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North Cyprus Guide on Real Estate for Foreigners by Soylem Coli

Travelling to North Cyprus

The airport to use when traveling to North Cyprus is Ercan International Airport in the capital Nicosia. To board the plane and enter the country, the visitor only needs a valid passport. Upon arrival, the visitor will need to fill up a form which will act as their visa.

Alternatively the visitor can travel to Larnaca or Paphos Airport in the South and cross through one of the crossing points below;

- a) Ledra Palace (for pedestrians only)
- b) Agios Dhometios
- c) Pergamos
- d) Strovilia
- e) Ledra Street (for pedestrians only)
- f) Astromeritis-Zodhia
- g) Kato Pyrgos – Karavostasi
- h) Lefka-Apliki Kato

i) Deryneia

Foreigners visiting North Cyprus may be granted a visa up to 90 days, depending on its type, at the designated ports and border crossings, provided that they fulfill the conditions stipulated in the Aliens and Immigration Law and they are not deemed unfit to enter the country. The length of stay granted at the designated ports and border crossings of North Cyprus cannot exceed 90 days within a period of 180 days. All foreigners who wish to stay in North Cyprus for more than 90 days, are required to obtain a residence permit (addressed below). Residence permit can be obtained for many reasons and the main three reasons can be; the person owning a property in North Cyprus, or being a student at a local school/university, or is working in North Cyprus for a locally registered company.

Buying Property in North Cyprus as a Foreigner

Foreign national individuals or lawfully married couples are entitled to purchase one house or a maximum of 14,400 sqft of land per person. However, there are many ways that legally a foreign national can acquire multiple properties. This statement only applies for properties that the buyer wishes to acquire the title deed to their personal name. It does not apply for companies, trusts, contracts of sales registered.

Investing in multiple properties from North Cyprus:

If the individual or the couple wish to purchase more than one property, they have a few options that can be discussed, such as

- using a Trustee/ Nominee
- combining multiple properties in one contract of sale
- registering the title deeds under a company name
- registering the title deeds under a relative's name
- using a Government registered Contract of Sale

These options must be discussed with the buyer's local lawyer to determine the most cost-effective and secure method.

The foreigners can not buy properties that are in close proximity to military bases due to national security reasons. Buyers are advised to double-check with the realtor if this is the case. The buyer also, should always check with the seller or the agent if the title deed is a freehold.

The prices for real estate transactions are quoted in British Pounds in North Cyprus so it is best double-checked when entering into a contract the currency of the agreement. This is because the island is a former Crown Colony. The regulatory structure is also closely aligned to the English common law legal system.

Some investors choose not to transfer the title deed of the property in their name:

The buyer receives ownership rights when the contract of sale is registered to the Government. This costs around 0.5% of purchase price in stamp duty fees. Usually investors, who intend to obtain passive income as rent for a relatively short period of time and re-sell the property within 5-10 years; hold the rights to the property with the contract of sale and avoid going through the title deed transferring process which would incur further 3-6% of the sale price in transfer tax/ fees (currently reduced to 1% for <430sqft properties) .

When doing the contract of sale, if the buyer ensures that the developer allows this option and does not state a deadline for the title-deed transfer, the investor can increase their Return on Investment by reducing the initial expenses incurred. This transfer fee is then passed onto the next buyer when the property is sold. This also allows the buyer to obtain multiple properties as an investment or primary residency/ holiday-home. This does not affect the ownership, inheritance, or residency rights of the buyer and is a common business practice.

The title deed is held by the developer but at any point in future, the owner can transfer deeds into their name. If the developer firm is to dissolve or bankrupt the homeowner's contract of sale registry will grant them the title deed of the property in the court of law. However, the buyer then will need to pay the title deed transfer fee. The ownership rights are protected as long as the District Land Office registry of the sale is completed.

Buying on-site

Once the property of interest is identified, the purchasing process begins. Buyer will need a valid passport to initiate the process.

It is normal to sign a reservation contract with a small fee ranging between \$1,000 and \$5,000 acting towards the down-payment. Following this, a sales contract is drawn up between the developer and the buyer, where we strongly recommend a local lawyer's assistance to act in the best interest of the buyer.

Once the sides agree, the contract is signed in person by the buyer and the developer's representative. It should be noted that the contract will need two witnesses and should be signed in blue ink pen. It should also be checked that the representative has a valid POA or is the director of the developer company. The next step is registering the contract of sale to the District Land's Office.

Buying investment properties remotely

It is essential for properties that are bought for rental income plus appreciation to have property and rental management teams. Otherwise, it is very hard to find a third-party management company to handle these services. Secondly, the deed of the property should also be checked to ensure a clean deed for potential investors.

Prior to initiating the remote purchase, the buyer should ensure that a company or a realtor will coordinate different departments to not only legally finalise the sale overseas but to also handle the furnishing, management and rentals.

Once these two factors are sufficiently fulfilled and the person finds a property of interest wanting to buy sight unseen they must ensure they understand the details of the deal and make their best offer. Once both of the parties agree on the terms of the deal, the first step of securing the deal is signing a reservation contract with a small fee ranging between \$1,000 and \$5,000 acting towards the down-payment. In exchange of the reservation fee the buyer receives a reservation contract and a receipt. The payment can be made through a wire transfer or via credit card using a mail order form. The person would also need to provide a digital copy of a valid passport, and

some basic personal information regarding current address, contact details, etc. filled in a form.

The next step is the Contract of Sale. The contract must include all the details to the agreement, including the payment terms, late delivery penalty clause, title deed copy, site plan copy, and the list goes on. The buyer is strongly advised to work with a trusted local lawyer at this stage that will handle the details professionally and protect the buyer's rights. To avoid conflict in interest, the lawyer chosen is advised to be a third party and does not represent the seller, to act in best interest of the buyer. You can get recommendations from realtors on the best real estate attorneys that operate locally who are capable and experienced with overseas transactions.

The lawyer can handle many services, from simple sales contract signing to permission to purchase application and even the permanent residency application. It is best to state your full intentions related to your purchase to determine the best package for you. Most lawyers offer similar services, just to give an idea they are likely to do an in-depth search on the property to inform the buyer on any liens, charges, or encumbrances, check building permits and approvals, draft up a sales contract where responsibilities of both parties and default penalties and compensation clauses are clearly stated, handle and/or assist procedures with the local government offices, and the list goes on.

When buying a property remotely, two of the most common methods used are using a Trust Company in North Cyprus or obtaining a Power of Attorney. With both of these methods, you attain your local lawyer as your nominee to act on your behalf to sign documents legally. The latter will require traveling to the North Cyprus Representative offices

of Turkish Embassies in the country of residence of the buyer. However, the trustee option is relatively easier. The buyer will need to send an email approval for the contract of sale between the trust company and the seller. Later, a trust agreement is signed separately between the buyer and the trust company. Trust agreements tend to have periods of validity where it needs to be renewed.

Once either a trust or a power of attorney is obtained, and the details of the contract is agreed on by the seller and the buyer, the contract is then signed.

The buyer can use the same documents of POA or Trust to buy multiple properties later on, which makes the following purchases easier than the initial one.

Registering the Contract of Sale

At the time of the sales contract signing, the buyer usually pays 30-60% of the sales price as the down payment depending on the stage of construction the property is at. These payments can be made to the developer, realtor or to the buyer's lawyer to avoid the need to obtain a local bank account. If the property is ready for key-handover or a resale, then usually the full sale price is paid at the time of title deed transfer.

Next, the sales contract should be deposited to the District Land's Office within 21 days of signing. At this stage, the stamp duty of 0.5% is also paid to the Government. Registering the sales contract to the Government Land's Office secures the property under the buyer's name and is legally binding. Registering the contract ensures that you

are protected from the property being sold or transferred to a third party and from any subsequent liens being placed on the property.

If the property is complete, the buyer does not need to wait until the purchase permission application is finalized. The buyer can take possession of the property once the sale contracts are exchanged between the parties and registered at the Land Registry, the buyer will acquire beneficial interest and contractual rights of the property.

Should the buyer decides to re-sell the property before obtaining permission to purchase, unless otherwise stated on their contract of sale, they can re-sell with no limitations.

Following the Sales Contract Registry

After the sales contract registry and down payment, the remainder balance is paid according to terms set out in the contract. If buying preconstruction, installments are the typical payment plan. For resales, the buyer will be expected to remit full payment when the title deed is transferred.

Permission to Purchase Application

Non-Cypriot citizens must then request permission to acquire the property. To acquire the immovable property, foreign nationals and companies are required to obtain 'Permission to Purchase' which also requires a clean criminal background check from their local Police Department. You will also be required to submit bank reference letters and several other documents. The buyer's lawyer can make the application for a purchase permit on their behalf to the Council of

Ministers and follow it up until the completion. It can take up to a year to complete the process, but you can use the property as you wish in the meantime. This step is a formality. In the rare event that this request is denied, you can reapply. The buyer does not need to wait for the permit to be granted, the buyer will be able to take possession of the property once sale contracts have been exchanged and residency and inheritance rights are not affected.

The buyer can also sell the property with a sales contract even if the titling is not yet transferred to their name. The title can be transferred directly to the next buyer's name hence the first buyer can avoid paying the Title deed transfer fee which is 3% on the buyers first purchase (have been reduced to 1% to attract investment during the Pandemic) and 6% on the second or more purchases. For details please see the taxation section below.

Residency permit

Given that the person intending to apply for residency in North Cyprus has initiated the property purchasing and the person has a clean police background check; the person becomes eligible to apply for residency and reside in the country while this is being processed.

To initiate this process the buyer does not need to obtain title deed to the property in their name nor that they need to payoff the property or pay any minimum sum of the property value in North Cyprus. The value of the property is also not of relevance, there are no required minimum sum of money/ investment criteria for residency, unlike other parts of the Europe.

If relatives and/or family members of the buyer wishes to apply for residency in North Cyprus using the purchased property in question, they either need to be the children of the buyer that are younger than 18 years of age or they need to be the legally wedded husband/wife. If anyone else other than mentioned family members wishes to apply for residency, for example a parent of the buyer, older children or siblings, their name should also be in the contract of sale and they need to own some rights to the property being purchased.

This is a very straightforward application, and the buyer can reside in the country while their application is being processed, and the buyer holds the right to reapply. This is a formality, as having purchased a property with a Government registered Contract of Sale makes the buyer eligible for residency given that they have a clean background report.

Requirements for the 'Permanent Residency Scheme'

Persons must be present at the time of application in relevant Government Offices

Passport original and photocopy

Owning a property/land in Cyprus (Contract of Sale deposited to the District Land Registry) or in-case of purchasing a resale, the Title Deed of the property

Proof of sufficient funds to support the buyer. Before application, persons must open up a local bank account and deposit 8000GBP as proof of sufficient funds to support themselves for two years. The value of the investment is not of relevance.

Health tests obtained from the licensed clinics or State Hospital

Proof of address obtained in letter (Ikametgah belgesi) form from local Muhtar (Village chief)

Clean background checks obtained from your local Police Department

It is important to note that the residency permit only entitles the person to live in North Cyprus. It does not entitle the person to work or set up a business. To do these, the person either needs a work permit or a permit to set up a business. The residency permit should be renewed every year by following the same procedure except for the hospital check.

It should be noted that children under the age of 18 years, do not require residency permits. Therefore, families moving to North Cyprus only need to apply for residency for the adult members of the family.

Citizenship

Becoming a citizen of North Cyprus is not granted. However, citizenship is granted to all persons whose mother or father is a Cypriot or to those married to a Cypriot. At the moment, there is a new law in Parliament to allow foreign nationals to become citizens after 10 years of residence.

Key-Handover (KHO)

Some vendors may offer the buyers longer payment plans than the completion period. In this type of scenario, the buyer can receive the keys of the property, move-in for personal use, or start generating returns through rentals without the need of paying the full price off if agreed as such in the contract of sale. The buyer can also obtain a residency permit before they finalize their payments and the title deed transfer. At this stage, further taxes and infrastructure contribution fees must be paid (please refer to the costs section below). If the buyer is strictly interested in investment gains, a period for furnishing should be accounted for before the property can generate returns.

Title Deed Transfer

Under the laws of North Cyprus, non-citizens are entitled to only one property at any one time providing that the property only consists of one dwelling and the property is completed at the time of transfer.

Separation of title deeds for individual properties when an off-plan unit is bought can take up to 2 years after the date of completion. Following this, it is a very simple procedure to transfer the Title Deed, usually, the buyer's lawyer can assist them on the day of the application, and it is usually completed on the day of application. The fee of 3% for the first-time buyers (reduced to 1% due to the Pandemic) is payable to the Government. Please see taxes and other fees below for more details.

Taxes payable by the purchaser

Stamp Duty: 0.5% of the purchase price due payable at the time of registry of the Contract of Sale (Stamp duty is a one-time payment, applies to resales)

VAT: 5% of the sale price is due payable at the time of Key-handover to the first owner of the property (VAT is a one-time payment, only applies to the first buyer)

Title deed transfer fee: 3% of the purchase price (reduced to 1% due to the Pandemic) payable at the time of Title deed transfer for the first purchase of the buyer. When a buyer purchases for second or more properties this value is 6%. Some investors do not pay this if they are planning to exit the investment at some point, and then this fee passes onto the next buyer (Title fee is a one-time payment, applies to resales)

Infrastructure contribution and utility connections fee: ranges between 1000 STG and 3000 STG (Infrastructure fees are paid by the first owner of the property, and in some cases, if stated by the contract the vendor covers these costs)

Home Ownership Tax is currently 3 Turkish Liras per sqm (HOT is a recurring payment, paid annually)

If the owner receives rental yields from their property, they should pay a capital gains tax of 10% of their revenues usually called the Stoppage tax. The buyer should check with their local tax authorities if they will be subject to double-taxation in their country of residence. (Stoppage is a recurring payment, paid annually)

PS: When selling the property, the Capital Gains Tax (Stopaj) is payable to the Tax Office by the Vendor although this can always be varied by the parties by an express clause in the Contract of Sale.

Inheritance Taxes

Different taxes are applicable where the transfer is made by way of a donation (gift);

To a child from parents with 0.2%

To spouse with 0.4%

To a grandchild with 0.4%

Plus withholding tax is payable to the Finance Department.

Taxes when selling your property

First-time sellers can exert their right to not pay any Capital Gains Tax. From the second sale onward by the same person is subject to Capital Gains Tax of around 4.7% of the valuation of the property.

If the person chooses to work with an agent the commission is payable by the seller.

Other closing costs

The two other main costs are the legal fees which can range between 1000 STG and 5000 STG depending on the services chosen by the buyer.

The other is the furnishing. Most vendors offer furniture packages.

Even when the property is advertised as unfurnished; it usually comes with fitted tiles, kitchen cabinets, fitted sink, toilet and bathroom, AC infrastructure. However, the buyer must always check what is included in their purchase price with the vendor and have it in the written form attached to the sales contract.

The buyer might also get into a maintenance agreement for the common areas of the complex the property might be sharing, and these maintenance fees are payable monthly or annually. An agreed amount of deposit per the agreement might be paid at the time of entering into this contract usually at the time of Key-Handover. Full recurring costs should be discussed with the developer and/or their representatives.

Opening up a bank account in North Cyprus

A buyer does not need to open up a bank account to purchase a property in North Cyprus. They can simply use the client accounts of the lawyers, developers and rental teams to handle local transactions and use a wire transfer to access the accounts.

If the buyer is intending to live in North Cyprus, then they should obtain a bank account to be able to apply for a permanent residency scheme. There are banks that do ex-pat banking, allowing foreigners full access to their accounts even when they are abroad. The bank's accounts can be opened in different currencies and the options are TR, USD, Euros and Pounds. The person intending to open up a bank account should make a reservation to see a banker in person.

To open up a bank account documents below are needed:

A valid passport

A local address

An income certification, or certification of funds from the home country

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