

Serbia: Real Estate

Privatization of State-Owned Urban Construction Land

Only 8 months after allowing privatization of state-owned urban construction land by converting the right of use into full ownership title¹, the Serbian Government has enacted already the second set of amendments to the implementing by-laws, to address multiple hurdles that hindered the privatization process in practice.² Those hurdles are best illustrated by the fact that only one conversion has been completed since September 2009.³

The aim of the most recent amendments is to foster and speed-up the conversion process, primarily by relaxing the terms for payment of conversion fee.

The conversion fee applies if developed urban construction land to be privatized is held by the entities that were acquired through privatization, insolvency or enforcement procedures and also for conversion of undeveloped urban construction land.

Market value of the pertinent land is the basis for calculating the conversion fee. The procedure for assessing market value will be from now on handled by the tax authority upon the initiative of the interested party and not upon request of the municipality, as before. The main criteria for assessing market value of urban construction land are the zoning purpose of the land (e.g. residential, commercial etc.), maximum surface area constructible on the relevant land and the average price of land in the same or comparable urban zone in the course of the year preceding evaluation. Such market value is then adjusted for the costs of demolition of existing buildings, environmental remediation and investments into communal infrastructure to the land.

¹ As BDK published in its Newsletter 2/10, holders of the right of use on construction land are entitled to convert their right of use into ownership.

² Amendments to the Decree on Criteria and Procedure for Determination of Conversion Compensation (*Uredba o kriterijumima i postupku za utvrđivanje visine naknade po osnovu konverzije prava za lica koja imaju pravo na konverziju uz naknadu*, Official Gazette of Republic of Serbia n. 4/2010, 24/2010 and 46/2010) and the Decree on the Manner and Procedure for Enforcing the Right to have the Right of Use on Construction Land Converted into Ownership (*Uredba o načinu i postupku ostvarivanja prava na konverziju prava korišćenja na građevinskom zemljištu u pravo svojine*, Official Gazette of Republic of Serbia n. 46/2010)

³ Interview of the Minister of Environment and Spatial Planning Oliver Dulić, http://www.b92.net/info/vesti/index.php?yyyy=2010&mm=07&dd=14&nav_category=206&nav_id=445348

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The conversion fee is equal to the difference between the market value calculated as above and the price paid for the acquisition of the entity holding the relevant urban construction land.

If paid at once, the conversion fee is discounted for 30%. Those who enter and complete the process by the end of 2010 are offered a 50% discount. Alternatively, the fee can be paid in 240 monthly instalments, subject to monthly adjustments for CPI. Finally, the amendments introduce the possibility of settling the conversion fee by transferring to the state real property of the corresponding value.

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