

legal memo

Barcelona, October 27th, 2020

Catalonia: New urgent measures to support economic activity in rented business premises

By Decree Law 34/2020 published this 22nd of October *Generalitat de Catalunya* (DOGC) has introduced relevant changes on commercial leases. More specifically with regard to the obligation to pay rent on commercial leases rented by business affected by Covid-19 restrictions. The aim being to mitigate the negative consequences of the sanitary crisis on tenants, while attempting to set up a legal framework which brings certainty to the parties.

The measures are applicable as from **October 22nd 2020** and are applicable to contracts signed after the 1st January 1995 in Catalonia. They will cease to apply once the suspensive or restrictive measures implemented to curb the Virus are finalized.

How can I apply for amending the conditions of my lease contract, if my activity is affected the suspension or restriction measures imposed by the authorities?

The lessee may require the lessor, by means of registered fax or any other proven means, to amend the conditions of the contract in an equitable manner.

What happens if the parties do not reach an agreement on the reduction of the rent?

The parties have **one month as from receipt of the request of the lessee** to reach an agreement, failing which the following terms will apply, depending on circumstances:

(a) Activity suspended: the rent and chargeable expenses shall be reduced by **50%** for the duration of the suspension period.

(b) Partial restrictions: the rent and chargeable expenses will be reduced by **half the loss of use of the premises**, for the duration of the restriction measures. This loss will be objectively calculated as a result of the reduction in capacity or in opening hours or by assessing any other constraints imposed. This means that if the capacity is for instance reduced by 50%, the rent and expenses will be reduced by 25%.

Those reductions apply regardless of whether the services continue to be provided through home delivery or by pick-up at the premises.

Likewise, they will be **effective from the date of the request** for amendment of the contractual conditions. The lessor must refrain invoicing the lessee the rent or any other



costs payable until the expiry of the one month the Decree fixes for the parties to negotiate.

What happens if the parties reached an agreement for the reduction of rent prior to the entry into force of this Decree?

The lessee may exercise the rights conferred by the Decree irrespective of any prior agreements reached with the lessor before 22/10/2020.

In the event that the suspension measures are extended, can the lessee terminate the contract without penalties?

Yes, in the event that the suspension measures are extended for **more than three months in a year from 22/10/2020**, the lessee may optionally terminate the contract without any penalty.

Does the Decree apply to office tenants with all or part of their staff in remote working?

No. The measures provided by this regulation are intended to apply to commercial premises (shops, bars, restaurants, hotels, theatres, hairdressing salons, gyms, etc.) which see their activity suspended or restricted by imperative measures taken by the competent authorities.

What other mechanisms does the lessee have to mitigate the negative impact of Covid-19?

The lessee may require the lessor to allocate any guarantees provided (except for the legal guarantee deposited at Incasol or any other competent entity) to the payment of the rent and expenses (while the suspensions or restrictions imposed are in force). The lessee must repay any guarantees used within one year after the expiry of the measures, and in any event prior to the end of the contract if its duration is shorter.

We remain at your disposal for any doubt or question that may arise.

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