Contracts – versatile and various

Contracts are legal agreements used in various contexts. We are probably all used to contracts for the sale and purchase of **land**, or **employment** contracts, or **commercial** contracts such as for the supply of goods and services. Here are a few contracts which are encountered slightly less often.

1. **Option agreements**

These usually relate to **land**, but not always. A landowner may agree to grant another person e g a developer an opportunity to buy land for development or other purposes. An option agreement would give the developer a defined period of time in which to decide whether to buy the land or not, effectively reserving the land. The landowner would not be able to sell to anyone else or deal with the land in such a way as to prevent the option being used, such as renting it out or mortgaging it, during this time. Options can also be granted on shares or other assets.

2. **Overage agreements**

These agreements allow a seller of **land** (or other property) to share in an increase in the value of the land within a specified period after the sale. For example, if a plot of land is sold and subsequently planning permission is granted for development which increases its value, the overage agreement made at the time of sale would become effective and allow the seller to receive whatever percentage of the profit that had been stipulated.

3 Partition agreements

Where property -usually **land**- is jointly owned, a partition agreement allows the property to be divided up among the owners so that each owns a separate area and can use or develop it separately from the rest of the land. Partition agreements are sometimes seen in farms, typically where siblings have inherited farm land and each wishes to manage a tranche of land in their own way. They can also occur in residential developments where commercial building companies jointly buy a large area of land and then divide it up, each to obtain its own planning permission and run its own development of the respective areas.

4 **Split contracts**

"Splitting " a contract is dividing up either an agreed procurement or an agreed employment. A procurement can be divided into smaller contracts thereby possibly avoiding government rules which might disfavour large tenders. An employment contract can be divided between different countries and lower tax jurisdictions can then be made use of to reduce the total tax liability. Split contracts should be approached with caution as they can be interpreted by tax authorities as tax avoidance and penalised accordingly.

Splitting contracts should not be confused with **splitting a Land Registry title** which is not a contract at all, but an application to the Land Registry by a landowner to divide his land into portions each with a separate Land Registry title number to facilitate future sales or other dealings.

If you need more information about contracts relating to land or other assets please feel free to contact us at Alison Fielden & Co, The Gatehouse, Dollar Street, Cirencester GL7 2AN, telephone 01285 653261, email alison@alisonfielde.co.uk, or consult your own solicitor.