



## ISSUES RELATING TO COMMERCIAL LEASING

### BULGARIA

#### Penkov, Markov & Partners

##### CONTACT INFORMATION

###### Vladimir Penkov

Penkov, Markov & Partners  
Iztok Dstr. Bl.22 Entr. A Fl.1 Sofia 1113  
Bulgaria  
359.2.971.3935

[lawyers@penkov-markov.eu](mailto:lawyers@penkov-markov.eu)  
[www.penkov-markov.eu](http://www.penkov-markov.eu)

**1. Describe [National][state][territorial][provincial] or local transfer taxes payable on creation or assignment of a lease.**

No transfer taxes on creation or assignment of a commercial lease are due and payable.

In case the parties decide to have the commercial lease notarized and registered with the Property Register the following fees shall be incurred: i) notary fee (depending on the amount of the rent for the whole lease period but not more than BGN 3,000 (approx. Euro 1,500)) and ii) registration fee – 0.1% of the amount of the rent for the whole lease period. Such notarization and registration of the commercial lease is not required for its validity but it is subject to the discretion of the parties.

**2. Describe any legal restrictions limiting the maximum term of a lease (including renewals).**

No restrictions limiting the maximum term are provided with respect to the commercial lease. As the civil lease is concerned such restriction is envisaged - the maximum term of the civil lease agreement could not exceed 10 years.

**3. Describe any laws requiring landlords to allow a tenant to renew its lease.**

There are not legal regulations or provisions requiring landlords to allow tenants to renew the lease. However, in case that after the expiration of the lease term the use of the property

continues with the knowledge and without the objection of the landlord, the agreement shall be deemed extended for an indefinite term. In case of lease agreement extended for indefinite term each party thereof may withdraw from the lease with one month notice.

**4. Describe any restrictions on rent that may be charged for to a tenant.**

There are no restrictions on the rent that may be charged for to a tenant. Usually, the rent is stipulated as a lump sum due and payable yearly, quarterly or monthly or, in case of retail leased areas, as a combination between minimum guaranteed rent agreed on lump sum basis plus respective percentage of the turnover realized in the leased premises.

**5. Describe any laws permitting tenants to terminate a lease prior to its stated expiration date.**

There are no statutory provisions permitting tenants to terminate the lease agreement prior to its stated expiration date, except in case of cancellation because the landlord has delivered the leased property in a condition being not fit for the purposes it has been leased. The grounds for earlier termination are stipulated on contractual basis.

**6. Describe any laws allowing tenants to assign or sublease without landlord's consent.**

As a general rule, if not agreed upon otherwise, a contract of commercial leasing is assignable without the consent of the landlord. However, in this case the tenant is not discharged from obligations under the contract of lease.

**7. Describe any laws allowing landlord to restrict assignments or subleases by tenants.**

The landlord may restrict or prohibit the tenant's right to assign the rental agreement by expressly stated clause in the contract prohibiting assignment.

The lease agreement may also restrict the tenant's right to sublease the premises by conditioning such right on the landlord's written consent.

**8. What is the common form of eviction proceeding? What is the customary length of time for that proceeding?**

The claim for eviction with respect to leased premises is brought in Justice before Civil Courts. A landlord may seek eviction of a tenant by filling a summary proceeding action for the purposes of regaining its right to enter the premises. The procedure is following the Special Action Proceeding (part 3 of the Code of Civil Procedure), which is applicable particularly with respect to leased properties, and is aimed to allow the landlord regaining in shorter periods possession of the leased property. The length of time for the final court ruling varies in each particular case, whereby the deadlines provided in the law are of indicative nature only.

**9. Are there any legal restrictions on pledging a leasehold interest as security for a financing?**

The institute of "leasehold" is not regulated by the Bulgarian law. Generally, the tenant could not pledge nor mortgage any interest arising from the lease agreement.

**10. Describe any requirements for landlords to hold security deposits in separate accounts and, if such requirements exist, describe if there can be one separate account for all tenant security deposits or whether each security deposit must be held in its own separate security deposit.**

Bulgarian law does not require for the landlords to hold security deposits in separate accounts.

**11. Describe any required statutory or other legal disclosures to be made to all tenants.**

There are no such disclosure requirements to be made to all tenants.

**12. Describe all taxes on rent or other taxes that landlord are required to collect from tenants.**

As far as the commercial leasing agreement is concluded between entities registered under Value Added Tax Act, the landlord are required to incur and collect from tenants the applicable VAT Tax which is levied on all goods and services sold or provided in Bulgaria at the rate of 20%.

The income tax over the revenue from the rent is due and payable by the landlord and not by the tenant.

**13. Describe any limitations on the ability of landlords to exercise self-help.**

Bulgarian law does not regulate the self-help institute.

**14. Describe whether remedies such as acceleration of rent must be expressly stated or whether they are implied.**

Acceleration of rent is not regulated in Bulgaria. However, it is the common practice to stipulate under the lease agreement certain remedies in case of breach of the contract's obligations by the tenant (delay in payment of the rental price, earlier vacation of the leased premises, etc.), such as penalties and option for unilateral cancellation of the lease by the landlord.

**15. Describe whether there are any expedited remedies for tenant default and, if so, what lease provisions (such as waiver of jury trial, for example) would be required for a landlord to seek expedited remedies.**

There are no specific expedited remedies available to the landlord except for the expedited eviction procedure.

**16. Describe any formal requirements for the execution of a lease.**

There are no formal requirements for the execution of commercial lease.

**17. Describe whether a memorandum of lease or other document would need to be recorded for the lease to be enforceable against third parties.**

The registration of commercial lease with the Property Register is advisable in view of further transfer of the property and enforceability against third parties who acquired the

property after the conclusion of the lease agreement. The advantage of the lease agreement being registered with the Property Register is that it shall remain valid and binding for the new landlord for the term stated in it.

**18. Describe any restrictions on the transfer of ownership of real properties subject to a lease. Does such a transfer affect the tenant's rights or obligations?**

There is no statutory restriction on the transfer of ownership over real properties subject to a commercial lease, except as the lease (rent) on agriculture land used by the lessee for agriculture purposes in concerned, where the lessee has a pre-emptive right.