



Acquiring and leasing

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Acquiring property

The acquisition of real estate in the Slovak Republic requires two basic steps: (i) the execution of a written agreement; and (ii) registration of the ownership title in the land cadastre.

Pre-contractual relationships

Prior to the execution of the final purchase agreement, the parties may conclude a preliminary agreement in which they undertake to enter into a purchase agreement with respect to the property within the agreed time period or subject to certain conditions. The preliminary agreement must be in writing and include all the essential terms of the purchase agreement or set out how the parties will address the outstanding issues before the execution of the main purchase agreement. It is also usual to annex a binding draft purchase agreement to a preliminary agreement.

Based on the preliminary agreement, either party can sue for the performance of the purchase agreement if the other party breaches the obligation to enter into it. However, if the obligated party fails to enter into the purchase agreement and in the meantime transfers the ownership title to a third party, such a transfer will be valid and the only remedy of the party with the purchase right under the preliminary agreement will be the indemnification of damages and/or the contractual penalty (if agreed). It is therefore very important to agree all terms of the preliminary agreement and to stipulate the respective sanctions applicable in the case of a violation of the obligation to enter into the purchase agreement.

Verification of the legal status of the property

A comprehensive verification of the legal status of the property is usually carried out through a search in the respective land cadastre records and by making requests for information to other authorities, in particular the courts, land offices, municipalities, etc. The exact scope of the legal due diligence will depend mainly on the type of property to be acquired and the purpose for which the property is or should be used.

Information regarding the ownership title can be obtained from the land cadastre. The land cadastre records are public in the Slovak Republic, i.e. anybody can request an extract from the land cadastre regarding the particular property displaying the current ownership status of this property. The excerpt from the land cadastre provides information on the current owner(s) of the property as well as on any easements, pledges or mortgages. It can also reveal the existence of multiple co-owners having a statutory pre-emption right under Slovak law.

However, in the Slovak Republic it is not advisable to rely only on the information registered in the land cadastre. It is always possible that a third party will claim and will prove a right to the property. This risk can be reduced significantly by a review of the deeds, which are kept by the respective cadastral administration.

The collection of deeds is not publicly available, i.e. the authorisation of the current owner is required in order to conduct the review.

Restitution

For historical reasons, a significant amount of real estate has been subject to restitution proceedings. Although the deadlines for exercising rights of restitution has passed, restitution proceedings may still be pending either with administrative authorities or the courts. The risk of the existence of restitution claims occurs especially in respect of property acquired from the state. It is therefore in the buyer's interest to check with the relevant land office as well as the competent courts the existence of potential or pending restitution claims.

Other due diligence issues

When land is being acquired, other issues should be examined within the due diligence. This should include verification as to whether the land belongs to the agricultural land fund, whether the intended usage of the land accords with the valid zoning plan, what infrastructure networks and access roads are available, etc. Last, but not least, some investors require an environmental due diligence to ascertain whether there is any pollution of the soil and underground water.

Purchase Agreement

There are no standard purchase agreement forms in the Slovak Republic. The agreement can be drafted by either party, i.e. it need not be drafted by a public notary or certified attorney. The purchase agreement must include all the particulars required by the Civil Code (i.e. the parties to the agreement, the property which is subject to the transfer and the price, or at least the mechanism through which the price will be determined). In addition, the agreement by which real estate is being transferred must comply with the requirements of the Land Cadastre Act specifying more precisely its content.

The purchase agreement must be in Slovak or Czech (any other language version must be translated into Slovak by a certified translator) to be eligible to be registered in the land cadastre.

As far as the formal requirements are concerned, the purchase agreement must be in writing, the declaration of the will of both parties must be included in single document and the signature of the seller must be certified.

Registration of ownership title

Ownership title to immovable property is acquired by entering it in the land cadastre upon the valid decision of the competent cadastral administration. The cadastral administration decides on the application for the registration of the ownership title within 30 days. The parties to the agreement can apply for registration



in accelerated proceedings (subject to a higher administrative fee) in which case the registration is completed within 15 days.

Taxes

Currently there is no real estate transfer tax in the Slovak Republic (a tax was applied until the end of 2004, but was abolished in 2005).

Some transfers of real estate are subject to VAT. This applies particularly to transfers of building plots as well as to the buildings and the plots below them within five years of the issuance of the occupancy permit.

Leases

Slovak law enables the parties to a lease agreement to stipulate whatever terms they deem appropriate as there are only a few mandatory provisions for lease contracts.

Special requirements and additional mandatory terms can apply to flats and non-residential premises. For example, the provisions of the Civil Code regarding the lease of flats contain special limitations regarding the termination of leases for an indefinite period. The lease and sublease of non-residential premises is regulated by a special Act, which amongst other things contains certain formal requirements, non-compliance with which renders the agreement invalid.

A lease of a land plot is registered in the land cadastre if it is for at least five years.

A lease of property is tax free, with some minor exceptions, for example tenancies within accommodation establishments and tenancies of premises and places for parking vehicles.

Typical lease terms

Clause	Terms
Length of lease	The duration of a lease can be definite or indefinite. It is possible to stipulate an option to extend the lease term. An implied extension of a lease term is permitted under Slovak law.
Deposit	There are no mandatory provisions regarding the deposit. The usual deposit is for several months.
Remedy for non-payment	A landlord can terminate a lease if the tenant, although notified, is in arrears with the payment of the rent by the time the next payment is due. Special terms apply to the lease of flats (the tenant must be in arrears for at least 3 months) and non-residential premises (1 month).
Termination	The termination of a lease concluded for an indefinite period of time is possible with a three month notice period. If a flat is subject to a lease, an agreement concluded for an indefinite period of time can be terminated only on the grounds recognised by law. A lease concluded for a definite period of time can be terminated only on certain grounds set out by law or as agreed by the parties.
Maintenance and repair	The tenant is responsible for repair related to normal wear and tear, unless otherwise agreed by the parties. It is common to stipulate the tenant's obligation to provide for the routine maintenance and minor repairs of the leased property. The landlord is usually responsible for major repairs.
Alterations	Generally, a tenant is not entitled to make alterations to the leased property.
Reinstatement	On the termination of a lease, the tenant must return the property in its initial condition, unless agreed otherwise.
Subletting	Unless otherwise agreed, a tenant may not sublet the leased property to a third party.
Assignment	The contractual assignment of a lease is generally not possible.
Sale of the property	In the case of sale, the new owner of the property is the legal successor of the landlord. A tenant is entitled to terminate the lease on this ground.
Insurance	The responsibility for the insurance of the leased property is as agreed by the parties in the lease. Under Slovak law, there is no obligation on the tenant to insure the property.

Source(s) Peterka & Partners

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