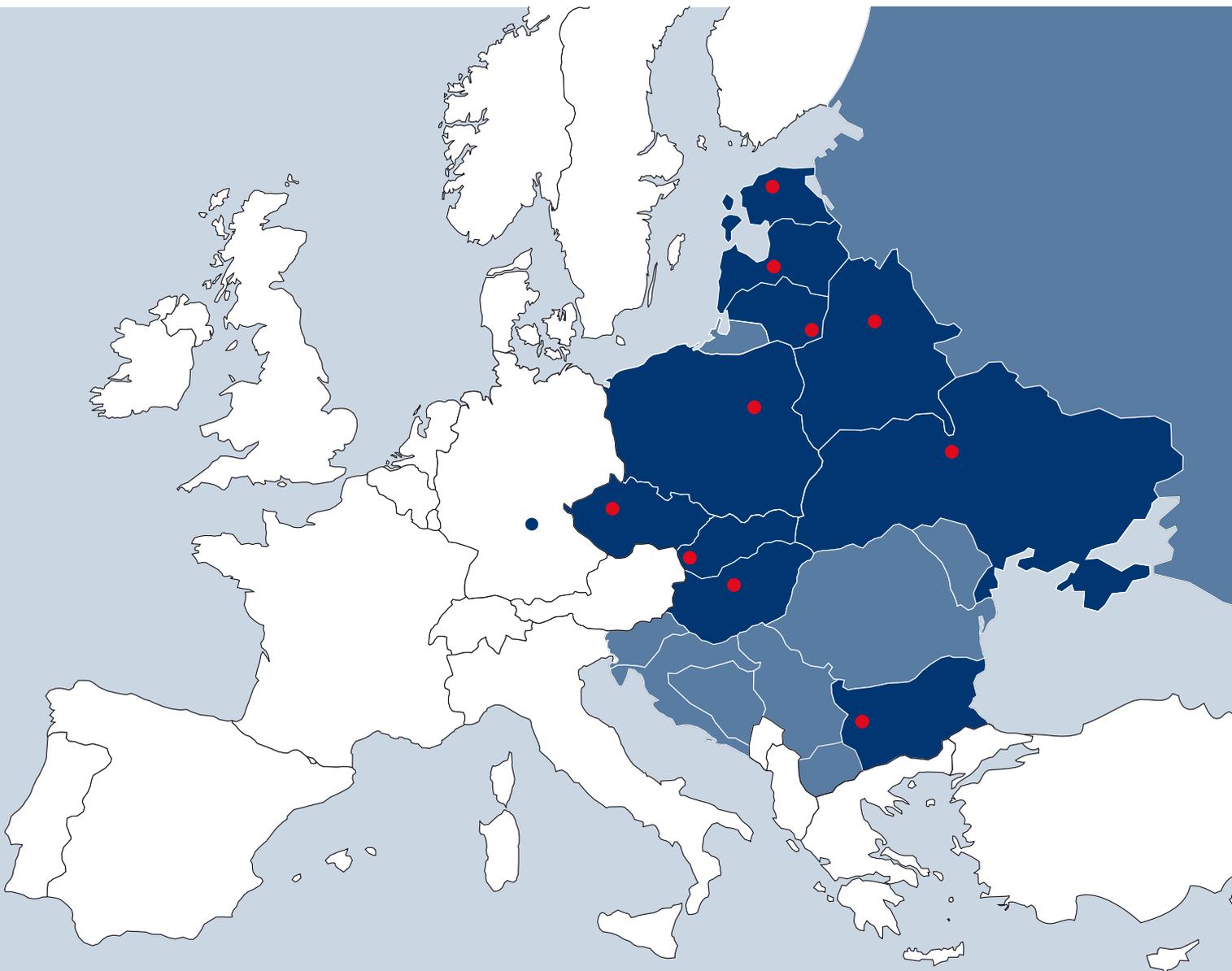


REAL ESTATE SURVEY

Central- and Eastern Europe

2013



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Introduction

We are pleased to present the third edition of the investors' survey "Real Estate in Central and Eastern Europe". We appreciated the positive response to earlier editions of the survey, which led us to keep the approved style of presentation. So the first part gives an overview on particular legal questions by a comparison of countries, while the second part answers the most important legal questions with regard to a particular country.

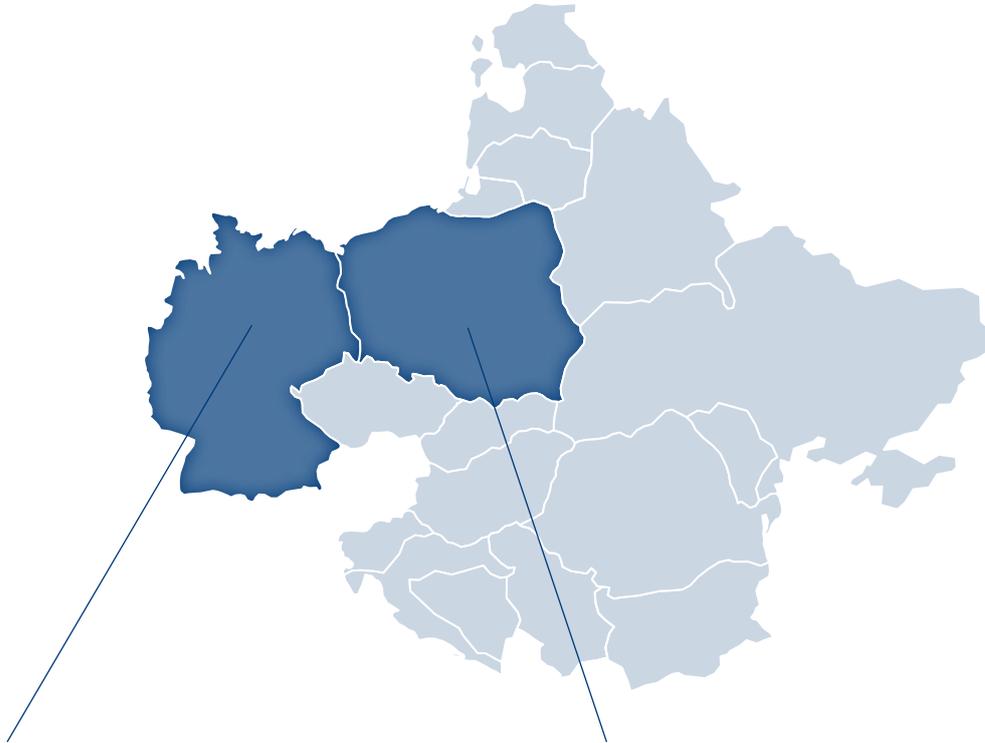
We have also released a new edition of the investors' survey "Real Estate Financing in Central and Eastern Europe". Both surveys are current as of press date i.e., June 2013.

The surveys together provide in-depth legal knowledge clearly and effectively so that you have a safe basis for decisions.

As specialists in all legal matters to do with Central and Eastern Europe, bnt is at home in eleven CEE countries. We would be very happy to welcome you at our offices in any of these countries!

Kind regards

Daniel Gößling (bnt Nuremberg)

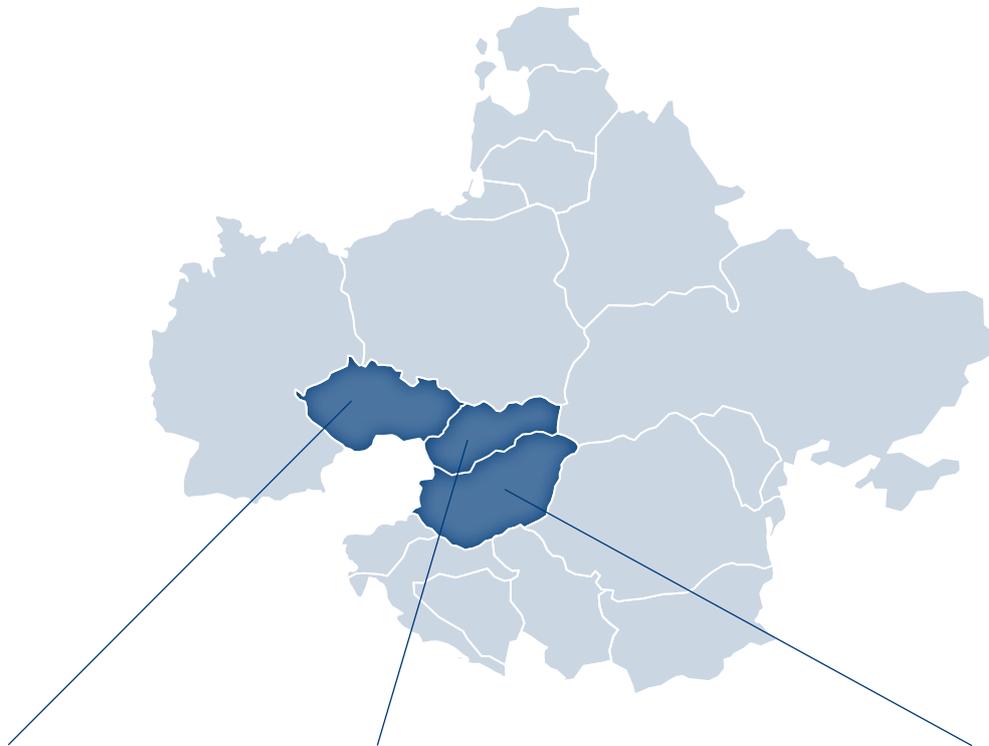


→ Germany:

- In Germany real estate is kept in a public register – the Land Register (Grundbuch) – by district courts (with exceptions).
- Land lots are labelled in the Land Register inventory with basic data (e.g. area, identification marking, size). The register consists of 3 sections; Section 1 shows the owner or other entitled persons and legal basis for entry. Section 2 contains all encumbrances (e.g. wayleaves) and restrictions on the real estate. Section 3 shows mortgages and land charges.
- Contractual relationships such as lease or tenancy may not be entered in the Land Register.
- Purchase and mortgage of land require registration in the Land Register.
- Good faith with respect to the content of Land and Mortgage Register entries is substantially protected, so that in general an extract from the registers is sufficient for checking ownership status for a particular piece of real estate.
- Changes in the Land and Mortgage Register are usually made only on application by someone entitled and based on notarised deeds.
- Everyone can access the Land and Mortgage Register on showing a particular interest (intention to buy is sufficient).

→ Poland:

- Poland keeps a public register – called a land and mortgage register – for each land plot.
- Land and mortgage registers are kept in electronic form by land and mortgage divisions of district courts.
- Land plots are labelled in the land and mortgage register with standardised numbers. Section 1 of the land and mortgage register contains basic data (e.g. area, identification marking) of the real estate. Section 2 shows the owner (or perpetual usufructuary) and legal basis for entry. Section 3 contains all encumbrances and restrictions on the real estate, except mortgages, which appear in Section 4.
- Contractual relationships such as lease or tenancy may be entered in Section 3.
- Ownership of real estate is generally transferred by means of a contract, while the entry in the land and mortgage register follows independently.
- Good faith with respect to the content of land and mortgage register entries is substantially protected, so that in general an actual extract from the land and mortgage register is sufficient for inspecting ownership status for a particular piece of real estate.
- Changes in the land and mortgage register are usually made only on application by someone entitled and based on notarised deeds.
- Everyone can access the land and mortgage register (against a nominal fee), without the need to show any particular interest.
- Electronic inspection of the land and mortgage register, introduced in 2010, is available free of charge on the internet – a query is possible simply by quoting the real estate number. For access to files of the land and mortgage register, evidence of legal concern is needed.



→ Czech Republic:

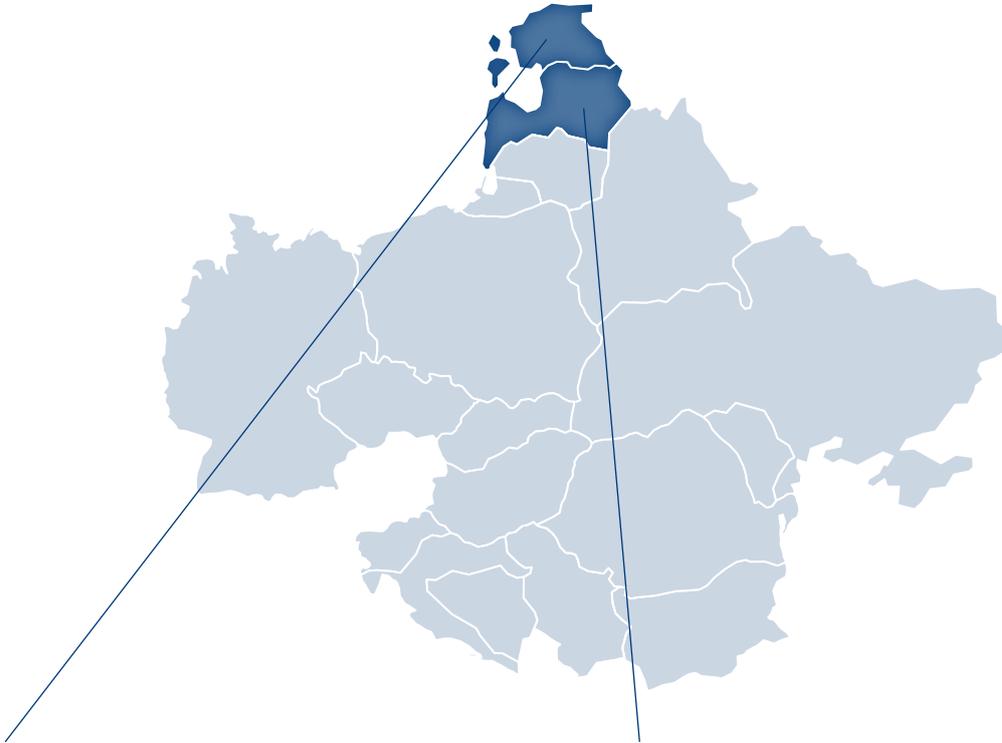
- Public register with information on real estate (cadastre records).
- Managed by local administration, not by courts.
- Register records individual properties with a particular description, an illustration of the location and the shape of the property. / New Civil Code: Register records will also involve the purchase price of real estate.
- It also includes information about easements, liens and other encumbrances.
- Tenancy agreements are not listed in the register. / New Civil Code: Leases can be listed in the register if the landlord or the tenant applies with landlord's consent.
- Transfer of property must be recorded to take effect.
- The principle of bona fide reliance on the accuracy of the register does not apply. /New Civil Code: The principle of bona fide reliance on the accuracy of the register will apply.

→ Slovakia:

- Immovables are listed in a public register – the Cadastre (Land Register).
- An informative (unofficial) excerpt from the Cadastre can be downloaded free of charge.
- The Cadastre is administered by local administrative bodies (not courts).
- The Cadastre contains all relevant information on immovables.
- Immovables include: land, buildings, apartments, commercial premises. Buildings, apartments and commercial premises under construction can also be registered.
- The Cadastre also serves as a source of information on encumbrances (e.g. liens, easements, pre-emptive rights), long-term leases, execution or court proceedings.
- Transfer of the ownership title becomes effective upon registration with the Cadastre.
- Although the excerpt from the Cadastre is used to prove legal title to the property, invalid transfers can be declared void by the court and subsequently cancelled with the Cadastre. Bona fide acquisition is not protected.

→ Hungary:

- In Hungary all real property is registered with a public registry: the Land Registry.
- The Land Registry is administered by the authorities, not by the courts.
- Obligations such as lease and tenancy are not registered.

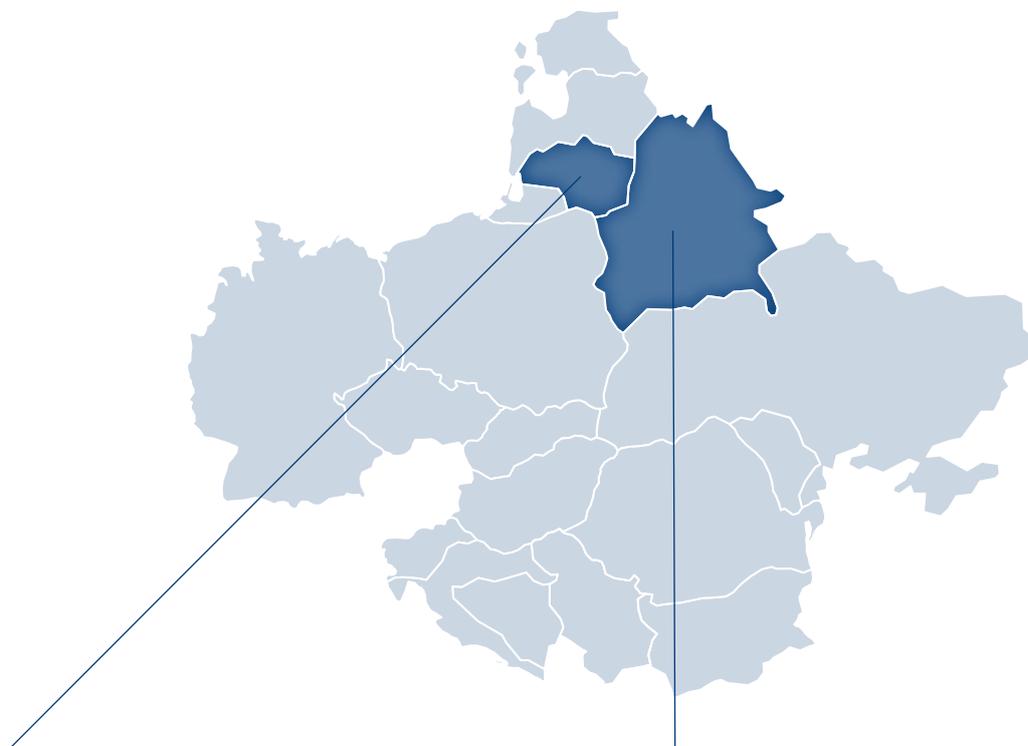


→ Estonia:

- In Estonia the Land Register (kinnistusraamat) is maintained by District Courts (maakohus), recording any property within their jurisdiction.
- Applicable statutory provisions are set out in the Land Register Act (kinnistusraamatuseadus).
- The Land Register contains all details on the real estate itself, its ownership and its encumbrances, e.g. charges, liens, mortgages.
- Any contractual relationship involving the property, e.g. a lease or a commercial lease agreement, may be recorded in the Land Register on the tenant's request. This often occurs when the parties have agreed a notice period longer than provided by law.
- Good faith in the title shown on the folio or any record given is comprehensively protected by Estonian law.
- As a common rule, new or amending entries to the register are only processed on the beneficiary's application or authorization, with the latter requiring attestation by a notary public.
- Processing takes about three months and involves a fee.
- Information on the records may be obtained via e-services of the Ministry of Justice.

→ Latvia:

- The electronic public land register contains all significant information on properties.
- The land register is divided into four sections: 1. General information about the property, 2. Information on the owner, 3. Information on encumbrances, 4. Information on debt.
- Transfer of property must be registered in the land register to be valid.
- Rent and lease can be entered in the land register to provide securities to a tenant or lessee.
- Good faith of register entries is presumed, so that an extract from the land register is sufficient to prove ownership.
- Changes in the Land register entry are only allowed with the current property owner's approval, certified by a notary.

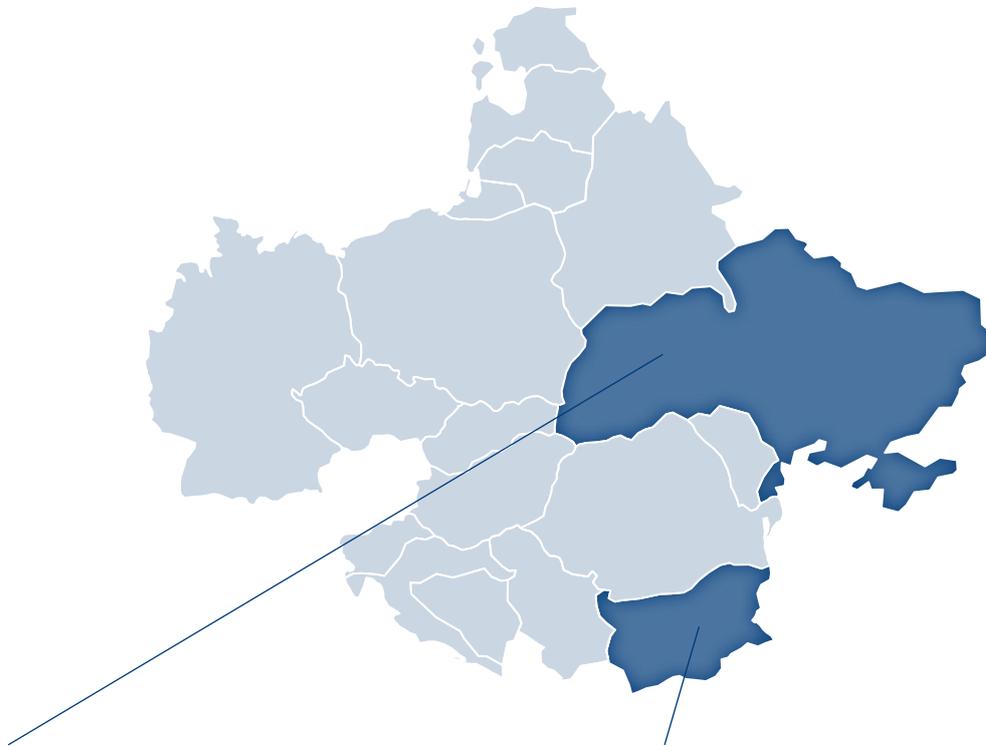


→ **Lithuania:**

- In Lithuania a real property register is kept which registers real estate and properties with their encumbrances and their usufructs.
- Contracts about real estate or properties have to be registered in the real property register to come into effect in relation to third parties. Between the parties to the contract it is effective without registration.
- The real property register is kept by a state-owned enterprise (VĮ Registrų centras).

→ **Belarus:**

- A subdivision of the Register – the registration book – contains information about every land plot and buildings located on land.
- Ownership is transferred at the moment when registration is completed.
- Information in the Register is reliable and may be invalidated only by a court decision.
- Anyone may acquire information about real property; however, more extensive information (e.g. access to the whole Register) is available only to state bodies having respective rights under the law.
- Information available in the Register about real property, related rights and limitations (burdens) is not a business secret according to applicable legal regulations.

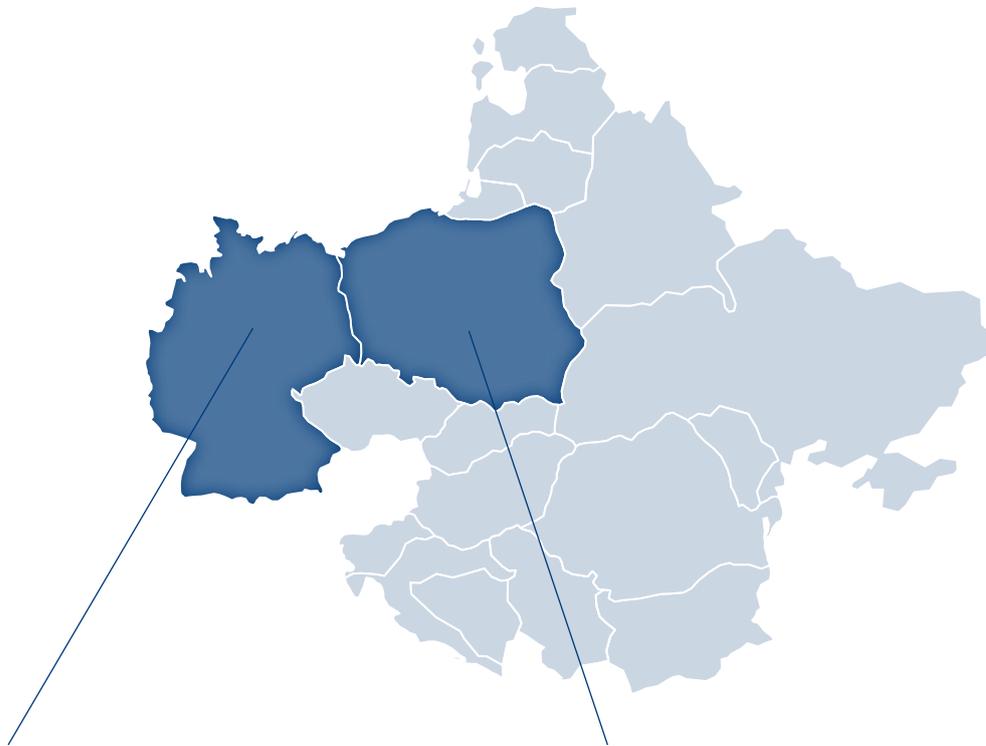


→ Ukraine:

- Though the law provides for a unified real property register in Ukraine, this has not so far been established. Rights to real property and charges are entered on various registers until a unified register is established.
- Real property (buildings, apartments, commercial premises) is managed in a real property register, whereas land plots are recorded in a land register.
- The property register records information related to emergence, transfer, dissolution and lease of titles. The land register lists ownership rights and rights of use as well as charges on land plots. Besides, the land register contains relevant information related to the land plot (e.g. cadastral plan, land designation, appraisal of the plot, buildings and constructions located on the plot).
- Lease rights for buildings over three years are entered on the property register. Lease rights for land plots, however, are always subject to state registration and recording in the land register.
- The land register and the property register are accessible within limits. Only owners, their heirs, notaries, courts and the authorities are granted access.

→ Bulgaria:

- The Real Estate Registry is administered by the State Registry Agency and is being progressively digitalized. It contains information on acquisition, transfer and termination of property and limited rights *in rem*. The Real Estate Registry is accessible to everyone. However, its data are fragmentary, as not all deals with real estate must be registered. In particular, information on re-privatized real estate with numerous heirs is incomplete.
- Besides, a national digitalized cadastral registry is under construction. This allows for exact identification of real estate by attributing unique cadastral numbers to each plot. It also contains important additional information such as designated property usage and development status.

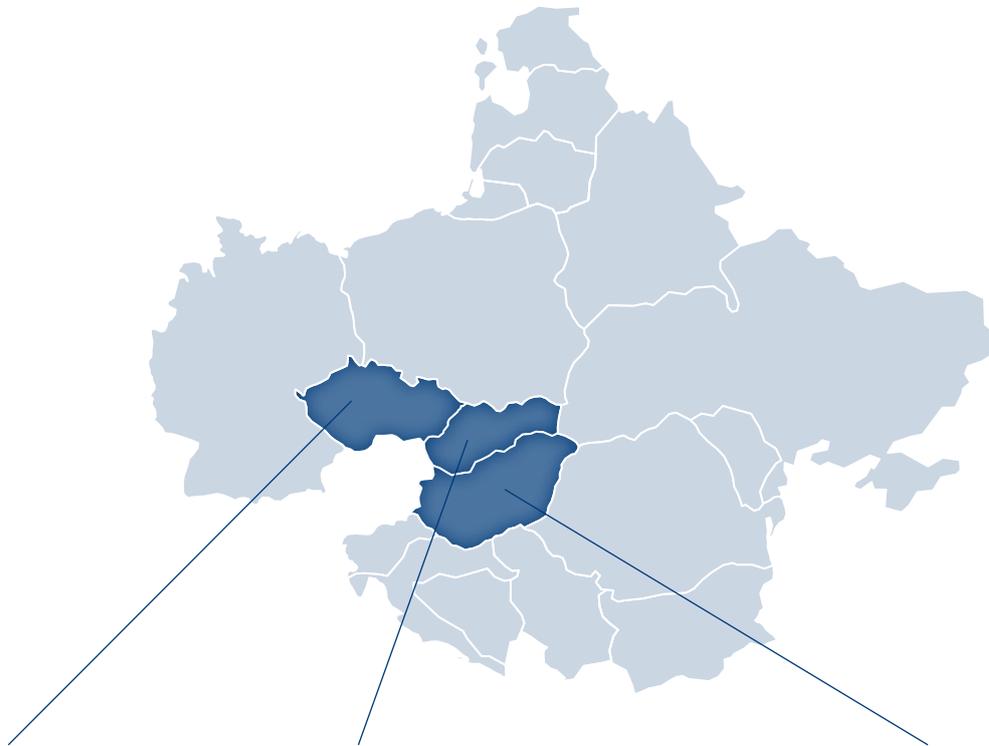


→ Germany:

- Contracts for acquisition of property and the agreement in rem (both have to be kept apart from each other) must be notarised.
- Transfer of property occurs on entry of the contract in the Land Register, not on conclusion of the contract and agreement in rem.
- Sale of property has no influence on property encumbrances.
- In Germany foreign individuals and legal persons are not barred from acquiring property rights; no special restrictions or authorizations apply for purchase of real estate.
- Some general provisions exist on building permission for land and forestry plots and in some cases in the former German Democratic Republic (GDR).
- Ownership usually exists uniformly as to land and buildings on it (except for separate ownership of flats, perpetual usufruct).
- Compulsory execution can offer an advantageous opportunity to acquire property; warranty rights in these cases are excluded.

→ Poland:

- An agreement to purchase property or perpetual usufruct on real estate requires the form of a notarised deed and entry in the land and mortgage register.
- Transfer of ownership follows execution of the purchase agreement (not applicable to perpetual usufruct).
- Natural and legal persons from EU Member States are only subject to special limitations and a duty to obtain a permit if purchasing agricultural and forest land.
- Natural and legal persons from non-EU states in general need to obtain a permit to purchase real estate of all kinds.
- Ownership usually exists uniformly with regard to the piece of land and buildings on it (except for: separate ownership of flats, perpetual usufruct).
- Favourable occasions to purchase real estate occur at compulsory auction sales, although statutory warranty rights are then excluded to a large extent.



→ Czech Republic:

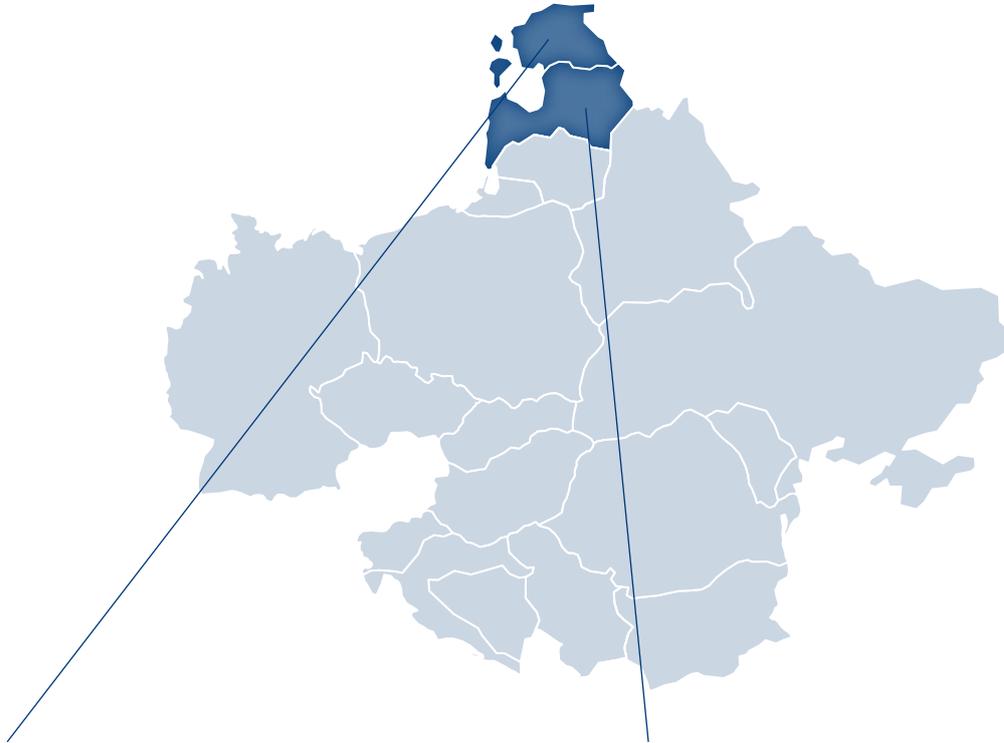
- Specification and price of property purchased must form part of the contract of sale.
- Signatures on the contract for sale must be notarized and be given on the same document (contract).
- Transfer of property is complete on entry in the cadastre, not on exchange of contracts.
- Buildings and land on which buildings stand may have different owners. The principle of superficies solo cedit does not apply. / New Civil Code: Building forms part of the land on which the building is located.

→ Slovakia:

- Transfer agreements have to comply with higher standards in terms of their form and content.
- Transfer agreements can, but need not, be drafted in the form of a notarized deed or authenticated by an attorney-at-law. In such cases registration with the Cadastre is quicker and simpler and the notary or lawyer is liable for the legitimacy of the transfer of ownership.
- Transfer of ownership of immovables becomes effective only after registration with the Cadastre.
- The building and the land under the building can have different owners.
- Limitations of acquisition of real estate for foreigners, limitations for EU citizens – only with regard to agricultural and forest areas.
- Unlimited acquisition by special purpose companies incorporated in Slovakia.
- Buildings, apartments or commercial premises under construction can be subject to transfer or other legal transactions (e.g. creating a lien in favour of financing institutions).

→ Hungary:

- Sale and purchase of real property must meet strict formal requirements. A sale and purchase agreement must be notarized or countersigned by an attorney-at-law.
- Transfer of title is complete only on registration, not on execution of agreement or payment of purchase price.
- EU citizens may acquire real property without restriction – except for agricultural land.
- As to agricultural land, special regulations apply for nationals and foreigners.

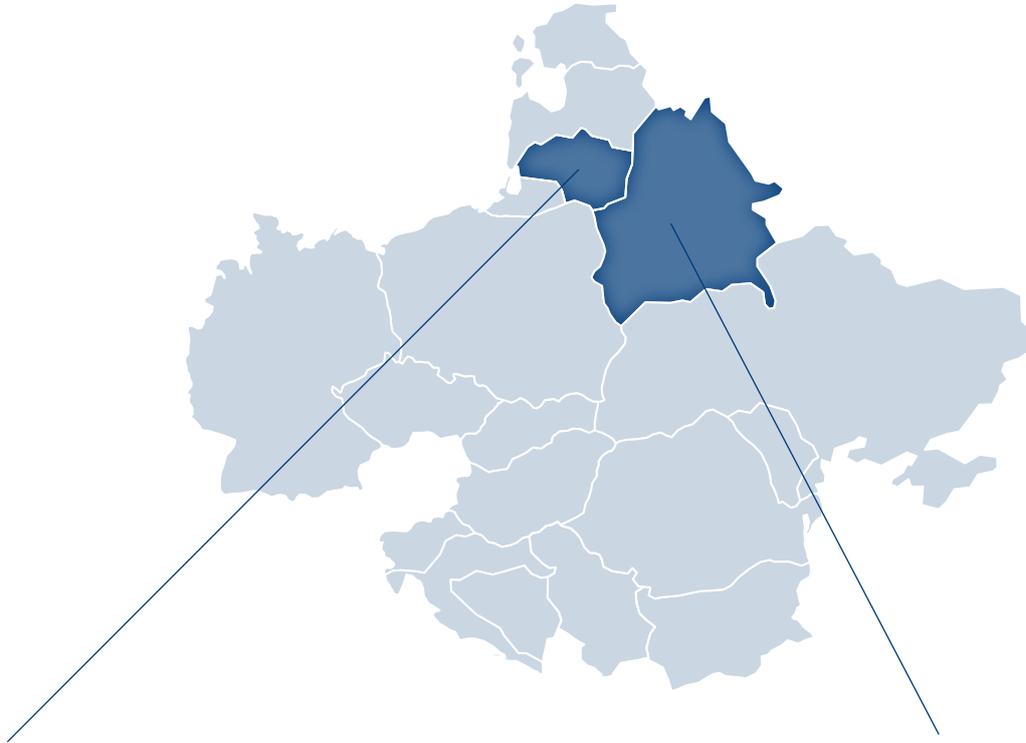


→ Estonia:

- Ownership of a property usually comprises both the plot of land and buildings erected on it.
- A legal act by which one party agrees to acquire or transfer ownership of a property, e.g. sale agreement, must be notarized.
- For transfer of property to become legally effective, the transferor and acquirer must conclude a contract in rem, which must be notarized (declaration of conveyance).
- Transfer of title is completed only once recorded in the Land Register.
- Both foreign natural and legal persons may acquire real estate property in Estonia if the land and buildings on it are registered.
- Acquisition of agricultural and forest land by foreign natural or legal persons must be granted by local authorities. This does not apply to nationals of another Member State of the EU, the OECD or the EEA who have been continuously active in farming or forestry in one of these states for at least three years.
- Municipalities enjoy a right of preemption of real properties within their jurisdiction but usually they do not exercise this right.
- During an insolvency procedure, real property may be acquired free of any encumbrance.

→ Latvia:

- Description of property and price are essential requirements of a purchase contract.
- Certification by a notary is not required for signatures in the purchase contract but is required for registration in the land register.
- Transfer of property is complete on entry in the land register, not on concluding the purchase agreement.
- A building and land where the building is located may have different owners. Although this is generally not the case its existence may be identified by an extract from the land register.
- Limitations exist for property acquisition by foreigners. Limitations for EU nationals also exist but only regarding agricultural and forest land.

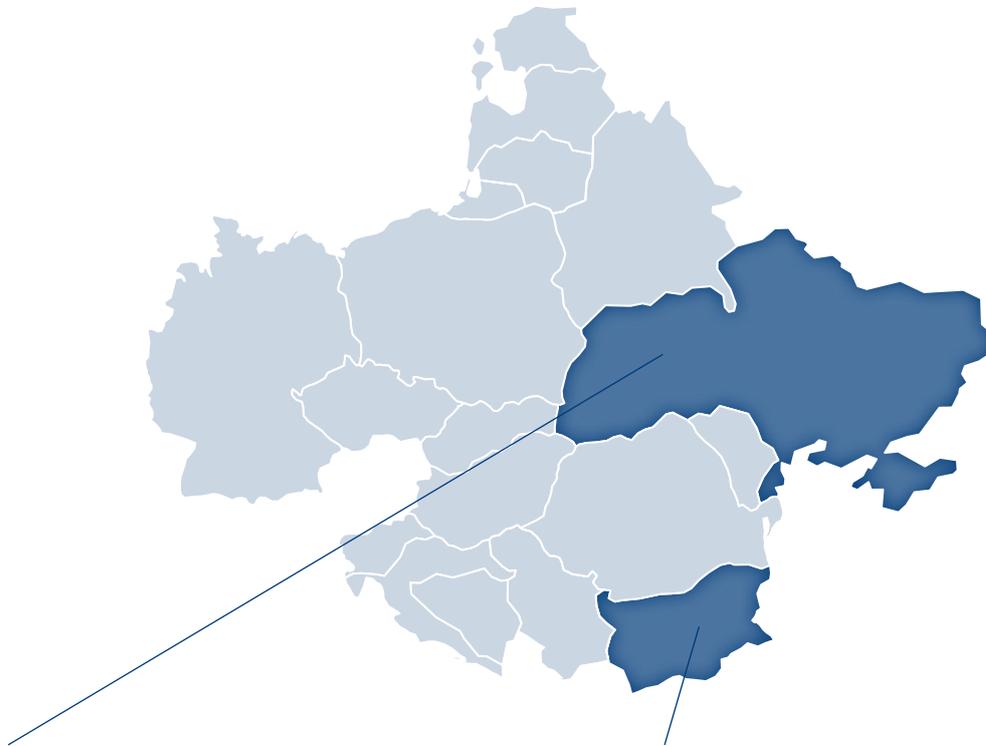


→ Lithuania:

- Lithuanian law distinguishes between ownership of property and ownership of real estate on the property. These two types of ownership can be separate and they can be purchased independently.
- Contracts about real estate or properties have to be notarised.
- A contract about real estate purchased without the property has to regulate all property rights as far as the parties agree on them or as far as is necessary for use of the real estate. Without these additional regulations the contract is ineffective. If the seller of the real estate is not the owner of the property the approval of the property owner must be obtained.
- For the purchase of a property it is necessary to present a document of the transferring contract and the acceptance contract of the real estate or of the property. This document can be included in the purchase contract. The parties do not have to agree on this separately.
- Basically every natural and every legal person is entitled to acquire ownership of real estate and properties.
- Foreigners are entitled to purchase real estate or properties if they have their origin or their permanent residence in an EU Member State, in an EU association state, or in a member state of OECD, NATO or EWR. Companies are entitled to purchase real estate or properties if they are registered in Lithuania or if they have a branch in Lithuania.
- Purchase of agricultural and forest land is currently limited. Originally it was planned to abolish the limitation by 30 April 2011, but now the limitation continues to 30 April 2014. The limitation does not apply to foreigners of an EU Member State who have been living in Lithuania for three years and have been working as farmers during this period.

→ Belarus:

- Under the general rule, a real property sales contract and other agreements involving real property need not be notarized. However there are some exceptions to this.
- Foreign citizens may only lease land but not buy it. They may only inherit land from their Belarusian relatives. Foreign companies have no right to own land. Foreign citizens and companies are allowed to own and lease buildings and self-contained premises.

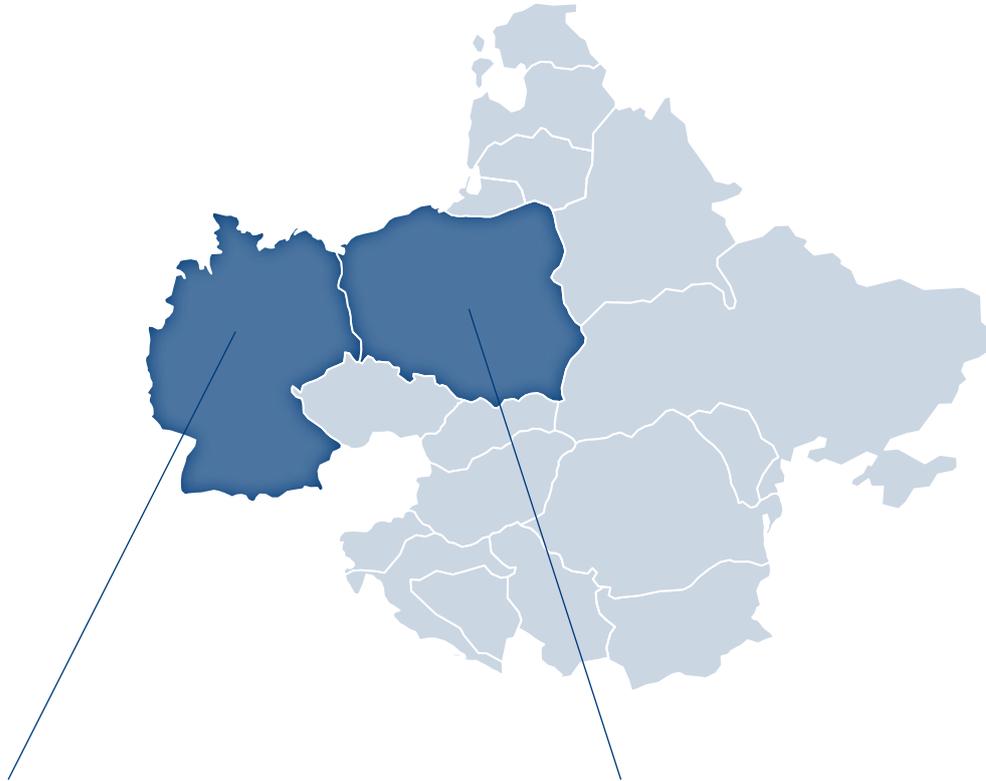


→ Ukraine:

- Purchase agreements for real property require notarised certification and state registration.
- Ownership of real property (buildings) is constituted by state registration of the agreement. Ownership of land is constituted by recording in the land register.
- Ownership of the land plot located under the building passes to the purchaser of the building and requires state registration.
- No limitations apply to purchase of buildings and commercial premises by foreign legal and natural persons.
- Foreign natural persons can acquire land plots located within settlements as well as land plots located outside settlements provided these are acquired together with buildings located thereon. Foreign legal persons can in practice acquire land plots if acquired together with buildings located thereon. A general prohibition on purchase of agricultural land applies to foreigners.
- Foreign legal persons can acquire municipal land plots with approval of the Cabinet of Ministers and state land plots with approval of the parliament. A foreign legal person must therefore set up a permanent establishment in Ukraine.

→ Bulgaria:

- Contracts for acquisition of property must be notarized. Transfer of property takes place by means of the contract itself, so that entry of the contract in the Real Estate Registry has as a rule only declaratory effect. However, where the same property has been sold to more than one buyer, it is the buyer registered first who becomes the new proprietor.
- The property right on a building is generally passed on together with the property right on the plot of land on which the building stands. However, a possibility exists to legally separate the two objects by burdening the plot through establishing a so called emphyteusis right. In Bulgaria, emphyteusis rights are generally unlimited in time. The proprietor of the land plot and the bearer of the emphyteusis right each have a statutory first right to buy in relation to each other.
- Non-EU foreigners are barred from directly acquiring property rights on land and plots of land. But no restrictions apply to acquisition of buildings or Special Purpose Vehicles. As to EU-foreigners, some restrictions on purchase of farm and forest land (introduced in 2007 by the Agreement on EU Accession of Bulgaria) still apply.

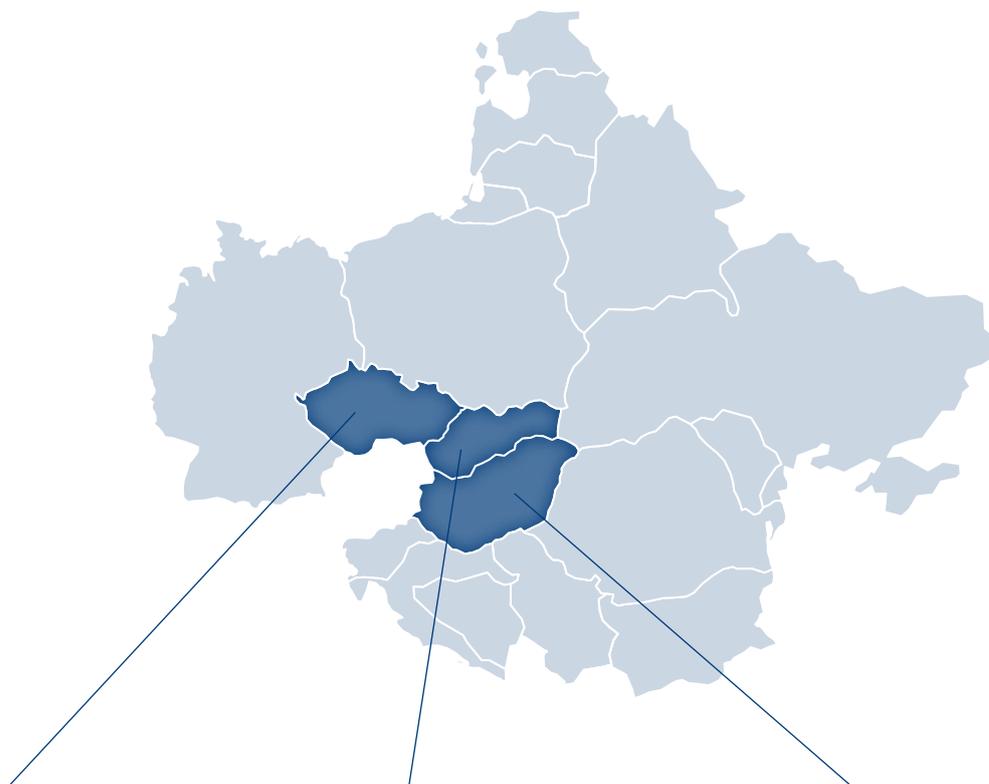


→ **Germany:**

- May be used in Germany to acquire real estate and for project development.
- Allow for transfer of real estate projects by share deal, without the need to amend the data in the Land and Mortgage Register.
- A popular legal form for a project company is a limited liability company (GmbH).
- The minimum share capital of a GmbH is 25,000 EUR, half of which must be paid to the account of the company during formation (foundation without contribution in kind).

→ **Poland:**

- May be used in Poland to purchase real estate and for project development.
- Allow for transfer of real estate projects by a share deal, without the need to amend the data in the land and mortgage register.
- A popular legal form for a project company is the limited liability company (Sp. z o.o.).
- The minimum share capital of a Sp. z o.o. is 5,000 PLN.



→ Czech Republic:

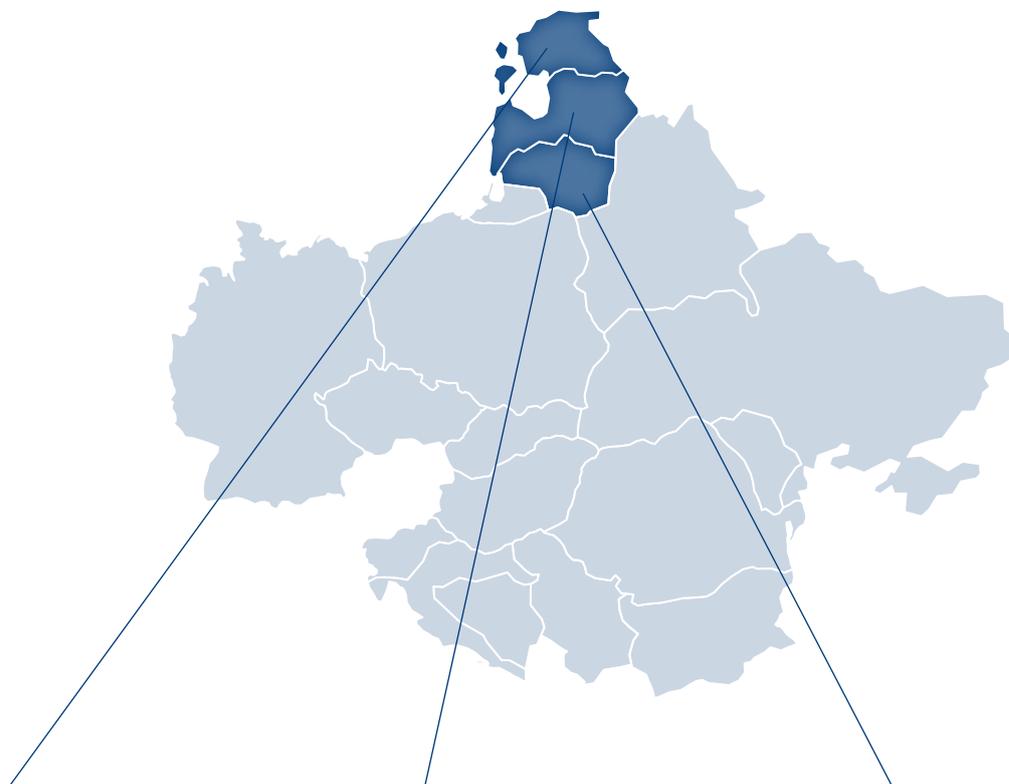
- No special limitations or incentives exist.
- Normally, SPVs are founded as companies with limited liability (s.r.o.).
- Minimum capital stock is about EUR 8,000. / New Civil Code: Minimum capital stock can be 1 CZK, unless the Memorandum of Association sets a higher amount of capital stock.
- SPV can be established within four weeks from submitting the requisite papers.
- Essentially, SPVs are created for purchase of real estate and project development.
- If founded as a joint-stock company (a.s.) with two or more shareholders, SPV ownership may remain anonymous.
- Minimum capital stock of a joint-stock corporation is about EUR 80,000.

→ Slovakia:

- The recommended form of a company is a limited liability company (s.r.o.).
- No special limitations exist for establishment of a limited liability company the purpose of which is to acquire immovables.
- Minimum registered capital is EUR 5,000.
- A simple LLC can be established and registered with the Companies Registry within approx. three weeks.
- A limited liability company can have one or more shareholders; the minimum required contribution of each shareholder is EUR 750.

→ Hungary:

- Project companies can be established for acquiring title to real property and for project development in Hungary.
- Transfer of projects by share deal does not need changes in the Land Registry. However, the tax advantage compared to asset deals has been practically eliminated.
- The Hungarian company form, LLC (Kft.), is popular; however, sometimes the Hungarian Limited Partnership (Bt.) is chosen for taxation purposes.



→ **Estonia:**

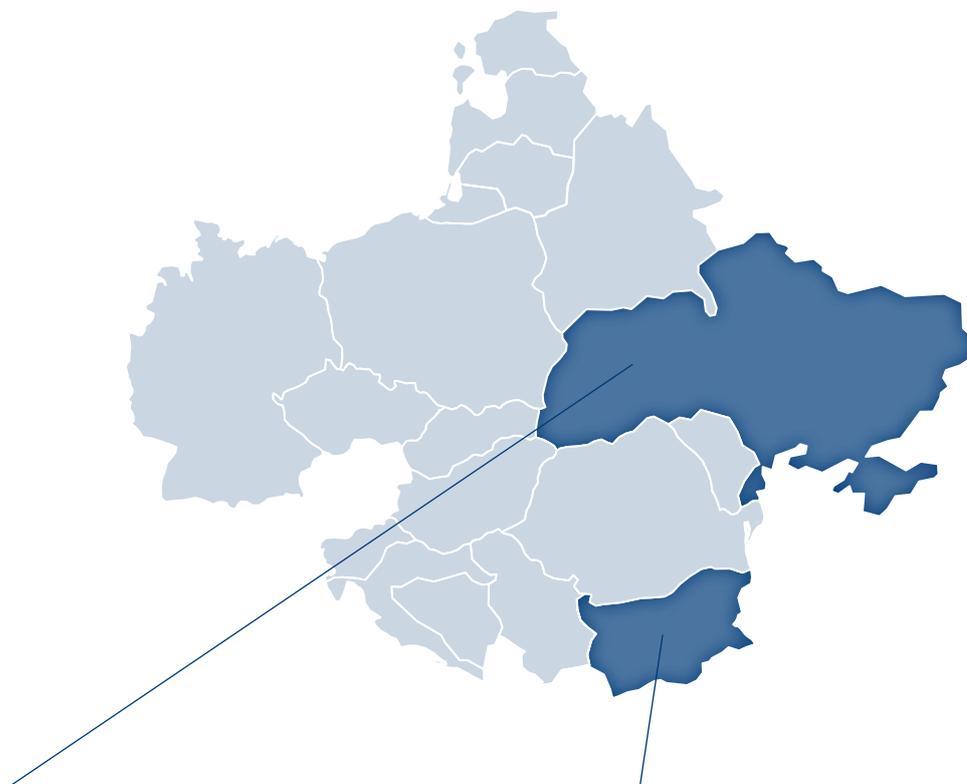
- A Special Purpose Vehicle (SPV) may be employed in order to acquire a property or a real estate development project.
- Using a SPV allows transfer of real estate projects by share deal superseding any amendments in the Land Register.

→ **Latvia:**

- Usual form of incorporation is a private limited company (SIA).
- Minimal share capital is around 2,850 EUR - less only if up to 5 natural persons found the company and only if up to 5 natural persons are members of the company.
- May be founded within a week after filing application.
- A private limited company is usually used to acquire property and for project development.
- By founding a joint-stock company (AS) through two or more companies the shareholders remain anonymous.
- Minimum share capital for a joint-stock company is about 35,600 EUR.

→ **Lithuania:**

- Special Purpose Entities can be used in Lithuania for the purchase of real estate and properties and for project financing.
- The most chosen type of company for a Special Purpose Entity is the company with limited liability (uždaroji akcinė bendrovė – UAB).
- The minimum share capital of a UAB is LTL 10 000 (ca. EUR 2 896). The UAB is neither allowed to have more than 249 shareholders nor to sell their shares on the public market.

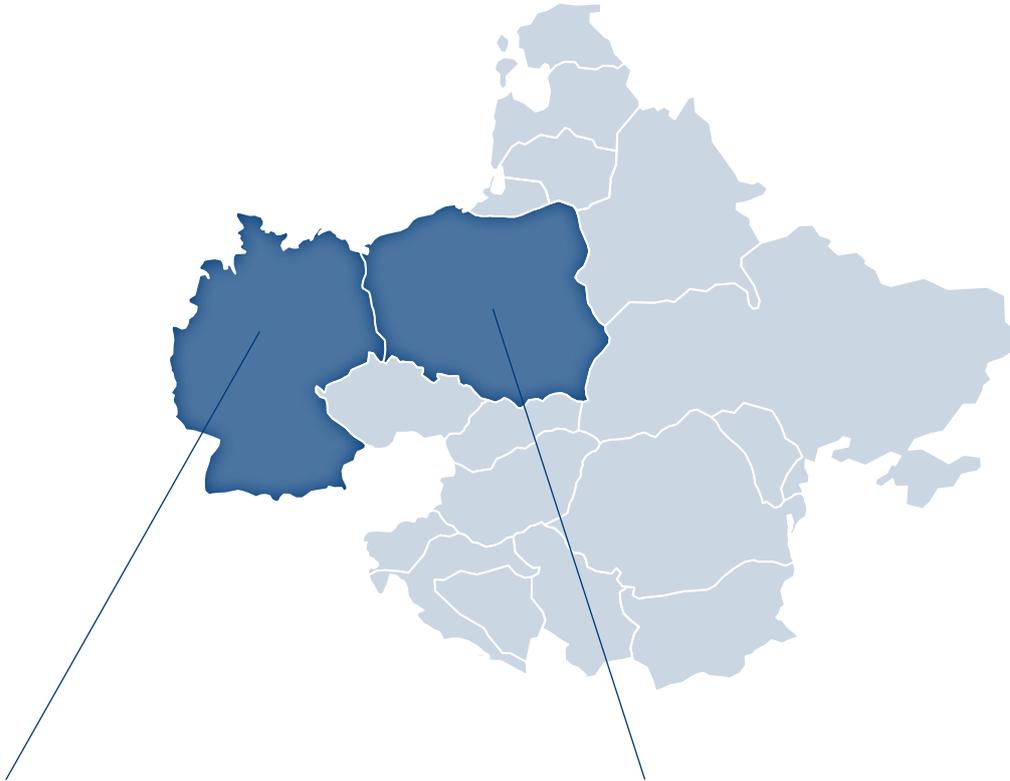


→ **Ukraine:**

- Purchase of real estate by special purpose companies is not limited.
- Special purpose companies are often used to avoid existing limitations as well as to save on taxes within share deals.
- In practice, they are founded in the form of a limited liability company (TOV).
- There is no limitation for their share capital. The share capital is to be paid within the first year after company registration.
- A special purpose company can be founded within two weeks upon submitting all necessary documents.

→ **Bulgaria:**

- SPV are constantly used to avoid existing land acquisition restrictions or to minimise taxation by means of share deals.
- Generally, the form of a private limited liability company (OOD) or joint stock corporation (AD) is chosen. Under Bulgarian law, the minimum share capital of an OOD is 1 (one) EUR and 25,000 EUR for an AD. Registration of a company is completed within days of application.
- Real Estate investment funds for which special minimum share capital requirements apply are exempt from certain types of taxation.

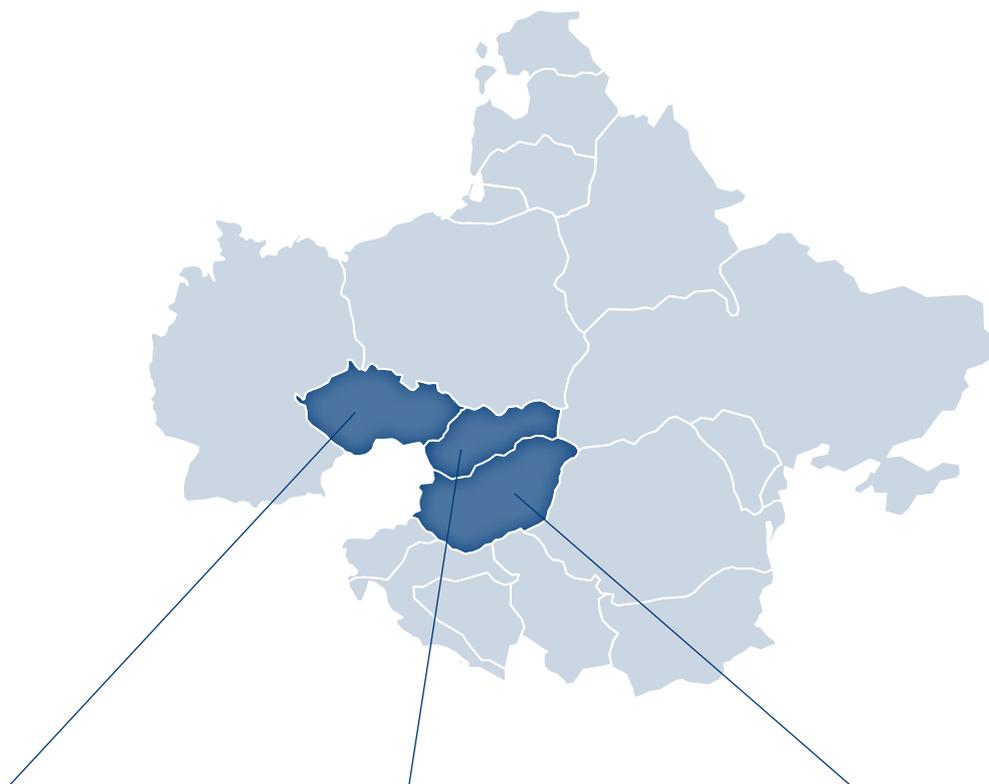


→ **Germany:**

- Purchase of real estate in Germany is usually financed by banks. Banks secure their credits (loans) mainly by mortgage (Hypothek) or land charge (Grundschild) on purchased objects.
- Mortgage depends on the loan obligation and expires as soon as the secured debt is satisfied (accessoriness).
- Land charge initially does not depend on the loan obligation but is connected with it in practice by a securing (collateral) agreement (Sicherungsabrede).

→ **Poland:**

- Purchase of real estate in Poland is usually financed by banks. Banks secure their credits (loans) mainly by mortgage on purchased objects.
- A mortgage comes into existence by a declaration establishing property security in the form of a notarised deed and by entering this in the land and mortgage register but establishment of mortgage for a bank requires only written form.
- A mortgage depends on the loan obligation and expires generally as soon as the secured debt is satisfied (accessoriness). In 2011 a revolutionary change in the law was made by limiting the strict link between a mortgage and the secured debt. Now, expiry of secured debts will not necessarily imply expiry of the mortgage, if further debts are likely to arise from the same contractual relationship.
- Land charge does not exist in Poland.



→ **Czech Republic:**

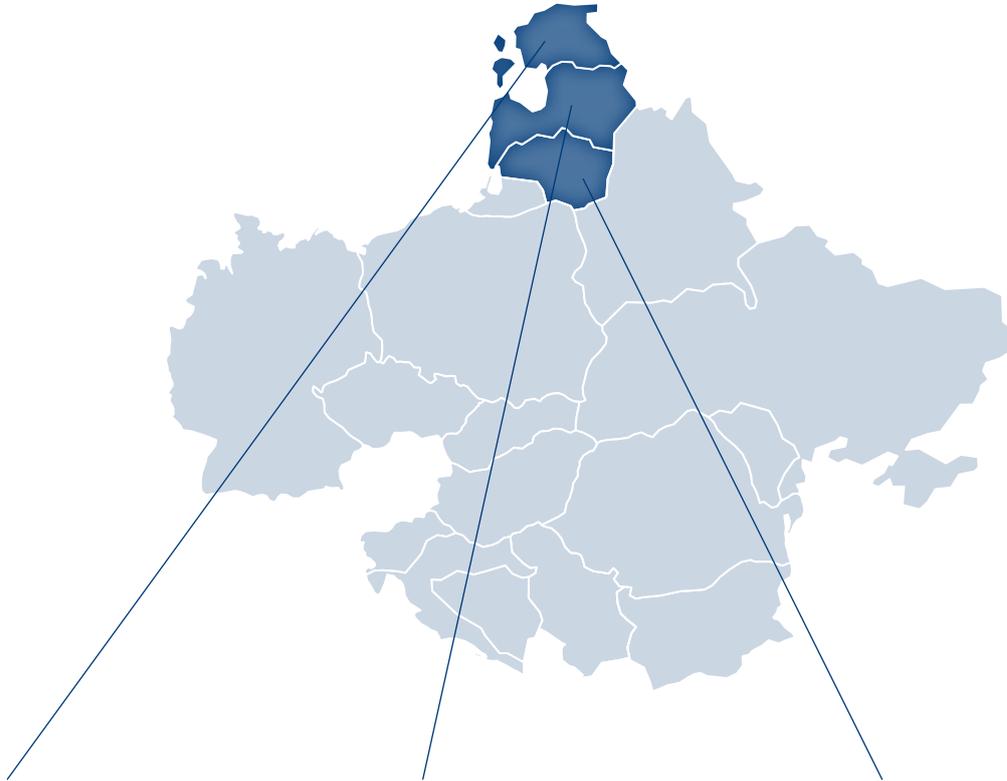
- Recourse and non-recourse loans are used to secure financing for purchase of real estate.
- Most loans are secured by pledging the real estate and by pledging shares of the SPV. Guarantees are regularly required to be given by the SPV's holding (parent) company.

→ **Slovakia:**

- The most frequent way is to create a lien over the financed immovable.
- Other usual ways include pledging of lease accounts, lease claims, shares, subordination of receivables and other collateralizations.
- Warranties by a parent company (e.g. letter of comfort, guarantee) are usually required.
- A lien over immovables requires registration with the Cadastre and is established under a lien agreement.

→ **Hungary:**

- In Hungary, acquisition of title to real property is partly or totally financed by banks. Banks secure their investment by mortgage on the purchased object.
- Usually, guarantee by the mother company is required.



→ Estonia:

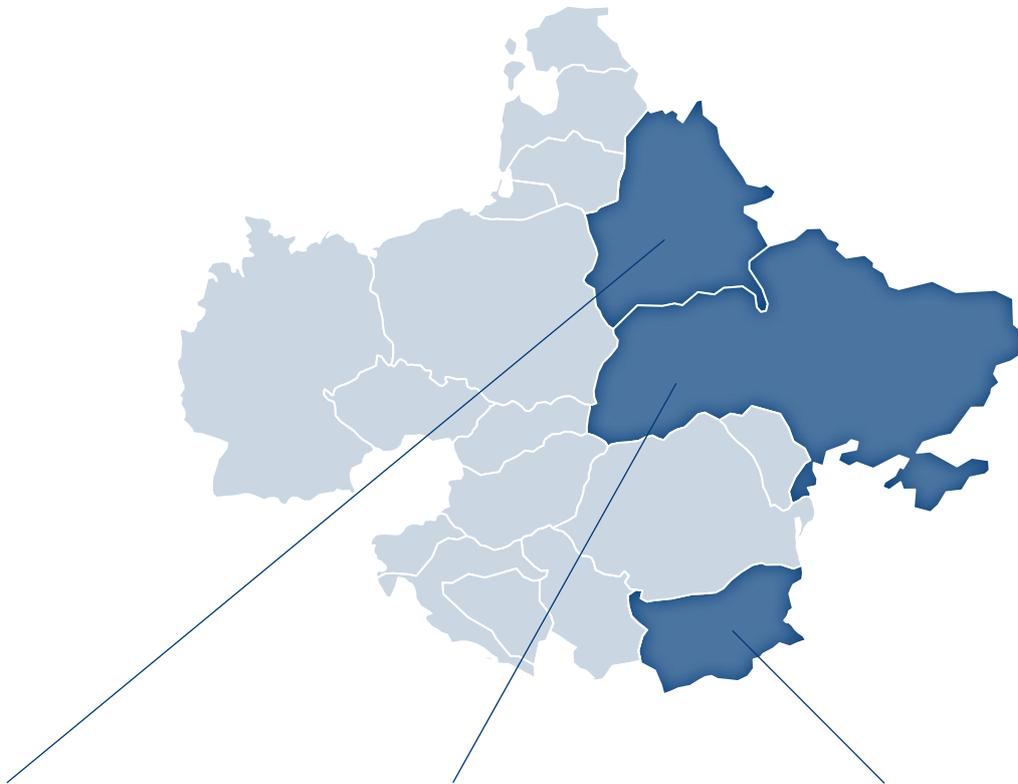
- In Estonia, a private limited company (osaühing - OÜ) is commonly used as a corporate structure for a SPV.
- Minimum share capital of an OÜ amounts to 2.500 EUR and is payable in cash or in kind.
- In Estonia acquisition of property is usually financed by a bank. Mortgages and land charges are usual collateral for a bank loan.
- A contract granting a mortgage or any other encumbrance must be attested by a notary public.

→ Latvia:

- Secured and unsecured credits (loans) are used as a financial resource for property acquisition.
- Most loans are secured by mortgaging the property and mortgaging shares of companies.
- Guarantees by parent company are often required.
- Hypothecary credit (charge on property) is the main method for securing finance to buy property. In addition parties may agree on financial or commercial pledge. The subject-matter of a financial pledge can be money in an account or other financial instruments. The subject-matter of financial pledges are different movable things owned by a company, as well as the entirety of tangible assets.

→ Lithuania:

- Many real estate and property transactions are financed by banks. In principle they take mortgages as collateral for their debts.
- A mortgage comes into existence because of a contract, a one-sided declaration of intention from the owner of the property, a case which is set by law or because of a court decision (compulsory mortgage). The creation of a mortgage has to be notarized. A mortgage which comes into existence because of a contract is binding between the parties upon notarization of the agreement. In relation to third parties the mortgage does not have effect until it is registered in the public mortgage register. Compulsory mortgages come into effect with registration in the public mortgage register.



→ Belarus:

- Real property acquisition and construction in Belarus is often financed by loans secured on real property.
- Real property serves as collateral under a mortgage or title transfer agreement.
- Under a title transfer agreement, a bank becomes owner of transferred real property if the borrower defaults on credit.
- Mortgage and transfer of real property are valid from the moment of entry in the Register.

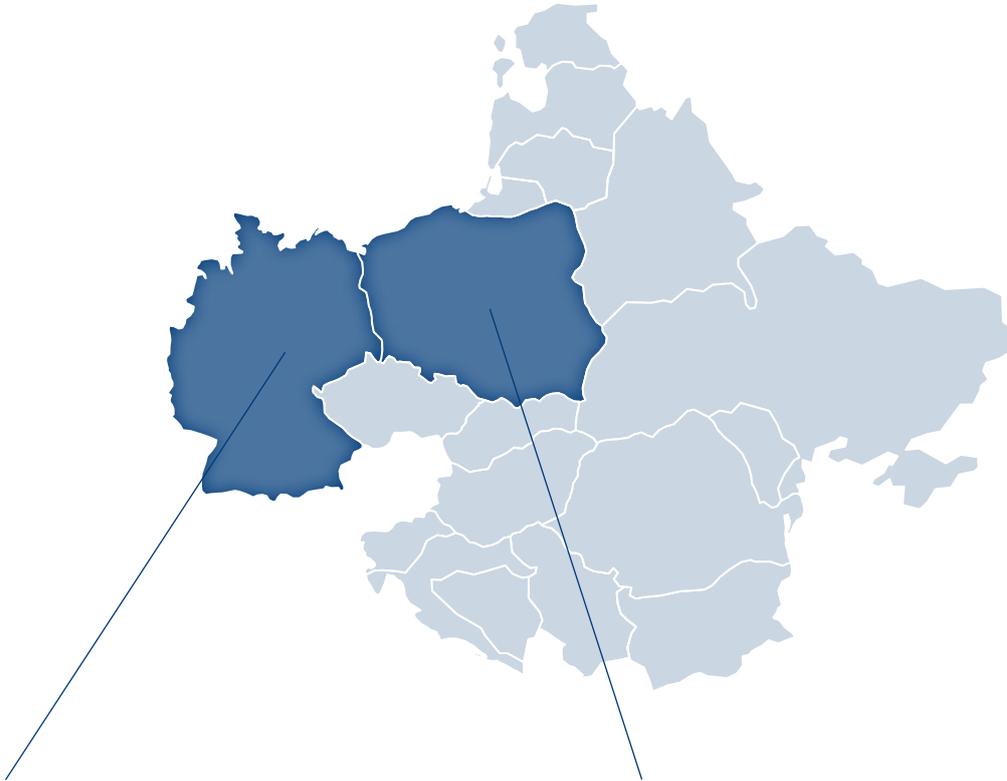
→ Ukraine:

- Mortgage is a common means of securing real estate purchase financed by credits (loans).
- Mortgages are created by way of a mortgage agreement. It is advisable to apply to have the mortgage registered in order to secure priority for the mortgage.
- Real property purchases are often secured by guarantees issued by the parent company or a third person.

→ Bulgaria:

- Typical collateral in Bulgaria is the hypothecary mortgage. Other means of securitization in rem on real estate are not known to Bulgarian law.
- Also applicable are payment guarantees by a mother company or a third person as well as SPV stock pledges. Besides, a transfer of property rights by way of security is possible among businesses.

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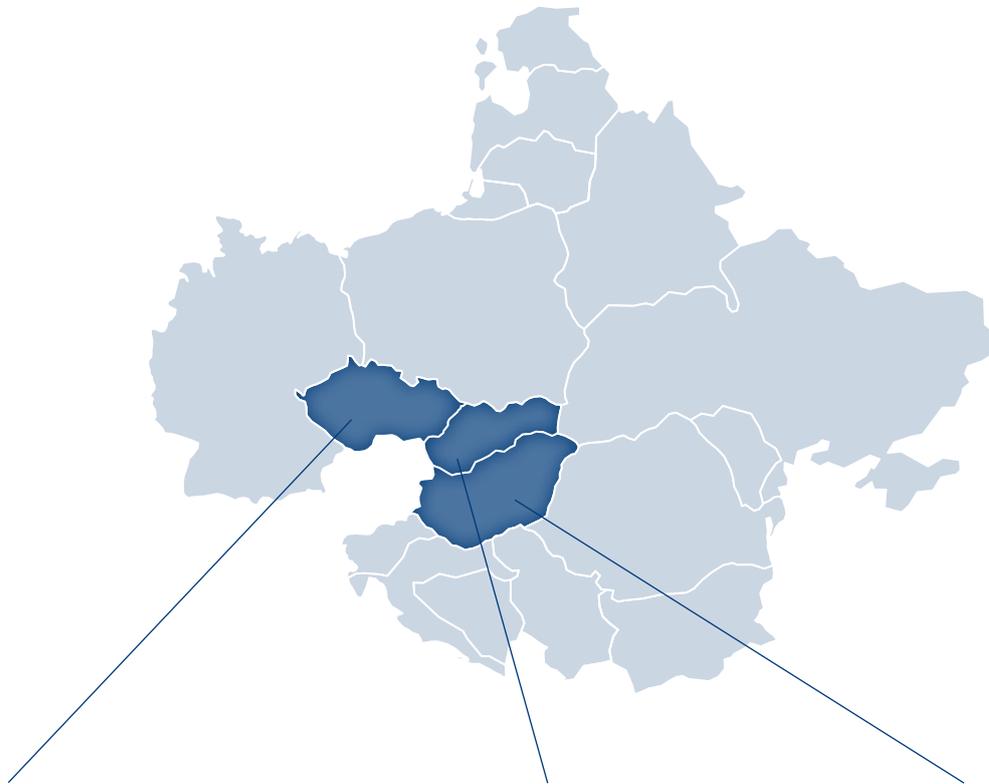
→ **Germany:**

- Due to the good faith principle in the Land and Mortgage Registers, risks connected with real estate ownership relations are relatively low.
- General risks do apply to purchase of real estate (e.g. development potential, bad debts, existing lease agreements) as in other countries.

→ **Poland:**

- Due to the good faith principle in the land and mortgage registers, risks connected with real estate ownership relations are relatively low.
- General risks do apply to purchase of real estate (e.g. development potential, bad debts, existing lease agreements).

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→ Czech Republic:

- Cadastre records are only for information purposes and as such do not necessarily reflect the real legal situation concerning the property. / New Civil Code: In case of discrepancy between the entry in the cadastre records and the reality, the entry in the cadastre records prevails.
- Cadastre records do not enjoy bona fide protection, so that there is no acquisition in good faith from a person who is not an owner of the property but is recorded in the Cadastral Register. / New Civil Code: Cadastre records enjoy bona fide protection.
- Claims for restitution of the property may exist. These can impede transfer of the property.
- Ten years of uninterrupted possession in good faith causes transfer of property by adverse possession.
- Transfer of the property is complete on being recorded in the cadastre, so that payment of the purchase price is often handled by way of an escrow account with public notaries or trustees.
- Legal due diligence analysis is recommended before purchase.

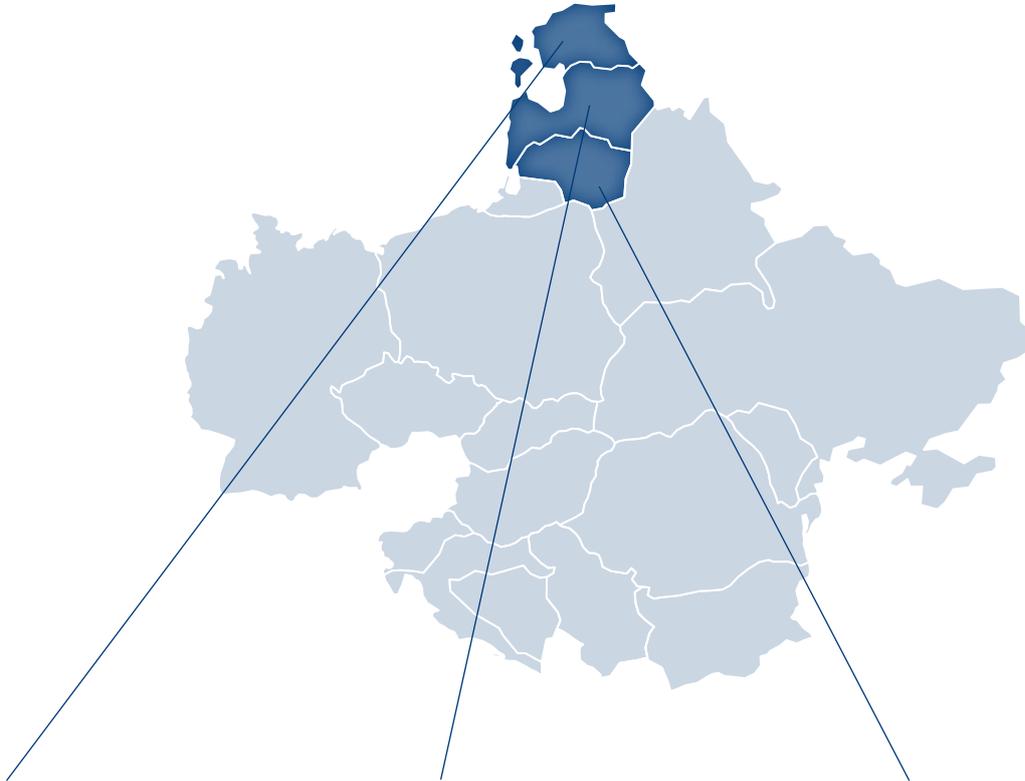
→ Slovakia:

- Although registrations with the Cadastre do have a binding character, they do not have to correspond to actual legal relationships concerning the property.
- Changes to incorrect registration in the Cadastre can only be ordered by a court decision.
- New Restitution claims can no longer be raised. However, in rare cases such proceedings are still pending.
- Bona fide proprietary possession for ten years leads to usucaption (prescription right) of ownership.
- In case of acquisition of immovables a due diligence is advisable.

→ Hungary:

- Risks in connection with acquisition are marginal, on the basis of good faith regarding data at the Land Registry.
- Naturally, general risks arise relating to acquisition (development potential, environmental pollution, existing rental agreements) as in other countries.
- Statutory pre-emption rights must be considered.
- For acquisitions, legal due diligence is advised.

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→ Estonia:

- Thanks to the good-faith principle of the Land Register, risks regarding the true state of ownership are relatively low.
- The general level of risk occurring in property acquisition (building development potential/restrictions, brownfields) can safely be compared to other EU states.

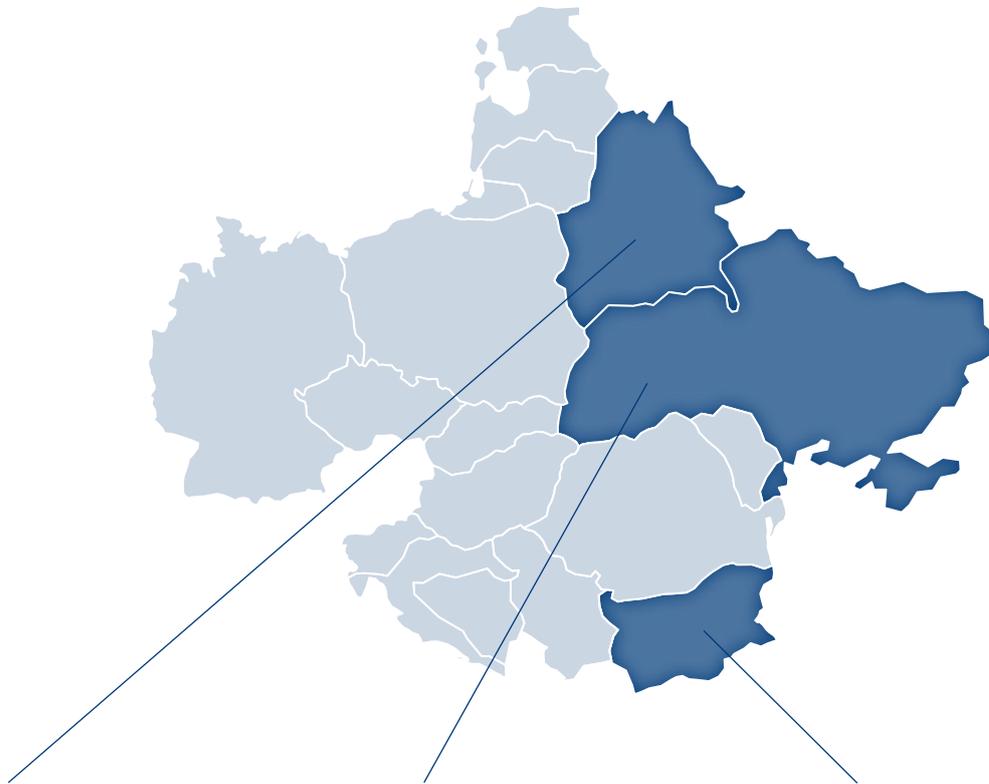
→ Latvia

- Property may be subject to restitution claims, which may hinder transfer of property.
- General risks when buying property are contamination, development possibility, existing leases or tenancies.

→ Lithuania:

- Risks depend on the type of property purchased. They can concern for example agricultural purposes, the priority rights of a third party or the encumbrances of real estate or properties.

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→ Belarus:

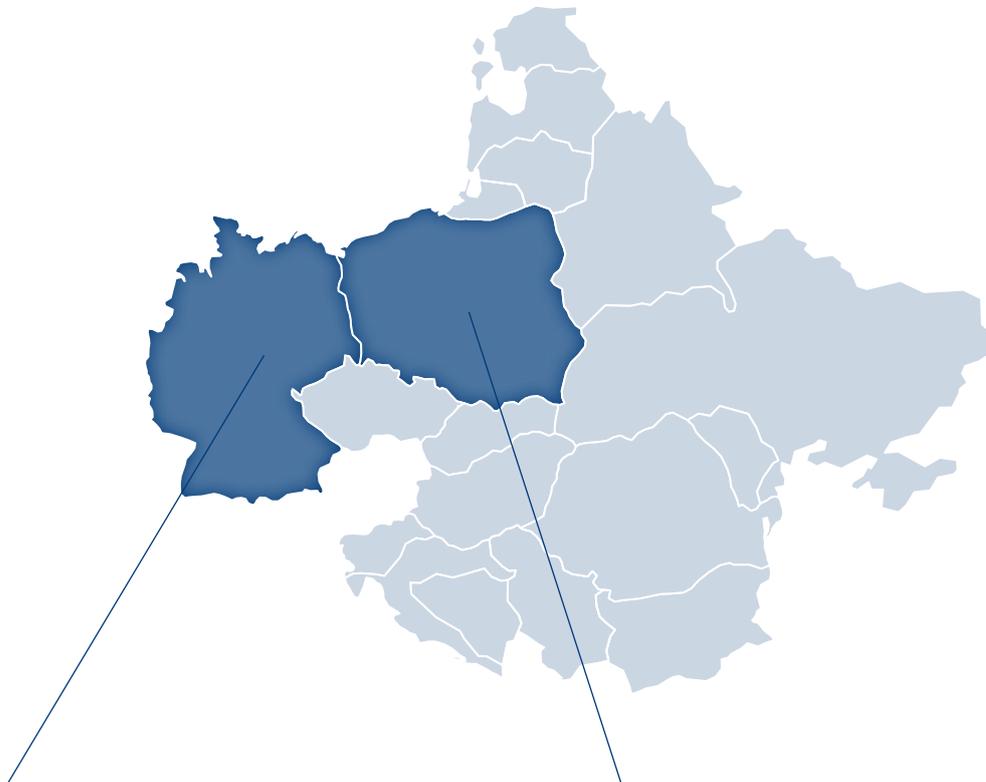
- A sales agreement is legally completed once it is added to the Register. The registrar checks the data in the Register in respect of real property to be transferred. If the agreement deviates from the data in the Register, the agreement may not be registered and therefore is not completed.
- Information in the Register is considered valid and reliable unless abrogated by a court.

→ Ukraine:

- Compulsory repurchase of land plots for the benefit of the local community can take place in some cases.
- Besides, purchase of real property is connected with general risks (e.g. contamination, existing lease agreements). Legal due diligence is therefore advisable.

→ Bulgaria:

- Since the Real Estate Registry in Bulgaria is not attributed absolute faith and credit a real estate due diligence in advance of a planned acquisition is advisable.
- In particular, possible discrepancies between the contents of the real estate and the Cadastral Registry must be identified and removed in advance as these may prove effective midterm hindrances to planned development.
- In many cases it may be a good idea to require from a designated seller certain statements of affirmation and assurance by third parties (such as plot neighbours) in order to facilitate a planned development.

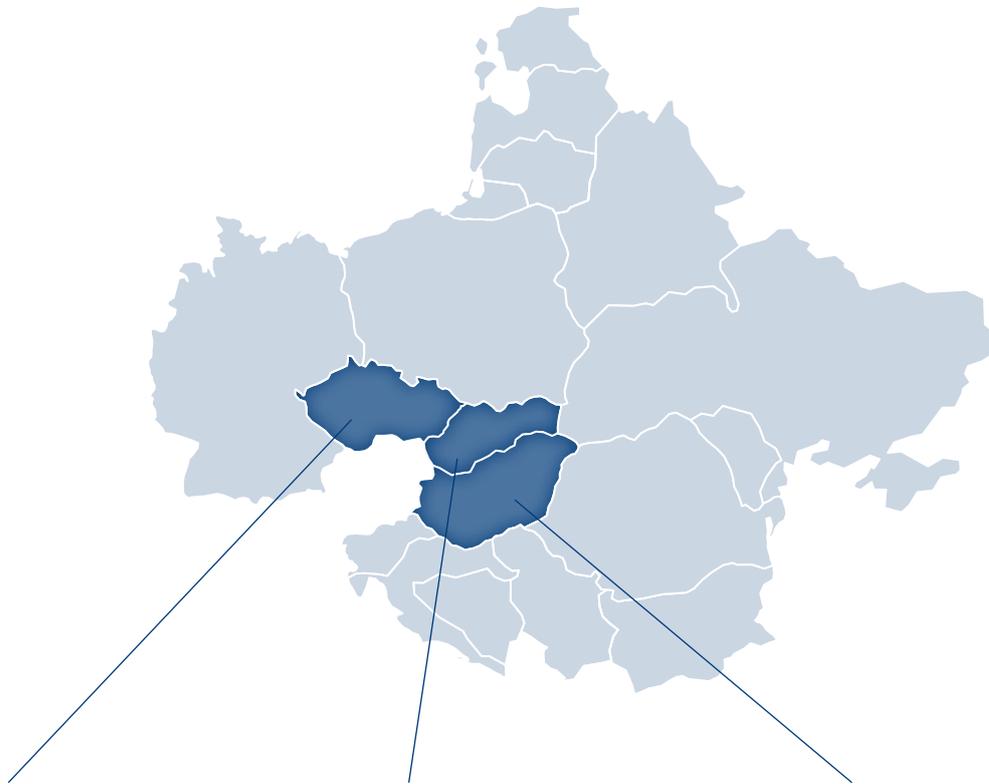


→ Germany:

- Tax on civil law transactions for real estate purchase in general amounts to 3.5% of the assessment base (this corresponds to the purchase price).
- However the tax rate for civil law transactions has been enhanced by several states (Bundesländer) up to 5,5% of the assessment base.
- Without payment of tax on civil law transactions, the land division will not enter the new owner in the Land Register.
- Land tax is imposed by municipalities and townships on ownership of real estate. The average amount is 0.20-0.30 EUR monthly/sqm.
- Notary public costs and costs of registration of the purchase amount to 2% of the purchase price; additionally, financing and intermediation (the latter amount to 3-7% of the purchase price) also involve costs.

→ Poland:

- Tax on civil law transactions for real estate purchase amounts to 2% of the assessment base (this corresponds to the purchase price) and is paid by the purchaser. In some cases the purchase is instead subject to VAT.
- Land tax is imposed by municipalities and townships on the ownership of real estate. The amount of land tax depends on the total area of the real estate, its use, and the rate fixed by the given municipality.
- An annual fee calculated against the value of real estate is payable in the case of perpetual usufruct.
- Notary public costs vary depending on the purchase price. The cost of entering the real estate purchase in the land and mortgage register is 200 PLN. Additionally, financing and intermediation also involves costs.



→ Czech Republic:

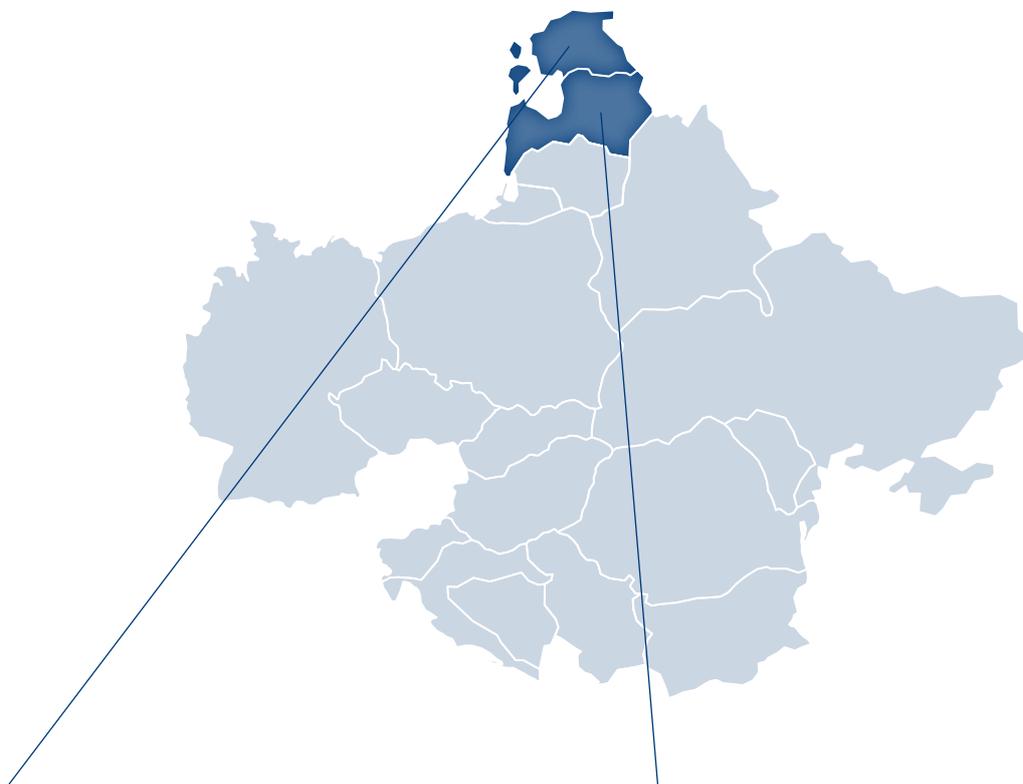
- Real estate transfer tax is 4% of the value of the estate transferred.
- Real estate transfer tax is calculated from the higher amount of either the purchase price of the real estate or its market value as defined by expert valuation.
- The Vendor pays the transfer tax. The buyer is liable for payment of taxes if not paid by the vendor. / New Civil Code: Tax duty is shifted from the seller to the buyer.
- Property tax is paid annually by the real estate holder.
- Property tax is calculated on the basis of location and type of real estate in accordance with guidance advice given in the property tax return form.

→ Slovakia:

- No real estate transfer tax applies to acquisition of real estate.
- The amount of real estate tax varies and is determined by municipalities.
- Real estate tax is usually based on the place and character of the land.
- In statutory cases VAT can be applied.
- Registration fees are insignificant.

→ Hungary:

- Transfer tax, paid by the buyer, is value-based. The rate is 4% up to purchase price of 1 billion HUF; above that, additional 2% on the excess, but capped at 200 million HUF for any real property. For homes, a preferential rate applies.
- Basically, transfer tax is also incurred in case of share deals.
- For professional real property traders, transfer tax is 2% of the total value if they sell or lease real property within 2 years from purchase.
- Procedural costs are rather marginal.
- For the seller, the purchase price is considered income subject to revenue taxes.

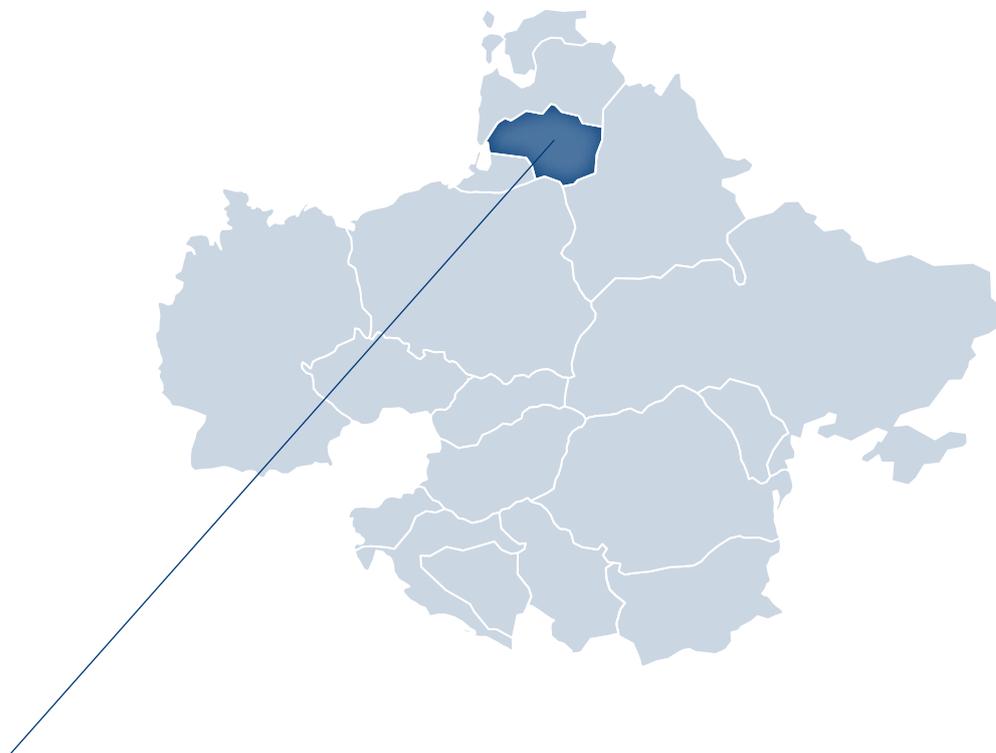


→ Estonia:

- Under the Land Tax Act (maamaksuseadus), an annual property tax of 0.1 % to 2.5 % of the established property value is levied.
- Land transfer tax does not exist.
- The notary fee is determined by the transaction value.
- A state fee is payable on any entry in the Land Register; the amount is set by the property value involved.
- Costs for translation services and a brokerage fee may arise.

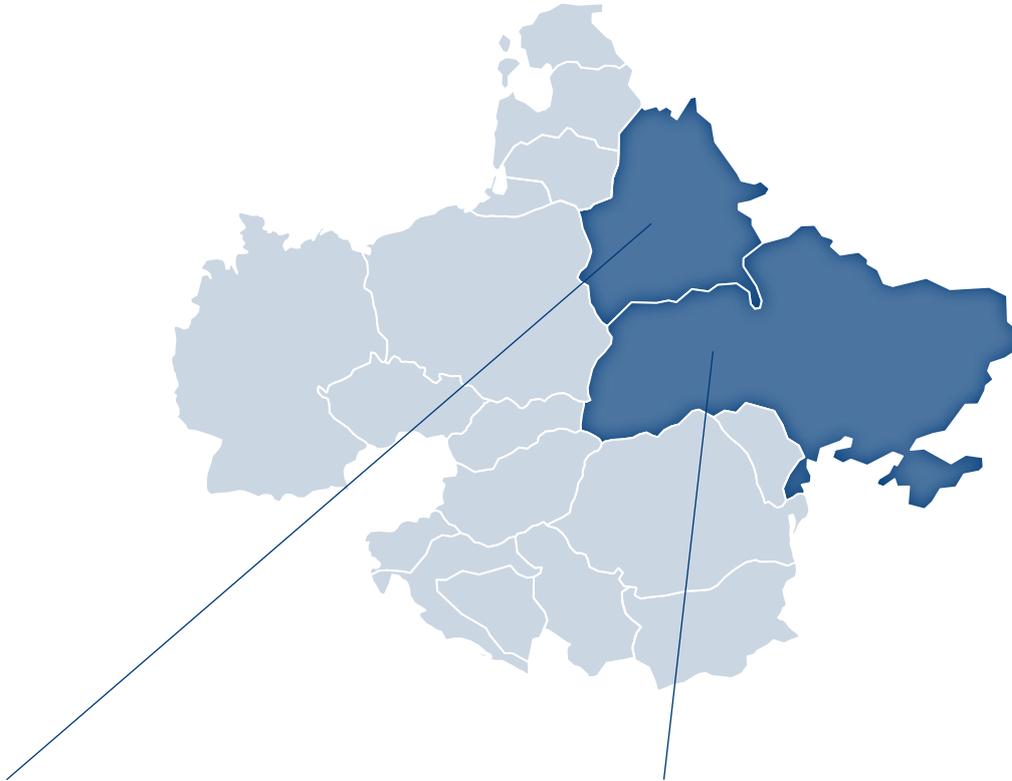
→ Latvia:

- Property transfer duty is 1-3% of cadastral value of transferred property.
- Land tax is 1.5% and is calculated based on the status and character of property and its cadastral value.
- Notary costs are negligible.



→ Lithuania:

- Fees for the real property register and the notary are determined by the value of the real estate. In addition the real property register charges different fees for natural persons and for legal persons.
- If real estate is used by a natural person for commercial purposes the owner has to pay real estate taxes. Therefore tax does not apply if the owner uses the estate just as a residence as long as its value does not exceed LTL 1 m. (ca. EUR 289 620) The excess part is subject to a 1,0% taxation. Legal persons are always taxable if they own real estate in Lithuania. The amount of tax depends on the value of the real estate and ranges between 0,3% and 3,0%. The responsible district councils determine the exact percentage. Under real estate tax law it is possible to ask for tax reliefs.
- Each owner of property has to pay a property tax ranging between 0,01% and 4,0% of the value of the property. The responsible district councils determine the exact percentage. Properties used for diplomatic purposes are exempt of taxation. Other tax reliefs are scheduled for certain groups of people and for special types of property, e. g. for areas used for nature conservation.
- A natural person who sells property before owning it for five years has to pay income tax of 15% of the sale price. Exceptions exist for the sale of owner occupied properties.
- Legal persons selling property have to pay profit taxes as usual. Currently the tax is 15% of the accruing profit.
- Properties for construction projects attract value-added-tax (VAT) of 21%. VAT need not to be paid for agricultural properties if the development plan does not allow another usage of the property.



→ Belarus:

- Buildings and self-contained premises are subject to real estate tax. Annual real estate tax is 0.1% of property value for natural persons and 1% for legal persons.
- Land plots are subject to land tax or rental payments (if a lease is granted by the state). The rate of land tax (or rental payment) depends on the cadastral value of the land, its use and location.
- No tax is payable on purchase of real property. However, profit/income tax is payable by the seller on income received from sale of real property. Profit of a legal person is subject to profit tax of 18%. Income of a natural person is taxed at a rate of 12%. Some income is exempt from income tax.
- Costs for notary and registration are relatively low. The fee for certification or notarization of the agreement is approximately EUR 18-45. The registration fee is about 18-45 EUR.

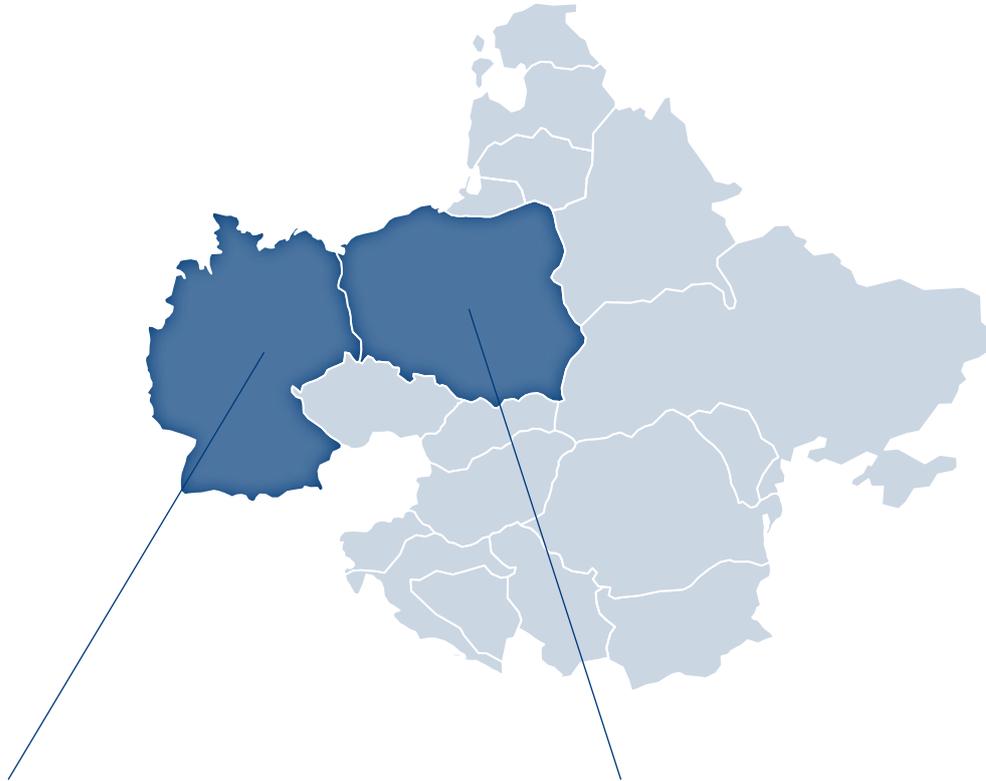
→ Ukraine:

- No land purchase tax or any other real property transfer tax is payable.
- A state duty of 1% of the purchase price applies on certification of the purchase agreement (buildings, flats, commercial premises). State duty of 1% of the purchase price also applies to purchase agreements for land plots.
- A pension fund duty of 1% applies to purchases of buildings, flats and commercial premises.
- Although the law provides for a real property tax (buildings, flats, commercial premises), this has so far not been introduced in practice.
- Land tax is calculated on the basis of appraisal (cadastral value) of the land plot and depends on its location and features.
- Sale of real estate (buildings, flats, commercial premises) by legal entities is subject to value added tax. Sale of land plots is free of value added tax.



→ **Bulgaria:**

- Nongratis acquisitions of real estate attract property transfer tax between 0.1 and 3% of the purchase price or the tax valuation of the object if the latter is higher. Tax is set and collected by the local municipality. Gratuitous deals between directly related natural persons are free of this type of taxation. Between brothers and sisters or their children the tax lies between 0.4 and 0.8%. However, if conducted between non-relatives, deals by gift can be taxed at up to 6.6%.
- Developed sites, construction land and buildings attract possession tax of between 0.1 and 4.5% of the balance value or the tax valuation of the property if the latter is higher. This tax is also set and collected by the local municipality. Undeveloped farm and forest land does not attract this type of taxation.
- Acquisition, collateralisation and lease of land which lies outside the administrative boundaries of urban areas are free of VAT. Also free of VAT are acquisition and collateralisation of buildings that are not newly constructed as well as the plots of land on which they stand. Besides, a lease of residential property to natural persons is free of VAT. Apart from this, VAT in Bulgaria is 20%.
- Share Deals are used to avoid VAT and property transfer taxation.
- Notary fees are degressive and range from 1.5% to 1% of the purchase price or tax valuation (if higher). However, a general cap of 6,000 BGN (3,000 EUR) exists. Entry in the Real Estate Registry costs 0.1% of the purchase price/tax value.

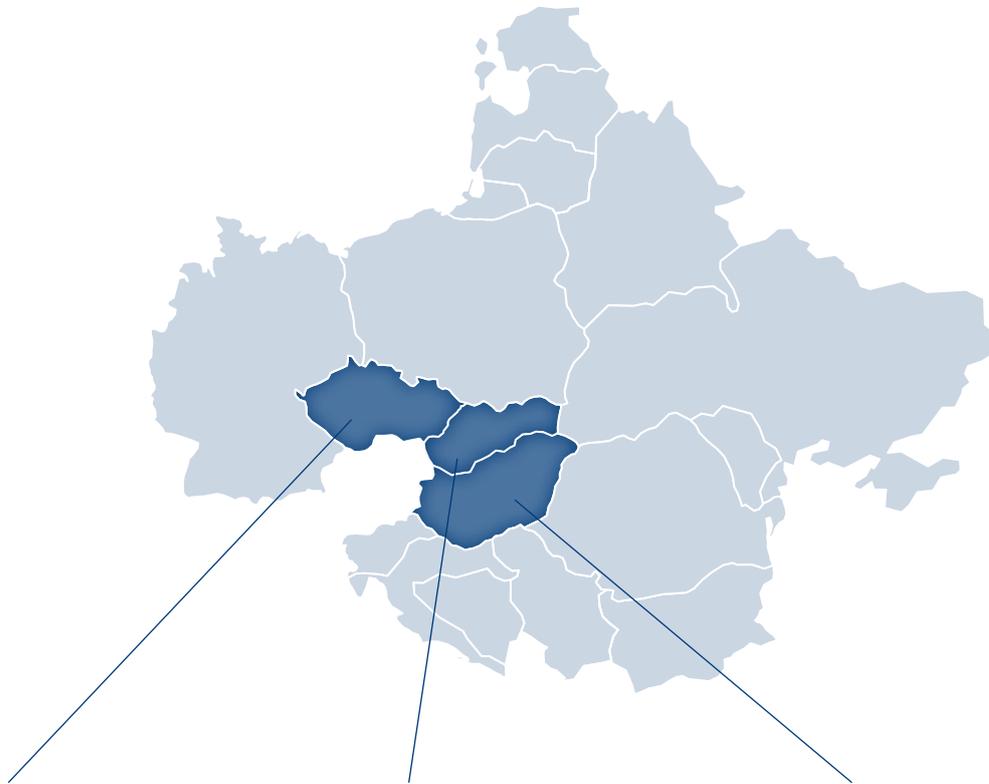


→ **Germany:**

- In Germany the building development law (federal law) and the law on building procedure (state law) govern real estate construction.
- Constructing or extending a building usually requires a building permit. However, in many situations no permit is required or simple notification may be sufficient.
- It is possible to file an outline building application (Bauvoranfrage) in order to clarify the permissibility of certain use before starting to build or before filing a building application.

→ **Poland:**

- Building development law is uniformly regulated throughout Poland; determining building development plans is the duty of municipalities.
- If a given municipality fails to produce a building development plan, it is necessary to introduce a ruling on area development conditions.
- Constructing or extending a building usually requires a building permit. However, in many situations no permit is required or simple notification may be sufficient.



→ Czech Republic:

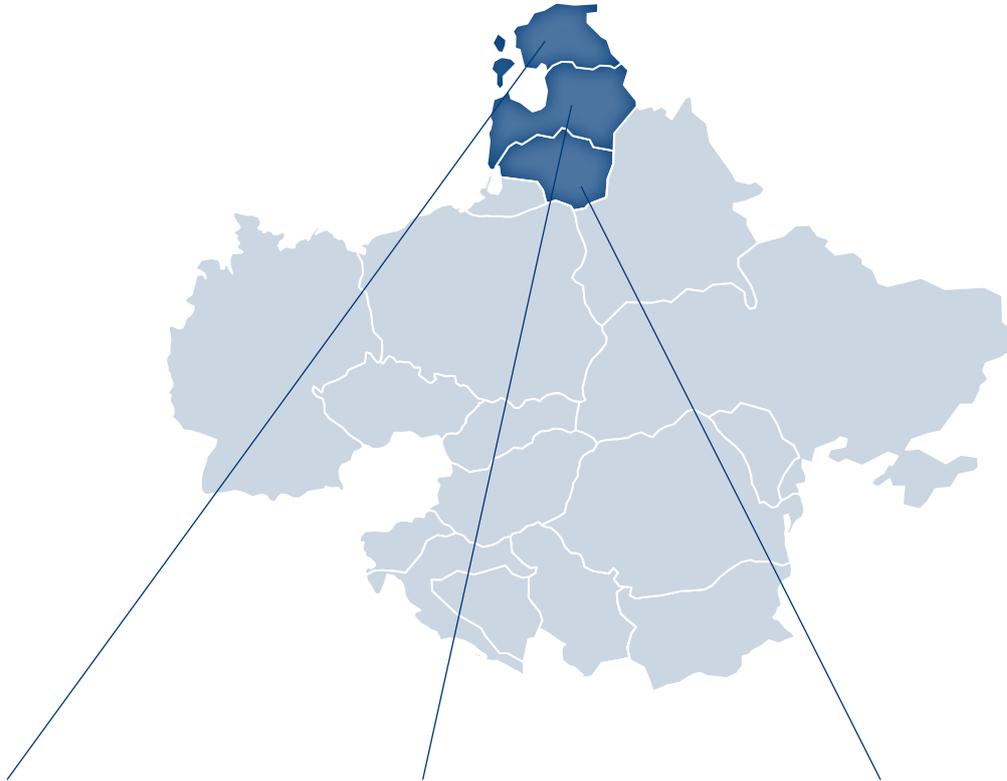
- Charges for entry in the cadastre, fees for notary public and expert valuation are negligible.
- Before construction or use, buildings must conform to the following legal requirements.
- Planning & zoning law set the basic requirements for development and use of land.
- The master plan gives obligatory rules for types and usage of buildings to be constructed in the pertinent territory.
- Individual zoning decisions define the basic requirements for planned buildings.
- Individual building permits set requirements for construction of planned structures.
- Occupancy permit (also “permit for use”) enables and regulates use of the building.
- Under certain circumstances, the administrative procedure for obtaining a zoning decision requires an environmental audit.

→ Slovakia:

- Generally, three major permits must be obtained with regard to construction of buildings – a land development plan, a building permit and an occupancy permit.
- Issue of these permits requires approvals, declarations and other documents by various public (and in part also private) authorities.

→ Hungary:

- Before construction and use, the following requirements must be met:
- Planning law: sets out basic requirements for building and use.
- With few exceptions, a building permit is required.
- After construction, an occupancy permit is usually required.
- In special cases, environmental inspection is required and is carried out within the frame of the building permit procedure.



→ **Estonia:**

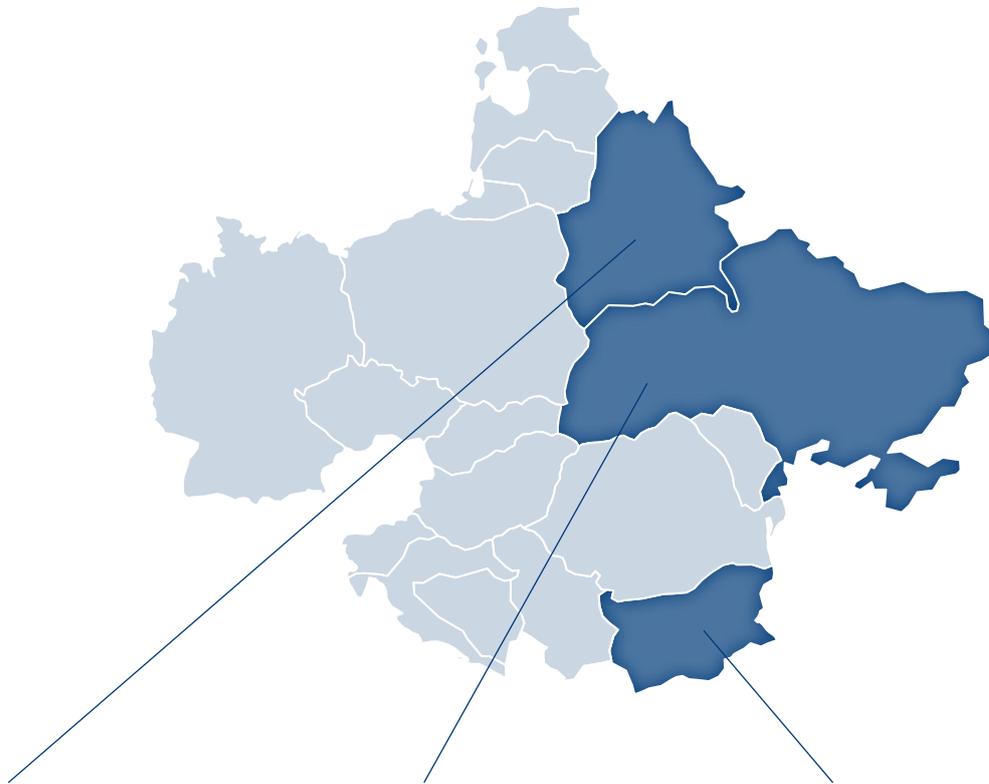
- Building requires permission under the Building Act (ehitusseadus). Permission is granted by the local municipality.
- Construction must begin within two years of issue of permission.

→ **Latvia:**

- Before construction and utilisation a building requires a construction permit for a construction plan which adheres to general requirements of building or development.
- The right to claim approval of construction emerges after fulfilment of requirements set by law.
- Extensive renovation of a building also requires a construction permit.

→ **Lithuania:**

- Under the Lithuanian building code, construction of a building requires permission of the responsible district council.
- Permissions granted are valid for a period of 10 years with the possibility to extend the permission once for a three year period.



→ Belarus:

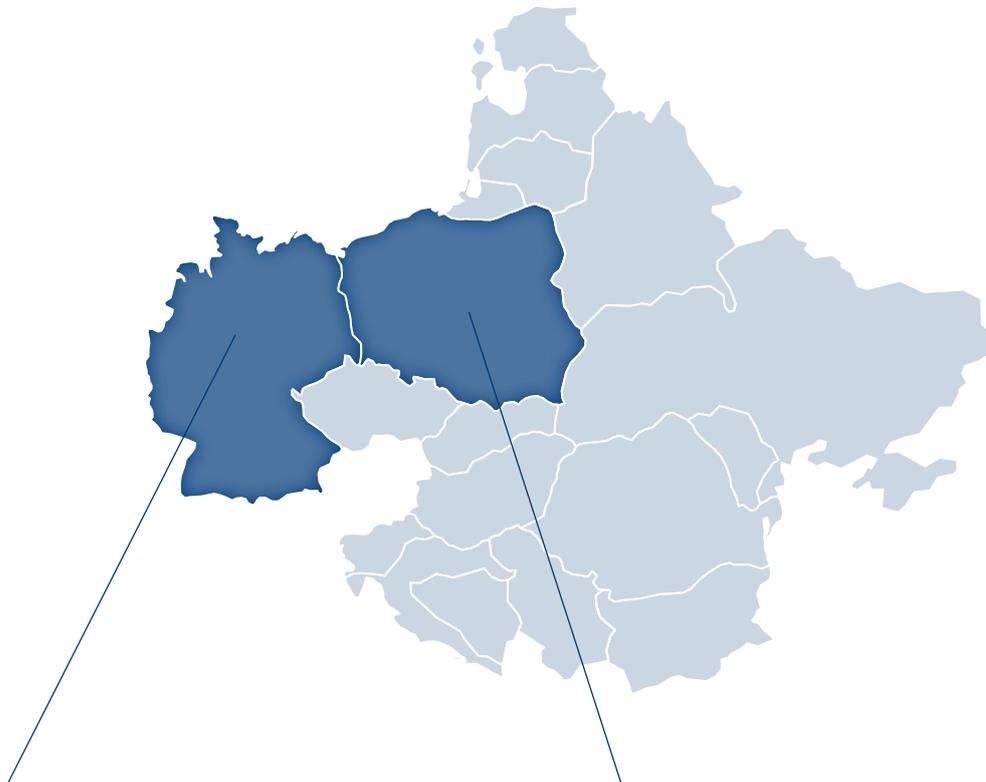
- Owners and users may construct a building if the following requirements are met:
 - 1) the purpose of the land plot is in line with the intended construction;
 - 2) project documentation is approved by a competent local architect;
 - 3) a construction permit is issued by the local construction supervisory body;
 - 4) project documents are available. After concluding an investment agreement with the Republic of Belarus, investors can start construction in parallel with preparing project documents and requesting permission for these. Use of project documents prepared abroad is possible, as far as they do not contradict Belarusian technical regulations.
- After coming into operation, the building needs to be registered in the Register.
- It is planned to introduce a list of land plots for execution of investment projects.

→ Ukraine:

- When constructing a building the building owner must ensure compliance with available city building norms.
- Planning documents must comply with city building norms and require expert opinions from various authorities and a concluding state inspection.
- It is possible to apply for a permit for pre-construction works (e.g. demolition, construction of temporary structures and access routes). Construction of the building itself is possible only with a building permit.
- A building permit is issued by the construction supervisory board within a month of application. A building permit is issued either for the planned construction period or for the term of the building contract.

→ Bulgaria:

- At a very early stage the investor must ensure that planned development complies with applicable urban planning specifications.
- Plans for designated development must be examined by a number of state and municipal organs. As a general rule, a construction permit by the local municipality is necessary for construction work to start. Indeed, construction work conducted without this permit may be removed at the expense of the investor.
- Relations between investor and building contractor are governed by a freely negotiated contract. The liability of the building contractor for construction defects is limited by statute to five years. Construction work must be supervised by a licensed site inspector.
- For correct use of a completed building an exploitation permit is required from the local representative of the state construction control administration. Without this permit, use of a completed building is prohibited and punishable by heavy fines.

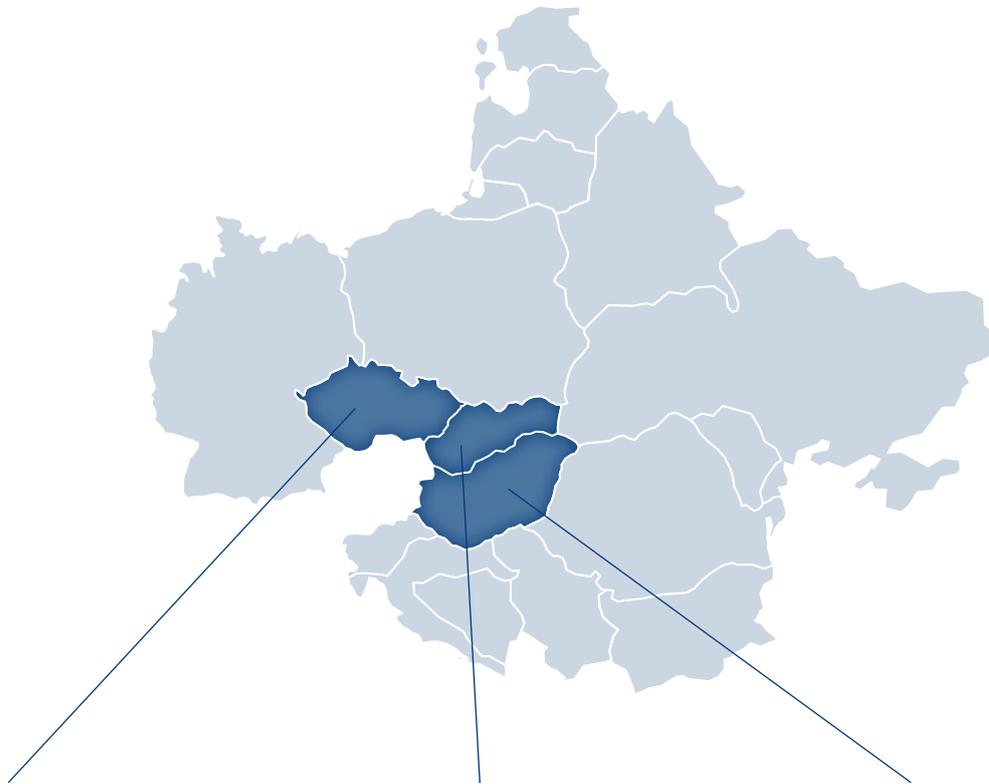


→ **Germany:**

- In Germany differences exist between commercial and residential leases.
- Commercial lease agreements may be for definite (usually) or indefinite periods; residential leases may be limited in time only in special cases.
- Leases are not affected by disposal of the leased object.
- Termination of residential leases is only possible for certain reasons (e.g. personal use by owner).
- General termination notice period for residential leases is at least 3 months and may not be shortened to the lessee's disadvantage, although in certain situations the right to extraordinary termination exists.
- General termination notice periods for commercial leases can be freely negotiated between the parties. General termination is normally excluded for commercial lease agreements for definite periods.

→ **Poland:**

- Lease agreements can be for a definite or indefinite period. Leases for a definite period may only be terminated under specific circumstances set by the agreement.
- Termination of a residential lease by the lessor is permissible only on specific grounds.
- Leases are not affected by disposal of the leased object, although the new owner is entitled to terminate a lease agreement.
- General termination notice period for residential leases is at least 3 months and may not be shortened to the lessee's disadvantage, although in certain situations the right to extraordinary termination exists.
- An amendment to the law reduces lessee protection in residential leases (simplified eviction) was established 2011.



→ Czech Republic:

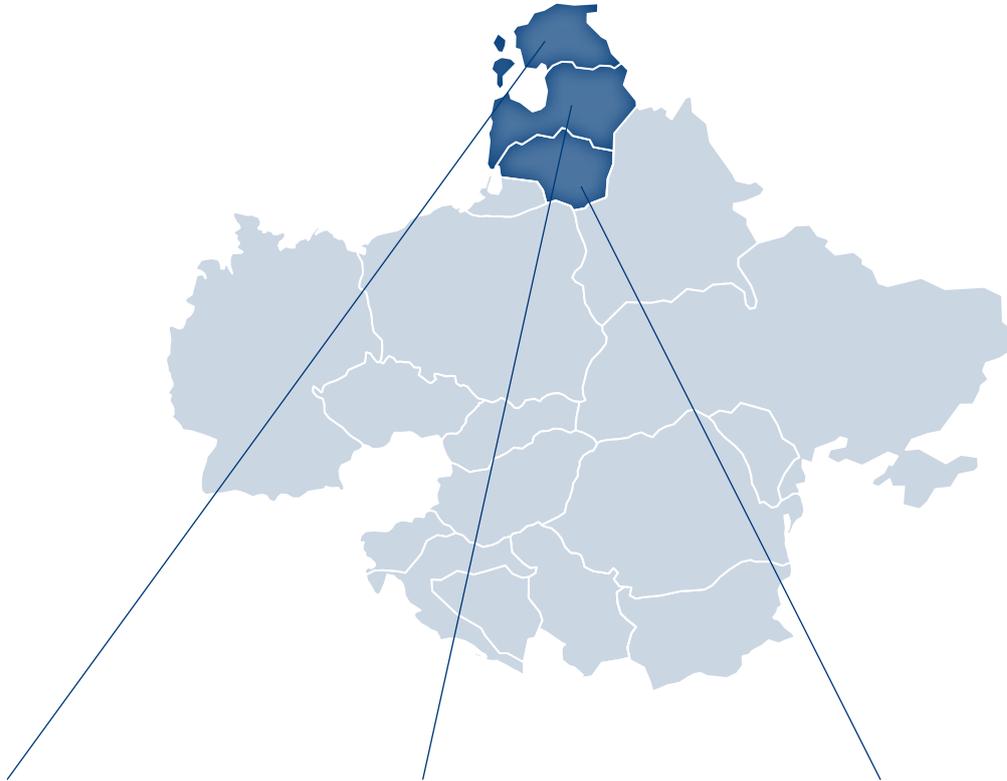
- Base rent and utilities must be accounted for separately.
- If the lease is for a limited period, then a tenancy cannot be terminated before that time unless tenancy law provides otherwise or for reasons agreed in the lease agreement.
- Sale of all or part of an entire building rented out to tenants does not terminate lease relationships; the buyer enters into the rights and obligations of the landlord as set by the lease agreement. / New Civil Code: The buyer enters into the rights and obligations of the landlord arising from a lease. But the buyer does not take over the former landlord's obligations which are set in a lease agreement beyond the lease law. This will not apply if the buyer knew about these obligations.
- The statutory notice period is three months but contracting parties may mutually agree otherwise.
- Lease agreements are usually concluded for a limited period.

→ Slovakia:

- Special requirements apply to the description of the object of lease and the obligations of the parties under a lease agreement.
- In case of a temporary lease the lease agreement can usually be terminated prematurely for statutory reasons only.
- The rule "contract of sale breaks tenancy agreement" does not apply.
- The statutory period of notice is three months; the parties can vary this by mutual agreement.
- Since statutory regulation of the rights and obligations of a tenant or landlord are very brief and insufficient, a thorough and detailed lease agreement is advisable.

→ Hungary:

- Usually lease agreements are for a definite period. In this case, if there is no reason for extraordinary termination, the lease agreement cannot be terminated prior to its expiration.
- Sale of a leased building does not trigger termination of the lease.
- The statutory notice period is 3 months for flats and 1 year for office premises. As to office premises, the parties can deviate from this by mutual consent.
- In Hungary, the lessor has a lien on objects (owned by the lessee) placed in or on the real estate.



→ Estonia:

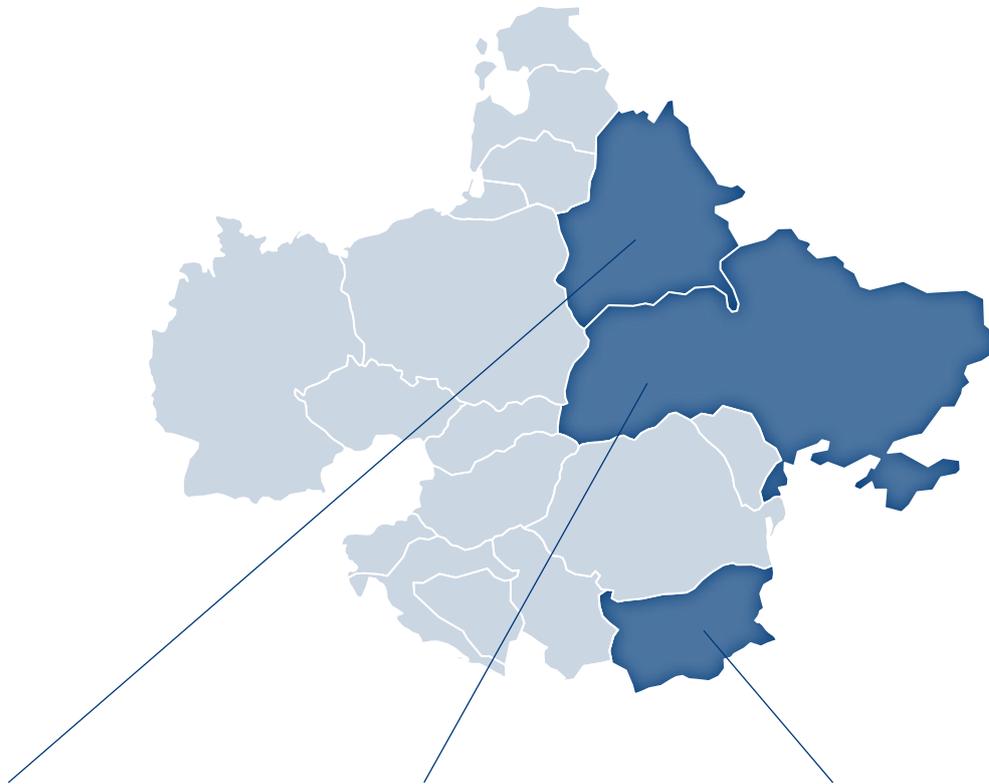
- Lease agreements, including residential premises, may be terminated by not less than three months' notice. This statutory period may not be shortened to the detriment of the lessee.
- However, a lease agreement may also be terminated for cause without notice if the party giving notice cannot reasonably be expected to continue the lease until the end of the notice period, taking into account all circumstances of the individual case including e.g. fault of the parties, and after weighing the interests of the parties. For example, if the lessee substantially violates the rights of the lessor or the lessee is in default of payment of rent, accessory expenses or a significant proportion thereof on three successive dates.
- An acquirer of a dwelling takes over the rights and duties that arise under a lease agreement if the lessee had been given use of it prior to transfer.

→ Latvia:

- If a tenancy of living dwellings is for a fixed term then generally it may not be terminated prematurely.
- A tenancy of living dwellings which is not for a fixed term may be terminated only after six months.
- If a lease tenancy concerns non-living dwellings, a new acquirer may freely terminate the contract.
- Sale of a building which is completely or partly tenanted of living dwellings does not lead to termination of lease or tenancy if the lease or tenancy is recorded in the land register.

→ Lithuania:

- Leases of buildings, constructions and properties require written form. Contracts have to be registered in the real property register to come into effect towards third parties.
- The term of lease of public property must not exceed 99 years.



→ Belarus:

- The minimum lease term in respect of buildings and self-contained premises is three years. However, this term may be shortened if the lessee consents. A lease agreement may be concluded for an unspecified term.
- It is not necessary to register a lease agreement. However, the registration authority needs to be informed about a concluded lease agreement. Information is optionally included in the Register if the parties wish but this does not affect validity of the lease agreement.
- Either party may terminate a lease agreement with an unspecified term by three months' advance notice.

→ Ukraine:

- Lease agreements for commercial premises with a term of up to three years must be in writing. Those with a period of more than three years require notarised certification and state registration.
- Ukrainian tenancy law provides substantial protection of tenant's rights.
- After expiration of a lease agreement the lessee has priority for a further lease.
- Sublease is possible subject to lessor's consent.

→ Bulgaria:

- A rental contract can have maximal duration of ten years while contracts for more than one year can be entered in the Real Estate Registry. This voluntary registration has the effect of binding any new proprietor of leased real estate to a registered rental contract.
- Bulgaria offers no special statutory protection for tenants. Tenants in default of rental payments can very quickly be forced to vacate the property. This also applies in cases of leased residential space.
- Subleases are possible without extra permission from the landlord, who has a direct claim for rental payment against the subtenant.

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- **Land registration**
 - A subdivision of the Register – the registration book – contains information about every land plot and buildings located on land.
 - Ownership is transferred at the moment when registration is completed.
 - Information in the Register is reliable and may be invalidated only by a court decision.
 - Anyone may acquire information about real property; however, more extensive information (e.g. access to the whole Register) is available only to state bodies having respective rights under the law.
 - Information available in the Register about real property, related rights and limitations (burdens) is not a business secret according to applicable legal regulations.

- **Acquiring real estate**
 - Under the general rule, a real property sales contract and other agreements involving real property need not be notarized. However there are some exceptions to this.
 - Foreign citizens may only lease land but not buy it. They may only inherit land from their Belarusian relatives. Foreign companies have no right to own land. Foreign citizens and companies are allowed to own and lease buildings and self-contained premises.

- **Finance: collateralizing**
 - Real property acquisition and construction in Belarus is often financed by loans secured on real property.
 - Real property serves as collateral under a mortgage or title transfer agreement.
 - Under a title transfer agreement, a bank becomes owner of transferred real property if the borrower defaults on credit.
 - Mortgage and transfer of real property are valid from the moment of entry in the Register.

- **Risks**
 - A sales agreement is legally completed once it is added to the Register. The registrar checks the data in the Register in respect of real property to be transferred. If the agreement deviates from the data in the Register, the agreement may not be registered and therefore is not completed.
 - Information in the Register is considered valid and reliable unless abrogated by a court.

- **Taxes, fees, costs**
 - Buildings and self-contained premises are subject to real estate tax. Annual real estate tax is 0.1% of property value for natural persons and 1% for legal persons.
 - Land plots are subject to land tax or rental payments (if a lease is granted by the state). The rate of land tax (or rental payment) depends on the cadastral value of the land, its use and location.
 - No tax is payable on purchase of real property. However, profit/income tax is payable by the seller on income received from sale of real property. Profit of a legal person is subject to profit tax of 18%. Income of a natural person is taxed at a rate of 12%. Some income is exempt from income tax.
 - Costs for notary and registration are relatively low. The fee for certification or notarization of the agreement is approximately EUR 18-45. The registration fee is about 18-45 EUR.

- **Public building law**
 - Owners and users may construct a building if the following requirements are met:
 - 1) the purpose of the land plot is in line with the intended construction;
 - 2) project documentation is approved by a competent local architect;
 - 3) a construction permit is issued by the local construction supervisory body;
 - 4) project documents are available.After concluding an investment agreement with the Republic of Belarus, investors can start construction in parallel with preparing project documents and requesting permission for these. Use of project documents prepared abroad is possible, as far as they do not contradict Belarusian technical regulations.
 - After coming into operation, the building needs to be registered in the Register.
 - It is planned to introduce a list of land plots for execution of investment projects.

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→ **Lease and tenancy**

- The minimum lease term in respect of buildings and self-contained premises is three years. However, this term may be shortened if the lessee consents. A lease agreement may be concluded for an unspecified term.
- It is not necessary to register a lease agreement. However, the registration authority needs to be informed about a concluded lease agreement. Information is optionally included in the Register if the parties wish but this does not affect validity of the lease agreement.
- Either party may terminate a lease agreement with an unspecified term by three months' advance notice.

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- **Land registration**
 - The Real Estate Registry is administered by the State Registry Agency and is being progressively digitalized. It contains information on acquisition, transfer and termination of property and limited rights in rem. The Real Estate Registry is accessible to everyone. However, its data are fragmentary, as not all deals with real estate must be registered. In particular, information on re-privatized real estate with numerous heirs is incomplete.
 - Besides, a national digitalized cadastral registry is under construction. This allows for exact identification of real estate by attributing unique cadastral numbers to each plot. It also contains important additional information such as designated property usage and development status.

- **Acquiring real estate**
 - Contracts for acquisition of property must be notarized. Transfer of property takes place by means of the contract itself, so that entry of the contract in the Real Estate Registry has as a rule only declaratory effect. However, where the same property has been sold to more than one buyer, it is the buyer registered first who becomes the new proprietor.
 - The property right on a building is generally passed on together with the property right on the plot of land on which the building stands. However, a possibility exists to legally separate the two objects by burdening the plot through establishing a so called emphyteusis right. In Bulgaria, emphyteusis rights are generally unlimited in time. The proprietor of the land plot and the bearer of the emphyteusis right each have a statutory first right to buy in relation to each other.
 - Non-EU foreigners are barred from directly acquiring property rights on land and plots of land. But no restrictions apply to acquisition of buildings or Special Purpose Vehicles. As to EU-foreigners, some restrictions on purchase of farm and forest land (introduced in 2007 by the Agreement on EU Accession of Bulgaria) still apply.

- **Special Purpose Vehicles (SPV)**
 - SPV are constantly used to avoid existing land acquisition restrictions or to minimise taxation by means of share deals.
 - Generally, the form of a private limited liability company (OOD) or joint stock corporation (AD) is chosen. Under Bulgarian law, the minimum share capital of an OOD is 1 (one) EUR and 25,000 EUR for an AD. Registration of a company is completed within days of application.
 - Real Estate investment funds for which special minimum share capital requirements apply are exempt from certain types of taxation.

- **Finance: collateralizing**
 - Typical collateral in Bulgaria is the hypothecary mortgage. Other means of securitization in rem on real estate are not known to Bulgarian law.
 - Also applicable are payment guarantees by a mother company or a third person as well as SPV stock pledges. Besides, a transfer of property rights by way of security is possible among businesses.

- **Risks**
 - Since the Real Estate Registry in Bulgaria is not attributed absolute faith and credit a real estate due diligence in advance of a planned acquisition is advisable.
 - In particular, possible discrepancies between the contents of the real estate and the Cadastral Registry must be identified and removed in advance as these may prove effective midterm hindrances to planned development.
 - In many cases it may be a good idea to require from a designated seller certain statements of affirmation and assurance by third parties (such as plot neighbours) in order to facilitate a planned development.

- **Taxes, fees, costs**
 - Nongratis acquisitions of real estate attract property transfer tax between 0.1 and 3% of the purchase price or the tax valuation of the object if the latter is higher. Tax is set and collected by the local municipality. Gratuitous deals between directly related natural

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persons are free of this type of taxation. Between brothers and sisters or their children the tax lies between 0.4 and 0.8%. However, if conducted between non-relatives, deals by gift can be taxed at up to 6.6%.

- Developed sites, construction land and buildings attract possession tax of between 0.1 and 4.5‰ of the balance value or the tax valuation of the property if the latter is higher. This tax is also set and collected by the local municipality. Undeveloped farm and forest land does not attract this type of taxation.
- Acquisition, collateralisation and lease of land which lies outside the administrative boundaries of urban areas are free of VAT. Also free of VAT are acquisition and collateralisation of buildings that are not newly constructed as well as the plots of land on which they stand. Besides, a lease of residential property to natural persons is free of VAT. Apart from this, VAT in Bulgaria is 20%.
- Share Deals are used to avoid VAT and property transfer taxation.
- Notary fees are degressive and range from 1.5% to 1‰ of the purchase price or tax valuation (if higher). However, a general cap of 6,000 BGN (3,000 EUR) exists. Entry in the Real Estate Registry costs 0.1% of the purchase price/tax value.

→ Public building law

- At a very early stage the investor must ensure that planned development complies with applicable urban planning specifications.
- Plans for designated development must be examined by a number of state and municipal organs. As a general rule, a construction permit by the local municipality is necessary for construction work to start. Indeed, construction work conducted without this permit may be removed at the expense of the investor.
- Relations between investor and building contractor are governed by a freely negotiated contract. The liability of the building contractor for construction defects is limited by statute to five years. Construction work must be supervised by a licensed site inspector.
- For correct use of a completed building an exploitation permit is required from the local representative of the state construction control administration. Without this permit, use of a completed building is prohibited and punishable by heavy fines.

→ Lease and tenancy

- A rental contract can have maximal duration of ten years while contracts for more than one year can be entered in the Real Estate Registry. This voluntary registration has the effect of binding any new proprietor of leased real estate to a registered rental contract.
- Bulgaria offers no special statutory protection for tenants. Tenants in default of rental payments can very quickly be forced to vacate the property. This also applies in cases of leased residential space.
- Subleases are possible without extra permission from the landlord, who has a direct claim for rental payment against the subtenant.

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- **Land registration**
 - Public register with information on real estate (cadastre records).
 - Managed by local administration, not by courts.
 - Register records individual properties with a particular description, an illustration of the location and the shape of the property. / New Civil Code: Register records will also involve the purchase price of real estate.
 - It also includes information about easements, liens and other encumbrances.
 - Tenancy agreements are not listed in the register. / New Civil Code: Leases can be listed in the register if the landlord or the tenant applies with landlord's consent.
 - Transfer of property must be recorded to take effect.
 - The principle of bona fide reliance on the accuracy of the register does not apply. / New Civil Code: The principle of bona fide reliance on the accuracy of the register will apply.

- **Acquiring real estate**
 - Specification and price of property purchased must form part of the contract of sale.
 - Signatures on the contract for sale must be notarized and be given on the same document (contract).
 - Transfer of property is complete on entry in the cadastre, not on exchange of contracts.
 - Buildings and land on which buildings stand may have different owners. The principle of superficies solo cedit does not apply. / New Civil Code: Building forms part of the land on which the building is located.

- **Special purpose vehicles (SPVs)**
 - No special limitations or incentives exist.
 - Normally, SPVs are founded as companies with limited liability (s.r.o.).
 - Minimum capital stock is about EUR 8,000. / New Civil Code: Minimum capital stock can be 1 CZK, unless the Memorandum of Association sets a higher amount of capital stock.
 - SPV can be established within four weeks from submitting the requisite papers.
 - Essentially, SPVs are created for purchase of real estate and project development.
 - If founded as a joint-stock company (a.s.) with two or more shareholders, SPV ownership may remain anonymous.
 - Minimum capital stock of a joint-stock corporation is about EUR 80,000.

- **Finance: collateralizing**
 - Recourse and non-recourse loans are used to secure financing for purchase of real estate.
 - Most loans are secured by pledging the real estate and by pledging shares of the SPV. Guarantees are regularly required to be given by the SPV's holding (parent) company.

- **Risks**
 - Cadastre records are only for information purposes and as such do not necessarily reflect the real legal situation concerning the property. / New Civil Code: In case of discrepancy between the entry in the cadastre records and the reality, the entry in the cadastre records prevails.
 - Cadastre records do not enjoy bona fide protection, so that there is no acquisition in good faith from a person who is not an owner of the property but is recorded in the Cadastral Register. / New Civil Code: Cadastre records enjoy bona fide protection.
 - Claims for restitution of the property may exist. These can impede transfer of the property.
 - Ten years of uninterrupted possession in good faith causes transfer of property by adverse possession.
 - Transfer of the property is complete on being recorded in the cadastre, so that payment of the purchase price is often handled by way of an escrow account with public notaries or trustees.
 - Legal due diligence analysis is recommended before purchase.

- **Taxes, fees, costs**
 - Real estate transfer tax is 4% of the value of the estate transferred.
 - Real estate transfer tax is calculated from the higher amount of either the purchase price

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of the real estate or its market value as defined by expert valuation.

- The Vendor pays the transfer tax. The buyer is liable for payment of taxes if not paid by the vendor. / New Civil Code: Tax duty is shifted from the seller to the buyer.
- Property tax is paid annually by the real estate holder.
- Property tax is calculated on the basis of location and type of real estate in accordance with guidance advice given in the property tax return form.

→ Public building law

- Charges for entry in the cadastre, fees for notary public and expert valuation are negligible.
- Before construction or use, buildings must conform to the following legal requirements.
- Planning & zoning law set the basic requirements for development and use of land.
- The master plan gives obligatory rules for types and usage of buildings to be constructed in the pertinent territory.
- Individual zoning decisions define the basic requirements for planned buildings.
- Individual building permits set requirements for construction of planned structures.
- Occupancy permit (also “permit for use”) enables and regulates use of the building.
- Under certain circumstances, the administrative procedure for obtaining a zoning decision requires an environmental audit.

→ Lease and tenancy

- Base rent and utilities must be accounted for separately.
- If the lease is for a limited period, then a tenancy cannot be terminated before that time unless tenancy law provides otherwise or for reasons agreed in the lease agreement.
- Sale of all or part of an entire building rented out to tenants does not terminate lease relationships; the buyer enters into the rights and obligations of the landlord as set by the lease agreement. / New Civil Code: The buyer enters into the rights and obligations of the landlord arising from a lease. But the buyer does not take over the former landlord's obligations which are set in a lease agreement beyond the lease law. This will not apply if the buyer knew about these obligations.
- The statutory notice period is three months but contracting parties may mutually agree otherwise.
- Lease agreements are usually concluded for a limited period.

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- **Land registration**
 - In Estonia the Land Register (kinnistusraamat) is maintained by District Courts (maakohus), recording any property within their jurisdiction.
 - Applicable statutory provisions are set out in the Land Register Act (kinnistusraamatuseadus).
 - The Land Register contains all details on the real estate itself, its ownership and its encumbrances, e.g. charges, liens, mortgages.
 - Any contractual relationship involving the property, e.g. a lease or a commercial lease agreement, may be recorded in the Land Register on the tenant's request. This often occurs when the parties have agreed a notice period longer than provided by law.
 - Good faith in the title shown on the folio or any record given is comprehensively protected by Estonian law.
 - As a common rule, new or amending entries to the register are only processed on the beneficiary's application or authorization, with the latter requiring attestation by a notary public.
 - Processing takes about three months and involves a fee.
 - Information on the records may be obtained via e-services of the Ministry of Justice.

 - **Acquiring real estate**
 - Ownership of a property usually comprises both the plot of land and buildings erected on it.
 - A legal act by which one party agrees to acquire or transfer ownership of a property, e.g. sale agreement, must be notarized.
 - For transfer of property to become legally effective, the transferor and acquirer must conclude a contract in rem, which must be notarized (declaration of conveyance).
 - Transfer of title is completed only once recorded in the Land Register.
 - Both foreign natural and legal persons may acquire real estate property in Estonia if the land and buildings on it are registered.
 - Acquisition of agricultural and forest land by foreign natural or legal persons must be granted by local authorities. This does not apply to nationals of another Member State of the EU, the OECD or the EEA who have been continuously active in farming or forestry in one of these states for at least three years.
 - Municipalities enjoy a right of preemption of real properties within their jurisdiction but usually they do not exercise this right.
 - During an insolvency procedure, real property may be acquired free of any encumbrance.

 - **Special purpose vehicles (SPV)**
 - A Special Purpose Vehicle (SPV) may be employed in order to acquire a property or a real estate development project.
 - Using a SPV allows transfer of real estate projects by share deal superseding any amendments in the Land Register.

 - **Finance: collateralizing**
 - In Estonia, a private limited company (osaühing - OÜ) is commonly used as a corporate structure for a SPV.
 - Minimum share capital of an OÜ amounts to 2.500 EUR and is payable in cash or in kind.
 - In Estonia acquisition of property is usually financed by a bank. Mortgages and land charges are usual collateral for a bank loan.
 - A contract granting a mortgage or any other encumbrance must be attested by a notary public.

 - **Risks**
 - Thanks to the good-faith principle of the Land Register, risks regarding the true state of ownership are relatively low.
 - The general level of risk occurring in property acquisition (building development potential/restrictions, brownfields) can safely be compared to other EU states.
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- **Taxes, fees, costs**
 - Under the Land Tax Act (maamaksuseadus), an annual property tax of 0.1 % to 2.5 % of the established property value is levied.
 - Land transfer tax does not exist.
 - The notary fee is determined by the transaction value.
 - A state fee is payable on any entry in the Land Register; the amount is set by the property value involved.
 - Costs for translation services and a brokerage fee may arise.

- **Public building law**
 - Building requires permission under the Building Act (ehitusseadus). Permission is granted by the local municipality.
 - Construction must begin within two years of issue of permission.

- **Lease and tenancy**
 - Lease agreements, including residential premises, may be terminated by not less than three months' notice. This statutory period may not be shortened to the detriment of the lessee.
 - However, a lease agreement may also be terminated for cause without notice if the party giving notice cannot reasonably be expected to continue the lease until the end of the notice period, taking into account all circumstances of the individual case including e.g. fault of the parties, and after weighing the interests of the parties. For example, if the lessee substantially violates the rights of the lessor or the lessee is in default of payment of rent, accessory expenses or a significant proportion thereof on three successive dates.
 - An acquirer of a dwelling takes over the rights and duties that arise under a lease agreement if the lessee had been given use of it prior to transfer.

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- **Land registration**
 - In Germany real estate is kept in a public register – the Land Register (Grundbuch) – by district courts (with exceptions).
 - Land lots are labelled in the Land Register inventory with basic data (e.g. area, identification marking, size). The register consists of 3 sections; Section 1 shows the owner or other entitled persons and legal basis for entry. Section 2 contains all encumbrances (e.g. wayleaves) and restrictions on the real estate Section 3 shows mortgages and land charges.
 - Contractual relationships such as lease or tenancy may not be entered in the Land Register.
 - Purchase and mortgage of land require registration in the Land Register.
 - Good faith with respect to the content of Land and Mortgage Register entries is substantially protected, so that in general an extract from the registers is sufficient for checking ownership status for a particular piece of real estate.
 - Changes in the Land and Mortgage Register are usually made only on application by someone entitled and based on notarised deeds.
 - Everyone can access the Land and Mortgage Register on showing a particular interest (intention to buy is sufficient).

- **Acquiring real estate**
 - Contracts for acquisition of property and the agreement in rem (both have to be kept apart from each other) must be notarised.
 - Transfer of property occurs on entry of the contract in the Land Register, not on conclusion of the contract and agreement in rem.
 - Sale of property has no influence on property encumbrances.
 - In Germany foreign individuals and legal persons are not barred from acquiring property rights; no special restrictions or authorizations apply for purchase of real estate.
 - Some general provisions exist on building permission for land and forestry plots and in some cases in the former German Democratic Republic (GDR).
 - Ownership usually exists uniformly as to land and buildings on it (except for separate ownership of flats, perpetual usufruct).
 - Compulsory execution can offer an advantageous opportunity to acquire property; warranty rights in these cases are excluded.

- **Special Purpose Vehicles (SPV)**
 - May be used in Germany to acquire real estate and for project development.
 - Allow for transfer of real estate projects by share deal, without the need to amend the data in the Land and Mortgage Register.
 - A popular legal form for a project company is a limited liability company (GmbH).
 - The minimum share capital of a GmbH is 25,000 EUR, half of which must be paid to the account of the company during formation (foundation without contribution in kind).

- **Finance: collateralizing**
 - Purchase of real estate in Germany is usually financed by banks. Banks secure their credits (loans) mainly by mortgage (Hypothek) or land charge (Grundschild) on purchased objects.
 - Mortgage depends on the loan obligation and expires as soon as the secured debt is satisfied (accessoriness).
 - Land charge initially does not depend on the loan obligation but is connected with it in practice by a securing (collateral) agreement (Sicherungsabrede).

- **Risks**
 - Due to the good faith principle in the Land and Mortgage Registers, risks connected with real estate ownership relations are relatively low.
 - General risks do apply to purchase of real estate (e.g. development potential, bad debts, existing lease agreements) as in other countries.

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- **Taxes, fees, costs**
- Tax on civil law transactions for real estate purchase in general amounts to 3.5% of the assessment base (this corresponds to the purchase price).
 - However the tax rate for civil law transactions has been enhanced by several states (Bundesländer) up to 5,5% of the assessment base.
 - Without payment of tax on civil law transactions, the land division will not enter the new owner in the Land Register.
 - Land tax is imposed by municipalities and townships on ownership of real estate. The average amount is 0.20-0.30 EUR monthly/sqm.
 - Notary public costs and costs of registration of the purchase amount to 2% of the purchase price; additionally, financing and intermediation (the latter amount to 3-7% of the purchase price) also involve costs.
- **Public building law**
- In Germany the building development law (federal law) and the law on building procedure (state law) govern real estate construction.
 - Constructing or extending a building usually requires a building permit. However, in many situations no permit is required or simple notification may be sufficient.
 - It is possible to file an outline building application (Bauvoranfrage) in order to clarify the permissibility of certain use before starting to build or before filing a building application.
- **Lease and tenancy**
- In Germany differences exist between commercial and residential leases.
 - Commercial lease agreements may be for definite (usually) or indefinite periods; residential leases may be limited in time only in special cases.
 - Leases are not affected by disposal of the leased object.
 - Termination of residential leases is only possible for certain reasons (e.g. personal use by owner).
 - General termination notice period for residential leases is at least 3 months and may not be shortened to the lessee's disadvantage, although in certain situations the right to extraordinary termination exists.
 - General termination notice periods for commercial leases can be freely negotiated between the parties. General termination is normally excluded for commercial lease agreements for definite periods.

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- **Land registration**
 - In Hungary all real property is registered with a public registry: the Land Registry.
 - The Land Registry is administered by the authorities, not by the courts.
 - Obligations such as lease and tenancy are not registered.
- **Acquiring real estate**
 - Sale and purchase of real property must meet strict formal requirements. A sale and purchase agreement must be notarized or countersigned by an attorney-at-law.
 - Transfer of title is complete only on registration, not on execution of agreement or payment of purchase price.
 - EU citizens may acquire real property without restriction – except for agricultural land.
 - As to agricultural land, special regulations apply for nationals and foreigners.
- **Special Purpose Vehicles (SPV)**
 - Project companies can be established for acquiring title to real property and for project development in Hungary.
 - Transfer of projects by share deal does not need changes in the Land Registry. However, the tax advantage compared to asset deals has been practically eliminated.
 - The Hungarian company form, LLC (Kft.), is popular; however, sometimes the Hungarian Limited Partnership (Bt.) is chosen for taxation purposes.
- **Finance: collateralizing**
 - In Hungary, acquisition of title to real property is partly or totally financed by banks. Banks secure their investment by mortgage on the purchased object.
 - Usually, guarantee by the mother company is required.
- **Risks**
 - Risks in connection with acquisition are marginal, on the basis of good faith regarding data at the Land Registry.
 - Naturally, general risks arise relating to acquisition (development potential, environmental pollution, existing rental agreements) as in other countries.
 - Statutory pre-emption rights must be considered.
 - For acquisitions, legal due diligence is advised.
- **Taxes, fees, costs**
 - Transfer tax, paid by the buyer, is value-based. The rate is 4% up to purchase price of 1 billion HUF; above that, additional 2% on the excess, but capped at 200 million HUF for any real property. For homes, a preferential rate applies.
 - Basically, transfer tax is also incurred in case of share deals.
 - For professional real property traders, transfer tax is 2% of the total value if they sell or lease real property within 2 years from purchase.
 - Procedural costs are rather marginal.
 - For the seller, the purchase price is considered income subject to revenue taxes.
- **Public building law**
 - Before construction and use, the following requirements must be met:
 - Planning law: sets out basic requirements for building and use.
 - With few exceptions, a building permit is required.
 - After construction, an occupancy permit is usually required.
 - In special cases, environmental inspection is required and is carried out within the frame of the building permit procedure.
- **Lease and tenancy**
 - Usually lease agreements are for a definite period. In this case, if there is no reason for extraordinary termination, the lease agreement cannot be terminated prior to its expiration.
 - Sale of a leased building does not trigger termination of the lease.
 - The statutory notice period is 3 months for flats and 1 year for office premises. As to office premises, the parties can deviate from this by mutual consent.
 - In Hungary, the lessor has a lien on objects (owned by the lessee) placed in or on the real estate.

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- **Land registration**
 - The electronic public land register contains all significant information on properties.
 - The land register is divided into four sections: 1. General information about the property, 2. Information on the owner, 3. Information on encumbrances, 4. Information on debt.
 - Transfer of property must be registered in the land register to be valid.
 - Rent and lease can be entered in the land register to provide securities to a tenant or lessee.
 - Good faith of register entries is presumed, so that an extract from the land register is sufficient to prove ownership.
 - Changes in the Land register entry are only allowed with the current property owner's approval, certified by a notary.

- **Acquiring real estate**
 - Description of property and price are essential requirements of a purchase contract.
 - Certification by a notary is not required for signatures in the purchase contract but is required for registration in the land register.
 - Transfer of property is complete on entry in the land register, not on concluding the purchase agreement.
 - A building and land where the building is located may have different owners. Although this is generally not the case its existence may be identified by an extract from the land register.
 - Limitations exist for property acquisition by foreigners. Limitations for EU nationals also exist but only regarding agricultural and forest land.

- **Special Purpose Vehicles (SPV)**
 - Usual form of incorporation is a private limited company (SIA).
 - Minimal share capital is around 2,850 EUR - less only if up to 5 natural persons found the company and only if up to 5 natural persons are members of the company.
 - May be founded within a week after filing application.
 - A private limited company is usually used to acquire property and for project development.
 - By founding a joint-stock company (AS) through two or more companies the shareholders remain anonymous.
 - Minimum share capital for a joint-stock company is about 35,600 EUR.

- **Finance: collateralizing**
 - Secured and unsecured credits (loans) are used as a financial resource for property acquisition.
 - Most loans are secured by mortgaging the property and mortgaging shares of companies.
 - Guarantees by parent company are often required.
 - Hypothecary credit (charge on property) is the main method for securing finance to buy property. In addition parties may agree on financial or commercial pledge. The subject-matter of a financial pledge can be money in an account or other financial instruments. The subject-matter of financial pledges are different movable things owned by a company, as well as the entirety of tangible assets.

- **Risks**
 - Property may be subject to restitution claims, which may hinder transfer of property.
 - General risks when buying property are contamination, development possibility, existing leases or tenancies.

- **Taxes, fees, costs**
 - Property transfer duty is 1-3% of cadastral value of transferred property.
 - Land tax is 1.5% and is calculated based on the status and character of property and its cadastral value.
 - Notary costs are negligible.

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→ **Public building law**

- Before construction and utilisation a building requires a construction permit for a construction plan which adheres to general requirements of building or development.
- The right to claim approval of construction emerges after fulfilment of requirements set by law.
- Extensive renovation of a building also requires a construction permit.

→ **Lease and tenancy**

- If a tenancy of living dwellings is for a fixed term then generally it may not be terminated prematurely.
- A tenancy of living dwellings which is not for a fixed term may be terminated only after six months.
- If a lease tenancy concerns non-living dwellings, a new acquirer may freely terminate the contract.
- Sale of a building which is completely or partly tenanted of living dwellings does not lead to termination of lease or tenancy if the lease or tenancy is recorded in the land register.

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- **Land registration**
 - In Lithuania a real property register is kept which registers real estate and properties with their encumbrances and their usufructs.
 - Contracts about real estate or properties have to be registered in the real property register to come into effect in relation to third parties. Between the parties to the contract it is effective without registration.
 - The real property register is kept by a state-owned enterprise (VĮ Registrų centras).

- **Acquiring real estate**
 - Lithuanian law distinguishes between ownership of property and ownership of real estate on the property. These two types of ownership can be separate and they can be purchased independently.
 - Contracts about real estate or properties have to be notarised.
 - A contract about real estate purchased without the property has to regulate all property rights as far as the parties agree on them or as far as is necessary for use of the real estate. Without these additional regulations the contract is ineffective. If the seller of the real estate is not the owner of the property the approval of the property owner must be obtained.
 - For the purchase of a property it is necessary to present a document of the transferring contract and the acceptance contract of the real estate or of the property. This document can be included in the purchase contract. The parties do not have to agree on this separately.
 - Basically every natural and every legal person is entitled to acquire ownership of real estate and properties.
 - Foreigners are entitled to purchase real estate or properties if they have their origin or their permanent residence in an EU Member State, in an EU association state, or in a member state of OECD, NATO or EWR. Companies are entitled to purchase real estate or properties if they are registered in Lithuania or if they have a branch in Lithuania.
 - Purchase of agricultural and forest land is currently limited. Originally it was planned to abolish the limitation by 30 April 2011, but now the limitation continues to 30 April 2014. The limitation does not apply to foreigners of an EU Member State who have been living in Lithuania for three years and have been working as farmers during this period.

- **Special purpose vehicles (SPV)**
 - Special Purpose Entities can be used in Lithuania for the purchase of real estate and properties and for project financing.
 - The most chosen type of company for a Special Purpose Entity is the company with limited liability (uždaroji akcinė bendrovė – UAB).
 - The minimum share capital of a UAB is LTL 10 000 (ca. EUR 2 896). The UAB is neither allowed to have more than 249 shareholders nor to sell their shares on the public market.

- **Finance: collateralizing**
 - Many real estate and property transactions are financed by banks. In principle they take mortgages as collateral for their debts.
 - A mortgage comes into existence because of a contract, a one-sided declaration of intention from the owner of the property, a case which is set by law or because of a court decision (compulsory mortgage). The creation of a mortgage has to be notarized. A mortgage which comes into existence because of a contract is binding between the parties upon notarization of the agreement. In relation to third parties the mortgage does not have effect until it is registered in the public mortgage register. Compulsory mortgages come into effect with registration in the public mortgage register.

- **Risks**
 - Risks depend on the type of property purchased. They can concern for example agricultural purposes, the priority rights of a third party or the encumbrances of real estate or properties.

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→ **Taxes, fees, costs**

- Fees for the real property register and the notary are determined by the value of the real estate. In addition the real property register charges different fees for natural persons and for legal persons.
- If real estate is used by a natural person for commercial purposes the owner has to pay real estate taxes. Therefore tax does not apply if the owner uses the estate just as a residence as long as its value does not exceed LTL 1 m. (ca. EUR 289 620) The excess part is subject to a 1,0% taxation. Legal persons are always taxable if they own real estate in Lithuania. The amount of tax depends on the value of the real estate and ranges between 0,3% and 3,0%. The responsible district councils determine the exact percentage. Under real estate tax law it is possible to ask for tax reliefs.
- Each owner of property has to pay a property tax ranging between 0,01% and 4,0% of the value of the property. The responsible district councils determine the exact percentage. Properties used for diplomatic purposes are exempt of taxation. Other tax reliefs are scheduled for certain groups of people and for special types of property, e. g. for areas used for nature conservation.
- A natural person who sells property before owning it for five years has to pay income tax of 15% of the sale price. Exceptions exist for the sale of owner occupied properties.
- Legal persons selling property have to pay profit taxes as usual. Currently the tax is 15% of the accruing profit.
- Properties for construction projects attract value-added-tax (VAT) of 21%. VAT need not to be paid for agricultural properties if the development plan does not allow another usage of the property.

→ **Public building law**

- Under the Lithuanian building code, construction of a building requires permission of the responsible district council.
- Permissions granted are valid for a period of 10 years with the possibility to extend the permission once for a three year period.

→ **Lease and tenancy**

- Leases of buildings, constructions and properties require written form. Contracts have to be registered in the real property register to come into effect towards third parties.
- The term of lease of public property must not exceed 99 years.

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→ **Land registration**

- Poland keeps a public register – called a land and mortgage register – for each land plot.
- Land and mortgage registers are kept in electronic form by land and mortgage divisions of district courts.
- Land plots are labelled in the land and mortgage register with standardised numbers. Section 1 of the land and mortgage register contains basic data (e.g. area, identification marking) of the real estate. Section 2 shows the owner (or perpetual usufructuary) and legal basis for entry. Section 3 contains all encumbrances and restrictions on the real estate, except mortgages, which appear in Section 4.
- Contractual relationships such as lease or tenancy may be entered in Section 3.
- Ownership of real estate is generally transferred by means of a contract, while the entry in the land and mortgage register follows independently.
- Good faith with respect to the content of land and mortgage register entries is substantially protected, so that in general an actual extract from the land and mortgage register is sufficient for inspecting ownership status for a particular piece of real estate.
- Changes in the land and mortgage register are usually made only on application by someone entitled and based on notarised deeds.
- Everyone can access the land and mortgage register (against a nominal fee), without the need to show any particular interest.
- Electronic inspection of the land and mortgage register, introduced in 2010, is available free of charge on the internet – a query is possible simply by quoting the real estate number. For access to files of the land and mortgage register, evidence of legal concern is needed.

→ **Acquiring real estate**

- An agreement to purchase property or perpetual usufruct on real estate requires the form of a notarised deed and entry in the land and mortgage register.
- Transfer of ownership follows execution of the purchase agreement (not applicable to perpetual usufruct).
- Natural and legal persons from EU Member States are only subject to special limitations and a duty to obtain a permit if purchasing agricultural and forest land.
- Natural and legal persons from non-EU states in general need to obtain a permit to purchase real estate of all kinds.
- Ownership usually exists uniformly with regard to the piece of land and buildings on it (except for: separate ownership of flats, perpetual usufruct).
- Favourable occasions to purchase real estate occur at compulsory auction sales, although statutory warranty rights are then excluded to a large extent.

→ **Special purpose vehicles (SPV)**

- May be used in Poland to purchase real estate and for project development.
- Allow for transfer of real estate projects by a share deal, without the need to amend the data in the land and mortgage register.
- A popular legal form for a project company is the limited liability company (Sp. z o.o.).
- The minimum share capital of a Sp. z o.o. is 5,000 PLN.

→ **Finance: collateralizing**

- Purchase of real estate in Poland is usually financed by banks. Banks secure their credits (loans) mainly by mortgage on purchased objects.
- A mortgage comes into existence by a declaration establishing property security in the form of a notarised deed and by entering this in the land and mortgage register but establishment of mortgage for a bank requires only written form.
- A mortgage depends on the loan obligation and expires generally as soon as the secured debt is satisfied (accessoriness). In 2011 a revolutionary change in the law was made by limiting the strict link between a mortgage and the secured debt. Now, expiry of secured debts will not necessarily imply expiry of the mortgage, if further debts are likely

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to arise from the same contractual relationship.

- Land charge does not exist in Poland.

→ Risks

- Due to the good faith principle in the land and mortgage registers, risks connected with real estate ownership relations are relatively low.
- General risks do apply to purchase of real estate (e.g. development potential, bad debts, existing lease agreements).

→ Taxes, fees, costs

- Tax on civil law transactions for real estate purchase amounts to 2% of the assessment base (this corresponds to the purchase price) and is paid by the purchaser. In some cases the purchase is instead subject to VAT.
- Land tax is imposed by municipalities and townships on the ownership of real estate. The amount of land tax depends on the total area of the real estate, its use, and the rate fixed by the given municipality.
- An annual fee calculated against the value of real estate is payable in the case of perpetual usufruct.
- Notary public costs vary depending on the purchase price. The cost of entering the real estate purchase in the land and mortgage register is 200 PLN. Additionally, financing and intermediation also involves costs.

→ Public building law

- Building development law is uniformly regulated throughout Poland; determining building development plans is the duty of municipalities.
- If a given municipality fails to produce a building development plan, it is necessary to introduce a ruling on area development conditions.
- Constructing or extending a building usually requires a building permit. However, in many situations no permit is required or simple notification may be sufficient.

→ Lease and tenancy

- Lease agreements can be for a definite or indefinite period. Leases for a definite period may only be terminated under specific circumstances set by the agreement.
- Termination of a residential lease by the lessor is permissible only on specific grounds.
- Leases are not affected by disposal of the leased object, although the new owner is entitled to terminate a lease agreement.
- General termination notice period for residential leases is at least 3 months and may not be shortened to the lessee's disadvantage, although in certain situations the right to extraordinary termination exists.
- An amendment to the law reduces lessee protection in residential leases (simplified eviction) was established 2011.

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→ Land Registration

- Immovables are listed in a public register – the Cadastre (Land Register).
- An informative (unofficial) excerpt from the Cadastre can be downloaded free of charge.
- The Cadastre is administered by local administrative bodies (not courts).
- The Cadastre contains all relevant information on immovables.
- Immovables include: land, buildings, apartments, commercial premises. Buildings, apartments and commercial premises under construction can also be registered.
- The Cadastre also serves as a source of information on encumbrances (e.g. liens, easements, pre-emptive rights), long-term leases, execution or court proceedings.
- Transfer of the ownership title becomes effective upon registration with the Cadastre.
- Although the excerpt from the Cadastre is used to prove legal title to the property, invalid transfers can be declared void by the court and subsequently cancelled with the Cadastre. Bona fide acquisition is not protected.

→ Acquisition of real estate

- Transfer agreements have to comply with higher standards in terms of their form and content.
- Transfer agreements can, but need not, be drafted in the form of a notarized deed or authenticated by an attorney-at-law. In such cases registration with the Cadastre is quicker and simpler and the notary or lawyer is liable for the legitimacy of the transfer of ownership.
- Transfer of ownership of immovables becomes effective only after registration with the Cadastre.
- The building and the land under the building can have different owners.
- Limitations of acquisition of real estate for foreigners, limitations for EU citizens – only with regard to agricultural and forest areas.
- Unlimited acquisition by special purpose companies incorporated in Slovakia.
- Buildings, apartments or commercial premises under construction can be subject to transfer or other legal transactions (e.g. creating a lien in favour of financing institutions).

→ Special purpose vehicles (SPV)

- The recommended form of a company is a limited liability company (s.r.o.).
- No special limitations exist for establishment of a limited liability company the purpose of which is to acquire immovables.
- Minimum registered capital is EUR 5,000.
- A simple LLC can be established and registered with the Companies Registry within approx. three weeks.
- A limited liability company can have one or more shareholders; the minimum required contribution of each shareholder is EUR 750.

→ Financing: collateralization

- The most frequent way is to create a lien over the financed immovable.
- Other usual ways include pledging of lease accounts, lease claims, shares, subordination of receivables and other collateralizations.
- Warranties by a parent company (e.g. letter of comfort, guarantee) are usually required.
- A lien over immovables requires registration with the Cadastre and is established under a lien agreement.

→ Risks

- Although registrations with the Cadastre do have a binding character, they do not have to correspond to actual legal relationships concerning the property.
- Changes to incorrect registration in the Cadastre can only be ordered by a court decision.
- New Restitution claims can no longer be raised. However, in rare cases such proceedings are still pending.

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- Bona fide proprietary possession for ten years leads to usucaption (prescription right) of ownership.
- In case of acquisition of immovables a due diligence is advisable.

→ **Taxes, fees, costs**

- No real estate transfer tax applies to acquisition of real estate.
- The amount of real estate tax varies and is determined by municipalities.
- Real estate tax is usually based on the place and character of the land.
- In statutory cases VAT can be applied.
- Registration fees are insignificant.

→ **Public building law**

- Generally, three major permits must be obtained with regard to construction of buildings – a land development plan, a building permit and an occupancy permit.
- Issue of these permits requires approvals, declarations and other documents by various public (and in part also private) authorities.

→ **Lease and tenancy**

- Special requirements apply to the description of the object of lease and the obligations of the parties under a lease agreement.
- In case of a temporary lease the lease agreement can usually be terminated prematurely for statutory reasons only.
- The rule “contract of sale breaks tenancy agreement” does not apply.
- The statutory period of notice is three months; the parties can vary this by mutual agreement.
- Since statutory regulation of the rights and obligations of a tenant or landlord are very brief and insufficient, a thorough and detailed lease agreement is advisable.

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- **Land registration**
 - Though the law provides for a unified real property register in Ukraine, this has not so far been established. Rights to real property and charges are entered on various registers until a unified register is established.
 - Real property (buildings, apartments, commercial premises) is managed in a real property register, whereas land plots are recorded in a land register.
 - The property register records information related to emergence, transfer, dissolution and lease of titles. The land register lists ownership rights and rights of use as well as charges on land plots. Besides, the land register contains relevant information related to the land plot (e.g. cadastral plan, land designation, appraisal of the plot, buildings and constructions located on the plot).
 - Lease rights for buildings over three years are entered on the property register. Lease rights for land plots, however, are always subject to state registration and recording in the land register.
 - The land register and the property register are accessible within limits. Only owners, their heirs, notaries, courts and the authorities are granted access.

- **Acquiring real estate**
 - Purchase agreements for real property require notarised certification and state registration.
 - Ownership of real property (buildings) is constituted by state registration of the agreement. Ownership of land is constituted by recording in the land register.
 - Ownership of the land plot located under the building passes to the purchaser of the building and requires state registration.
 - No limitations apply to purchase of buildings and commercial premises by foreign legal and natural persons.
 - Foreign natural persons can acquire land plots located within settlements as well as land plots located outside settlements provided these are acquired together with buildings located thereon. Foreign legal persons can in practice acquire land plots if acquired together with buildings located thereon. A general prohibition on purchase of agricultural land applies to foreigners.
 - Foreign legal persons can acquire municipal land plots with approval of the Cabinet of Ministers and state land plots with approval of the parliament. A foreign legal person must therefore set up a permanent establishment in Ukraine.

- **Special purpose vehicles (SPV)**
 - Purchase of real estate by special purpose companies is not limited.
 - Special purpose companies are often used to avoid existing limitations as well as to save on taxes within share deals.
 - In practice, they are founded in the form of a limited liability company (TOV).
 - There is no limitation for their share capital. The share capital is to be paid within the first year after company registration.
 - A special purpose company can be founded within two weeks upon submitting all necessary documents.

- **Finance: collateralizing**
 - Mortgage is a common means of securing real estate purchase financed by credits (loans).
 - Mortgages are created by way of a mortgage agreement. It is advisable to apply to have the mortgage registered in order to secure priority for the mortgage.
 - Real property purchases are often secured by guarantees issued by the parent company or a third person.

- **Risks**
 - Compulsory repurchase of land plots for the benefit of the local community can take place in some cases.
 - Besides, purchase of real property is connected with general risks (e.g. contamination, existing lease agreements). Legal due diligence is therefore advisable.

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- **Taxes, fees, costs**
- No land purchase tax or any other real property transfer tax is payable.
 - A state duty of 1% of the purchase price applies on certification of the purchase agreement (buildings, flats, commercial premises). State duty of 1% of the purchase price also applies to purchase agreements for land plots.
 - A pension fund duty of 1% applies to purchases of buildings, flats and commercial premises.
 - Although the law provides for a real property tax (buildings, flats, commercial premises), this has so far not been introduced in practice.
 - Land tax is calculated on the basis of appraisal (cadastral value) of the land plot and depends on its location and features.
 - Sale of real estate (buildings, flats, commercial premises) by legal entities is subject to value added tax. Sale of land plots is free of value added tax.
- **Public building law**
- When constructing a building the building owner must ensure compliance with available city building norms.
 - Planning documents must comply with city building norms and require expert opinions from various authorities and a concluding state inspection.
 - It is possible to apply for a permit for pre-construction works (e.g. demolition, construction of temporary structures and access routes). Construction of the building itself is possible only with a building permit.
 - A building permit is issued by the construction supervisory board within a month of application. A building permit is issued either for the planned construction period or for the term of the building contract.
- **Lease and tenancy**
- Lease agreements for commercial premises with a term of up to three years must be in writing. Those with a period of more than three years require notarised certification and state registration.
 - Ukrainian tenancy law provides substantial protection of tenant's rights.
 - After expiration of a lease agreement the lessee has priority for a further lease.
 - Sublease is possible subject to lessor's consent.

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