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## ADVISER

**Some recent reports have suggested that foreigners will be able to buy housing in the Czech Republic without any restrictions after European Union accession on May 1. Is this true? If not, what are the restrictions on foreigners buying housing here, and will those change after May 1?**

**(Please note:** The Czech government is still debating some changes in real estate laws, which could affect the answers below. The information given here is correct as this issue goes to press in mid-April.)

No, those reports were not correct. Generally speaking, most of the restrictions that were in place prior to May 1 will still apply. Those include:

Foreign legal entities (including those in EU member states) are entitled to directly acquire Czech real estate only if certain conditions are met. The main condition is that the foreign entity establish a registered branch in the Czech Republic. Only when a nonresident legal entity has an enterprise or branch authorized to do business in the Czech Republic can it acquire real estate in this country.

Therefore, a foreign purchaser has to establish a company here, and the

company purchases property.

A special act allows nonresidents to acquire real estate under certain conditions. Those are as follows:

- By inheritance.
- If the property is acquired as an unapportioned co-ownership of a married couple, only one of whom is a nonresident; or when a nonresident acquires the property from a spouse, parents or grandparents.
- If the prospective owner has a preemptive right by reason of apportioned co-ownership of real estate.

After accession, citizens and residents of EU member states will be able to acquire real estate, but only on the condition that they have a permit to stay in the Czech Republic as EU nationals. While this group will be allowed to acquire property, there are two significant exceptions: agricultural land, including woodland, and land for recreational purposes. Restrictions on these two groups of real estate will be similar to the current restrictions on foreign ownership of real estate.

According to current legislation, the Czech Republic can, for a period of up to five years after entering the EU, maintain the current restrictions on citizens of other EU member states who

do not live in the Czech Republic. This also applies to companies established according to the law of another member state that do not have legal representation in the Czech Republic.

However, these regulations are very general, and leave the Czech government a great deal of room for changes. One such modification (Bill No. 219/1995) is currently being discussed in the Senate. If approved, this bill will bring an essential change: Foreigners with residence permits and EU citizens will freely be able to acquire land that does not comprise agricultural resources or forested land. This bill would become effective on the day the Czech Republic enters the EU.

### **Do the same restrictions apply for commercial real estate?**

Most commercial properties are bought for business purposes, and the buyers form companies anyway. Another way to buy commercial real estate is by joining an existing Czech company, or forming your own per the rules of the commercial registry.

*Got a question for our real estate adviser? E-mail it to [realestate@praguepost.com](mailto:realestate@praguepost.com)*

This month's guest expert is the owner and managing director of HANEX GROUP s.r.o.

Hanečák is a veteran of 22 years in the North American real estate market, where he was a broker with Re/Max in Toronto, Canada. His company in Prague is involved in leasing, rentals and sales, and provides assistance with research, development, marketing and management.