

TRANSACTION LAWYER'S CHECKLIST

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The following should be considered when entering into a lease with a Turkish lessor or lessee or where Turkish immovable property is the object of a transaction:

The lease of an immovable asset between private persons is not subject to any special form. The lease of an immovable asset owned by the state must be made before a notary public.

Financial leasing contracts must be drafted by a notary public (*ex officio*) located in the district where the lessee is domiciled and such agreement must then be registered in the log maintained by the same notary public. If the financial lease agreement relates to real estate, vessels or aircraft, it must be registered with the land registry, vessel registry or aircraft registry, respectively, maintained in the district where such property is located.

Crossborder leases must be registered with the Treasury of the Republic of Turkey. Although crossborder finance lease agreements can be drafted and executed in a foreign language, the Treasury requires that a Turkish version of the agreement, which will ultimately be the agreement registered with the Treasury and thus the governing version, be drawn up and executed (either in person or by proxy) before a notary public in Turkey.

Currently, crossborder financial lease rentals may not be less than \$25,000 annually. Lease payments may be denominated in any currency traded by the Central Bank of the Republic of Turkey.

Unless otherwise expressly stated, financial lease agreements may not be sub-leased or assigned to third parties. Also, they must not have a duration of less than four years except for certain exceptions to be determined by the Treasury.

A finance lease agreement can be terminated before its expiry date only in the case of: bankruptcy or liquidation of one or both of the parties; loss of legal competence by one or both of the parties to perform the transactions contemplated by the financial lease agreement; or default in payment by the lessee.

Lease contracts are subject to 0.75% stamp tax of the amount payable under the lease at the time of execution, withholding tax at the rate of 15% and a fund contribution at 10% of the amount withheld (which results in a total rate of 16.5%). Finance leases are exempt from any and all Turkish duties, taxes and charges.