

Principal new aspects on the reform of the Urban Leasing Law



On March 5, 2019, the Royal Decree Law 7/2019, of March 1 on urgent measures on housing and renting, Spanish Official State Gazette (BOE), the Urban Leasing Law (LAU), went into effect.

What are the most significant points included in the new law?

- The **minimum period of the rental contract** is extended to FIVE (5) YEARS if the Landlord is a natural person and to SEVEN (7) YEARS if it is a legal person.
- The **tacit extension** of the contract is extended to THREE (3) YEARS.
- The **advance notice** in order to avoid the extension is set at FOUR (4) MONTHS, by the Landlord, and TWO (2) MONTHS, for the Tenant.
- The Landlord/natural person's need to **occupy the rented dwelling** must be expressly recorded in the contract, having transpired the FIRST (1st) YEAR of the contract.
- The **annual update of the rent** cannot exceed the increase of the CPI, despite establishing a state system of reference indices in order to monitor the market.
- The **buyer of the rented dwelling** must respect the rental contracts, even when they are registered in the Property Registry, during the mandatory extension period.
- The **expenses of real estate management and formalization** of the contract will be payable by the Landlord, when it is a legal person.
- The **additional guarantee** of the contract is limited to TWO (2) months' rent.

Furthermore, the new law reduces the tax burden imposed on the rental market of the taxpayer's normal home entails, by establishing the exemption of the Property Transfer and Certified Legal Documents Tax in the signing of residential rental contracts for stable and permanent use.

This measure will be applied to the new rental contracts entered into starting March 6, 2019. The contracts signed prior to this date will continue being governed by the legal regime in effect at the



time of their formalization.