

## Is there any distinction between freehold and leasehold property in Romania?

Romanian law does not have the English concepts of freehold and leasehold property. Leases of Romanian real estate can however have some of the features of leasehold property and prospective purchasers of Romanian real estate should take care in this regard. Such a lease will however potentially affect the real estate itself and not merely the owner of the real estate who granted the lease. This means that where an owner of real estate has granted a lease of real estate and subsequently disposed of the property by whatsoever means, subsequent owners will take the property subject to any existing prior lease. It is clearly therefore very important for prospective purchasers of Romanian real estate to check whether the property is subject to any existing lease. Leases for longer than three years are required to be registered with the Land Registry to be binding on third parties such as a purchaser of the leased property. If this is not done, the lease will not bind a purchaser of the property. Leases of three years or less will bind a third party purchaser of the property if they are concluded before a notary and/or if they are registered with the Land Registry. Unless the owner is a company which lets property as part of its business, in each case the owner is required to register the lease with the fiscal authorities so that tax can be levied on the rent. In practice this may not always be done, but failure to register the leases with the fiscal authorities will not in principle affect the validity of the lease. It will be noted from this that there is potential for property to be subject to a lease of up to three years which will bind a purchaser, but which will not be discoverable by the purchaser from searches with the Land Registry or fiscal authority. Property investigation of the property and suitable protective wording in the purchase agreement are therefore very important to protect a purchaser.