

# REPUBLIC OF MOLDOVA

## LAW ON LEASE

Law No. 861-XII of January 14, 1992  
(Official Monitor, 1992, no. 1, art. 12)  
(including amendments as of March 10, 1999)

### Chapter I General Provisions

#### **Article 1. Tasks of the Law**

This Law regulates the lease relations, establishing the objects and subjects of lease relations, their rights and obligations.

#### **Article 2. Notion of Lease Relations**

In lease relations, the Lessee possesses and uses, on a contractual basis and for a payment, the assets belonging to the person who leases them out.

#### **Article 3. Persons who Lease Out**

The owner, particularly individuals and legal entities from Moldova and other states, shall enjoy the right to lease out assets.

A Lessor may also be an individual or legal entity empowered by the Owner.

#### **Article 4. Lessees**

A Lessee may be an individual or legal entity from Moldova and other states, joint ventures and organizations, stateless individuals, international organizations.

The republic's law shall determine the participation of individuals and legal entities from other states, as well as of stateless individuals, to lease of assets on the territory of the Republic of Moldova.

#### **Article 5. Lease Sphere and Objects**

Lease is allowed in all national economic branches. Assets of all ownership types and forms may be leased.

The following can be leased: land and other natural resources, enterprises, organizations, units of enterprises and organizations, buildings, installations, premises, agricultural and other machinery, transportation means, inventory, instruments, other material goods.

Jointly agreed upon with the pledge creditor, the pledged object can also be an object of lease (pursuant to Law no. 229-XIV of December 16, 1998).

The law shall establish the types (groups) of enterprises and organizations, kinds of state assets that are not allowed for lease.

## **Article 6. Law on Lease**

The lease and other legal ties related to it shall be regulated by this Law and other legislative acts.

## **Chapter II Lease Agreement**

### **Article 7. Lease Agreement Conclusion**

The key document to regulate the relations between the Lessee and the Lessor shall be the lease agreement. Such agreement shall be signed in writing for a specific period, not greater than 99 years (pursuant to Law no. 417-XIII of March 29, 1995).

The lease agreement shall be concluded based on direct negotiations or based on auction results, in the form agreed upon by parties, by stating the object and term of contract, the lease payment, observing the requirements of this law (pursuant to Law no. 237-XIV of December 23, 1998).

#### **Article 7-1. Registration of Right of Lease**

The right of lease to real estate for a period over 3 years shall be subject to mandatory registration in the real estate registry within 3 months as of concluding the lease agreement. Failure to observe this deadline shall bring upon invalidity of agreement.

Upon Lessee's request, a right of lease for a period of less than 3 years can be also registered.

Registration of right of lease shall be performed under Law on Real Estate Cadastre (pursuant to Law no. 237-XIV of December 23, 1998).

### **Article 8. Lease Agreement for Land and Other Natural Resources**

The lease agreement for land and other natural resources upon parties consent may contain (pursuant to Law no. 237-XIV of December 23, 1998):

- characteristics of the natural environment, land and other natural resources;
- extent to which these are used;
- technological requirements on their use;
- land recultivation conditions;
- compensation payments in case of excluding the land and other natural resources from the circuit;
- protection conditions for adjacent natural resources;
- industrial waste amount and depositing procedure;
- maximum admissible standards on impacting the environment;
- other conditions which do not contradict the law.

## **Article 9. Rent**

The rent and its payment procedure shall be set by the owner and shall be stipulated in the lease agreement. For state owned assets, the procedure for establishing the rent shall be set by Government (pursuant to Law no. 311-XIV of March 10, 1999).

The rent shall be established for all leased goods or separately for each leased object, in-kind, or in cash or both.

The rent size can be changed by the owner, while for state owned assets - by Government, in case the prices, tariffs, amortization (depreciation) payments or standards regulated by state are changed, as well as in other cases provided by law (pursuant to Law no. 311-XIV of March 10, 1999).

In addition to the rent, the Lessee shall pay all taxes provided by law, unless the law or agreement assigns such to the Lessor.

The Lessee shall have the right to request a rent reduction, if the assets state or use conditions, stipulated in the agreement, have essentially worsen due to circumstances not accountable to the Lessee.

## **Article 10. Conveyance of Assets to the Lessee**

The Lessor shall be required to convey the Lessee the assets in a state conforming their designation, stipulated in the agreement.

The Lessor shall not be liable for any assets defects, stated in the agreement.

Where the Lessor does not pass in time the leased assets to the Lessee, the later shall have the right to request such assets from the Lessor as well as a compensation for damages caused by a delinquent execution of the agreement, or to cancel the agreement and request a compensation for damages caused by failure to execute the agreement, pursuant to the Civil Code.

## **Article 11. Sublease of Leased Assets**

The Lessee shall have the right to sublease, fully or partially, the leased assets (except land and natural resources) upon Lessor's consent, unless the law or agreement provide otherwise. In this case the Lessee shall remain responsible under the agreement before the Lessor.

## **Article 12. Use of Leased Assets**

The Lessee shall be required to maintain and use the leased assets according to their purpose and the agreement.

The Lessor shall be required to repair on his own account the leased assets, unless the law or agreement provide otherwise.

Where the Lessor fails to fulfil his/her obligations as to the repairs, the Lessee shall have the right to perform urgent repairs and request the Lessor to compensate the repair costs.

## **Article 13. Ownership of Leased Property and Its Growth**

Lease shall not bring upon conveyance of ownership to that property.

The production obtained by using the leased assets and the revenues therefrom, as well as the assets acquired using such revenues shall belong to the Lessee, unless the agreement provides otherwise.

Upon agreement's expiration or its cancellation, the buildings and installations which cannot be moved, built on the leased land by the Lessee upon Lessor's consent, shall become the Lessor's property, unless the contract provides otherwise. In such case the Lessee shall have the right to request a compensation of their cost.

Upon agreement's expiration or its cancellation, the buildings and installations which cannot be moved, built on the leased land by the Lessee without Lessor's consent, shall become the Lessor's property. Where the later request the structures demolition, the Lessee shall be required to demolish these on his/her own account or compensate the Lessor all costs associated with demolition.

Where the leased assets are improved with Lessors permission, then the Lessee shall have the right to request, upon agreement expiration or cancellation, a compensation of all expenditures incurred for such purpose, unless the law or agreement provide otherwise.

The Lessee may take any improvements to the leased property done without Lessor's permission, upon expiration or cancellation of agreement, provided that such improvements can be separated without causing any damage to the leased property or the Lessor does not agree to compensate the Lessee their cost.

Any improvements made without Lessor's permission, which cannot be separated from the leased property without causing direct damage to it, shall pass free of charge under the Lessors' ownership, upon expiration or cancellation of agreement.

#### **Article 14. Redemption of Leased Property**

The Lessee, upon Owner's consent and of the person empowered by him, can redeem, pursuant to the law, fully or partially the leased assets.

The law provides for cases in which any redemption of the leased property is limited or forbidden.

#### **Article 15. Independence of Lessee's Economic Activity**

The Lessee, pursuant to the agreement, shall conduct an independent economic activity and shall dispose of the obtained production and income.

Any interference of the Lessor in the use of leased assets, in the Lessee's economic activity is not allowed.

#### **Article 16. Changes to the Agreement. Agreement Expiration and Succession of Right to It**

The agreement can be amended upon consent of both Parties.

One Party can request an amendment to the agreement only in cases provided by law or by the agreement.

Where the economic agent - the Lessor reorganizes, or the owner of leased property changes, this shall not serve as basis to amend or cancel the agreement.

The agreement shall cease upon expiration of its period, upon liquidation of the economic agent, destruction of leased property, its deterioration or redemption by the owner.

Any premature cancellation of the agreement shall be done upon consent of both Parties. The agreement can be cancelled upon request of one Party only based on a court decision in case the other Party violates the agreement (pursuant to Law no. 1322-XIII of September 25, 1997).

The agreement shall be cancelled also in case the land and other natural resources is expropriated for public and social needs.

Upon expiration of the agreement concluded with the Lessee, who is a citizen, the preferential right for signing a new agreement shall have the Lessor's family members, who live or work together with him.

Where the Lessee (who is an individual) dies, the successor of his rights, pursuant to the agreement, shall be one of his/her family members who lived or worked with him, provided that such member wishes to be a Lessee. The Lessor shall have no right reject the exercise of rights of the new successor, unless the lease agreement was determined by certain professional skills of the deceased Lessee.

In case of any dispute among the Lessee's family members, right to have priority in concluding the agreement shall be decided in court, given the real possibilities of each member (work capacity, professional training and other skills).

#### **Article 17. Premature Agreement Cancellation upon Lessor's Request**

The Lessor can request a premature cancellation of the agreement, if the Lessee:

- fails to maintain and use the leased property in conformity with the contract or property's designation;
- deliberately or carelessly worsens the state of leased property;
- fails to pay the rent for three months since the rent deadline, unless the agreement provides otherwise;
- fails to fulfil the contractual obligations with regard to fully restoring and repairing the leased property;
- subleases the leased property, received under the contract, without owner's consent;
- uses irrationally the leased property or uses it by means which lead to deterioration of land and other natural resources;
- fails to undertake re-production actions of natural resources which have the ability to re-produce (restore - TN);
- has left unused the agricultural land for one year, and the non-agricultural land for two years;

#### **Article 18. Premature Agreement Cancellation Upon Lessee's Request**

The Lessee can request a premature cancellation of the agreement, if:

- Lessor does not fulfil the contractual obligations with regard to fully restoring and repairing the leased property, technical-material supply, technical endowment of production and other actions alike;
- leased property, for reasons not accountable to the Lessee, are unusable;
- Lessor has not passed in time the property to the Lessee.

The Lessee can request the agreement cancellation in case he/she becomes physically disabled or is declared incapable, or if he/she serves a sentence for committing an infringement or any other punishment which does not allow for further execution of the agreement. The preferential right, in the above mentioned cases, to conclude the agreement shall belong to one of the Lessee's family members who has worked or lived together with him.

#### **Article 19. Return of Property to the Lessor**

After expiration of agreement, the Lessee shall be required to return the property to the Lessor in the state the Lessee has received it given the normal amortization, or in the state provided for in the agreement.

Where the Lessee worsens the leased property, he/she shall repair the damages caused to the Lessor, unless proves that such worsening happened not through his fault. The persons (family members, sub-lessees, etc.) whom the Lessee allowed to use the leased property shall be deemed as guilty as the Lessee.

Where the leased property is deteriorated before expiration of the use period stated in the agreement, the Lessee shall compensate the Lessor the property's residual value, unless the agreement provides otherwise.

#### **Article 20. Lease of Enterprise Property**

The enterprise property can be leased by one or more individuals and legal entities.

A lease company can be founded as a legal entity for purposes of leasing out enterprise property. The procedure and conditions on foundation and operation of such lease company shall be established by Government.

For lease of enterprise property, the employees of such enterprise shall enjoy a pre-emptive right to conclude a lease agreement, other conditions being equal, irrespective of whether a lease company is or not founded.

#### **Article 21. Lease Contracting**

The lease contracting is a form of legal ties within an economic agent. Such ties are based on a lease contracting agreement between the economic agent which leases out and the Lessees, presented by one or a few citizens which are employees or member of the economic agent in question.

The principles of lease contracting shall be set by Government.

**Chapter III**  
**Protection of Lessee's Property Rights,**  
**Liability Under Lease Agreement, Disputes**

**Article 22. Protection of Lessee's Right to the Leased Property**

The Lessee's right to the leased property shall be protected equally as the ownership right.

The Lessee can request for restitution of leased property from any illegal possession, request a liquidation of obstructions to its use, a repair of damages caused to the property by any person, including the Lessor.

No foreclosure shall be used for clearing the Lessor's debts out of the leased property.

The property can be taken from the Lessee only by court decision (pursuant to Law no. 788-XIII of March 26, 1996).

Where the leased in land is expropriated for state or social needs, the new land user shall compensate the Lessee the caused damages. The Lessee shall be distributed, upon request, another parcel of equal value, the existing lease agreement being amended by parties consent or ceased.

**Article 23. Parties Liability for Failure to Fulfil or Improper Fulfillment of Contractual Obligations**

For failure to fulfil or improper fulfillment of contractual obligations, including for agreement amendment or its unilateral cancellation, the culpable Party shall be liable under the agreement and law.

**Article 24. Property Owner's Liability for State Authority's Obligations**

Where the state authority which leased out the property of a state enterprise or organization has insufficient funds, the owner of such property shall be liable before the Lessee for the state authority's obligations.

**Article 25. Disputes During Signing and Execution of Agreement, Its Amendment and Cessation**

Any disputes arising during conclusion and execution of the agreement, its amendment and cessation shall be settled by the competent court (pursuant to Law no. 788-XIII of March 26, 1996).

**President**  
**of the Republic of Moldova**

**Mircea Snegur**

## **DECISION**

### **on Implementation of Law on Lease**

The RM Parliament DECIDES:

1. The Law on Lease shall be effective as of its publication day.
2. The Government shall:
  - submit the Parliament, by February 20, 1992, proposals on types (groups) of enterprises and organization, types of state assets, which lease is not allowed, as well as of cases of restricting or forbidding the redemption of leased property;
  - by February 10, 1992 shall:
    - establish the lease procedure, based on paragraph 2 of Article 4 of the Law on Lease;
    - establish the procedure and conditions on foundation and operation of a lease company, as well as the principles on managing a lease contracting;
  - by March 1, 1992:
    - submit to the Parliament proposals on conforming the legislative acts with the passed Law;
    - bring its decisions and other normative acts in conformity with the above mentioned Law.
3. The Law on Lease shall not apply to rent of dwellings.

**Chairman of  
RM Parliament**

**Alexandru Mosanu**

**Chisinau**

**January 14, 1992  
no. 862-XII**

Chisinau, March 29, 1995

**LAW**

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**On amending the Law on Lease**

The Parliament adopts this Law.

Art. I. – Law no. 861-XII as of January 14 1992 on Lease (Monitor of the Parliament of the Republic of Moldova, 1992, no.4, Art. 12) shall be amended as follows:

1. Last phrase of Art. 7, paragraph 1 shall be excluded.

2. In Art. 9:

paragraph 1 shall have the following wording:

“Lease and payment procedure shall be established by the owner and fixed into the lease contract.”;

paragraph 3 shall have the following wording:

“Amount of rent can be modified by the owner in case of change in prices, tariffs, payments or amortization norms regulated by the state, and in other cases provided by the legislation. “

Art. II – This Law shall be enacted as of the publication date.