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Taxation Of Income From Real Estate Located In Türkiye For Foreigners

According to the Income Tax Law, the income of natural persons is subject to tax. In the law, income is defined as the net amount of earnings and revenues earned by a natural person in a calendar year. “A natural person” is defined as an individual human being. Natural persons who will be subject to income tax are divided into two tax liability groups: “Full Tax Liability” and “Limited Tax Liability”. It is stipulated those subjects to full tax liability will be taxed on the earnings and revenues they obtain both in Turkey and out of Turkey, whereas limited tax liability will be taxed only on the earnings and revenues they obtain in Turkey. Natural persons who are not settled in Turkey are subject to limited tax liability. Limited tax liability applies to those who do not reside in Turkey or who do not reside in Turkey continuously for more than six months (183 days) in a calendar year. These people may be either foreign nationals or Turkish citizens who reside abroad.

In terms of limited tax liability, for real estate capital revenues (rental income); if the real estate is located in Turkey and or evaluated in Turkey, the income is considered to have been obtained in Turkey. “Evaluated in in Turkey” means;
(a) the payment is made in Turkey in any currency
(b) the payment is made in a foreign country and is then transferred to the accounts of the payer in Turkey or on behalf of the payer to the person for whom payment is to be made or
(c) it is separated from the profit (recognition of expense by the payer).

Status of Real Estate Sales Income

Those who durably buy and sell real estate are deemed to have earned commercial income. "Durably” means more than one sale in a year or one sale in successive years is considered commercial income. Since these sales are considered commercial transactions, tax liability is established, invoices must be issued and those sales are subject to VAT.

Those who do not buy and sell real estate durably, on the other hand, have appreciation gain from trading which is considered as “value increment gain”. Natural persons who sell the real estate they have purchased within 5 years must declare their gain as “value increment gain”. In other words, real persons who sell their real estate after keeping it for 5 full years (which is not included in the scope of commercial income) do not pay tax due to this gain. If it is sold before the end of 5 years, the annual income tax on the net income is declared in March of the following year and paid in two equal installments in March and June. 25,000-TL of this income for 2022 is exempt from tax. If the person selling the real estate before the end of 5 years is a subject to limited tax liability, the income in question is declared to the tax office where the real estate is located with an individual declaration within 15 days from the sale and tax is paid during this period.

Status of Real Estate Rental Income

Pursuant to the provision of Article 94 of the Income Tax Law, in case the buildings located in Turkey are rented as "workplaces", a tax withholding (tax deduction) must be made by the tenants of these real estates, against the income tax of the real estate owner, over the rent paid. In case the buildings are rented out as “residences”, no tax deduction is made on these rent payments.

Those who have limited tax liability is required to submit an individual declaration for their capital gains, and an annual declaration of commercial and real estate capital gains (rental income). On the other hand, if tax deductions are made on the rental income of those with limited tax liability, these rental incomes are not declared with an annual declaration, even if an annual declaration is submitted for the rental incomes without tax deduction or for other incomes, the tax deducted rental income is not included in this declaration.

If an annual declaration is submitted for rental income, the expenses are determined by choosing either the actual expense method or the lump-sum expense (25% of the revenue) method, among these rental incomes are deducted on the declaration and income tax is calculated over the remaining amount after this deduction. The choice of lump-sum or actual expense method is made for all real estate. For some real estates the actual expense method, for other real estates the lump-sum expense method cannot be selected.