



## ISSUES RELATING TO COMMERCIAL LEASING

### LITHUANIA

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##### CONTACT INFORMATION

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

There are none.

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

In general, the maximum term of any lease may not exceed 100 years. Special rules are applied to the lease term of the State-owned land: it cannot exceed 25 years for the State-owned agricultural land and 99 years for any other State-owned land.

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

Following Lithuanian Civil Code, a tenant having duly performed its obligations during validity of a lease, upon its expiry has a priority right against third parties to renew the lease for a new term (of course, if a landlord intends to further lease the property). A landlord is obliged to inform a tenant of its right to renew the lease prior to its expiry.

In addition, a lease agreement will be deemed renewed for an indefinite term if a tenant continues to use leased property for more than 10 days after expiry of the lease term and a landlord does not object to such use.

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

Generally, there are no such restrictions. Nevertheless, all transactions between related parties should be effected based on the arm's length principle. This means that transactions between related parties should be made under such (market) conditions (including rent) as if the parties to the transaction were not related.

Further, the rent charged for the State-owned land, which has been leased without an auction procedure, is calculated based on the fixed tariffs. These may vary depending on the location of land and some other aspects.

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

Lithuanian Civil Code stipulates a number of grounds for a tenant to terminate a lease prior to the expiration of its term. In absolute majority of cases the tenant's right to terminate a lease is subject to certain specific circumstances defined in the law, e.g. defects of leased property, landlord's in compliance with its obligations, etc.

In addition, tenants have a statutory right to terminate any lease upon change of the owner of the leased property.

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

According to Lithuanian Civil Code, tenants are allowed to assign or sublease without the landlord's consent only if such rights are explicitly stated in the lease agreement. However, if the lease is documented as a long-term lease (i.e. emphyteusis a specific right in rem available only in respect of real estate), a tenant will be deemed entitled to sublease, unless the agreement provides otherwise.

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

Please see answers to Q 6.

A landlord is free to restrict the tenant's right to sublease or assign. Nevertheless, if the landlord unreasonably refuses to allow sublease, the tenant becomes entitled to early termination of the lease.

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

Generally, a landlord seeking eviction of a tenant has to apply to court. If the tenant fails or refuses to vacate premises after adoption of the final decision in favour of the landlord, the latter will need to apply to a bailiff for enforcement of the court decision.

The length of time for eviction proceeding depends on a number of circumstances (availability of written evidence, tenant's objections, etc.). In the best case scenario the first instance court decision (which may be appealed) could be expected approximately in 2-3 months after application to the court.

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

Same rules as for sublease and assignment apply (see comments under Q 6). Tenants may pledge a leasehold interest only after receipt of the landlord's prior written consent.

**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.**

There are no such requirements.

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

Before executing a lease, a landlord is required to disclose to tenants all third parties' rights to the leased property.

After the execution of lease, a landlord is obliged to disclose to tenants intended sale or other transfer of leased property as well as intended restrictions of the landlord's rights to the leased property.

As far the defects of the leased property are concerned, a landlord may avoid liability for them if they have been disclosed to tenants when executing the lease or if the tenants should have been aware of relevant defects.

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

When lease is subject to VAT, tenants must pay the same to a landlord on top of the rent. Except for the latter, landlord is not required to collect any other taxes from the tenants.

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

Self-help may be exercised only in the cases established by the Civil Code. When exercising self-help, landlords must not violate the rights and interests of tenants. The measures of self-help should correspond to the extent and nature of violation of the landlord's rights.

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

Unless otherwise provided for in the agreement, if a tenant materially breaches rent payment term, a landlord is deemed entitled by virtue of the Civil Code to require the tenant to pay the rent in advance, however, not in excess of 2 successive rent payments.

**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.**

In addition to acceleration of rent (see Q 14), Lithuanian laws provide for the landlord's right to terminate a lease without applying to court if the tenant's default constitutes a material breach. Further, specific summary procedures are available for recovery of debts and eviction of tenants. All those remedies may be sought by landlords without any specific lease provisions.

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

Any real estate lease must be executed in a written form. The Civil Code provides for a specific data that has to be set out in the land lease agreement. Also see comments under Q 17.

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

Any agreement on lease of buildings, structures or land has to be registered with the Real Estate Register in order to be enforceable against third parties. The same requirement is applied to the lease of other real estate when the lease term exceeds 1 year.

**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?**

A landlord is free to sell or otherwise transfer the leased property, unless otherwise set out in the lease agreement. A landlord must, nevertheless, disclose to tenants the intended sale or other transfer of leased property.

As stated under Q 5, tenants have a statutory right to unilaterally terminate any lease in case of change of the owner.

Further, upon change of the owner of real property, its lease agreements will remain valid provided they have been registered with the Real Estate Register.