

Real Estate Acquisitions in the Czech Republic, the Slovak Republic and Ukraine

In recent years the European real estate market has experienced a great boom. The trend can also be seen in three countries of Central and Eastern Europe – the Czech Republic, the Slovak Republic and Ukraine, which are among the



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most attractive investment locations in Europe. As these countries are an emerging market for investors, it is in their interest to undertake a review of the legal regulation of real estate acquisitions in the respective countries.

CZECH REPUBLIC

Many of the legal restrictions on foreigners acquiring real property in the Czech Republic were lifted on the accession of the Czech Republic to the EU. However, some partial restrictions in this area still apply, related namely to the acquisition of forest and farmland.

In general, foreign legal entities registered in the EU are entitled to acquire real property in the Czech Republic provided they have either a **branch or business in the Czech Republic** and are eligible to do business in the country. Foreign individuals who are citizens of the EU may directly acquire real property once they have a **temporary residency permit** in the Czech Republic.

Non-EU real estate acquirers – legal persons – have to incorporate in the Czech Republic and buy real estate property **only through a Czech corporate entity**. Non EU-citizens might also acquire real property directly in the Czech Republic on condition that they have been granted a **permanent residency permit**.

A legally effective transfer of real estate in the Czech Republic is mostly ascertained upon the fulfilment of two basic conditions: (a) the conclusion of a **written transfer contract** and, (b) the **registration** of ownership in the Land Registry.

As the entries in the Land Registry might not reflect the actual status and some restitution claims might still be pending, it is advisable to carry on a legal audit of the real estate in question.

SLOVAK REPUBLIC

Membership of the Slovak Republic in the EU brought a significant change for foreigners intending to acquire real property in Slovakia. Non-residents (individuals as well as foreign legal entities) may now acquire real estate **under the same conditions as nationals**.

The current legislation allows foreigners to buy real property directly without the need to establish a Slovak legal entity or to have a permanent residency permit. An exemption from this general rule concerns forest and farmland located outside the border of built-up areas and some restrictions set out by particular acts, e.g. the Mining Act.

Under Slovak law in the majority of real estate transactions, legal ownership of real estate passes only when the transaction is **registered in the respective land registry**, the Land Cadastre. The same as for the Czech Republic, it is not advisable to rely only on the information registered in the Land Cadastre. As it is possible that a third party will claim a right to the property, a thorough legal due diligence is always recommended to future investors.

UKRAINE

While the ownership of buildings by foreign persons and entities is not, in general, limited, there exist **substantial restrictions as regards the ownership of land plots** by these persons. As a rule, foreign citizens and legal entities may not acquire ownership of agricultural land. As for non-agricultural land, foreign persons may acquire property rights only to (I) land plots within urbanised settlements and (II) land plots outside them on which a building or another construction that they already own is situated. The property rights to land plots situated within urbanised settlements can be required only if the purchase or construction of buildings is intended for the exercise of commercial activities.

Ownership of real estate may be acquired on the basis of civil contracts which must be in writing and certified by a notary. Special provisions apply to acquisitions of state and municipal land. **All real estate transfer contracts must be registered by the State Registry** and the proprietary right to the real estate is transferred at the moment of registration. Due to the fact that access to this registry is not in fact public and some restitution claims may still be pending, legal assistance is highly recommended when acquiring real estate in Ukraine.

	Czech Republic	Slovak Republic	Ukraine
Effective transfer	(I) conclusion of contract (II) registration of ownership in the Land Registry	(I) conclusion of contract (II) registration of ownership in the Land Cadastre	(I) conclusion of contract (II) registration of ownership in the State Registry
Statutory periods for registration	90 days at the maximum	30 days, 15 days quick registration	14 days
Conditions for foreign acquirers	EU: a branch or business in CZ (individuals – temporary residency in CZ) non EU: only through a Czech corporate entity (individuals – permanent residency in CZ) applicable restrictions: forest and farmland (special conditions)	both for EU and non EU foreign persons – same conditions as for nationals applicable restrictions: forest and farmland outside the border of built-up areas	ownership of buildings not limited ownership of land plots by foreign persons – substantial restrictions
Real Estate Transfer Tax	3%	0%	state duty 1% pension fund levy 1%
VAT	transfer of real estate is in general exempted	transfer of real estate is in general exempted	only transfer of land plots is exempted
Tax depreciation of buildings	30 years, 50 years for administrative buildings	20 years	50 years

Source: PETERKA & PARTNERS, Law Offices

We emphasise that this document is being issued only for information purposes and does not constitute a legal opinion. Much more information on real estate law in these countries, as well as legal advice on investing, can be provided to you by the team of lawyers and tax advisors at PETERKA & PARTNERS, Kapitulská 18/A, Bratislava, tel. +421 2 544 18 700, e-mail: office@peterkapartners.sk, www.peterkapartners.com