF LAND REGISTER DEEDS ARE THERE IN NORTHERN CYPRUS?**

Following the partition of the island in 1974, Northern Cyprus has developed its own rules and regulations and the Turkish Cypriots have created a different legal system in terms of property transfer procedures. The first and most important issue to clarify is the different types of title deeds that exist in the TRNC today. The different title deeds are as follows:

- a) **PRE-74:** Turkish Cypriot or other foreign ownership prior to 1974: this type of title deed is considered to be completely secure
- b) **EXCHANGE:** Greek Cypriot ownership before 1974: TRNC Freehold, also called Esdeger or Exchange Land. This is the land given to the Turkish Cypriots by the TRNC government in exchange for the land they lost in the south of the island at partition. Based on the TRNC Constitution of 1983, all deeds are rectified and labelled as TRNC deeds and are freely transferable to foreigners.
- c) **TAHSIS (TMD) deeds:** This was land that originally belonged to a Greek Cypriot before 1974. Tahsis title deeds were issued by the Turkish Northern Cypriot Community Government (TRNC) after 1974 to a Turkish Cypriot refugee or to a settler from mainland Turkey.
- d) **LEASHOLD:** Property owned by the TRNC government, which grants long-term leases with a term of 49 years

If you need help setting up a deed of trust for your property purchase in the TRNC or financial assistance in securing a loan or mortgage for your investment, please contact us.

## **FOR CONSULTATION & MORE INFORMATION**

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*\*Please let us know your name and contact details and describe your request in as much detail as possible so that we can help you quickly.*