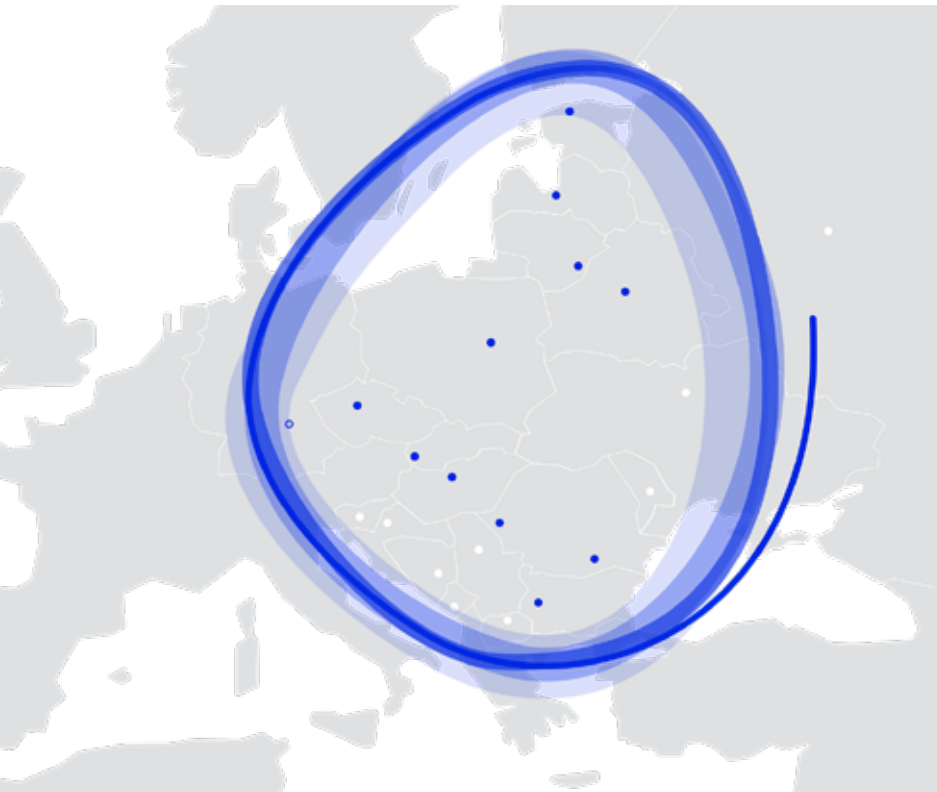


Legal provisions regulating the purchase of agricultural land in Central and Eastern Europe

Factsheet | July 2021



After the fall of the communist regime in Central and Eastern Europe, the former communist states have adopted and implemented a series of laws and regulations with respect to the conditions that have to be fulfilled and the procedure that has to be undertaken in order to purchase or sell agricultural land.

Therefore, with the intention of presenting the different rules which apply to the purchase of agricultural land, the bnt offices across Central and Eastern Europe have drafted a series of questions, as follows: Did you know that

1. How is generally the ownership over agricultural land structured? Are there limitations in terms of maximum surface held in ownership by one person/company? Is generally the property divided in small stripes of land or are there already large compacted surfaces available for purchase?
2. Are there any legal restrictions on purchases of agricultural land, such as only local resident legal person/private person are allowed to? Other restrictions, if applicable?
3. If any restrictions are in place, would they apply only to asset deal or also to share deals?
4. Any specific rules applicable to share deals involving ownership over agricultural land?
5. Is there a land book registration system in place? Can an interested party easily identify the owner of a particular land plot?
6. How is the gain obtained from transfer of agricultural land regulated? Are there specific taxes on transfer of ownership of agricultural land?

After having reviewed the provided information and having compiled the said information, we have prepared our conclusions below. Annex 1 hereto attached presents the situation in each country in more details.

› The structure of the property

First and foremost, the property has been initially divided into smaller stripes of land. As a consequence of successive sales, junctures and inheritances, natural and legal persons can nowadays purchase larger compacted surfaces of land. In terms of the maximum surfaces of land which can be held in ownership by a natural or legal person, the only restriction is to be found in Lithuania, whose legislation regulates that a natural or legal person can only own a surface of max. 500 ha.

› Restrictions with respect to the purchase of agricultural land

Only the Czech Republic and Slovakia have waived all restrictions after joining the European Union. However, in principle, the legislations of Lithuania, Romania, Poland, Hungary and Bulgaria have imposed a series of restrictions which concern:

- the purchaser;
- the procedure that has to be undertaken in order to purchase agricultural land;
- the pre-emption right when purchasing agricultural land.

In short, only natural and legal persons that have their domicile/residency or have their headquarters registered in one of the above-mentioned countries for a certain period of time, as well as have carried out agricultural activities for a certain period of time have the legally required capacity to purchase agricultural land. Moreover, the Lithuanian legislation regulates that the priority purchase right is to be observed when acquiring agricultural land.

The same conditions and restrictions are applicable both in the case of execution of an asset-deal, as well as in the case of share-deals. The only exception is Romania, in whose case, the restrictions applicable to asset deals are not applicable to share deals, although the taxes on the capital gain which is earned from the sale transaction that was concluded are the same for both asset deals and share deals.

› The implementation of a land registration system

A common characteristic that can be noticed across the legislations of each and every state that has been the subject of our survey is that a land registration system has been adopted and implemented.

The owner has, in some cases, the obligation to register the land with the relevant land book registry, as well as any other contracts or encumbrances associated with the said land.

As a result, future potential purchasers as well as interested third parties can find out useful information about the agricultural land in question i.e. the previous owners, the size of the land and the encumbrances associated with the said land by obtaining such info from the respective land book registry.

› Tax aspects regarding the purchase of agricultural land

Last but not least, the states that have been the subject of this survey have not imposed any special taxes on the income gained from the purchase / sale of agricultural land. However, the Romanian legislation is an exception to this rule, due to the fact that the seller has the obligation to pay a tax of 80% of the difference between the value of the land at the time of sale and the value of the land at the time of purchase, under the condition that the person or the company has opted to sell the land within 8 years from the date of the initial purchase.



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