

THE ROYAL DECREE ACT 21/2018 ON LEASE CONTRACTS: A SHORT DURATION

The Act 29/1994, of November, 24th, on Urban Leases (**LAU**), has been modified often since it entered into force. No need to go far to find examples, LAU was last modified in 2013 – we then issued our [Newsletter 5/2013](#), which remains available in our website. The amendments to the LAU herein outlined were introduced by the Government through Royal Decree Act 21/2018, on 14th December (Royal Decree Act 21/2018), of urgent measures to be taken in housing and rentals, that came into force the last December, 19th and was repealed on January 24th, 2019 due to lack of validation by the Spanish Parliament.

As we shall see, the changes introduced by the Royal Decree Act 21/2018 were in most cases addressed to the same subjects as those the last modification of 2013 were. It seems that, with just a 5-year term, and according to the statement of purpose of the Royal Decree, *"the liberalization reform of 2013, in addition to not giving the expected results in terms of the increase in the rental housing availability and the moderation of prices, has placed the tenant of a housing contract in a position of weakness that does not respond to the minimum conditions of stability and security of those which a tenant in possession of a just title must be endowed with"*.

Published in the Official State Bulletin (**BOE**) of December 18th, 2018, the modification could have therefore been defined as a retrospective reform, as it contained measures that were applied prior to the 2013 reform, thus safeguarding the position of the tenant in a housing contract in order to avoid rental rising. At the same time, it intends to update the LAU, due to the increase in tourist activity developed on the existing housing stock.

Moreover, from a Tax perspective, the Royal Decree modified the Tax on Real Estate (**IBI**), the Onerous Inheritance Tax and Stamp Duty (**ITPyAJD**), and, the Personal Income Tax (**IRPF**) in a non-directly way. However, this modifications were not as relevant, since their effective implementation rely on the City Council, as local authority in IBI, or do not imply significant savings in ITPyAJD.