

## THE NEW LAND REGISTRY CODE IN HUNGARY

By Marton Karika, Managing Partner, and Judit Vidoczy-Feher, Attorney at Law, Act Legal Ban & Karika



The current *Hungarian Land Registry Act* will entirely be replaced by a new *Land Registry Code* with effect from February 1, 2023. Hereunder we briefly introduce certain rules that might have practical effects on the legal and administrative aspects of real estate development projects being implemented in Hungary.

In the more than twenty years since the entry into force of the current Land Registry Act, significant social and economic changes have taken place, which places new demands on legal regulations and electronic administration. The Government of Hungary has therefore decided to implement the E-Real Estate Register project, the aim of which is to develop the real estate register into a fully electronic database, thereby reducing the administrative burdens of land registry procedures.

### Spatial Records and Wider Scope of Public Authenticity

Within the framework of the *E-Real Estate Register project*, a number of new functions will open up in the land register. One of these is the spatial register, thanks to which it will be possible in the future not only to indicate a building on the plot but also to represent the structures located underground (e.g., underground garages, cellars) or below and above each other (e.g., tunnels, bridges, overpasses).

At the same time, the scope of the authenticity of the land registry will increase. Currently, the land registry is not considered to be authentic in respect to the data of real estate (i.e., area, way of cultivation). This will be changed by the new *Land Registry Code* and, accordingly, anyone who acquires any right in respect to real estate having trust in the data contained by the land registry will be entitled to be considered as a bona fide purchaser. Further, until the contrary is proven, all data registered in the land registry (even that relating to real estate data) shall be considered as existing as registered.

### More Efficient and Faster Electronic Administration

Currently, land registry procedures are still paper-based, but with the new *Land Registry Code*, paper-based administration will be changed to administration based on electronic documents or paper documents converted to electronic documents by their

creator.

Simultaneously with such a conversion, the role of attorneys-at-law and legal counsels will increase, as each document on which the registration of a right is based will require their countersignature. In practice, this requirement will concern mostly the registration of pre-emption rights and land use rights, as currently these rights can be registered based on documents lacking a countersignature.

The rules applicable to ad hoc proxies will also be simplified. The right of representation will need to be proved by completing an electronic form, provided that the proxy does not contain a restriction, or it contains only standard restrictions. In these cases, the E-Real Estate Register will generate the text of the proxy, so that its content can be examined automatically by the system. If the proxy contains restrictions other than the standard ones, the proxy itself will need to be attached to the application.

### Allocation of Cases, Ranking of Applications

Thanks to the digitization of the real estate register, it will be possible in the future for any land registry office to handle real estate registration applications within Hungary, regardless of the location of the property. Currently, land registry offices administer only applications regarding properties that are located within their territorial competence, which results in certain land registry offices being overloaded and not able to meet statutory administration deadlines. This situation may be avoided by allowing all land registry offices in the country to handle applications.

Ranking data is also changing due to the update. Currently, the ranking of applications received on the same day shall be determined by the date of the document on which the request is based. In contrast, pursuant to the *Land Registry Code*, only applications received in the same second shall be deemed to have been received at the same time, and only in that case will it become necessary to apply the above ancillary rule.

Legal practitioners await the detailed implementation rules of the code, as the regulations will presumably entirely turn the market upside down, particularly when considering the current intensity of the Hungarian real estate market. ■

