

# FREQUENTLY ASKED QUESTIONS

## INVEST IN TURKISH REPUBLIC OF NORTHERN CYPRUS (TRNC)

### 1. What kinds of procedures are required for investments?

Licences are required depending on each investment's general and specific nature.

### 2. Who can be a foreign investor?

A foreign investor can be a legal entity or natural person. Both have equal rights. The term foreign investor applies to a company that has been founded by a foreign person in TRNC and/or foreign legal entities. Foreign investment can take the form of money, securities, properties, services and asset rights.

Foreign Companies are the local branches of foreign companies which has the head office and the place of registration in a country outside TRNC. These companies operate under the same conditions as Local Private and Public Companies and subject to the same rate of taxation. Foreign Companies are registered in the Registrar of Companies by filing the full documents of the head office. Prior Council of Ministers approval is mandatory.

Foreign natural persons also have the option of forming private liability companies and foreign investors can form mutual partnership with one or more foreign or domestic investors. When the foreign investments in construction and travel agency sectors are concerned, there are certain rules requiring a TRNC citizen's taking part in the capital ownership or management of a company; in this case company may be established with 51% domestic investors' participation.

### 3. What amount of investment is required?

There is no limit with respect to investments. There are exceptions when stated "minimum level of investment required" in an investment contract or other act prescribed by law.

### 4. Can foreign investors acquire rights to real estate in TRNC?

After the provision for acquiring right to real estate in TRNC, is granted upon the approval of Council of Ministers, foreign persons may own (i) land not exceeding the surface area of 1 donum (14400 square feet) and real estate not exceeding the total surface area of 5 donums (personal use). The same conditions hold true for leasing.

Foreign persons and entities can buy property for direct investment purposes without any donum limitations by the condition of obtaining the approval of Council of Ministers

As far as the long term leasing and/or buying of private property is concerned to be used for **investment purposes**, the foreign investor or the entity is expected to have a possession of at least € 3mil. in TRNC banks later to be used as part of the total investment capital.

### 5. How can one obtain right of use of Public Land/Treasury Land (lease)?

As far as the government land is concerned, up to 10 years is leased by the Minister, the right of use valid between 11 years and 50 years' time frame is granted by the Council of Minister decision, whilst above 50 years (up to 99 years) requires the approval of the parliament. Any

real person or an entity with accompanying documents and an application may apply to YAGA (Cyprus Turkish Investment Development Agency) or directly to the related Department/Ministry (e.g. to State Property Department (Devlet Emlak ve Malzeme Dairesi), the Ministry of Internal Affairs, Department of Industry).

## **6. What fees does an investor pay for the “right of use” of Public Land/Treasury Land?**

The “right of use” of the Public/Treasury land has the following characteristics:

- It relates to ownership of the constructed building;
- It is granted for a definite period of time;
- It is not transferable as such but is automatically transferred by the sale of a constructed building.

The fee is determined by Treasury Lands Rent and Value Estimation Committee. The levels of fees are often very competitive and can be classified as another form of incentive given to investors.

For the land, in Organized Industrial Zone, Department of Industry prepares regulation and applied after Industry related Ministry approval.

## **7. What are the levels of rents in TRNC?**

Subjected to numerous factors; on average ranges:

Residential rents; 24 GBP – 60 GBP

Office space rents: 48 GBP – 96 GBP

Industrial space rents: 24 GBP – 48 GBP

per square meter per annum.

## **8. How can one obtain construction approval?**

It depends on the location of the investment that one can apply to related District Office or the related Municipality. Previous planning consent and approval from the City Planning department if applicable and the implementation project approval from the visa office of Chamber of Architects and Engineers have to be obtained before applying for the construction approval. The necessary documents are:

- Approved project from Chamber of Architects and Engineers
- Title deeds and
- Estate tax invoice

## **9. Can a foreign investor perform free transfer of goods from TRNC and under what conditions?**

There is no limitation performing free transfer of goods and proceeds from TRNC.

## **10. Can foreign companies be taxed differently than domestic investors?**

Both the local and foreign companies operate under the same conditions and subject to the same rate of taxation.

**11. Is the foreign investor obligated to ensure his/her investment?**

The foreign investor is not obligated to insure his/her investments.

**12. What are the rights and obligations of the foreign investor?**

By his/her investment, the foreign investor has made it his right to take part in the operation and/or management of a company, to retrieve all investments and all capital (in cases predicted by contract or founding act) He/she has the right to take part in profits, and to transfer and reinvest profits, including the trade of currency. The foreign investor may make use of all the rights guaranteed by the domestic legal framework.

**13. Can the assets of a foreign investor be expropriated?**

The assets of a foreign person cannot be taken away unless the law provides proof that this is in the utmost public interest. In such a case, the investor is given a settlement fee or compensation, which cannot be less than the market value of the acquired asset.

**14. Does a foreign investor have the right to claim damages?**

The assets of a foreign person cannot be taken away unless the law provides proof that this is in the utmost public interest. In such a case, the investor is given a settlement fee or compensation, which cannot be less than the market value of the acquired asset.

**15. Where are foreign investors coming from?**

Foreign investors are from various countries all around the world but the majority ones coming from Turkey, United Kingdom, Israel, and Russia.

**16. Which institution is in charge of business registration?**

Registrar of Companies – Resmi Kabz Memurluğu ve Mukayitlik Dairesi is in charge of business registrations.

**17. What types of companies does the TRNC law permit?**

A company is a distinct "legal person" created in order to separate legal responsibility for the affairs of a business (or any other activity) from the personal affairs of the individuals who own or operate the business.

The Companies Law of the TRNC, which closely resembles the United Kingdom's Companies Act 1948, provides for private companies, exempt private companies and public companies. The types of companies TRNC law permit are **Local Private Companies, Local Public Companies, Foreign Companies, International Business Companies, Local Banks and International Banking Units.** (Although the International Business Companies, Local Banking Units and International Banking Units (IBU) are operating under different Laws, their incorporation and registration procedures are all governed by the Companies Law.)

**Local Private Companies:**

Local Private companies need 2 or more founding members, are limited to 50 shareholders (except for employees or ex-employees), cannot offer shares for public subscription and impose restriction on the transfer of shares. Only registered holders of shares can have any interest in the company's securities. Local Private Companies are subject to Corporation Tax. Corporation

Tax is 10% of the Net Profit of the company. Further 15% is charged as withholding tax taking the total tax to 23.50%.

**Local Public Companies:**

Public companies need 7 or more founding members, can seek public subscription of shares and do not restrict share transfers. There is no restriction as to the maximum number of shareholder. Local Public Companies are subject to Corporation Tax at rates specified above. A general meeting of shareholders must be held once a year (the annual general meeting), although special meetings of shareholders can be called.

**Foreign (Overseas) Companies:**

Foreign Companies are the local branches of foreign companies (excluding the sole proprietorships established in foreign countries) which has the head office and the place of registration in a country outside the TRNC. These companies operate under the same conditions as Local Private and Public Companies and subject to the same rate of taxation. Foreign Companies are registered in the Registrar of Companies by filing the full documents of the head office.

*For more detailed information please contact with Registrar of Companies*

*Web Site: <http://rkcmd.gov.ct.tr/>*

**18. What do you need to register a Private Limited Company (PLC?)**

The private limited company is a type of local private company and the most common legal form widely used for business undertakings in TRNC both by foreign investors and by the local businessmen. The minimum capital requirement is 15 thousand Turkish Liras. The fee paid over the stated capital is approximately 450 TL, but varies as the capital of the company gets higher. If there will be foreign persons' participation in the company's ownership, the registered capital should be the 50.000 Euro equivalence Turkish Liras in total.

The provisions concerning the limited companies are set out in the Companies Law, Cap.113. For the registration of a local company with foreign capital participation the following documents have to be presented to the Official Receiver and Registrar:

- Articles of Association and Memorandum in Turkish. (The Memorandum describes the scope of the intended corporate activities and the Articles contain the rights of members, the rules governing the internal management of the company, the duties of the directors etc.)
- M.S. 1, 2, 3 Forms
- Revenue stamp
- Good character certificate obtained from the investor's local "Security Office" for directors and/or the shareholders who have no TRNC representative in their country.
- Tax-Payment guarantee certificate for directors, obtained from the TRNC local Revenue and Tax Office.
- Approved photocopy of passport or identity card
- Certificate of the deposit of the foreign capital share at a local bank.

*For more detailed information please contact with Registrar of Companies*

*Web Site: <http://rkcmd.gov.ct.tr/>*

**19. What is the procedure for registering a Foreign (Overseas) Company?**

"Foreign (Overseas) Company" is subject to approval of the Ministry responsible for economic matters and authorization of the Council of Ministers. For the registration of a branch or a place

of business as “Foreign (Overseas) Company”, the following additional documents have to be presented to the Registrar.

- Updated list of shareholders.
- Updated list of Board of Directors and good character certificate obtained from their local “Security Office” for the board members who have no TRNC representative in their country.
- Updated certificate obtained from the foreign company’s local “Chamber of Commerce” indicating whether the company is active.
- Decision of Board of Directors regarding the appointment of one or more real or legal person with the names and addresses who is/are declared as authorized and on duty to accept official notification issued by the TRNC authorities and court notifications in the name of the company and represent in the TRNC. The appointed real or legal person/persons has/have to be resident in the TRNC.
- Decision of Board of Directors indicating the intention of the company concerning the kinds of activities which will be engaged in the TRNC.
- Tax-Payment guarantee certificate for corporate body, obtained from the TRNC local Revenue and Tax Office.
- Y.Ş. 1, 2 and 3 Forms.

The fee for registering a foreign company is approximately 1,250 Lira. Having satisfied the required registration conditions the businessman or company is awarded a certificate of incorporation by the Official Receiver and Registrar and henceforth as a legal person may engage in investment activities in TRNC.

*For more detailed information please contact with Registrar of Companies*

*Web Site: <http://rkmmmd.gov.ct.tr/>*

## **20. What is the procedure for registering an International Business Company?**

The establishment of an International Business Company in TRNC is subject to the approval of Ministry responsible for economic matters. Foreign real person, foreign corporate bodies and non-residents may apply to the Ministry responsible for economic matters for the purpose of carrying on International Business Company operations.

- The minimum paid-up capital required of International Business Company is €20.000.
- Charge payable on application is €500. This application fee is never returned to the applicant under any circumstances.
- Having received the provisional licence the applicant has to complete the registration procedure at the Official Receiver and Registrar within a period of two months. Otherwise the provisional licence shall be deemed invalid.
- An International Business Company, within one month at the latest after completion of the registration procedure, has to submit a main contract, regulation, opening balance sheet and one set approval document to the Ministry responsible for economic matters in order to receive an operation licence .That application is concluded within 15 days at the latest.
- An International Business Company, within two months at the latest after receipt of the operation licence from the Ministry, has to specify its place of business, must commence business according to its main contract, otherwise the operation licence shall be deemed invalid. International Business Companies shall perform all activities aimed at overseas and derive income from activities abroad.
- International Business Companies cannot provide financial resources from banks, credit companies and real person or corporate bodies in TRNC.
- These kinds of companies run their activities without being dependent to Income Tax Law, Money and Foreign Exchange Law and Corporation Tax.
- International Business Companies shall be subject to tax at a rate of 2.5% on taxable income to be ascertained under the provisions of the Corporation Tax Law and Income Tax

Law. This Tax should be paid within five months at latest to the Income and Tax Office after each accounting period.

- International Business Companies must carry on their activities and accounting enrolments according to Turkish Lira and/or convertible exchange units.
- International Business Companies may transfer abroad, earnings and resources they have gained and transferred from abroad freely.
- International Business Companies must employ at least one personnel resident and national of TRNC. If International Business Companies employ more than one personnel, the number of foreign personnel must not exceed three times of resident and national of TRNC personnel.
- International Business Companies have to pay €5000 pro-rata business fee for carrying on business by opening or without opening an office.

*For more detailed information please contact with Registrar of Companies*

*Web Site: <http://rkmmmd.gov.ct.tr/>*

## **21. Which goods dominate TRNC exports and imports?**

Citrus Fruits, Dairy Products such as Hellim Cheese, Vegetables (such as; Artichoke and Potatoes, Wheat), Eggs, Waste Paper, Cigarettes, Chicken Meat are some of major exported goods .In the meantime; plastic products, wooden furniture, construction materials made up of stone, natural stone, travertine and mosaic, ceramic products, aluminium products, waste and dormant scrap products, mattress, basketwork, fruit and vegetables-mainly potato, wet napkin, and fresh fish are main exported goods to Southern Cyprus under Green Line Trade Agreement. While, Fuel, Vehicles, Confectionary, Construction Steel, Alcoholic Beverages, Medicine, Animal Feed/Fodder, Information Technology accessories , Cigarettes, Industrial Machinery, Mobile Phones Car Parts, Corn, Cement, Furniture and Fixtures are some of the major imported goods.

## **22. Which countries are TRNC's major foreign trade partners?**

Turkey, Kuwait, Iraq, Iran, United Kingdom, Saudi Arabia, United Arab Emirates, Qatar, Russia, Germany, Japan, China, Italy.

## **23. What is Green-Line Trade /Regulation?**

Green-Line Regulation regulates the crossing of goods, services and people across the Green-Line border dividing the island into two.

## **24. Are there any Free Zones in TRNC and by whom they may be established?**

Yes there are two official free port and zones. (i) **Famagusta Freeport** (Gazimağusa) covering an area of 103 meter squares, which offers foreign investors opportunities for transit trade as well as manufacturing opportunities for middle-east and near-east countries. (ii) **Gemikonağı Freeport** – currently under rehabilitation.

## **25. What are the activities permitted in the Free Port and Zones?**

Operations and activities permitted in the Free Port and Zone Areas are as follows:

- Engaging in all kinds of industry, manufacturing and production.
- Storage and export of goods imported to the Free Port and Zone Areas.
- Assembly and repair of goods imported to the Free Port and Zone Areas.
- Building, repair and assembly of all kinds of ships.

- Banking and Insurance services.
- Any other kind of activity approved by the Council of Ministers.

## **26. What are the incentives and advantages of doing business in free zones?**

Incentives provided to businesses established in the Free Port and Zone is as follows:

- All income derived from activities and operations undertaken by investors in the Free Port and Zone are exempt from Corporate and Income Tax. This exemption does not apply to the exports of goods and services not manufactured and undertaken in the Free Port and Zone and that are directed to the TRNC.
- No limit on repatriation of profit and capital.
- Exemption from custom duties and indirect taxes.
- Permission to employ foreign expert, engineer and technical personnel.

In addition to the above incentives there is ample supply of skilled and unskilled labour and wages are reasonable. The Port's handling charges are much lower than the other neighbouring ports. The port, which is geographically well located, offers sufficient covered storage area, experienced stevedoring and good security. A sound and receptive civil service, coupled with minimum of formalities, provides investors and dealers with a favourable working climate. All types of port machineries (fork-lifts, cranes etc.) are available. It is possible to stock goods for an unlimited time within free zone.

## **27. Who can invest in TRNC?**

All investments in manufacturing of goods and services sectors are all welcome in TRNC.

## **28. Are there any geographically prior areas for investments?**

In accordance with the decision of the Council of Ministers dated 23 February 2017 and numbered H (K-I) 482-2017, Priority Regions in Development I. and II. Locations and the equity ratios determined accordingly:

I. Priority Areas; Karpaz Peninsula, İskele, Güzelyurt, Lefke and Geçitkale.

II. Priority Areas ; All rural areas other than the settlements determined within the Scope of the First Priority Region in Development,( North- West Region, South Mesarya) and the land between Famagusta's Closed Varosha (Kapalı Maraş) and Sovereign Base areas.

### Minimum Shareholders' Equity:

- (A) A minimum of 30% equity for investments to be made in I. Priority Development Areas,
- (B) A minimum of 40% equity for investments to be made in II. Priority Development Areas,,
- (C) A minimum of 10% equity for the investments to be made in Renewable Energy Generation in order to develop the manufacturing sector and support sustainable energy production, (all locations will be evaluated under I. Priority Development Area)
- (D) A minimum of 20% equity for the investments to be made in Renewable Energy Generation in order to develop the manufacturing sector and support sustainable energy production,(all locations will be evaluated under II. Priority Development Area)

**29. Are there any Industrial Zones in TRNC?**

There are 15 organized Industrial Zones. The major ones are located in Nicosia, Haspolat, Alayköy, Gazimağusa, Girne and Yeniboğaziçi.

**30. Are there any Technology Development Zones exist in TRNC?**

There are 6 Technology Development Zones in TRNC. These are as follows:

- Gazimağusa Teknoloji Geliştirme Bölgesi (GMTGB)
- Doğu Akdeniz Üniversitesi Girişimcilik ve İnovasyon Merkezi (GİMER)
- Yakın Doğu Üniversitesi İnovasyon ve Bilişim Teknolojileri Merkezi (YDÜ)
- Orta Doğu Teknik Üniversitesi Kuzey Kıbrıs Kampüsü (ODTÜ-KALTEV)
- Uluslararası Kıbrıs Üniversitesi Haberleşme Teknolojileri Araştırma Merkezi (UKÜ-CTRC)
- Uluslararası Kıbrıs Üniversitesi Sürdürülebilir Enerji Araştırmaları Merkezi (UKÜ-SERC)