

NEW REGIME FOR OWNERSHIP OF AGRICULTURAL LAND BY REITS WITH NON EU/EEA SHAREHOLDERS

Recent amendments of the Public Offering of Securities Act ('POSA') introduced a new regime for ownership of agricultural land by Bulgarian REITs with non-EU/EEA shareholders - such REITs are now allowed to own agricultural land in Bulgaria.

The new regime introduced by POSA excludes all Bulgarian REITs from the legal restrictions under the Agricultural Land Ownership and Use Act ('ALOUA') and prevents the imposition of administrative sanctions to Bulgarian REITs from non-compliance with ALOUA regardless of their shareholder structure.

Under the old regime introduced by ALOUA in February 2015, the following types of companies, including Bulgarian REITs, were prohibited from owning agricultural land in Bulgaria:

- companies where partners and shareholders are, directly or indirectly, off-shore companies;
- companies where partners and shareholders are non-Bulgarian individuals or legal entities other than any individuals or legal entities from an EU/EEA country or a country Bulgaria has an international agreement with; and
- joint-stock companies that have emitted bearer shares.

Any non-compliance with the above legal restrictions for ownership of agricultural land would be subject to administrative sanctions. In particular, as of 1 October 2015, an administrative sanction in the amount of BGN 100 is to be imposed for each decare of agricultural land owned in violation of ALOUA. If the non-compliance with ALOUA is not remedied within the next three months, a new administrative sanction at the amount of BGN 300 per decare of agricultural land is to be imposed. Further sanctions shall be imposed every three months until ALOUA is fully complied with.

Prior to the POSA amendments, any REIT owning agricultural land could be subject to these administrative sanctions. In particular, given that the REIT is a public traded company, its shares could be easily acquired by a non EU/EEA individual or legal entity even without the knowledge of the REIT. In such a case, the REIT would immediately become non-compliant with ALOUA and would be subject to administrative sanctions even though unaware of its violation of ALOUA.

With the new regime introduced by POSA, risks for such administrative sanctions under ALOUA are eliminated as all REITs are entirely excluded from the legal restrictions under ALOUA.

About Wolf Theiss

Wolf Theiss is one of the leading law firms in Central, Eastern and South-Eastern Europe. We have established our reputation of unsurpassed local knowledge and strong international capabilities. We opened the first Wolf Theiss office in Vienna over 50 years ago, and today our team is comprised of over 300 associates with different practice areas, working in offices spread in 13 countries in Central and Eastern Europe.

For more information about our services, please contact:



Anna Rizova
Managing Partner
anna.rizova@wolftheiss.com
T: +359 2 86 13 700



Atanas Mihaylov
Senior Associate
atanas.mihaylov@wolftheiss.com
T: +359 2 86 13 700