

INDEPENDENT FINANCIAL ADVISER LIMITED

Providing Associated Client Services

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INDEPENDENT FINANCIAL ADVISER OVERVIEW

Turkey - the country that links East and West

At the eastern end of the Mediterranean and with some of the best beaches in the Northern Hemisphere Turkey uniquely combines both Eastern and Western cultures and has applied for membership of the European Union (EU). The following information is intended to reassure potential investors who may be nervous about investing in Turkey.

Recently, the World Bank identified Turkey as the sixth largest economy in the world, and one of the ten most promising emerging economies. Turkey also ranked sixth in the world for GDP growth in 2005, after China, India, Russia, Thailand and Iran.

Tourist numbers rose from 12.8m in 2002 to 21.2m in 2005, putting the country into eighth position in the World Tourism Organisation's (WTO) rankings.

Housing

It is estimated that Turkey will need approximately 400,000 new homes each year, of which only 200,000 are being built.

Mortgages

A new mortgage law was passed in February 2007, which will encourage competition in the market, bring down interest rates and increase access to home ownership for middle income Turkish nationals.

EU Membership

In 2005 Turkey began membership talks with the EU, and recently implemented a series of reforms in economic and social areas aimed at stabilizing its economy and bringing the country in line with EU regulations.

Publicity

Turkey increased its publicity budget for 2007 to \$120 million; launching a simultaneous global advertising campaign in order to promote its tourism.

Reforms

In 2003, Turkey began its reform programme, which resulted in the doubling of the average annual foreign direct investment (FDI) in 2004 to \$2.8 Billion, which tripled in 2005 to \$9.65 Billion, reaching a high of \$20 Billion in 2006.

Global Brands

In the past few years, brands such as IKEA, Toyota, HSBC Bank, Harvey Nichols, and Renault France, have opened offices in Turkey.

Property Capital Growth

This sector has experienced high capital growth since 2003, last years growth increasing to 20.6%.

Other News

Turkey has the most attractive real estate market - 04/07/07

Turkey's economy grows for 21st consecutive quarter - 04/07/07

Turkish economy grew by 6.8% in the first quarter of 2007.

Breaking News: July 2, 2007 - Ankara

The World Bank said that it had approved a loan of €367.3 million for Turkey's new employment reforms. The benefits to Turkey from this program are enormous - in terms of increased investment, higher productivity, and most importantly more and better jobs, including more formal sector jobs.

The program aims to sustain rapid economic growth, foster a high investment climate, cut unregistered economic activity, and generate more formal sector jobs.

Under a multibillion-dollar standby deal with the I.M.F., Turkey has achieved high growth, with gross national product (GNP) surging by 5.9 percent in 2003, 9.9 percent in 2004, 7.6 percent in 2005, and 6 percent in 2006.

Frequently asked questions (FAQ's)

Who can buy property in Turkey?

According to the law passed in January 2006 on property purchases by foreigners in Turkey, foreign nationals are able to purchase property in Turkey in their own name as long as reciprocity exists between their home nation and Turkey, in the case of the United Kingdom this does exist. Foreign nationals may also buy property through a Turkish company.

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Should I Use a Solicitor?

The use of a solicitor is not compulsory, however, it is advisable. There are many English speaking lawyers in Turkey.

Does the property have clean and good legal title?

This is easy to check with the TAPU (Land Registry) office, all our land is thoroughly checked to ensure there is a clear and unencumbered title which can be passed on to each property owner.

Can I buy more than one property?

Yes, you can purchase up to a maximum of 2 Hectares in your own name. This can be more than one transaction in more than one area.

Is it difficult to open a bank account?

Opening a bank account is quick and easy, the bank will open accounts for you in any currency you may need to use.

Do I need to go to Turkey to open a bank account?

No, you need to give your solicitor 'power of attorney' and they can open the bank accounts for you.

How much money can I take to Turkey?

There are no restrictions on the amount of money, in either local or foreign currency, that you can take to Turkey.

How much money can I take out of Turkey?

In cash, any amount as long as you declare it entry to the country, if not a maximum of \$5,000 or the equivalent foreign currency. Although, through a bank or financial institution there are no limits to the amount of money you can take out of Turkey.

What is my tax liability?

You may be liable for the following are the taxes:

Property Purchase Tax.

This is payable on receipt of your TAPU and is 3% of the value of the property.

VAT

When buying property of less than 150m² from a company VAT is 1%.

Stamp Duty

This is not the same as UK stamp duty, this is a charge for the notarising of contracts and is a small administration fee.

Property Tax

This is an annual tax of 0.1% of the stated value of the property, subject to annual increases by the government.

Personal Income Tax

You are liable for personal income tax on rental income and capital gains, however, capital gains tax can be avoided if the property is held for more than four years, and remembering that the capital gain is based on the stated value of the property. Personal income tax is currently on a sliding scale from 15%-35%.

Inheritance Tax

This is dealt with under a reciprocity agreement, and is currently on a sliding scale from 1%-10%.

Environmental Service Tax

This a local water and management charge by the local council, it is relatively inexpensive and is currently 0.13 YTL per m³ of water used.