

## **Guide To Purchasing Property In The Turkish Republic Of Northern Cyprus**

Under the current laws of the Turkish Republic of Northern Cyprus (TRNC), non-TRNC Citizens are entitled to purchase the following:

- In the case of vacant land one single plot up to a maximum area of 1338m<sup>2</sup> (however, non-citizens cannot purchase agricultural or forestry land); or
- In the case of an apartment, one single apartment (or three apartments in the case of citizens of the Republic of Turkey); or
- In the case of an individual house, one single house with a plot size of no more than 3300m<sup>2</sup> It would not be possible for any additional dwellings to be constructed on the plot after the purchase.

Husband and wife may purchase one property each in their own names.

Under legislation passed by the TRNC Government on 21<sup>st</sup> May 2024, non-citizens are no longer able to purchase properties which have shared title deeds. In addition, the sale and transfer of any properties which do not have individual or storey easement title deeds (known as ‘Kat İrtifak Koçanı’ in Turkish) is no longer possible. However, if the property is an apartment or individual house, this can be purchased by up to three co-owners on a shared title basis. Anyone who carries out any procedure in excess of the acquisition rights set out in the law and anyone who sells property which has shared title to a non-citizen or anyone who makes a Contract of Sale in relation to a property which does not have an individual or storey easement title deed or anyone who carries out or assists in the carrying out of the sale or transfer of a property which does not have an individual deed or storey easement deed commits a criminal offence and is liable to a fine of up to 500 times the gross monthly minimum wage.

Before the title deeds to the property can be registered in your name, you will need to have permission from the TRNC Council of Ministers. This is explained in more detail below.

The Conveyancing procedure followed by Naomi Mehmet & Partners is designed to ensure that your interests are protected as far as possible throughout the whole transaction. The first step will be an initial meeting with you to obtain information about the property you have chosen and any informal agreements you have made with the vendor regarding price, payment schedule and included items. This stage may also involve taking a power of attorney from you to ensure that we can act on your behalf to sign documents if you are away from Northern Cyprus for long periods of time. At this stage, the estate agent or vendor may request a holding deposit from you in order to reserve the property for you pending preparation and signing of the Contract of Sale. Holding deposits are usually non-refundable in the event that the purchaser withdraws from the sale without a valid legal reason for doing so (such as an encumbrance being found with the property). Therefore, you should be aware that, if you change your mind about the purchase, the deposit would usually be forfeited. In addition, you should be aware that, once a holding deposit has been released, should the vendor withdraw from the sale or should the sale fall through due to a legal issue which would entitle you to the return of the deposit, in the unlikely event that the vendor refuses to return the deposit, you may have to commence litigation proceedings to recover the deposit through the courts, which can be lengthy and costly.

We will next review the title deeds on your behalf to look for evidence that the vendor is the registered freehold owner of the land/property. Where applicable, we will also check that the planning consents for the construction have been obtained. We will then prepare a Contract of Sale to safeguard your interests. The Contract of Sale will include all important terms such as plot

number, plot size, price, payment schedule and completion date. If you are purchasing a property which is under construction, the Contract of Sale will also usually include penalty clauses for late completion and all floor plans and specifications will be attached to the contract to ensure that the vendor is bound to carry out the construction work in accordance with these. The contract will be sent to both the vendor and the purchaser for review. When both parties are happy the contract will be signed.

Under current regulations, all Contracts of Sale for the purchase of immovable property in Northern Cyprus to be registered at the District Lands Office within 75 (seventy five) days of being signed. It is compulsory for the Stamp Duty to be paid at the rate of 0.5% before registration can take place. In addition, under new regulations since February 2023, for citizens other than citizens of the TRNC and the Republic of Turkey, half of the Land Registry transfer fees (i.e. 6% of the sale price or Land Registry valuation, whichever is the highest) is payable on the registration of the Contract of Sale.

Further, in December 2007, the Electricity Board introduced a regulation under which Purchasers can no longer apply for an electricity meter to be connected to their property unless they can prove that the Stamp Duty on their Contract of Sale has been paid.

Please request a copy of our Guide to Taxes for Property Transactions for more detailed information relating to taxes.

At the time of registration of the Contract, the Land Registry conducts a search to confirm that the vendor is the registered freehold owner of the land/property and that there are no mortgages/charges, injunctions or other encumbrances registered over the property. Once the Contract of sale is registered the purchaser is protected against the property being sold to a third party and the Contract will take priority over any subsequent encumbrance.

After registration of the Contract of Sale at the Land Registry, we will then make the application to the Council of Ministers for your permission to purchase. An application fee of half of the gross monthly minimum wage payable to the Ministry of the Interior when the application is submitted. Whilst processing your purchase permit application, the Council of Ministers will take searches from the land registry, the military and the immigration authorities and provided that these are positive, the permission will be granted. The permission process can take a long time to complete; the current estimation is around two years. However, this will not prevent you from moving into the property or leasing the property or possibly even selling the property – as standard practice, we always try to negotiate with the vendor the insertion of a clause into the contract allowing you to sell the property before taking title to the property. You should note that the Government of the TRNC has made statements to the effect that all purchasers should obtain permission to purchase from the Council of Ministers before purchasing the property so that payment can be made simultaneously with transfer of title. There is a risk that the permission to purchase could be refused and there are other risks associated with making payment before transfer of title while the deeds remain in the name of the vendor. Therefore, to protect purchasers, the Government advises that permission to purchase should be obtained before any monies are paid by the purchaser. However, due to the length of time permissions are taking to be processed, purchasers find that following this advice is not practical. It is virtually impossible to find a vendor who is willing to wait for a purchaser to obtain purchase permission before concluding the sale. Purchasers who proceed on this basis must therefore accept that there are risks attached to purchasing without obtaining permission from the Council of Ministers first and making payment simultaneously with transfer of title and there is also a small possibility that the permission to purchase could be

refused. You can reduce this risk by ensuring that the property you wish to purchase is not in close proximity to any military bases and you should be aware that you will need to prove to the Council of Ministers that you have no previous criminal convictions. Please note that you will therefore need to provide us with an original police certificate from the country of which you are a citizen in order to enable us to make your application for permission to purchase to the Ministry of the Interior on your behalf.

In the case of all new residential developments which did not already have building permits in place or in respect of which building permits had not already been applied for prior to the new legislation of 21st May 2024, a minimum of 20% of the units must be sold to nationals of the TRNC or the Republic of Turkey. Where the developments consist of apartments, no more than half of the units can be sold to foreign purchasers who are first degree relatives of each other or to foreign purchasers of the same nationality. In addition, no more than 7% of the land area of each area and no more than 3% of the land area of the whole country can be sold to non-citizens. The Ministry of the Interior has the right, in situations where there are any concerns around national security, public interest and public order, to publish a directive in the Official Gazette, declaring that non-citizens cannot acquire (other than by way of inheritance) property in the particular area stipulated in the directive.

Once your purchase permission has been granted, we will notify you. If you wish us to act for you in connection with the transfer of title, we will then fill out all of the necessary land registry valuation forms for the valuation of the property. The taxes due on transfer of title will be paid and the title deeds will be registered in your name (please refer to our Guide to Taxes for further information on taxes). If you have left us with power of attorney, all of this can be dealt with without you being required to travel to the TRNC. We will then collect and keep the title deeds for you until you are ready to collect them.

The transfer of title must be carried out within 6 months of the permission to purchase being published in the Official Gazette, otherwise the permission to purchase will be void. However, if the payments due under the payment terms of the Contract of Sale submitted to the Ministry with the application for permission to purchase are still ongoing at this time, the 6-month period will start from the date on which the final payment is made. In this event, both the seller and the purchaser must pay their transfer of title taxes within 60 days of the permission to purchase being published in the Official Gazette, otherwise the permission to purchase will be void. If the permission to purchase is void and the purchaser has to re-apply, the application fee for the second application will be double the usual fee amount. A third application by the same purchaser for the same property will not be permitted.

Anyone wishing to purchase property in Northern Cyprus should be aware that there are risks as in many other countries. There have been cases where people have experienced problems due to misleading advertising, breach of Contract by vendors/builders, non-completion or late completion of off-plan properties or taxes have been charged incorrectly. You should be aware that the process of achieving legal redress in these situations is likely to be different to that in your home country.

The ownership of many properties is disputed across the island as a result of the inter-communal fighting in the 1960s and 1970s.

Negotiations for a settlement which will involve the issue of property on both sides of the island are still continuing. Until the negotiations have been concluded and a settlement has been accepted

by both sides, there cannot be a definite answer to the question of what the implications of a future settlement might be.

Under the laws in the South of Cyprus, buying, selling, renting, promoting or mortgaging a property which belonged to a Greek Cypriot prior to 1974 is a criminal offence. Documents relating to the purchase of property in Northern Cyprus may be subject to confiscation when crossing the Green Line.

In a previous case heard in the European Court of Justice (ECJ) in 2009 (*Apostolides v Orams*), the original Greek Cypriot owner of a property purchased by an English couple in the North of Cyprus was able to rely on EU legislation on the reciprocal enforcement of judgments to enforce the judgment obtained in the Courts of the Republic of Cyprus against the English purchasers of the property in the Courts in the UK.

Since then, the European Court of Human Rights (ECHR) has ruled, in the case of *Demopoulos v Turkey* in 2010, that the Immovable Property Commission (IPC), which was set up by the TRNC authorities in 2005 in order to provide Greek Cypriots with a means of obtaining compensation and/or restitution for their properties in the North, provides an accessible and effective framework of redress in respect of complaints about interference with properties owned by Greek Cypriots and that any future claims made to the ECHR by Greek Cypriots who have not made use of this mechanism would be rejected for non-exhaustion of domestic remedies. Any compensation awarded by the IPC to Greek Cypriot applicants is paid for by the TRNC Government. A percentage of the Land Registry transfer fees paid by purchasers on their purchase of property in the TRNC is used to help fund the IPC.

It is advisable for purchasers to discuss the issue of the ownership of properties in the TRNC with their lawyer and to have regard to the advice given by the Foreign Office of their home country or their local consulate/embassy in Cyprus.

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

### ***Can my spouse and I purchase one property each?***

Yes. Under current rules, husband and wife may now purchase one property each in their sole name.

### ***How long will the purchase permission process take and what does it involve?***

This process can take some time - current estimations are around two years. The process involves searches being taken from the Land Registry, the Immigration and the Military.

### ***Do I need to wait for my purchase permission before I can move into my property?***

No. Once your property is complete, you will be able to take possession of your property and move in. However, see our notes above on the advice of the Council of Ministers and associated risks.

### ***Can I sell my property before I obtain my purchase permission?***

This depends on the terms of your contract of sale. As standard practice at Naomi Mehmet & Partners, we always try to negotiate with the vendor to insert a clause allowing you to sell the property before taking title. We would then simply prepare an assignment of contract to be signed between you, the vendor and the new purchasers assigning all of your rights and obligations under the contract to the new purchasers.

***What taxes are payable on the purchase and when are these payable?***

Please refer to our Guide to Taxes for more details on this subject. The rates of tax are the rates in force on the date of transfer of title. However, the current rates are as follows:

- Land Registry Transfer Fee –  
**For citizens other than citizens of the TRNC and the Republic of Turkey:** 12% of the sale price stated in the Contract of Sale or the Land Registry valuation, whichever is the highest. Half of the Land Registry fees (i.e. 6% of the sale price or Land Registry valuation, whichever is the highest) will be paid on the registration of the Contract of Sale and the balance will be paid on transfer of title.  
**For citizens of the TRNC:** 6% of the sale price stated in the Contract of Sale or the Land Registry valuation (whichever is the highest). However, every person has a once in a lifetime option to reduce this to 3% in respect of a plot up to 1 donum in area.  
**For citizens of the Republic of Turkey:** 6% of the sale price stated in the Contract of Sale or the Land Registry valuation (whichever is the highest) in respect of the first purchase, 9% of the sale price stated in the Contract of Sale or the Land Registry valuation (whichever is the highest) in respect of the second purchase and 12% in respect of the third purchase. From this, 3% of the sale price or Land Registry valuation, whichever is the highest, toward the Land Registry transfer fees will be paid on the registration of the Contract of Sale and the balance of the Land Registry transfer fees will be paid on transfer of title.
- VAT – 5% for properties with an internal area less than 300m<sup>2</sup> and 10% for properties with an internal area of 300m<sup>2</sup> or more. VAT, if payable, is usually paid by the Purchaser to the Vendor on the date on which possession of the property is delivered to the Purchaser in return for an official VAT invoice (known as a ‘fatura’ in Turkish) which is then produced to the Tax Office on transfer of title as proof that the VAT has been paid, although it is sometimes payable on transfer of title.
- Stamp Duty – 0.5% is payable to the tax Office on the registration of the Contract of Sale at the Land Registry.

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