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## Taxation on the Sale of Yachts/Boats Purchased in the UK for Personal Use

### Capital Gains

According to Article 80 of the Income Tax Law, regardless of the acquisition method (except those acquired without consideration), the gains arising from the disposal of assets and rights listed in paragraphs (1), (2), (4), and (7) of Article 70 within five years from the acquisition date are considered capital gains. This also includes immovable properties used in agricultural production by real taxpayers subject to taxation under the real method.

Article 70/1-7 of the aforementioned law lists ships and ship shares (regardless of whether they are motorized or their tonnage) as well as all motorized loading and unloading vehicles.

Therefore, the gain arising from the disposal of a yacht within five years of acquisition is subject to taxation as capital gains in Türkiye. The capital gain is determined by indexing the acquisition cost in accordance with Article 81 of the Income Tax Law. Indexation can only be applied if the increase rate of the Domestic Producer Price Index (YI-UFE) exceeds 10%.

### Double Taxation Avoidance Agreements

On the other hand, the taxation authority over gains obtained in a foreign country may be assigned to the source country under Double Taxation Avoidance Agreements (DTAAs). Thus, it is necessary to consider the provisions of the relevant agreement with the respective country.

Article 13 of the Agreement Between Türkiye and the United Kingdom of Great Britain and Northern Ireland regulates Capital Gains. The first paragraph of this article states: *"Gains derived by a resident of a Contracting State from the alienation of immovable property referred to in Article 6 of this Agreement and situated in the other Contracting State may be taxed in that other State."* Article 6 of the Agreement specifies that ships, boats, and aircraft shall not be considered immovable property. Accordingly, this provision does not cover the sale of a yacht in the UK.

The third paragraph of the same article states: *"Gains derived by a resident of a Contracting State from the alienation of ships, aircraft, and land transport vehicles operated in international traffic or moveable property pertaining to the operation of such ships, aircraft, and land transport vehicles shall be taxable only in that Contracting State."* According to Article 3 of the Agreement, the term "international traffic" refers to the transportation conducted by an enterprise of a Contracting State operating a ship, aircraft, or land transport vehicle. Since the yacht in question is for personal use and not related to international traffic operations, this provision is not applicable to this case.

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Lastly, the fourth paragraph of the same article states: *“Gains from the alienation of property other than those mentioned in paragraphs 1, 2, and 3 of this Article shall be taxable only in the Contracting State of which the alienator is a resident. However, gains derived from the alienation of such property within one year from the date of acquisition may be taxed in the Contracting State where the property is located.”*

Since the sale of a yacht acquired for personal use in the UK is not covered under the first three paragraphs of Article 13 of the DTAA, the gains from the sale will be subject to taxation in Türkiye as capital gains. However, if the sale occurs within one year from the acquisition date, the UK also has the right to tax the gain. Accordingly, the countries that have taxation rights depending on the time elapsed after the yacht's acquisition are as follows:

Elapsed Time	1 Year	2- 5 Years	5+Years
Taxing Country	United Kingdom and Türkiye	Türkiye	No Tax

**Example:** Turkish resident Mr. (T) purchased a yacht for personal use in the UK on 03.01.2024 for GBP 4,000,000. He then sold it on 12.12.2024 for GBP 4,500,000. The taxation of the price difference is as follows: Since the yacht was for personal use, the sale is covered under Article 13/4 of the DTAA. As explained above, the gain from the sale will be taxed in Türkiye. However, since the sale occurred within less than one year from the acquisition date, the UK also has the right to tax it. According to Article 23 of the Agreement on the “Elimination of Double Taxation,” taxes paid in one country can be credited in the other.

The tax payable in Türkiye is calculated as follows:

**Acquisition Cost:**  $4,000,000.00 * 37.6575 = 150,630,000 \text{ TL}$

**Acquisition-Sale Indexation Ratio:**  $\text{November 2024} / \text{December 2023} = 3731.43 / 2915.02 = 1.280070$

**Indexed Acquisition Cost:**  $150,630,000 * 1.280070 = 192,816,962.11$  (Indexation is applicable as the UFE increase exceeds 10%)

**Sale Price:**  $4,500,000.00 * 44.2625 = 199,181,250.00 \text{ TL}$

**Capital Gains:**  $199,181,250.00 - 192,816,962.11 = 6,364,287.88 \text{ TL}$

**2024 Exemption Amount:** 87,000.00 TL

**Taxable Capital Gains:**  $6,364,287.88 - 87,000.00 = 6,277,287.88 \text{ TL}$

**Calculated Tax:** 2,292,915.15 TL

The foreign exchange difference is also subject to taxation. The calculated tax in Türkiye can be credited against the tax assessed in the UK.

On the other hand, if the yacht is sold after 04.01.2025, there will be no taxation in the UK. Additionally, to avoid taxation in Türkiye, five years must pass from the acquisition date.

Best Regards,

**BİLGENER**