

## SERBIA: REAL ESTATE

### Amendments to the Law on Planning and Construction: Land Conversion Obligation Postponed

The Law on Planning and Construction, enacted in 2009, stipulated that after September 2010, companies acquired in privatization, bankruptcy proceedings or debt collection proceedings would not be able to obtain a construction permit before converting the right of use on the relevant construction land into ownership. The right of use is a proprietary right originating from the socialist era when all urban construction land was state-owned while companies could hold only the right of use on such land. In cases where the land was acquired via privatization, bankruptcy or enforcement, conversion into ownership required that the company holding the land pay a conversion fee, an amount which was dependent on the purchase price paid when acquiring the relevant company. In practice, the conversion procedure became a bottle neck of the construction industry due to the inefficiency of local administration, hindering real estate development throughout Serbia.

In order to mitigate the problem, the Serbian Parliament adopted amendments to the Law on Planning and Construction on 24 December 2012, which came into force on 25 December 2012. According to the amendments, the companies subject to the conversion obligation may construct new buildings or reconstruct or upgrade existing ones during an additional period of 12 months, i.e. until 25 December 2013, without being required to first convert the right of use into ownership. New construction is permitted irrespective of whether the buildings will be in the function of the prevailing business activity of the respective company or will represent an investment activity, as long as the development is in accordance with the relevant planning documents.

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