

NEW REGULATIONS ON IMMOVABLE PROPERTY PURCHASES FOR FOREIGNERS (TRNC)

On May 21, 2024, the TRNC Legislative Assembly enacted extensive revisions to the Acquisition of Immovable Property and Long-Term Lease (Aliens Law) No. 52/2008.

These modifications significantly alter property transaction regulations.

This article outlines the changes to help you comprehend their impact on both prospective and current property owners without title deeds.

Revised Definitions for “Foreigner” and “Foreign Legal Entity”

The new amendments define a “Foreigner” as anyone who is not a TRNC citizen, including foreign legal entities. A foreigner’s trustee is also deemed a foreigner under this law.

A “foreign legal entity” is a company registered in the TRNC with any foreign shareholder, regardless of the share percentage. Companies with a majority of foreign directors or those acting on behalf of foreign entities are also included.

Previously, a company was considered “local” if 51% of its shares were held by TRNC citizens. Now, a local legal entity must have all shareholders and a majority of directors as TRNC citizens.

Trustee Agreements

Foreigners and foreign legal entities commonly used Trustee Agreements with TRNC citizens to acquire property.

Under the amendments, Trustee Agreements for more than one property or those not meeting Law No. 52/2008 requirements are invalid.

All Trustee Agreements made before May 21, 2024, must be registered at the District Lands Office within 75 working days, or they will become void.

Restrictions on Property Acquisition

The amendments impose stricter limits on property purchases and long-term leases by foreigners and foreign legal entities in Northern Cyprus, including:

- No purchases of agricultural or forest land.
- No purchases in areas restricted by the Council of Ministers for national security, public interest, and public order (except through inheritance).
- No acquisitions exceeding 7% of a district’s area or 3% of Northern Cyprus’s total area.
- The Council of Ministers can restrict purchases by certain foreigners or entities for national security or public safety reasons. Registrations contrary to these rules will be invalid.

Requirements for Foreign Property Acquisition

Foreigners and foreign legal entities may purchase one immovable property with Council of Ministers approval, under these conditions:

- Land must comply with building regulations, not exceed 1,338m², and allow only one residence.
- Only one apartment purchase is allowed, with specific title deed requirements.
- Citizens of states recognizing the TRNC (e.g., Turkey) may buy up to three apartments.
- Detached houses cannot exceed 3,300m², with no additional buildings.
- Foreigners cannot buy shared title deeds unless it's a detached house or apartment, with a maximum of three foreign buyers per shared title deed.
- No more than half of apartment units on the same plot can be purchased by foreigners of the same nationality or first-degree relatives. At least 20% must be sold to TRNC citizens or citizens of states recognizing the TRNC.
- Pre-existing developments with permits or applications before these amendments are exempt, except for land projects based on trustee agreements.

Permission to Purchase

- Foreigners and foreign legal entities, including their shareholders and directors (if the majority are foreigners), must obtain Council of Ministers permission to purchase property.
- Changes in foreign legal entity ownership or director composition also require permission.

Application Process

- Applications must be submitted online with property details and a Police Clearance Certificate from the applicant's home country. Applications with a criminal record will be rejected.
- Fees: First application costs half the gross minimum salary (17,035 TRY as of May 21, 2024); the second application for the same property costs double.

Title Deed Transfer

- Approved purchases must have the title deed transferred within six months, or the permission will expire.
- For installment payments, the six-month period starts after the last payment. Taxes must be paid within 60 days of permission being granted.
- If taxes aren't paid within 60 days, permission will expire, but reapplication is allowed with double fees. No third reapplication is permitted for the same property.

Penalties and Fines

- Non-compliance results in fines of 500 times the minimum salary wage, particularly for:
 - Selling agricultural or forest land to foreigners.
 - Exceeding property acquisition limits.
 - Sales without appropriate title deeds.
 - Selling shared title deeds to more than three persons.
 - Exceeding apartment sales limits to foreigners.
 - Making trustee agreements to bypass acquisition limits.

Transitional Rules for Existing Contracts

- Sales contracts made before May 21, 2024, must be registered and permission to purchase applied for within six months, or a fine of 500 times the minimum salary wage will be imposed. Absence abroad is a valid defense in court.
- Transfers must be completed within six months from May 21, 2024, or fines will apply.
- Vendors and purchasers must pay all taxes and fees within 60 days from the publication of the Council's permission.
- Pre-May 21, 2024, trustee agreements must be registered within 75 business days or will become void.
- Non-compliance will invalidate Council permission and contract registration.
- Transfers delayed by lawsuits must occur within one month of the court decision.

For further assistance or clarification, please contact us for legal consultation.