

HUNGARIAN PARLIAMENT ADOPTS ACT ON 'THE DIVISION OF UNDIVIDED COMMON PROPERTY ON LAND AND ON THE SETTLEMENT OF LAND REGISTRY DATA OF OWNERS OF REAL ESTATE QUALIFYING AS LAND':

In order to address the difficulties arising from undivided common property of lands preventing landowners from making proper use of their land, the Hungarian Parliament adopted Act LXXII of 2020 ("Law") to simplify the rules on the division of common property on lands, which shall be effective from 1st January 2021.

I. HOW IS THE PROCEDURE OF DIVISION OF COMMON PROPERTY SIMPLIFIED?

Under the rules effective prior to the Law, owners of a land may only pass a decision on the division of their common property by a unanimous vote, following which they may initiate a lengthy plot formation procedure (in Hungarian: *'telekalakítási eljárás'*). If the owners are unable to mutually agree on the division of their common property, either owner may initiate a lawsuit against the other owners as a result of which the competent court shall decide on the division.

The Law simplifies this procedure by allowing any owner of the land to initiate the division of the common property and to pass a decision with a 50% plus one vote majority, based on the ownership shares of the property.

II. IS THE DECISION PASSED BY THE MAJORITY BINDING UPON THE MINORITY OWNERS?

If the minority owners have been notified properly in a certified manner on the commencement of the division and have - in spite of the notification - not participated in the process, the decision of the majority will be also binding upon them. If any of the owners has not been duly notified, the agreement shall be deemed null and void.

III. CAN MINORITY OWNERS CHALLENGE THE MAJORITY DECISION?

The Law does not provide for any special forums for challenging the majority decision, except for the generally available a civil lawsuits. The minority owners are protected by the obligatory notification process (see II above) and the rule according to which no owner can receive a gold crown value that is less than his/her previous proportionate share in the land, unless he/she explicitly agrees to this.

IV. ARE THERE ANY MINIMUM REQUIREMENTS FOR THE LAND NEWLY ESTABLISHED THROUGH THE DIVISION?

Yes. All newly established lands must be suitable for cultivation and their size must meet the minimum requirements set out in the Law.

V. WHAT HAPPENS IF ANY OF THE NEWLY ESTABLISHED LANDS DO NOT MEET THE MINIMUM SIZE REQUIREMENT?

In this case, the majority owner must merge the minority part of the land into its own part and pay the value of the minority part to its original owner. The market value shall be determined by an official surveyor. In such case - when a majority owner merges the part of a minority owner - the aggregate size of the majority owner's lands may exceed the maximum size of land allowed by law.

WHO TO CONTACT?

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