

# Buying real estate in the Mediterranean

Italy • Greece • Türkiye

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# Buying real estate in the Mediterranean

## Italy

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# Are there any restrictions on foreigners buying property?

1. There are no restrictions and the process for buying a home in Italy is the same as it is for Italian citizens, in case foreigners: (i) reside in Italy or (ii) are citizens of a European Union (EU) country or a European Economic Area (EEA) country.
2. Non-EU or EEA citizens are allowed to buy a property in Italy if there is an international/bilateral treaty that allows Italian citizens to buy property in the foreigner's home country, i.e., reciprocity is needed.
3. Italian Fiscal Code: for both foreigners residing in Italy and non-residents, an Italian tax registration number must be obtained to complete the purchase.

# Does it make sense to buy through a corporation?

The choice between purchasing as a private individual or through a SPV (Special Purpose Vehicle) depends on several factors, including typology of property, tax considerations, overall asset structure, and management preferences.

Buying a property through a company can have both advantages and disadvantages depending on some features such as the use (private use, rental furnished or unfurnished activity), term of potential sale, type of the company (commercial, non-commercial).

### TYOLOGY OF SELLER

- CORPORATION:  
SALE, VAT Reverse Charge OR VAT Exempt
- PRIVATE INDIVIDUAL or SOCIETA' SEMPLICE (non-commercial)  
NO VAT – REGISTRATION DUTY
- CONSTRUCTION OR RENOVATION COMPANY  
VAT

### TYOLOGY OF PROPERTY

- COMMERCIAL PROPERTY  
VAT deduction for companies except for società semplice
- RESIDENTIAL PROPERTY  
Non-deductible VAT (except for trading companies)
- FIRST HOME  
VAT benefit 4%; Registration Duty 2%

### USE of THE PROPERTY

- DIRECT OR PERSONAL USE
- RENTAL
- TRADING

# Does it make sense to buy through a corporation?

## Advantages

- Limitation of **personal liability**;
- Greater flexibility in **managing** the real estate portfolio;
- Potential for **optimizing tax** structure through the company;
- Possibility to choose the most tax efficient way in case of sale: shares or directly the property;
- Possible tax advantages depending on the tax residence of the company or of its owners;
- Buying through a corporation allows you to buy valuable real estate by **raising equity** from different shareholders
- **VAT is deductible** in case of purchase of commercial properties

## Disadvantages

- Higher initial **costs and ongoing corporate management**;
- Greater administrative and tax complexity;
- Corporations are not always advisable in case of **personal use**, both as a main and secondary residence;
- Private individuals can enjoy personal tax advantages, such as tax deductions and deduction of interests on mortgages on the **main residence**;
- **Private individuals subject to ZERO taxation on capital gains after 5 years**;
- Real estate corporations must pay **a minimum tax** on income equal to a percentage of the book value, even if the rental is lower (with 10.5% tax increase and VAT non-deductibility).
- The **registration tax** on the purchase by corporations is based on the sales price and not on the cadastral value (usually lower), used by private individuals
- **VAT is not deductible** in case of purchase of residential properties

# Real estate due diligence – what do I need to check before buying?

In Italy, real estate is identified and registered in territorial “Cadastral Register” (“**Catasto Immobiliare**”) which also provides the “cadastral value” of each property, i.e., a sort of tax value relevant for the calculation and payment of certain taxes, including those applicable to the sale and purchase of the property.

All deeds and formalities relevant to a real estate property (for instance, regarding sales, mortgages, third party rights, etc.) are collected and kept in a specific register called “**Conservatoria dei Registri Immobiliari**” .

Real estate must be compliant with zoning and building regulations and concession permits.

Before entering into any binding agreement, it is recommended to be provided with and to check at least the following documents:

1. The “visura catastale”, i.e., the cadastral abstract relevant to the property (indicating the data, value and owner) together with the cadastral planimetry (also in order to check consistency with the actual status);
2. A copy of the deed of purchase by which the prospected seller became owner of the property;



# Real estate due diligence – what do I need to check before buying?

A broader preliminary due diligence in order to verify the absence of any mortgages, encumbrances, easements, charges and/or any outstanding debts related to the property is strongly recommended.

Please note also that in Italy certain property could be subject to landscape-environmental restrictions; some buildings may have an historical, artistic or archaeological interest and be subject to a restriction by the “**Soprintendenza delle Belle Arti**”, with a pre-emption right for the Ministry of the Beni Culturali and/or in any event the need of authorization by the latter for any work and restructuring and/or restrictions of use.

Each property also needs an Italian energy performance certificate (APE).

# How does the purchase transaction proceed? Notary? Land registry?

**A. Purchase Proposal.** If the deal is mediated by a real estate agent, usually a Purchase Proposal (“**Proposta di Acquisto**”) would be the first step. This proposal states the will to purchase the property at a certain price and contains the main provisions of the sale agreement including terms and warranties. If the Purchase Proposal is accepted by the seller, then the parties proceed with the execution of a preliminary agreement.

**B. Preliminary Agreement.** A Preliminary Agreement for Sale and Purchase (“**Contratto Preliminare di Vendita**” or “**Compromesso**”) is customary and advisable (and follows the Purchase Proposal, if any).

The Preliminary Agreement for Sale and Purchase contains all the terms and conditions of the final sales agreement (including purchase price, payment terms, warranties and any conditions that must be met before the sale can be completed).

In the Purchase Proposal and in the Preliminary Agreement a deposit by the purchaser could be provided as a down payment, the so called “**Caparra Confirmatoria**” (pursuant to Article 1385 of the Italian Civil Code). In this case, if one of the parties, after having signed the Preliminary Agreement, does not fulfil it, the consequences are: (i) the buyer loses the deposit or; ii) the seller needs to pay double of the amount of the deposit he previously received.

# How does the purchase transaction proceed? Notary? Land registry?

The Preliminary Agreement must be registered with the tax authority, and it is recommended to transcribe it in the Conservatoria. The transcription makes the purchase of the property “enforceable against third parties”, i.e., the seller cannot sell the property to someone else or grant a mortgage over the property or create a passive servitude or grant any other prejudicial right over the property.

**C. The Sales Agreement.** The final step of the process is the execution of the **Deed of Sale** (called “**Rogito**”) that can only be executed by a Notary Public. The Deed of Sale must be done in Italian language. The Notary will read it and explain the entire content of the contract to everyone present, making sure that the parties understand its content and the legal effects. If needed, the presence of a translator may help.

Usually, payment is made at the time of execution of the deed, by cashier’s check. The Notary Public may receive and hold the sums in escrow if the buyer does not have a bank account in Italy.

# How does the purchase transaction proceed? Notary? Land registry?

Usually, the buyer pays the expenses and fees of the Notary, as well as the stamp duty relevant to the deed.

The notary will then register the deed with the tax authority (paying the related stamp duties on behalf of the parties) and with the Conservatoria. The Cadastre is also updated with the cadastral registration.

**Conclusion: as part of the Due Diligence, of drafting and negotiating the preliminary agreement as well as the execution of the deed of transfer before the notary, the assistance of an Italian lawyer is essential!**

(The Italian lawyer could also be granted a POA to execute the deed of transfer in the name and on behalf of the purchaser)

# What costs are involved in the purchase of a holiday property?

**Due diligence costs** if necessary;

**Tax payable** by the buyer for the purchase of a holiday property:

- if the seller is a private individual the sale is subject to registration tax at 9% and mortgage and cadastral fixed taxes come at EUR 50 each (in the case of “first-home” the **registration tax** is 2%);
- if the seller is a corporation and the sale is exempt from VAT, the **registration tax** comes at 9%;
- if the seller is a construction company the sale is subject to **VAT at 22%** (luxury property), 10% (ordinary property), or 4% “first-home”.

**Notary fees** payable by the buyer are in relation to the price of the property and lower in the case of “first-home”.

**Loan costs** if the purchase of the property is financed by a property loan, there are additional costs (notary fees, 2% tax registration or 0.25% if “first-home”, insurance, administration costs, guarantees).

In general, for the sale of residential property (except for luxury) made to private individuals not acting for commercial purposes, the buyer may choose (by requesting the notary) to calculate the **registration tax on the cadastral value of the building, rather than on the amount paid.**

When the sale is subject to VAT, the taxable base is the sales price.

# Which current costs are borne by the owner of a holiday property?

## Day-to-day costs

- Utilities
- Maintenance costs and condominium management costs
- Loan payment if the property is financed by a loan
- Advisory fee for annual tax return and other compliance
- If the property is a corporation, bookkeeping, tax compliance as a company

## Local Taxes

- Property tax (IMU)
- Waste collection tax (TARI)

## Income tax

# What costs are incurred when selling a holiday property?

If the **property is owned by a corporation**:

- direct taxes are due (capital gains);
- if applicable, VAT is due by the buyer;
- if the asset is the only property of the corporation, the latter must be liquidated along with the related costs.

If the **property is owned by a private individual** or by a Società Semplice:

- capital gains tax (at 26%) is only due if the period between the purchase and the sale is less than 5 years;
- **after 5 years NO TAXES are due.**

# What costs are incurred in case of donation during lifetime?

## DONATION TAX

BENEFICIARY	TAX RATE	EXEMPTION
SPOUSE OR LINEAR RELATIVES	4%	€ 1 MLN FOR EACH BENEFICIARY
BROTHER OR SISTERS	6%	€ 100K FOR EACH BROTHER OR SISTER
OTHER RELATIVES	6%	ZERO
OTHER PERSONS	8%	ZERO

Ipo-cadastral tax: 3% (except for the property given as “first home” for the donee/transferee).

Notary fees - a notarial deed is mandatory.



# What costs are incurred in the event of inheritance?

Italy is considered a tax haven from an inheritance tax point of view

## INHERITANCE TAX

BENEFICIARY	TAX RATE	EXEMPTION
SPOUSE OR LINEAR RELATIVES	4%	€ 1 MLN FOR EACH BENEFICIARY
BROTHER OR SISTERS	6%	€ 100K FOR EACH BENEFICIARY
OTHER RELATIVES	6%	ZERO
OTHER PERSONS	8%	ZERO

Ipo-cadastral tax: 3% (except for the property given as “first home” for the heir).

Advisory fees.



# What ongoing tax obligations follow from the purchase of real estate?

## Local Taxes

- property tax (IMU) on property other than the “first-home”: ordinary rate 0.76%, varying by  $\pm 0.3$  points depending on the municipality
- IMU is due even if the property is rented out – it is not due if the property is unfit or unusable;
- TARI, waste collection tax, is always due by the individual who uses the property;

## Income Tax

- if the property, owned by a private individual, is rented out, income tax is due at 21% under the fixed rate (Cedolare secca) regime, or at 26% in the case of short-term rent or free rental contract; in other cases, the progressive ordinary tax is applied;
- if the property, owned by a company, is rented out, the ordinary taxes (IRES and IRAP) are due at a rate ranging from 27.9% to about 29%.

## Policy rules

- the owner must forward the tenant’s personal data to the local police via an online procedure within 24 hours

# Risk of unlimited tax liability in the case of frequent residence?

Art. 2 TUIR, a private individual is considered by the Tax administration to be **a resident** in Italy if he/she:

- has a residence (habitual abode) in Italy
- has a domicile (place where the person's personal and family relationships develop) in Italy
- is present in Italy at least 183 days per year (including fractions of a day)

However, double tax treaties prevail over the above rules.

In Italy, income is generally subject to tax on a worldwide basis.

# Real Estate Market in Italy – Overview

## Current Highlights for 2024

- Recession in Italy was avoided in 2023, but an element of uncertainty remains for 2024 linked to global geopolitical scenarios & ongoing macro trends such as interest rates. Despite the economic slowdown last year, real market demands for rental space remained robust, with positive rental growth across all sectors
- **New interest rate certainty** is instilling greater confidence among investors who are starting to have a clearer picture of the values of operations and the cost of capital, which favours greater movement on the market: **cautious optimism but always with an eye on the many macro challenges**
- Revenue yields from Real estate in Italy could still experience some increases during the year, with differences between sectors. Repricing in 2023 was significant & investors are increasingly aware that the market in the future will be different, with returns settling at higher levels than we were used to in the last decade.
- The **Social component** of “ESG” will have a central role in 2024 (**especially for UHNW Family Offices who desire to invest in the market**), which includes construction of Sustainable and Inclusive developments & infrastructure: capital flows for real estate could contribute in part, to achieve this goal.

## Key Intangible Investment Points for Italian real estate

- Traditionally has been a mix of old-world charm with modern developments
- The housing market specifically has been influenced by Italy's rich cultural heritage, leading to a robust demand for **historic & luxury properties**, notwithstanding administrative & bureaucratic challenges.
- The most sought-after areas include major cities like **Rome, Milan, Venice and Florence**, for their urban appeal, and regions like **Tuscany, Liguria the Amalfi Coast**, and many others, for their scenic beauty and artistic value.

## Recent Government policies that are impacting the market

- For Italy's housing market, **various incentives are being introduced**, such as tax benefits for **first-time homebuyers and subsidies for renovations & restorations** (in certain regions where Heritage council obligations are higher, such as the Tuscany Region)
- Incentives for HNW and UHNW foreign investors, introducing specific incentives like the **flat tax regime** for new residents, in accordance with specific requirements

# Real Estate Market in Italy – Sectors & Trends

SECTOR	OFFICES	LOGISTICS	RETAIL	LIVING
TRENDS	<ul style="list-style-type: none"> <li>Retains a good, selective, attractiveness</li> <li>High-quality offices with strong ESG credentials represent one of the most significant opportunities in today's market, particularly in Milan</li> <li>2024 1st half: still affected by the availability &amp; cost of capital</li> <li>2024 2nd half: rate cuts will generate more positive sentiment</li> </ul>	<ul style="list-style-type: none"> <li>Interest in logistics investments remains on the agenda of most investors across the entire spectrum of logistic sub-asset classes.</li> <li>The level of capital is expected to continue to be high across all risk profiles.</li> </ul>	<ul style="list-style-type: none"> <li>Recovery for investment activity envisaged for 2024, thanks to a mix of fundamentals: <b>increased turnovers, sustainable rents, limited vacancy along with already adjusted high returns and expectations of reductions in financial rates.</b></li> <li>High-stress mass-market retail opportunities (will maintain or increase attractiveness at the right level of price/yield;</li> <li>Rare luxury prime opportunity will continue to trade at prime yields.</li> </ul>	<ul style="list-style-type: none"> <li>The living sector will continue to be an asset class of growing interest for Institutional Investors, with a focus on residential development.</li> <li>Value-added investors show a preference for BTS projects in central areas, while BTR expansion is observed in peripheral locations and major regeneration projects.</li> <li>Student accommodation will continue to be on the agenda of investors who will also extend their interest to secondary cities.</li> </ul>
INVESTMENT APPROACH & TARGETS	<ul style="list-style-type: none"> <li>Well-located CORE+ / Value add opportunities;</li> <li>Assets in central submarkets and green conversions / improvements (main investment's drivers in 2024)</li> </ul>	<ul style="list-style-type: none"> <li>Standard low – customized logistic assets &amp; value-added in prime locations</li> <li>Core+ logistic platform (achieved through asset MGMT activities &amp; increased rents);</li> </ul>	<ul style="list-style-type: none"> <li>Regional Centres, dominant in locations with a solid catchment, on the market at an adjusted yield;</li> <li>Centres to be repositioned opportunistically and/or value add;</li> </ul>	<p>VALUE-ADDED Investment target:</p> <ul style="list-style-type: none"> <li>BTS projects in central areas;</li> <li>BTR expansion in peripheral locations and major regeneration projects.</li> <li>Student accommodation not only in primary but also secondary cities.</li> </ul>

# Real Estate Market in Italy – Sectors & Trends

## TOURISM INDICATORS

The Italian hotel sector in 2023 recorded one of the strongest performances in Europe.

Growth in tourism demand will only translate into real development opportunities if operators are able to intercept the needs of new travellers and respond adequately to them. Hospitality & Wellness Operators will continue to be key protagonists with regards to innovation and location “value-added” diversity.

The large supply of accommodation facilities requires investments in digital innovation and efficiencies in their environmental and social sustainability, and in addition to improvements in LIFESTYLE and WELLNESS arbitrage.



### NEW INVESTMENT MODELS

- Investors are attracted by the flexibility of hotel offerings to enhance income in a higher inflation environment, coupled with the long-term prospects of capitalizing on structural shifts
- New vertically integrated **investment platforms (Investors & Operators or Investors & Asset Managers)** are becoming increasingly popular due to their greater flexibility and convenience.



### UNLOCKED OPPORTUNITIES

- Leisure is the primary leader of recovery and investors will continue to hunt for opportunities in this sector, especially with a value-add angle
- Opportunities exist for the conversion of non-performing buildings such as dated office buildings in major cities. Several hotel groups already have brands suitable for this development model.

# Buying real estate in the Mediterranean

## Greece

# About the speakers



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# Are there any restrictions on foreigners buying property?

There are no legal or civil restrictions on the purchase of property by foreigners. However, according to Greek law, certain restrictions may apply to natives and foreigners alike.

## For example:

- Protection of the natural environment and cultural heritage: this category mainly includes forest properties and protected areas or properties of archaeological interest (don't forget we are talking about Greece).

A purchase that includes public forest lands is prohibited. The sale, acquisition and distribution of private forest properties between co-owners requires prior ministerial permission, otherwise the relevant acts are invalid. Similarly, there is a ban on acquiring property on the seafront. In relation to the protection of cultural heritage, there is for example a prohibition of ownership in archaeologically protected areas.

# Are there any restrictions on foreigners buying property?

- Restrictions on the acquisition of real estate by foreigners : in some border areas, the prior permission of the district is required for the acquisition of real estate. However, EU citizens are treated as Greek citizens for the purpose of this legislation.
- Urban Planning restrictions and conditions: many times, urban planning restrictions are applied, partly related to the above prohibitions.
- Acquiring property in militarized areas can also be complicated.
- Regarding lighthouses, Greek Law provides for a distance of at least 200 sq. m. from the respective lighthouse to be able to transfer a property. In any case, forced expropriation can be ordered for the same reason.
- In order for someone to acquire real estate property in Greece a Greek tax registration number is required in case income arises from the property.

# Does it make sense to buy through a corporation?

Not really.

The purchase of ownership by a legal entity rather than a physical person does not result in any advantage at the level of the buyer.

On the contrary, as far as legal entities/corporations are concerned, the tax exemptions for first / permanent residence do not apply.

On the other hand, there may be more managerial / accounting costs to be considered.

Only in the case that the buyer's intention is to sell the property in future is there an advantage in buying the property through a corporation. There is flexibility as far as the cost for selling the property through a corporation is concerned, because of the variety of the options that the seller might have.

# Real estate due diligence – what do I need to check before buying?

- Checking the ownership structure / ESSENTIAL THAT YOU GET LEGAL ADVICE:

Prior to the property being transferred, the buyer shall proceed with a legal audit carried out by a lawyer to check on the seller's property and any encumbrances on the property. The purpose is to avoid the purchase of property with encumbrances so it can be fully exploited. The local Land Registries in Greece are organized by keeping data by beneficiary name and not by property. More specifically, there are :

- the ration books
- the mortgage books
- the books of vindications
- the transfer of property books
- the confiscation books

that should be checked and reviewed before the transaction. Such legal audits should cover at least 20 years prior to the period of interest, in order not to raise the question of ownership later.

In most areas in Greece, Cadastral Offices are already operational along with the local land registry. In these cases, check of books and electronic entries must be carried out. In the remaining areas, Cadastral Offices are under "construction" and the ongoing cadastral update project (KTIMATOLOGIO) should be completed soon.

# Real estate due diligence – what do I need to check before buying?

- Checking building permits / avoid risk of illegal construction / Construction deficiencies

CRUCIAL THAT YOU ASK FOR HELP FROM A CIVIL ENGINEER – EXPERT:

This control is very important as it aims to protect the buyer from the financially unfavourable acquisition of property that is unsafe, inappropriate for its intended use, or even violates urban planning laws. It also prevents the buyer from being exposed to a possible burden of hidden, current or future financial obligations towards the State because of expropriations or contributions to land and money as well as from other future restrictions that may "block" the exploitation and use of the property. It is therefore necessary to ensure and acquire a certificate for the relevant land uses from urban planning.

# Real estate due diligence – what do I need to check before buying?

- The Electronic Building Identity is required before signing the contract. With the electronic identity, the supporting documentation is submitted by the engineer and checked by the competent authorities. It is also checked arbitrarily anyway. This allows strict control for any arbitrariness.

# How does the purchase transaction proceed? Notary? Land registry? Cadastral Office?

For acquiring property in Greece, a notary is required to prepare the contract of the transaction. The notary is responsible for:

- meticulously preparing the acquisition contract
- ensuring an accurate description of the property within the legal framework
- ensuring that the real estate transfer tax has been paid by the buyer.

In that context the notary gathers all the necessary documentation for the transaction from the engineers, civil services, and tax office to ensure a smooth and legally sound property acquisition process.

It is noteworthy that the completion of such contract could take up to several weeks depending on the legal status of the property and the complexity of the situation. Furthermore, the notarial contract should be registered with both the Cadastral Office and the Land Registry, otherwise the purchaser does not acquire legal ownership of the property.

# What costs are involved in the purchase of a property (permanent residence/secondary residence – holiday property)?

There is no difference between purchasing permanent residence/secondary residence – holiday property.

The usual costs involved in the process of acquisition of property at the level of the buyer are the following:

- Real estate transfer tax of 3% on the price/value of the property. The value of the real estate is calculated depending on the system applied in the specific location of the property. Hence, the objective value or, if not available, the value calculated by the tax authority. If the selling price is higher than the objective value, the real estate transfer tax is applied on the selling price. The buyer is exempt from transfer tax (up to a limit of EUR 200,000 value) if the property is used as a permanent residence and meets the conditions as such.
- A municipality duty of 3% is due on the above-mentioned tax. Therefore, the total tax liability is set at 3.09%
- The notary public fees range from 0.80% to 0.10% on the objective value of the property or the value mentioned in the contract (the percentage of the fee is inversely proportional to the value).



# What costs are involved in the purchase of a property (permanent residence/secondary residence – holiday property)?

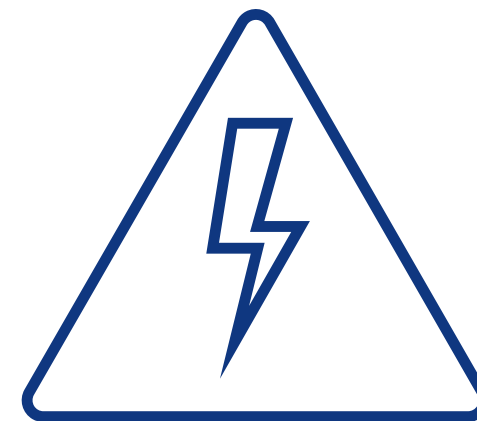
- Land registry fee is calculated at 4.75‰ on the property value and at 5‰ + 1‰ for the Cadastral Office.
- Real estate agent's fee: negotiated between the buyer and the agent; usually 2% on the value of the property.
- Lawyer fees : The presence of a lawyer is optional in the process. However, hiring a lawyer is required for the buyer to audit the ownership status and existence of any encumbrances on the property in the Land registry and the Cadastral Office and to review the terms of the contract, etc. Usually, the fees of the lawyer are negotiable.
- It is noteworthy that the application of VAT on real estate property acquisition has been suspended until the end of 2024 (optionally for the seller-constructor). The applicable VAT rate for such transactions as of 2025 will be 24%.

# Which current costs are borne by the owner of a property?

Maintenance and financing costs



Electricity, water supply, internet costs



Accountant fees  
(when a legal entity is involved)



# What costs are incurred when selling a holiday property (or any property)?

- Capital gains arising for individuals are calculated as the difference between sales and purchase price and are subject to income tax at a rate of 15%. However, the relevant tax provisions have been suspended until the end of 2024.
- Capital gains arising for companies are taxed at a rate of 22% along with ordinary profits.
- It should be noted that if an individual sells 3 (separate) properties and the transactions take place within a two-year period, they are considered systematic transactions, and the respective profits are taxed as company profits at a rate of 22%.

# What costs are incurred in case of donation during lifetime?

- The parental benefit or the donation to persons falling under the A' category of par. 1 of article 29 Law 2961/2001 of any asset, are subject to tax, which is calculated at a rate of 10%, after deducting the one-off tax-free amount of EUR 800,000. This provision applies to donations and parental benefits which are introduced from 1 October 2021 onwards. The amount of EUR 800,000 does not include donations and parental benefits that have been carried out until 30 September 2021.
- Persons falling under the B' category are subject to a direct tax at a rate of 20% and under the C' category a rate of 40% applies.
- It is important to consider the explanatory table on the next slide

## A' Category

a) spouse, b) the person who had entered into a cohabitation agreement, c) the descendants of the first degree (children from a legal marriage, children out of wedlock against the mother, recognized voluntarily or judicially against the father, legitimated by consequential marriage or judicially against both parents), d) second-degree blood descendants and e) first-degree blood ascendants.

## B' Category

a) the blood descendants of the third and subsequent degrees, b) the blood descendants of the second and subsequent degrees, c) the voluntary or judicially recognized children against the descendants of the father who recognized them, d) the descendants of the recognized against the recognizer and the above him, e) siblings (consanguineous or consanguineous), f) blood relatives of the third degree on the side, g) stepfathers and stepmothers, h) children from a previous marriage of the spouse, i) children from consanguineous marriages (sons-in-law - daughters-in-law) and i) those who ascend by marriage (father-in-law - mother-in-law).

## C' Category

anyone else related by blood or bloodline to the inheritor or exotic.

# What costs are incurred in the event of inheritance?

- **Transfer of property following death (mortis causa)** in all types of assets is subject to tax, which is calculated based on tax scales per category A', B' or C' , with different tax exemptions in each case.
- Real Estate Property Tax (ENFIA): calculated considering several factors. Also, there are differences in the calculation of the tax between individuals and companies.
- Municipality duties (TAP) are usually paid along with electricity bills.
- Income tax if the property generates income. The tax costs in such case depend on the type of income that is generated. More specifically, if the income is generated from rental/long-term lease or if the income is related to entrepreneurial activities, e.g., short-term lease/Airbnb etc.

# What ongoing tax obligations follow from the purchase of real estate?

- Real Estate Property Tax (ENFIA): calculated considering several factors. Also, there are differences in the calculation of the tax between individuals and companies.
- Municipality duties (TAP) are usually paid along with electricity bills.
- Income tax if the property generates income, again depending on the kind of the buyer (individual or legal entity) and the type of income (rental/long-term lease or income related to entrepreneurial activities, e.g., short-term lease/Airbnb etc.)

# Risk of unlimited tax liability in the case of frequent residence?

If an individual maintains a permanent or principal residence or usual residence or centre of living interests, i.e., his personal or financial or social relations in Greece then he/she is considered a tax resident of Greece.

Also, an individual that is constantly present in Greece for a period exceeding 183 days, including short periods of living abroad, is considered a tax resident in Greece from his first day of presence in Greece. This does not apply in cases of individuals that are present in Greece only for touristic, medical, curing, or similar private purposes and their presence does not exceed 365 days, including short periods of living abroad.

It should be noted that the criteria for an individual to be considered a tax resident of Greece should be thoroughly examined on an ad hoc basis.

If an individual can demonstrate tax residency in another country that has a double tax treaty with Greece, they may be eligible for protection under the treaty.



# Golden Visa Program :

## The easy way to enjoy the privileges of being an EU Citizen

The benefits are known and much appreciated. But what are the criteria for acquiring a golden visa in Greece?

The main condition is the purchase of property and of course its value.

A EUR 500,000 threshold applies to a) the areas of the Northern Sector of Attica, namely Penteli, Kifisia, Metamorfosi, Chalandri, Agia Paraskevi, Vrilissia, Nea Ionia, Heraklion, Cholargo, Papagou, Pefki, Lykovrysi and Maroussi b) the Southern Sector of Attica which includes the municipalities of Agios Dimitrios, Alimos, Glyfada, Hellinikon-Argyroupoli, Kallithea, Moschato-Tavros, Nea Smyrni and Palaio Faliro and in the Central Sector the Municipalities of Athens, Philadelphia-Chalkidona, Galatsi, Zografou, Galatsi, Dafni Ymittos and c) the municipality of Thessaloniki, Mykonos and Santorini.

The threshold is EUR 250,000 in the remaining municipalities of Attica as well as in the rest of the country.

The above, for both cases, applies per property, meaning the "Golden Visa" cannot be acquired with total investments of EUR 500,000 or EUR 250,000 respectively, with multiple real estate purchases.

We would like to thank our colleague for her help and support, during this presentation.



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**PKF Hellas can conduct any type of audit regarding property / real estate in Greece. We would be more than happy to assist you.**

# Buying real estate in the Mediterranean

## Türkiye

# About the speakers



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# Are there any restrictions on foreigners buying property?

In Turkey, the condition of reciprocity has been abolished by Article 1 of Law No. 6302.

- However, the abovementioned provision imposes a limitation on the amount of real estate acquisitions by foreigners, i.e., the total area of real estate and independent and permanent limited real rights acquired by foreign natural persons cannot exceed 10% of the privately owned district's surface area and 30 hectares (300 acres) per person throughout the country.
- The foreign person must be a citizen of one of the countries determined by the Council of Ministers (citizens of countries such as Syria, Taiwan, Cuba, North Korea and Armenia are not allowed to buy real estate in Turkey).
- The acquisition of real estate must not be limited, stopped or prohibited by the decision of the Council of Ministers.
- In addition, real estate acquisitions in military areas are subject to the permission of the governorships where the real estate is located.

# Does it make sense to buy through a corporation?

In Turkey, you can buy real estate either as an individual or through an SPV company or through a real estate investment fund (REIF). Each option has certain advantages and disadvantages depending on the purpose of obtaining the real estate as well as the duration. The table on the next slide summarises the main differences from a tax point of view. However, there are also certain other differences:

- When real estate worth USD 400,000 or more is purchased, an individual and his/her wife/husband and kids under the age of 18 years will have the right to obtain Turkish citizenship. There is no such option for companies and REIFs.
- If an individual purchases real estate worth EUR 200,000, depending on the region, the government grants him/her and their family a 1-year residence permit which can be renewed an unlimited number of times.

# Does it make sense to buy through a corporation?

## On behalf of a company

- right to VAT discount if the seller is a company
- possibility to apply depreciation
- if sold, subject to payment of taxes
- VAT arises when renting out; an invoice needs to be issued even if rent cannot be collected.

## In Your Own Name

- 5-year right to avoid paying tax if you sell after holding for 5 years
- withholding tax liability if you show the company address on the property you purchased
- expenditure on the property does not reduce your tax payable
- risk of paying more tax than a company, however, if you cannot collect rent, you have no obligation to pay tax.

# Does it make sense to buy through a corporation?

Line	Type of tax	Individuals	Company	Real Estate Investment Fund
A	In case real estate is not sold for 5 full years or more, then income tax is:	0	25%%	0%
B	In case real estate is sold within a period of less than 5 full years, then income tax is:	up to TRY 110,000 - 15% over TRY 110,000 up to 230,000 - 20% over TRY 230,000 up to 580,000 - 27% over TRY 580,000 up to 3,000,000 - 35% over TRY 3,000,000 - 40%	25%	0%
C	Withholding Tax over the distributable profit (double taxation will be taken into consideration)	Not applicable	10%	10%
D	Value Added Tax (VAT)	Non deductible	Deductible	Deductible
E	In case of rental income earned	20% withholding tax payable by company that rented the real estate and in case the real estate is rented out to an individual then the owner will be responsible to pay personal income tax	Invoice must be issued including VAT. Rental income is subject to 25% corporate income tax	Rental income is subject to VAT but income tax is 0%



# Real estate due diligence – what do I need to check before buying?

Property acquisition in Turkey is subject to specific legal regulations. Foreigners need to comply with these regulations. During this process, legal uncertainties or changes can pose risks.

1. Legal regulations
2. Government policies in Turkey can influence foreign property acquisition.
3. Economic risks
4. Taxes and fees
5. Real estate market risks

# Real estate due diligence – what do I need to check before buying?

- Checking the ownership structure

(Title deed information of the real estate should be checked and if there is no mortgage lien etc. on it; issues should be determined.)

- Checking building permits/risk of illegal construction?

(The building status should be inquired upon with the municipality, and it should be determined whether there is any illegality or debt on the building.)

(If a building is to be built on the land, the zoning status should also be checked)

# Real estate due diligence – what do I need to check before buying?

Risks that must be checked before buying real estate:

## 1. Legal regulations

- Strategic Investment and Exceptional Circumstances
- Foreigners and Labor Law
- Zoning Law and Regional Planning
- Tax Laws
- Law on Protection of Cultural and Natural Assets

## 2. Government policies in Turkey can influence foreign property acquisition.

- Incentives for Foreign Investors
- Citizenship Programs
- Publicly Supported Projects
- Support for the Construction Sector

# Real estate due diligence – what do I need to check before buying?

Risks must be checked before buying a real estate:

## 3. Economic risks

- Currency Fluctuations
- Inflation
- Economic Growth and Recession
- Interest Rates
- Political Uncertainties
- Credit Market Conditions

## 4. Taxes and fees

- Title Deed Fee
- Value Added Tax (VAT)
- Property Tax
- Title Deed Transaction Fee
- Environmental Cleaning Tax
- Capital Gains Tax on Real Estate Sales
- Real Estate Income Tax

## 5. Real estate market risks

- Depreciation of Value
- Planning and Zoning Changes
- Liquidity Issues
- Market Imbalances
- Interest Rates and Financing Costs
- Political and Regulatory Risks

# How does the purchase transaction proceed? Notary? Land registry?

1. The foreign person is granted an identification number by applying to the tax office.
2. Notarized passport translation is provided.
3. An account is opened with a state bank (Ziraat Bank).
4. An application is made to the land registry office with tax identification number and passport translation.
5. The transaction is completed by signing the relevant documents at the land registry office.
6. Amount of the purchase can be transferred at any stage. However, it is best to pay through a bank cheque just after signature of the title deed book

Purchase and sales transactions need to be done before notaries since 4 July 2023.

**All these transactions can be done without visiting Turkey with only a specific power of attorney.**

# How does the purchase transaction proceed? Notary? Land registry?

The process of buying property by foreigners in Turkey generally consists of the following steps:

**1. Finding suitable property:**

The first step for a foreign investor is to identify the real estate they wish to purchase in Turkey. This could be a property that fits their budget, preferences, and objectives. Investors typically start their property search through real estate agents or online property platforms.

**2. Inspection and evaluation of the property:**

Investors carefully inspect and evaluate the selected property. During this stage, factors such as the physical condition, location, zoning status, and other important aspects of the property are considered.

**3. Negotiation of Price and Terms:**

Investors negotiate with the seller or the seller's representative regarding the price and other terms of the sale. At this stage, details such as the price, payment plan, sale conditions, and other specifics are determined.

# How does the purchase transaction proceed? Notary? Land registry?

The process of buying property for foreigners in Turkey generally consists of the following steps:

## 4. **Payment and title deed procedures:**

Depending on the conditions of the agreement, investors pay the purchase price according to the payment plan. After the payment is completed, applications are made to the Land Registry and Cadastre Directorate for title deed procedures, and the title deed of the property is registered in the name of the foreign investor.

## 5. **Payment of taxes and other fees:**

Taxes and fees related to property purchase are paid. These taxes are usually calculated as a certain percentage of the sales price and paid to the Land Registry and Cadastre Directorate.

## 6. **Settlement and monitoring:**

After the purchase process is completed, investors can start using or renting out their property. In some cases, investors may work with a property management company or real estate consultant to manage their property.

# What costs are involved in the purchase of a holiday property?

## Purchase Costs:

1. **Property price:** The price of the real estate being purchased is one of the major cost components and varies based on the region, size, and features.
2. **Title deed fee:** A title deed fee is paid when purchasing real estate, based on the property's value. The title deed fee is 4% of the sales value of the real estate.
3. **VAT:** In certain cases, taxes such as VAT may need to be paid on the acquired real estate.
4. **Sales commission or real estate agent fee:** If the transaction is carried out through a real estate agent, a commission or fee may need to be paid to the agent.



# What costs are involved in the purchase of a holiday property?

5. **Legal consultancy and transaction expenses:** Legal consultancy services and transaction expenses are also included in the costs during the purchase process.
6. **Title deed procedures and notary expenses:** Notary expenses are paid for title deed transfer procedures.
7. **Valuation fees:** Banks often require real estate valuation for loan applications.
8. **Insurance and other expenses:** Consideration should be given to insurance and other expenses for the purchased real estate.
  - Additionally, a transaction charge of 822 TL (approximately EUR 25) is due for 2024.

# Which current costs are borne by the owner of a holiday property?

Current costs that the holiday property owner must cover for a holiday property in Turkey may include:

- **Property tax:** a tax that property owners must pay in Turkey.
- **Site fee (site maintenance fee):** If the property is in a site, site fees may be required to be paid. This includes services such as maintenance, cleaning and security of common areas within the site.
- **Electricity, water, and other services (utilities):** Daily services such as electricity, water, and natural gas must be paid by the property owner.
- **Insurance:** Insurance such as property insurance and earthquake insurance must be paid by the property owner.
- **Management fees:** In some cases, it may be required to contract a professional company to manage the property and management fees must be paid for this service.

# What costs are incurred when selling a holiday property?

## Sale Costs:

1. **Title deed fee:** A title deed fee is also paid when selling real estate, based on the sales price. The rate is 4%;, of which 2% is paid by the seller and the other 2% by the buyer.
2. **VAT:** Taxes such as VAT may need to be paid during the sales process.
3. **Sales commission or real estate agent fee:** If the sale is facilitated by a real estate agent, a commission or fee may be required.
4. **Legal consultancy and transaction expenses:** Like the purchase process, legal consultancy services and transaction expenses are incurred during the sales process.
5. **Title deed procedures and notary expenses:** Notary expenses are paid for title deed transfer procedures.
  - Additionally, a transaction fee of 822 TL (approximately EUR 25) is due for 2024.
  - Additionally, if the real estate is sold within 5 years for a price higher than the purchase price, the capital gain is subject to tax.

# What costs are incurred in case of donation during lifetime?

- Real estate that is donated:
  - must have a title deed; must not have mortgage, annotation, attachment, etc. established on the title deed,
  - must be free of any legal issues such as inheritance and other encumbrances on the title deed,
  - must not be in a conservation area, green area, flooding zone, municipality expropriation area, security and archaeological site.

Real estate donation occurs via two methods, either conditional, or unconditional.

- There is a charge of 6.831% on the value of donated real estate which will be paid by the receiving party over the value at the date of donation.
- Donations made by corporate income taxpayers can be deducted up to a maximum of 5% of the income to be declared.

# What costs are incurred in the event of inheritance?

- The tax rates mentioned in Article 16 of Law No. 7338 have been determined by increasing the rate of re-evaluation provided. Accordingly, inheritance and transfer taxes imposed on the value of the property (tax brackets) are calculated on (i) transfers through inheritance, or (ii) on free transfers (donations, prizes, etc.). Effective 1 January 2024 the rates are as follows:

Value of properties In Turkish lira	Transition through inheritance tax base (%)	Free transfers such as donations and gifts tax base (%)
For the first 1,700,000 TL	1	10
For the next 4,000,000 TL	3	15
For the next 8,700,000 TL	5	20
For the next 17,000,000 TL	7	25
For the next 31,400,000 TL	10	30

- Citizens of all countries are treated as Turkish citizens for tax purposes and there is no difference between foreign nationals and Turks.

# What ongoing tax obligations follow from the purchase of real estate?

Property tax on real estate is due annually.

The amount is calculated at fair value in the municipal system:

- 1/1000 rate for residences and lands.
- 2/1000 rate for non-residential buildings.
- 3/1000 rate for plots.

The above rates will be doubled for real estate within Metropolitan Municipalities (30 cities are declared Metropolitan Municipalities such as Istanbul, Antalya, Ankara, Izmir ...).

# Risk of unlimited tax liability in the case of frequent residence?

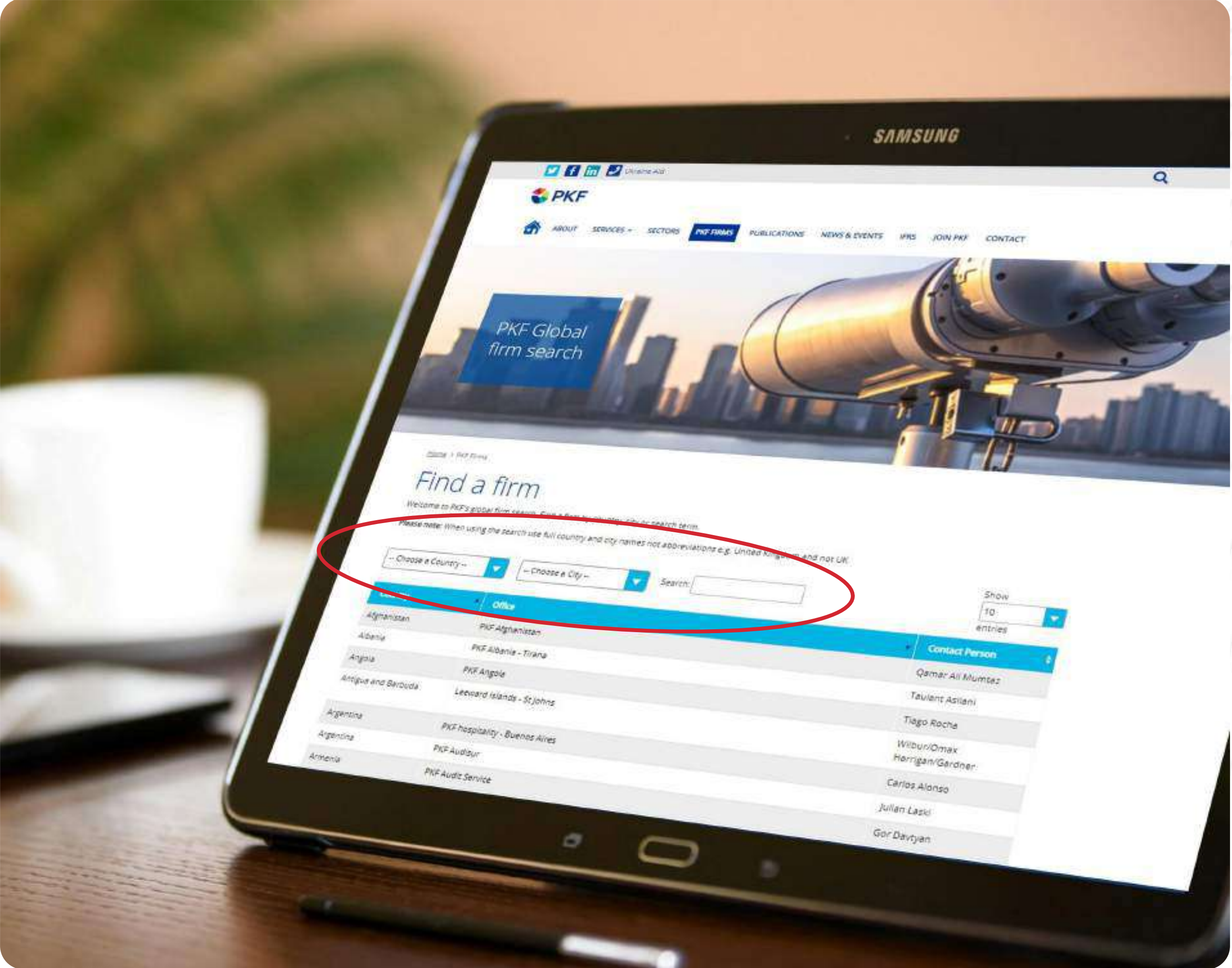
- If a foreign real estate owner resides in Turkey for more than 183 days, there will be a risk of becoming a full taxpayer. Every natural or legal person living in a country more than 183 days and having a Turkish tax number is a full taxpayer from a tax point of view.
- A person who is living in Turkey more than 183 days will be a full taxpayer and will also be liable to declare all the income he/she earns worldwide to the Turkish tax authorities.

# Thank you • Questions?



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# Thank you

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