

**39/2024 LAW ON THE
PURCHASE OR LONG-TERM
RENTAL OF REAL ESTATE BY
FOREIGNERS (AS AMENDED).**

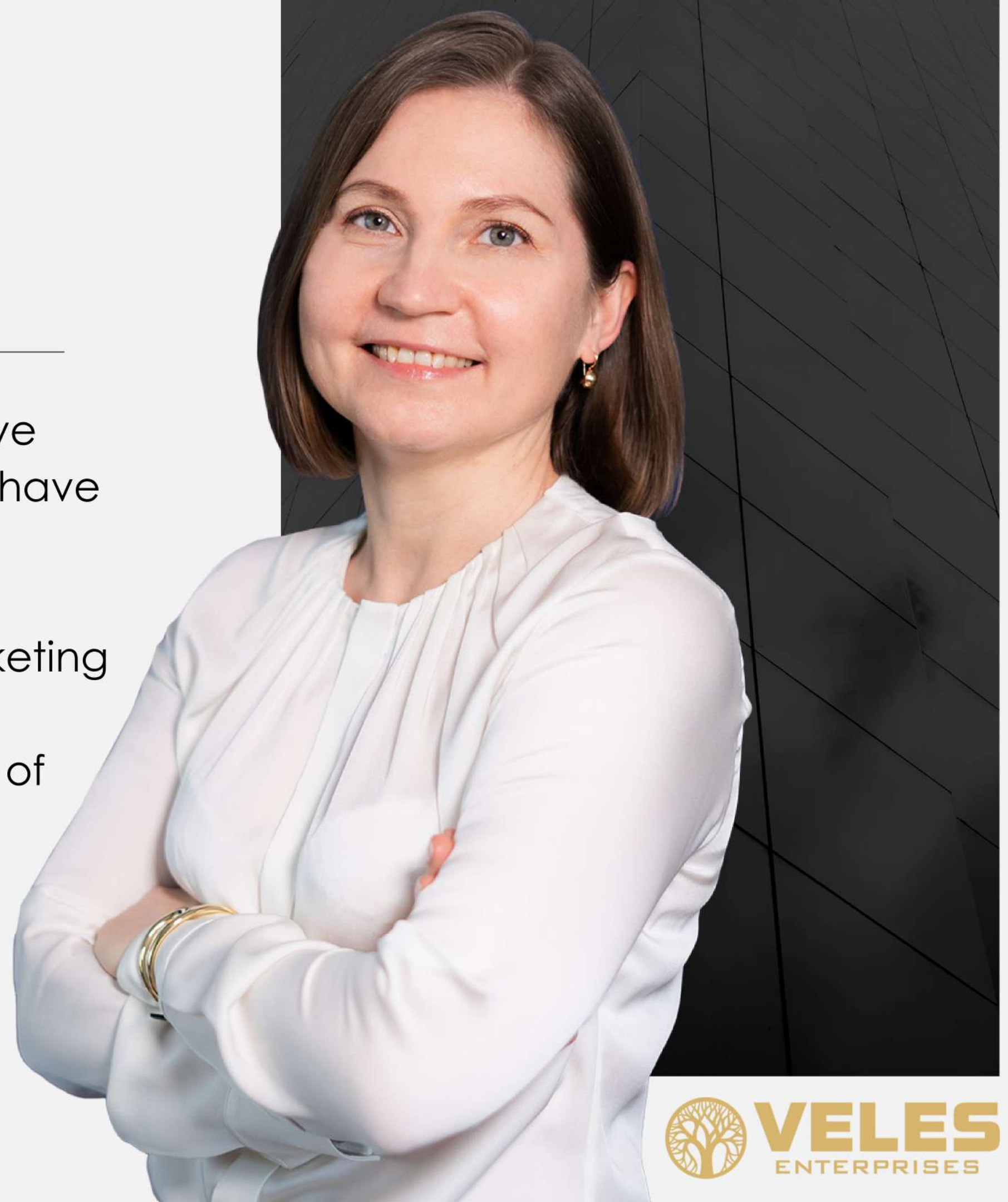


Hello, my name is Julia Ozerce!

I'm owner and director of Veles Enterprises. I have been living in the North Cyprus for 20 years and have been doing business since 2009.

I have a degree in three fields: economics, marketing and law (Turkish and TRNC Law).

I know not only the theory, but also the practice of running a business in North Cyprus.





What are we going to talk about:

- Definitions
- Properties in prohibited areas
- Lands owned by foreigners
- Permission to purchase real estate for companies with foreign capital
- Purchase of real estate by foreigners
- Permission from the Council of Ministers
- Temporary provisions
- Violations and fines



REVIEW AND BRIEF COMMENTS





clause 2 Definitions

Foreigner – is an individual who is not a citizen of the TRNC and a foreign legal entity.

Foreign legal entity - a legal entity established in the TRNC, one of the founders of which are foreigners (the number of shares and size of the capital does not matter), and/or if the majority of directors or acting directors are foreigners.

Investments - are counted as investments if it's in tourism, education, medicine, industry, agriculture, technology and scientific research which require of 20 million Euros.

Investments in construction for the purpose of selling real estate do not fall under this requirement.

- Is it possible to invest in construction?



clause 4 (2) Real estate in prohibited areas

If a foreigner owns property in areas prohibited for purchase by foreigners due to national security or public interest, then the registration of his property in the District Land Cadastre is considered invalid.

Exception: property acquired by inheritance.

- What to do with Real Estate located near military units, military facilities, and other objects that will be named as publicly important?
- Is it possible to bequeath such property?
- Will heirs be able to enter into inheritance rights for such objects?

clause 4 (3) Lands owned by foreigners

Foreigners can purchase up to 7% of the land volume of each region and in total no more than 3% of all lands of the TRNC.

The total area of the TRNC is 3,241 km². 3% will be 97.23 km².

For some areas:

Kyrenia - 690 km², 7% = 48.3 km².

Iskele - 774 km², 7% = 54.18 km².

Famagusta - 997 km², 7% = 69.79 km².

Guzelyurt – 381 km², 7% = 26.67 km².



clause 4 (4) Permission to purchase real estate for companies with foreign capital.

Companies that have foreigners among their founders, directors, and managers will be required to obtain permission from the Council of Ministers for the purchase of real estate by a foreigner.

Exceptions are Open Joint Stock Companies established in the TRNC.

- How will the percentage of land be converted into square meters of real estate?
- Does this decision apply to finished real estate or just land?
- How will this be taken into account when purchasing land plots by companies with foreign participation?
- How will this be taken into account when purchasing by local companies?



clause 8 (1) Purchase of real estate by foreigners

Foreigners can buy one piece of real estate, subject to obtaining permission from the Council of Ministers.

(A) When purchasing land, the plot cannot exceed 1338 m² and only one residential building can be built on it.

- Residential building - villa, bungalow or apartment? Based on subsequent articles, this could be an apartment with several flats.

(B) When purchasing an apartment, foreigners can purchase no more than one apartment. The exception is citizens of countries that have recognized the TRNC and granted the same right to its citizens. They can purchase up to 3 (three) apartments.

Note: As soon as any country recognizes the TRNC, its citizens will have the opportunity to purchase up to three properties.

(C) When purchasing a house with a plot, the area of the plot cannot exceed 3300 m² and another house or apartment or residential building cannot be built on this plot.

Note: previously it was possible to purchase a house with a plot of up to 5 donums (6690 m²).



clause 8 (1) Purchase of real estate by foreigners

- Is it possible to sell a house with a plot of more than 3,300 m² to a foreigner if it was previously acquired by a foreigner and the ownership is registered in the name of a foreigner?
- What to do if you can't sell?
- If such a house with a plot was purchased by several owners?
- Is it possible to divide the plot?



clause 8 (2)-(15) Permission of the Council of Ministers

clause 8 (2) – (3)

When applying for permission from the Council of Ministers, the property must have ownership rights (title) - a condominium (Kat Mülkiyeti) or a floor easement (Kat İrtifakı).

The application is also accompanied by a document confirming the cost - a purchase and sale agreement, a letter of commitment or an invoice.

Certificate of criminal record and copy of passport.

clause 8 (4)

State fee for filing an application - $\frac{1}{2}$ gross minimum wage From May 1, 2024 gross minimum wage = 34.070 TL. Half will be 17.035.

Note: half of the state fee for filing an application is paid to the Exchange Land Fund, the other half to the Land Cadastre.

The advantages of all laws concerning foreigners are a clear description of contributions to the Exchange Land Fund. This fund was established in accordance with the decision of the Hague Court, and from its funds payments are made to the Government and citizens of the Republic of Cyprus, whose property is located in the territory of the TRNC. If land claims arise from the old owners (before 1974), the foreigner will be able to appeal to the Fund to resolve the issue, since he has paid his part of the necessary fees.



clause 8 (5)

When considering an application, special attention is paid to the consideration of a police clearance certificate.

- Will the Council of Ministers refuse if there is an outstanding conviction, a serious article (criminal or economic crimes)?

clause 8 (6)

Within 6 (six) months after publication in the Official Gazette of the decision of the Council of Ministers to issue a permit for the purchase of real estate by a foreigner, the foreigner must re-register ownership in his own name.

If ownership has not been re-registered within 6 months, the issued permit is canceled and considered invalid.

clause 8 (7)

For property purchased with a mortgage or with installment payments, the countdown of the 6 (six) month period begins from the moment of full payment of the cost of the property under the contract.

The Buyer and Seller, within 60 (sixty) days after publication of the decision of the Council of Ministers in the Official Gazette, must pay taxes on the re-registration of property rights established by law. If taxes are not paid within the specified period, the decision is canceled and considered invalid.



clause 8 (8)

If the decision of the Council of Ministers is annulled, the foreigner has the right to submit a second application, paying a double fee. You cannot submit an application a third time.

The state fee for filing a repeated application is 1 gross minimum wage. From May 1, 2024, gross minimum wage = 34.070 TL.

- What should foreigners who have received real estate purchase permits for properties under construction do?
- If the property is built, but there are still installment payments?
- If the property has not yet been built, but has been paid for in full?
- If the property is built, paid for in full, but there is no title yet?
- What should I do if the Seller refuses to pay taxes within 60 days?
- What should I do if within 6 months the Seller refuses to re-register ownership?



clause 8 (9)

Foreigners and companies with foreign capital cannot purchase plots of land in shared ownership.

If houses or apartments are built on a plot, and shared titles are issued for the property, then only three foreigners can purchase property on such a plot.

- What to do with houses and apartments in old housing complexes that are in shared ownership?
- If, in combination with shared ownership, more than three real estate objects are purchased by foreigners, can it be resold to a foreigner again?

clause 8 (10)

Foreigners from the same country or foreigners of the first degree of relationship (spouses, parents, children) cannot purchase more than half of the apartments located in houses built on the same site.

In residential construction projects, at least 20% of the housing stock must be sold to TRNC citizens or citizens of countries that recognize the TRNC.

All rules regarding the purchase of real estate by foreigners also apply to the sale or long-term rental of real estate from a foreigner to a foreigner.



- If an apartment building and a villa are built on the same plot, can members of the same family buy a villa and an apartment?
- Does this provision only apply to apartments?
- Can parents and their children buy apartments in the same building?
- How to calculate how many objects a foreigner can purchase on one plot?
- What if there are several apartment buildings on one site?
- How does this provision apply to large complexes built on several sites?
- How will this provision affect previously acquired properties?
- Should the distribution of real estate in percentage between foreigners and citizens of the TRNC and Turkey be 80/20?
- If a foreigner sells a property to a foreigner, what rules apply?



clause 8 (11) Investments

A foreigner or a company with foreign capital, when investing in tourism, education, medicine, industry, agriculture, technology and scientific research, can purchase more than one property. Investments in construction for the purpose of selling real estate do not fall under this rule. The foreign investor may be a company established outside the TRNC.

An investment of 20 million Euros must be transferred to the foreigner's or company's bank account in the TRNC and used within 2 (two) years.

clause 8 (12) Investments, permission of the Council of Ministers

Permission to purchase more than one property is issued by the Council of Ministers. The acquired property can be used only for the purpose agreed upon in the investment project.

The investor cannot resell the property earlier than 5 (five) years from the date of implementation of the investment project.

If the investor does not use the designated investment amount within 2 (two) years or does not use it for other purposes, then the decision of the Council of Ministers to authorize the purchase of real estate by a foreigner will be canceled.



clause 8 (13) Investments, size of land

A foreign investor may purchase a plot of land not exceeding 80,280 m² in size for investment purposes.

The founders, directors, managers or representatives of companies with foreign capital cannot purchase another plot for investment purposes through another company or legal entity.

A foreign investor must inform the Company Registration Department about the acquired property within 6 (six) months from the date of re-registration of ownership of the plot in his name. The investor must immediately inform the Ministry of any change in the composition of founders or directors.

clause 8 (14) Investments, investor shares

If the shares of foreign investors in a company are transferred to TRNC citizens, then in order to make investments in the construction of residential real estate or other investments, it is necessary to obtain permission from the Council of Ministers.

clause 8 (15) Investments, trusts

A foreigner or a company with foreign capital cannot enter into trust agreements for the purpose of purchasing more real estate than is specified by law.



- Is it possible to invest in construction for the purpose of selling real estate?
- Is it possible to invest in the construction of a hotel, restaurant, industrial building, or shopping center?
- Is it possible to agree to invest in a hotel but build a residential building?
- Can I be a founder or director of several investment companies?
- Can I conduct several investment projects?
- Is it possible to purchase more real estate for a company with foreign capital?
- Is it possible to register a trust agreement?
- How to protect yourself and your investments?
- What should investors who have already started construction do?



Temporary provisions





Temporary provisions 1: Exceeding the limit of objects allowed for purchase.

- 1. For all contracts concluded before the entry into force of the new law, the quantity and square meters of real estate are determined taking into account the rights in force at the time of concluding the purchase and sale agreement.**
- 2. Within 6 (six) months from the date of entry into force of the law, foreigners must register previously concluded agreements in the Land Registry, taking into account their right to purchase real estate and apply for permission to purchase real estate.**

Those foreigners who have purchased more than the permitted number of properties and have not registered their contracts with the Land Registry can pay 1% of the value of the property under the contract and inform the ministry about the real estate.

Everyone who informed the Ministry, subsequently during the re-registration of ownership, must pay half of the Seller's government fees.

Those foreigners who have not informed the ministry within the prescribed period may pay a 3% fee and inform. In this case, they will not be able to take advantage of the benefit of paying half of the seller's fees.



Temporary provisions 1: Exceeding the limit of objects allowed for purchase.

- 3. Foreigners who have received permission to purchase real estate by a foreigner must re-register ownership in their name within 6 (six) months.**

- 4. If there is no final act of state acceptance for property acquired before the entry into force of the new law, division has not been made and individual ownership rights have not been registered, then the Buyer and Seller must pay all taxes and fees within 60 (sixty) days from the moment of publication of the decision of the Council of Ministers in the Official Gazette, otherwise the issued permit is canceled and considered invalid.**

- 5. After 6 (six) months from the date of entry into force of the new law, foreigners who have purchased more real estate than permitted must re-register the property to other persons within 24 (twenty-four) months. Upon expiration of this period, the purchase and sale agreement will be considered invalid.**

- What to do if you were abroad and did not have time to inform within 6 (six) months?
- What happens if he is in the TRNC and did not have time to inform within 6 (six) months?
- What if I didn't have time to inform you due to a delay in government agencies?



Temporary provisions 1: Exceeding the limit of objects allowed for purchase.

- 6. When re-registering ownership in the Land Registry, half of the seller's fees are paid.**
- 7. Within 75 (seventy-five) days from the date of entry into force of the law, it is necessary to register trust management agreements for previously completed transactions.**
- 8. After the expiration of the deadlines established by the temporary provisions, the permission of the Council of Ministers is canceled and considered invalid. Property registrations made at the Land Registry are canceled and considered invalid.**
- 9. If the foreigner was unable to complete the prescribed actions due to a delay caused by the executive body, then the period may be extended to 6 (six) months.**

If it is impossible to re-register ownership due to an open court case, then ownership must be re-registered within one month after receiving the court decision.



Temporary Provisions 2: Protection of Rights

Article of the law (clause 8 (10)) does not apply to Projects that received permission or submitted for permission to the relevant authorities before the entry into force of the new law.

[clause 8 (10) Foreigners from the same country or foreigners of the first degree of relationship (spouses, parents, children) cannot purchase more than half of the apartments located in houses built on the same site.

Moreover, in residential construction projects, at least 20% of the housing stock must be sold to TRNC citizens or citizens of countries that recognize the TRNC.]

Attention: This temporary provision does not apply to companies with fiduciary management agreements (trusts).

- If in the complex, more than 80% of the real estate has already been sold to foreigners?
- If the complex consists of villas?
- How to calculate the percentage of real estate allowed for purchase by foreigners? In an apartment building, in a complex, on a plot.



Temporary provisions 3: 1 year to apply for a Building Permit

Within one year from the date of entry into force of the law, foreigners have the right to apply for permission from the Council of Ministers, attaching a permit for the construction of the facility. In case the project does not have a formal right of ownership (title) - a condominium (Kat Mülkiyeti) or a floor easement (Kat İrtifakı).

- How can one apply for permission from the Council of Ministers if the property does not have a title?
- What is the deadline for developers to obtain titles?
- What projects does this rule apply to?

Temporary provisions 4: Companies with foreign capital

Companies with foreign capital that purchased real estate and registered it in the name of the company before the entry into force of the new law do not have to obtain permission from the Council of Ministers and can carry out construction and sale of property in compliance with the rules of paragraph 8 (10).



Violations and fines





clause 16 Violations and fines.

Fine amount for all violations = 500 minimum wage

From May 1, 2024, gross minimum wage = 34.070 TL. The fine will be 17,035,000 TL.

- 1. Violation of clause 4(1). If the owner sells agricultural or forest land to a foreigner. The owner bears the penalty.**
- 2. Violation of clause 8(1). If a foreigner acquires real estate in an amount greater than that established by law. The penalty is borne by the seller and the buyer.**
- 3. Violation of clause 8(2). If the property is sold without a formal right of ownership (title) - a condominium (Kat Mülkiyeti) or a floor easement (Kat İrtifakı). Responsibility lies with the parties to the purchase and sale agreement.**
- 4. Violation of clause 8(9). If real estate with shared ownership is sold to a foreigner. The seller is responsible.**
- 5. Violation of clause 8(10). If on one plot in an apartment building more than half of the apartments are sold to foreigners from the same country or to foreigners of the first degree of kinship (spouses, parents, children). Less than 20% were sold to citizens of the TRNC and Turkey. The seller is responsible.**



clause 16 Violations and fines.

Fine amount for all violations = 500 minimum wage

From May 1, 2024, gross minimum wage = 34.070 TL. The fine will be 17,035,000 TL.

6. Violation of clause 8(13). If a foreign investor has purchased a plot larger than 80,280 m². Responsibility lies with the seller and buyer.

Violation of clause 8(13). If the foreign investor has not informed the Company Registration Office within six months about the re-registration of ownership of the investment site, the director or manager of the company is responsible.

7. Violation of clause 8(15). If a foreigner enters into a trust management agreement for the acquisition of real estate in an amount greater than that established by law. Responsibility lies with the parties to the contract.

8. Breach of Temporary Provisions 1(2). If within 6 (six) months foreigners do not register previously concluded agreements in the Land Registry. The seller is responsible.

Unless foreigners apply for permission from the Council of Ministers. The buyer is responsible.

Exception: Those who were outside the TRNC during this period and can prove this with a certificate of entry and exit are not violators.



clause 16 Violations and fines.

Fine amount for all violations = 500 minimum wage

From May 1, 2024, gross minimum wage = 34.070 TL. The fine will be 17,035,000 TL.

9. Breach of Temporary Provisions 1(3). If within 6 (six) months foreigners are unable to re-register ownership in the Land Registry, it is the fault of the Seller. The Seller is responsible.

If the re-registration of ownership did not take place due to the fault of the Buyer, then the Buyer is responsible.

10. Breach of Temporary Provisions 1(5). If foreigners who bought more real estate than allowed did not re-register them to other persons. Responsibility lies with the Seller and the Buyer.

11. Breach of Temporary Provisions 1(7). If the foreign investor does not register the trust management agreement within 75 (seventy-five) days. Responsibility lies with the Seller and the Buyer.



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