

Informative Note

Main measures concerning the leasing of main residence approved in
relation to COVID-19, by means of 31st March Royal Decree Law
11/2020

1st April 2020

Regarding Royal Decree-Law 11/2020 on urgent supplementary measures in the social and economic field to deal with COVID-19

On 14 March, the Council of Ministers approved the declaration of the state of alert, by means of [Royal Decree Law 463/2020](#), which declares the state of alert for the management of the crisis situation caused by COVID-19.

As a result of the situation generated by COVID-19, on 31 March, [Royal Decree Law 11/2020](#), was approved, adopting a series of urgent measures to deal with the economic and social impact caused by the health crisis.

The following is a summary of the main novelties in relation to the renting of permanent housing included in the Royal Decree Law 11/2020 in order to respond to the situation of vulnerability incurred by tenants.

Extraordinary extension of regular home lease contracts

Article 2 of Royal Decree-Law 11/2020 introduces the possibility of an automatic extension of the duration of the lease for those main residence contracts subject to Law 29/1994, on Urban Leases (LAU) whose end of the extension period, whether compulsory or tacit, occurs within the period between the entry into force of Royal Decree-Law 11/2020 and up to two months from the end of the alert condition.

The tenant who finds himself in such a situation may request the exceptional extension of his rental contract for a maximum period of six months, during which time the same terms and conditions present in their respective rental contracts will remain in force. In this case, the lessor must accept the request for extension, leaving in any case the option for both parties, by mutual agreement, to establish different terms and conditions.

Measures in relation to the moratorium on rental debt

In view of the special situation provoked by COVID-19, Royal Decree Law 11/2020 introduced a series of measures aimed at achieving a moratorium on the rental debt for permanent housing for people in vulnerable situations.

To this end, the Royal Decree-Law considers that a tenant is in a situation of economic vulnerability when two requirements are met (i) that the person obliged to pay the rent is unemployed, in a Temporary Employment Regulation Record (ERTE), or has reduced his or her working hours for care reasons, in the case of an employer, or other circumstances that involve a substantial loss of income;



and (ii) that the amount of the rental income plus essential supplies is greater than or equal to 35% of the net income received by the family unit.

Specifically, Article 4 of the Royal Decree-Law provides for the automatic application of the moratorium on rental debt in cases where the lessors are companies, public housing entities or large holders (understood as those who own more than ten urban properties or a constructed surface area of more than 1,500 m²), allowing the lessee who is in a situation of economic vulnerability to request the temporary and extraordinary postponement of the rent within one month from the entry into force of the Royal Decree-Law.

This postponement will be accepted by the lessor if the parties have not reached an agreement for the total or partial postponement or remission of the rental income on a voluntary basis.

If no agreement exists, the lessor will be responsible for expressly communicating to the lessee, within a maximum period of seven working days, the choice chosen for the postponement of the rent between the following two alternatives:

- a 50% reduction in rent for the duration of the alert state, and the following months if the period is insufficient, with a maximum of 4 months in any case; or
- a moratorium on the payment of rent automatically affecting the period of the declared alarm state and the following monthly payments, which can be extended monthly if this period is insufficient, but in no case more than four months. This rent will be deferred by means of the instalments for at least three years from the end of the moratorium and always within the term of the contract.

Modification of the contractual conditions of housing rentals.

If the lessor is none of the above, Article 8 of the Royal Decree Law introduces the possibility of exceptionally and temporarily modifying the contractual conditions of the lease as a result of the economic and social impact produced by the COVID-19.

In this case, the lessee may request from the lessor the temporary and extraordinary postponement of the lease rent, provided that the postponement or remission of the debt has not been voluntarily agreed, but unlike the previous case, the lessor is not obliged to accept such postponement or remission of the rent. With this, the Royal Decree-Law seeks a balance between the parties, trying not to transfer the vulnerability of this exceptional situation entirely to the small owners.

Once the request has been received, the lessor will communicate within seven working days the conditions of postponement or deferred payment of the debt that he accepts or, failing that, the possible alternatives that he proposes in relation to the same, in the event that he accepts the postponement or payment in instalments of the debt. If he does not accept, the lessee may access the guarantee lines that the State has established to cover these exceptional circumstances.

Approval of guarantee lines to cover financing for vulnerable tenants

Article 9 of the Royal Decree-Law introduces the approval of a line of guarantees on behalf of the State in order to provide financial coverage for housing expenses for those households that are in a situation of social and economic vulnerability, as well as those that do not meet the vulnerability requirements but have not reached an agreement with the landlord to modify their contractual conditions.

To this end, the Ministry of Transport, Mobility and the Urban Agenda is authorized, in agreement with the Official Credit Institute, to develop a line of guarantees to provide temporary financing assistance to persons in the aforementioned situation of vulnerability, with repayment terms of up to six years, extendable for a further four years, without incurring any expenses or interest.

Such aid will be targeted, that is, it must be used exclusively for the payment of the rental income and may cover a maximum of six monthly payments of the income.

Finally, it should be borne in mind that in the event that the tenant has requested the automatic moratorium of Article 4 of the Royal Decree-Law and has been granted a guarantee line to cover the payment of his or her rent, the moratorium on the payment of rent and the consequent instalments will be automatically lifted.

We hope that these comments will be useful and, in any case, the tax team at [Andersen Tax & Legal](#), is at your disposal to clarify any doubts you may have in this regard.

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