

**A**lthough there are some pockets along the Turkish coast where overdevelopment is already starting to become an issue, there are other, less built up areas offering great opportunities to those willing to invest the time and effort into researching those locations thoroughly. The last year or two has also witnessed increased interest in Istanbul as a focal point for buyers motivated by investment rather than lifestyle considerations. Those investors are aiming at the local Turkish (rather than overseas) 'end user' as their target audience.

Whether a coastal or metropolitan investment, similar legal issues continue to characterise the market.

In particular, if you are buying a property under the course of construction, you will still need to be sure your developer is building with planning permission in the first place and, if so, what type of permission they have actually been granted.

It's also been very commonplace for buyers in Turkey to be led to believe they are buying property with the equivalent of 'freehold' title (with full unrestricted ownership rights) when, in fact, they are actually buying property with possible restrictions on their personal enjoyment.

For example, you might only be allowed to use your property for a certain number of weeks a year and be legally obliged to take steps to rent your property on a commercial basis for the rest of it. If you see your property mainly as an investment that may not pose too much of a problem, but if you've been expecting to be able to use it all year round and come and go as



# Turkey update

WHILST STILL A CONSIDERED BY MOST AS AN 'EMERGING' PROPERTY DESTINATION, THE MARKET HAS CERTAINLY STARTED TO MATURE. THE MARKET STARTED TO GROW SIGNIFICANTLY IN INTEREST AMONG FOREIGN PROPERTY BUYERS SOME FOUR TO FIVE YEARS AGO. IT WAS FUELLED LARGELY BY THE HOLIDAY HOME BUYER AND INVESTORS WHO WERE SEEKING INVESTMENTS FURTHER AFIELD FROM THE ESTABLISHED EUROPEAN DESTINATIONS.

you please, it can come as an unwelcome surprise.


What's more, it is customary in Turkey to "under-declare" the purchase price of the property by inserting a lower value onto the title deed (Tapu). In some cases, the under declarations can be substantial. Sellers will usually want you to declare a lower price than the purchase price because they declared a much lower value when they first bought the property. If they can't persuade you to under-declare the price, then they will be liable to pay tax on an artificially high capital gain.

They (or their agent) will usually suggest to you that your purchase taxes payable will be correspondingly lower and, therefore, you are saving yourself money. They will also usually tell you that "everyone in Turkey does it". In saying so, they are not wrong as it is, indeed, common practice. However, you need to be aware that by agreeing to an under-

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declaration, you are assuming risk.

First of all, you should not overlook the fact that under-declaring is illegal. Secondly, there is a trend across continental Europe (which has already started to reach Turkey) of increased vigilance by the tax authorities in areas where they are aware that taxes are going unpaid. Property transactions are one such area and, as a consequence, you may be liable to pay the extra tax based on a re-assessed value plus penalties. The re-assessed value may well be lower than the actual market value but, either way, you may well become the one lumbered with the artificially high capital gain that your seller was so keen to avoid.

Despite these and a number of other legal issues, Turkey remains an extremely attractive country in which to invest. One of the easiest ways of safeguarding your money is by formally instructing your lawyer before you go looking for property. Remember above all, most of us are only a phone call away and can give you instant help and advice when you are being asked to sign anything by the developer or agent. 

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