

## **Farming Lease Act**

Promulgated SG. 82/27 Sep 1996, amended SG. 35/16 Apr 1999, amended SG. 113/28  
Dec 1999, amended SG. 99/22 Oct 2002

### **Chapter One**

#### **GENERAL PROVISIONS**

Article 1. (amended SG 35/99) (1) This Act arranges lease deals in agriculture.

(2) Lease deals shall be effected on the basis of a lease deed.

(3) A lease deed shall have reference to agricultural land and/or the immovable or movable assets in agricultural business.

Article 2. (1) (Amended SG 35/99) A lease deed shall bind the lessor to convey to the lessee the agreed assets for temporary use whereas the lessee shall be bound to effect the agreed lease payments.

(2) Output from operating the leased assets shall become property of the lessee from the moment of their separation from the asset.

Article 3. (1) The lease deed shall be concluded in written form, with public notary certification of the parties' signatures. It shall be entered in the notary books and registered at the local Agriculture and Forest Municipal Office. A map, issued or certified by the Office, of the leased property shall be afforded upon entry.

(2) (repealed – SG 35/99).

(3) (New – SG 35/99) The terms and conditions of lease contracts registration at the local Agriculture and Forest Municipal Offices shall be arranged by an ordinance issued by the Minister of Agriculture, Forests and Agrarian Reform.

Article 4. (1) (Amended SG 35/99) The minimal time period covered by a lease deed shall be four economic years.

(2) (repealed – SG 35/99).

(3) (repealed – SG 35/99).

Article 5. (repealed – SG 35/99).

## **Chapter Two**

### **COVENANTS**

Article 6. (1) (Amended SG 35/99) The lessor is liable for quiet enjoyment of the leasehold estate by the lessee.

(2) (Amended SG 35/99) Unless agreed otherwise, the lessor shall be bound to hand over to the lessee the leasehold estate in a condition fit for the purpose as provided by the lease terms, and to maintain it in the same condition over the lease period.

(3) (Amended SG 35/99) If the leasehold estate is not in fit condition, the lessee can require the asset either to be made fit as demanded by Paragraph 2, or to do so himself on the lessor's account or to have the deed annulled.

(4) (Amended SG 35/99) The leasehold estate shall be handed over supplied with an inventory signed by the parties while entering into the contract. An inventory shall also

be made while handing back the leasehold estate on terminating the deed. The inventory cannot be disputed by the contract parties.

(5) (Amended SG 35/99) Short of an inventory it shall be assumed that the leasehold estate is handed forth and back in proper condition. The lack of inventory shall not prejudice any of the powers the lessee is given under the lease terms.

Article 7. (1) Fair wear and tear ensuing in the normal course of using the leasehold estate, including residential or farm buildings, roads, ditches, irrigation and drainage or other facilities and fencing of any service to the leasehold estate, shall be at the expense of the lessee.

(2) (Amended SG 35/99) The lessee shall be bound to pay all ordinary rates and taxes related to the asset use whereas the lessor shall pay the rates and taxes ensuing from holding the title on the asset.

(3) (Amended SG 35/99) Unless agreed otherwise, the lessee shall be bound to insure all buildings, equipment and animals as received under the inventory as well as any other asset introduced into the leasehold estate and the harvested crops.

Article 8. (1) (Amended SG 35/99) The lessee shall pay the agreed lease instalments in the proper manner and time provided by the terms of lease.

(2) (Amended SG 35/99) The amount of the lease instalment shall agreed on the basis of:

1. the market value of land rent;
2. the rent value, including annual depreciation and interest on the capital invested in the leased chattels and immovable assets.

(3) (Amended SG 35/99, repealed SG 113/99).

(4) (New – SG 35/99) The lease payment can be contracted in money and/or in agricultural products.

(5) (Previous (4) – SG 35/99) Unless agreed otherwise, the lease instalment shall be payable on the first working day following the end of the economic year. If the lease instalment is due at shorter periods it shall be payable on the first working day upon expiry of the agreed period.

(6) (Previous (5) SG 35/99; repealed SG 113/99).

Article 9. (1) (Amended and supplemented SG 35/99) The lessee shall be bound to use the leasehold estate with the care of a good husband, according to the purpose under the terms of lease. The lessee shall meet the received health and hygienic, fire-prevention and environmental norms and shall not commit waste.

(2) (Repealed – SG 35/99).

(3) The lessee may alter the type of permanent use of the leasehold estate and introduce improvements in it only if granted written consent by the lessor in advance. Consent shall not be necessary when the alterations and improvements made may not affect the future fitness of the leasehold estate to be used after this lease is expired.

(4) (Amended SG 35/99) For any works requiring a construction permit the advance written consent of the lessor shall be required.

(5) (Amended SG 35/99) The lessor may prematurely terminate the deed when the lessee uses leasehold estate in a way that does not meet the requirements of Paragraphs 1, 3 and 4; the lessor shall be entitled to seek indemnity for the damages caused.

Article 10. (1) The lessee shall be bound to tolerate any action on behalf of the lessor in terms of the maintenance and safety of the estate.

(2) The lessee shall be bound to tolerate the improvements on the property carried out on behalf of the lessor, unless those infringe his leasehold ownership. The lessor shall be liable to compensate any damages and lost earnings, including in an advance payment if so requested by the lessee.

(3) Inasmuch as the improvements contribute to the enhancement of yields from the leasehold estate the lessor may require a tantamount increase of the rent.

Article 11. (1) (Amended SG 35/99) If so agreed in the lease terms, the lessee may let part or the leasehold estate, or pledge his rights under the lease deed or convey them to a third person.

(2) In cases of a second lease the second lessee may not have rights overriding those of the lessee, and the latter shall not be exempted from his obligations to the lessor.

(3) (Amended SG 35/99) The agricultural scientific and research institutes or other individuals or legal entities leasing state and/or municipal land, may neither second-lease the leasehold estate nor pledge their rights under the lease deed nor transfer them to a third person.

Article 12. (1) (Supplemented SG 35/99) Unless otherwise agreed, the lessor shall be bound to pay to the lessee his expenses necessary for the leasehold estate, outside those under Article 7.

(2) (Amended SG 35/99) Upon terminating the lease the lessor shall owe the value whereby the leasehold estate price has appreciated consequential to improvements made under his consent.

(3) The lessee shall be entitled to remove any equipment, installations or other improvements, which are not permanently fixed onto the leasehold estate and were introduced unbeknownst to the lessor. The lessor may avoid the removal by paying their price to the lessee unless the latter is more interested in removal.

Article 13. (1) (Amended SG 35/99) Any claims on behalf of the lessor for compensations due to waste inflicted on the leasehold estate as well as any claims on behalf of the lessee for the expenses for maintaining the leasehold estate or for exercising the rights under Article 12, Paragraph 3, shall be redeemable within three years.

(2) Regarding the lessor the three year period shall commence from the moment of relinquishing the leasehold estate whereas for the lessee - upon termination of the deed.

Article 14. (repealed SG 35/99).

Article 15. (1) (Amended SG 35/99) The lessor shall be entitled to lien on the harvested crops on the leasehold estate and to chattels moved in to serve as security for his receipts under the lease deed, for the corresponding year.

### **Chapter Three**

#### **AMENDMENT OF THE LEASE DEED**

Article 16. (1) (Amended SG 35/99) If within the term of the lease deed, the circumstances having motivated the parties in agreeing the terms of lease have sustainably evolved, which in turn has led to an apparent discrepancies in the lease covenants, each one of the parties may request amendment to the deed. These amendments may not affect the lease term. Yield increase or reduction on the leasehold estate resulting from the way it is managed shall not present grounds for amending the rent.

(2) (repealed SG 35/99).

(3) The effect of the deed amendment shall hold at least until the end of the economic year, during which the request was made.

(4) The opposite party shall reply in writing within one month from receipt of the proposed amendment, unless the proposal specifies another period to reply.

(5) If the parties fail to reach an agreement on a claim of the proposing party, decision shall be taken by the regional court.

(6) A waiver of the right to request amendment to the lease deed and the agreements that compliance or otherwise may lead to damages or benefits being claimed, shall be null and void.

Article 17. (1) (Amended SG 35/99) If so agreed in the lease terms, the heirs or the legal successors of the lessee shall substitute him as party to the lease deed. They shall immediately advise the lessor about the substitution and name their attorney.

(2) The purchaser of the leasehold estate shall substitute the lessor as party to the lease deed, if the latter has been registered, with the estate transferred or not. Provided the deed has not yet been registered it shall have effect for the purchaser in the course of two economic years following the year of purchase.

(3) The purchaser shall immediately advise the lessee about the substitution. The purchaser may not claim the fulfilment by the lessee of an obligation, which has already been fulfilled to the former lessor prior to receipt of the substitution notice.

(4) The purchaser shall substitute the former lessor regarding the securities provided by the lessee from the moment of receipt of the substitution notice under Paragraph 3. The chattels pledged may stay with the purchaser only with the consent of the lessee.

(5) Paragraph 2, 3 and 4 shall also apply regarding the purchaser of a limited real right in reference to the leasehold estate, the exercising of which would deprive the lessee of the agreed usufruct.

(6) If the lessor encumbers the leasehold estate with a right of a third person, except in the cases under Paragraph 5, the third person may exercise this right inasmuch as this does not hinder the usufruct of the lessee.-

Article 18. (1) (Amended SG 35/99) The lease deed may only be extended in written form with a notarial certification of the party's signatures; the deed shall be entered in the notarial books and in the register of the local Agriculture and Forest Municipal Office.

(2) (Amended SG 35/99) The deed extension proposal shall be made by the expiry of the ninth month of the economic year preceding the termination of the lease deed at the latest.

#### **Chapter Four**

**(Repealed - SG 35/1999)**

#### **FARM LEASE**

**Article 19. – 22 (repealed SG 35/99).**

#### **Chapter Five**

#### **LIABILITY FOR DEFECTS**

Article 23. (1) (Amended SG 35/99) The lessor shall be liable for defects in the leasehold estate rendering it wholly or partially unfit for exploitation according to the terms of lease,, these defects may be found within one year from the transfer while for leased animals the defects may be found within three months following the transfer. In such cases the lessee shall have be entitled to indemnity or to an equivalent reduction of the rent. The lessor shall also be liable when the defect was not known to him.

(2) (repealed – SG 35/99).

(3) If the defects are caused by a reason within the responsibility of the lessor, the lessee may seek compensation for damages according to the common rules in terms of failure to fulfil an obligation.

(4) (Amended SG 35/99) If the lessor fails to remove the defect within three months following the written notification, the lessee shall have the right to remove it himself, on the account of the lessor.

(5) An agreement relieving the lessor of liabilities for defects shall be null and void.

Article 24. The lessor shall not be responsible for defects, which had been known to the lessee upon agreeing the lease terms or could have been noticed by the lessee during a common inspection of the leasehold estate, unless they pose a danger to his health or to that of his household or his workers.

Article 25. If the lessee is deprived wholly or partially of using the leasehold estate, due to rights of third persons, Article 23 and 24 shall apply respectively.

Article 26. (1) (Amended SG 35/99) The lessee shall immediately advise the lessor in writing about defects or of the need to undertake measures to protect the leasehold estate against damage or destruction, as well as about rights claimed on the leasehold estate by third persons.

(2) For failure to fulfil his obligations under Paragraph 1 the lessee shall owe compensation for the damages caused to the lessor. If the lessor, for reasons of not being informed, has not been able to take the necessary measures to protect the property or to decline the rights claimed by third persons, the lessee shall lose his rights under this Chapter, as well as the right to terminate the deed and claim compensation for failure to deliver on covenants.

## **Chapter Six**

### **TERMINATION OF THE DEED**

Article 27. (1) The lease deed shall be terminated:

1. with the expiry of the period for which it is concluded;
2. for breach of covenants - by common Previous, unless otherwise stipulated herein;
3. (Supplemented SG 35/99) by mutual agreement of the parties, in a written form with signatures certified by a notary;
4. by unilateral notice - in the cases specified herein.
5. (New – SG 35/99) except for other reasons cited by the Previous, with the lessee's death or his interdiction or, on the other hand, with the suspension of the legal entity of the lessee unless agreed otherwise in the lease terms;
6. (New – SG 35/99) with forfeiture of the leasehold land to the state or municipality pursuant to Chapter Three of the State Property Act and the Municipal Property Act.

(2) (Amended and supplemented SG 35/99; amended SG 99/02) The termination of the land lease deed shall be registered with the local Agriculture and Forest Municipal Office and shall be entered in the notarial books.

Article 28. (1) The lessor may terminate the deed for a delay in rent payment for more than three months. Where payments are agreed to be made at periods shorter than one economic year, deed termination shall only be admissible for a delay of at least two consecutive instalments.

(2) Termination of a lease deed covering a period of more than 10 years or providing a lifelong lease term, shall be carried out through the court.

Article 29. (1) A lease deed for an indefinite period may be terminated unilaterally by any of the parties by a prior written notice upon expiry of the fourth year. Unless agreed

otherwise, the notice shall be valid for a period of two economic years. It shall be forwarded at the latest by the end of the economic year, preceding the beginning of the term of the two economic years.

(2) (repealed SG 35/99).

(3) (Amended SG 35/99) The lessee may terminate the deed from the beginning of the following economic year by a written prior notification if he permanently loses his capacity for work. His heirs or legal successors shall have the same right whereas the notice shall be made not later than three months following the lessee's death or respectively the cancellation of the corporate body from the registers.

Article 30. (1) Upon termination of the lease deed the lessee shall return the leasehold estate in the same condition as he has received it accounting for fair wear and tear resulting from good husbandry .

(2) (Amended SG 35/99) With the termination of the lease deed the rights of the third person to whom the lessee had granted use of the leasehold estate shall also cease. The lessor may as well request the return directly from the third person.

(3) If the lessee fails to return the leasehold estate in time, the lessor shall be entitled to compensation claims for incurred damages or lost benefits for the period of delay.

Article 31. (1) If the lease deed is terminated before the expiry of the economic year, the lessor shall owe the value of the unseparated crops which however are capable of separation, where the deed is terminated not by the fault of the lessee.

(2) (Amended SG 35/99) If the value of crops under Paragraph 1 may not be determined, the lessor shall owe compensation for the expenses made by the lessee.

(3) Paragraph 1 shall also apply to standing trees featured in the regular felling plans. Where the lessee has felled more trees than admissible, he shall owe the value of timber thus obtained to the lessor.

(4) (New – SG 35/99) If the lease deed is terminated under Article 27, Paragraph 1, item 6 the lessee may claim damages to the lessor.

Article 32. (repealed SG 35/99).

### **SUPPLEMENTARY PROVISIONS**

§ 1. (Amended SG 35/99) For issues not arranged herein the provisions of the civil Previous shall apply.

§ 2. In the sense of this Act:

1. "Agricultural use" is the exploitation designed to produce crops, forestry and/or animal output;

2. (repealed – SG 35/99).

3. "economic year" is the time from October 1 of the current year until October 1 of the following year;

4. "household" are the spouses, their unmarried children and their parents living together.

### **TRANSITIONAL AND FINAL PROVISIONS**

**(New – SG 35/99)**

§ 3. (Repealed SG 113/99).

§ 4. The implementation of this Act shall be assigned to the Minister of Agriculture and Forests.

**Act on Amending And Supplementing the Farming Lease Act**

**(SG 35/99)**

§ 26. The term “property” shall everywhere in this Act be replaced by “leasehold estate”; the term “lease instalment” shall be replaced by “rent”, and the term "Minister of Agriculture and Food Industry " shall be replaced by "Minister of Agriculture, Forestry and Agrarian Reform".

**TRANSITIONAL PROVISIONS**

**To the Act Amending the Ownership and Use of Agricultural Land Act**

**(SG 99/2002/)**

§ 38. Everywhere in the Farming Lease Act (SG 82/1996, amended 35 and 113/1999/) the term “land commission” shall be replaced by “Agriculture and Forest Municipal Office”