



Draft amendment on transformation of perpetual usufruct into ownership for entrepreneurs approved by the Council of Ministers

On 29 march, 2023 the Council of Ministers adopted a draft amendment to the Real Estate Management Act aimed at enabling entrepreneurs to obtain ownership of land they hold in perpetual usufruct.

The amendment is to be the second and final (after the transformation of perpetual usufruct of land developed for residential purposes as of 1 January 2019) stage of **eliminating the institution of perpetual usufruct from the Polish legal order.**

As announced by Prime Minister Mateusz Morawiecki, the elimination of perpetual usufruct will benefit **about 450,000 entities**

However, unlike the reform concerning land developed for residential purposes, the transformation for the benefit of entrepreneurs will take place upon application, instead of by operation of law.

The government stipulates a period of one year from the entry into force of the law to submit an application.

As it stands, the amendment implies a **new model of payment for land sold to a perpetual user.**

As pointed out by Minister of Development and Technology Waldemar Buda, this **model will eliminate the risk of providing unauthorized state aid and will allow entrepreneurs to take advantage of the possibility to settle the value of the land in the available *de minimis* aid limit.**

The buyout price for a single payment is to be at 20 times the existing annual fee for perpetual usufruct, and the price for the land is ultimately the equivalent of 6 percent, 20 percent, 40 percent, 60 percent or more of the land's market value.

It is also stipulated that the price can be paid in installments over a maximum of 10 years, in which case the price would amount to 25 times the existing annual fee.

However, it was also noted that in the case of properties owned by local government units, local governments will be able to adopt the same principles of payment or determine them independently.

According to the Minister of Development and Technology, the new regulations will eliminate *"the financial burden resulting from the obligation to pay annual fees for perpetual usufruct every year, as well as the uncertainty resulting from the timely nature of this right."*

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