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Serbia: New Law on Conversion of Right over Construction Land into Ownership against Compensation

The long-expected Law on conversion of usage right into ownership against compensation ("**Conversion Act**") entered into force on 28 July 2015.

The key features of the Conversion Act include:

1. Conversion right

The Conversion Act prescribes the conditions under which the following entities may convert usage right over construction land into ownership:

- (i) companies privatized through privatization, bankruptcy or enforcement procedure, as well as their legal successors;
- (ii) holders of usage right over undeveloped construction land acquired for construction purposes;
- (iii) sport and other associations;
- (iv) socially-owned companies;
- (v) state-owned companies which are holders of right of use over the construction land;
- (vi) entities subject to the provisions of the Republic of Serbia and bilateral treaties that regulate succession.

2. Subject of conversion

Generally, all construction land in public ownership, either developed or undeveloped, can be subject to the conversion procedure, unless designated for public use, or subject to restitution claim.

3. Conversion Fee

The conversion fee is determined starting from market value of the land, which may be decreased if the land is located in undeveloped areas. In case of developed construction land, the land area serving for regular use of buildings situated on the land, determined in accordance with the conversion Act, is not subject to the payment of the conversion fee.

The conversion fee can be paid all at once with 30% discount or in 60 equal monthly instalments.

4. Procedure

The procedure is carried out by the municipal authority in charge of property relations, according to the place of the land undergoing the conversion process.

5. Long term lease

In lieu of the conversion into ownership, holder of usage right may convert such right into long term lease for 99 years, against the annual rent equal to 1/99 of the market value of the land. Upon the development of the land, such leasehold may be converted into ownership in accordance with the Conversion Act.

6. Construction permit

Usage right remains suitable for obtaining the construction permit during the period of 12 months as of the Conversion Act's entry into force.



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