

**DRAFT**

## **Regulated rent for using land plots in state or municipal ownership will be calculated based on the cadastral value**

*FAO tenants of land plots in state or municipal ownership*

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**Pepeliaev Group advises of the [draft law](#) that the State Duma has passed in the third reading concerning how regulated rent will be determined for land plots based on their cadastral value.**

It has been provided that rent for land plots that are in state or municipal ownership should be determined based on the cadastral value of the land plot, with certain exceptions as stipulated by the law.

The exceptions concern situations when land plots are granted based on the results of a competitive bidding procedure, with the rent being determined during such procedure.

If land plots are granted other than under a competitive bidding procedure, then starting from 1 January 2026 the rent will be determined based on the cadastral value.

### **Pepeliaev Group's comment**

Currently, rent for land plots that are in the ownership of federal authorities is predominantly determined based on the cadastral value. The size of rent for land plots that are owned by regional authorities or municipalities is rarely pegged to the cadastral value. Constituent entities of the Russian Federation do not have any common rules or markers for determining the size of rent. Owing to different rates and coefficients, the system for determining rent is not transparent even within a single constituent entity of the Russian Federation. Nor does it allow one to have an overall picture of the price of rent in different parts of the country. And nor does such system allow for local rates to be compared with federal ones.

Nonetheless, a payment for using land is a regulated price.

Once the law comes into effect, constituent entities of the Russian Federation will be forced to change their systems for calculating rent. The rate of rent will be a single rate equal to the cadastral value. The constituent entities will subsequently establish their own coefficients which can be compared.

### **The entry of the law into effect**

It is stipulated that the law will come into effect on 1 January 2026. Its provisions, however, do not apply to lease agreements for land plots which have been concluded before the law comes into effect. This means that the old regulation will still apply to those agreements that have been concluded previously.

### **Pepeliaev Group's comment**

After the law comes into effect, two systems for calculating rent will be in place simultaneously, depending on the date on which an agreement was concluded. The law does not provide for any transitional provisions for agreements that were concluded previously.

Therefore, rent for similar land plots will differ depending only on the date on which an agreement was concluded. This will run counter to the principles for determining rent (economic justification and a ban on unjustified preferences) and to well-established court practice. Such court practice has it that, according to the general rule, changes in the regulated rent (for example, changes in the formula, rates and similar) should apply to previously concluded agreements for the period after such changes were made. The changes should apply automatically without the need for the agreement to be amended.

### **What to think about and what to do**

On 2 August, the passed law was approved by the Federation Council (the upper chamber of the Russian Parliament) and submitted to the Russian President for signing.

Once the law has been signed, one can expect changes in the procedure for determining regulated rent for state and municipal land plots in cases when the existing calculation formula is not based on the cadastral value.

We recommend that you monitor the relevant legal regulation. If the new regulation results in significant discrepancies in the amount of the rent under old and new procedures and places a tenant in a position of inequality, then the question should be resolved of whether to challenge the legal instrument in court.

The question moves up on the agenda of checking whether the cadastral value is correct and of assessing the prospects of it being reduced.

### **Help from your adviser**

Pepeliaev Group's lawyers provide comprehensive legal support to clients in relation to the issues of challenging the cadastral value. They have extensive experience of providing support during disputes that arise out of agreements for land plots in public ownership, including in the Russian Supreme Court.

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### **Contact details**



**Elena Kretyantseva**

Head of Land Law, Real Estate and  
Construction Practice (St Petersburg)

Tel.: + 7 812 640 6010

[e.kretyantseva@pgplaw.ru](mailto:e.kretyantseva@pgplaw.ru)