



EMERGENCY MEASURES TO SUPPORT BUSINESS ACTIVITIES CARRIED OUT IN LEASED BUSINESS PREMISES

In this News Alert we provide details of the main measures established by Decree Law 34/2020 of 20 October on urgent measures to support business activities carried out in leased business premises, adopted by the Government of Catalonia.

The purpose of the Decree Law is to regulate the negative consequences derived from the prohibitions, suspensions and restrictions imposed to prevent the spread of COVID-19 with regard to the utilisation of properties leased for industrial and commercial use.



AMENDMENT OF CONTRACTUAL CONDITIONS

In the event that, in the context of the COVID-19 pandemic , the competent authority orders measures to suspend the performance of a business activity and restrict the utilisation of leased properties for the performance of industrial and commercial activities, the lessor may ask the lessee for a reasonable and equitable amendment to the terms of the lease contract.

- **Which contracts does the measure apply to?**

The measure applies to lease contracts for properties in Catalonia which are leased for the performance of industrial and commercial activities, entered into since 1 January 1995.

- **How should the amendment request be made?**

The request to amend the conditions of the contract in order to rebalance the contractual benefits must be made by bureau-fax or any other duly attested means.

- **What is the purpose of the amendment to the contractual conditions?**

The purpose of the amendment to the lease contract is to **restore the balance of contractual benefits** in accordance with contractual good faith and fair dealing in order to mitigate the effects of the restrictive measures agreed in the context of the COVID-19 pandemic.

ABSENCE OF AGREEMENT BETWEEN THE PARTIES

If within **one month** from the time the lessor has requested the amendment of the contractual conditions by the lessor, by **bureau-fax or any other duly attested means**, the parties have not come to an agreement, the following provisions shall apply:

- A** **SUSPENSION OF THE BUSINESS ACTIVITY:** In cases where the business activity carried out in the leased property has been suspended, the rent, as well as the amounts owed by the lessee, must be reduced by 50% with respect to the rent in effect, for the duration of the suspension measure.

In the event that these rent reduction measures are extended for more than three months during a one-year period, **the lessee may withdraw from the contract without any penalty, provided that the lessee notifies the lessor in a duly attested manner one month in advance.**

This withdrawal option may be exercised once three months have elapsed since the commencement of the reduction measures, and until three months after the finalisation of the measures.



A PARTIAL RESTRICTION ON THE UTILISATION OF THE PROPERTY: for properties in which activity has been partially reduced while the restriction is in place, the rent and other amounts due from the lessee must be reduced in a proportion equal to half of the loss in utilisation of the property.

- o This reduction will be measured objectively taking into account the restrictions adopted, such as reduced venue capacity or reduced opening hours.

Those reduction measures also **apply to premises providing home delivery or collection services** .

Effects of the reduction measures

The reductions will be effective **as from the date of the request to amend the contractual conditions** made by the lessee.

Following **the lessor 's receipt of the request**, the lessor must **refrain from issuing any bills** for the rent and other amounts due, **until the parties have reached an agreement or the month provided for negotiations to be conducted has elapsed.**

Allocation of guarantees to the payment of sums due

The lessee may ask the lessor to allocate to the payment of the rent and other amounts due and payable **the sums agreed as security for the fulfilment of the lessee's obligations.** However, mandatory guarantee deposits and similar bonds deposited with competent official bodies are excluded.

The lessee must **return the guarantees applied to the payment of the sums due within one year of the finalisation of the suspension or restriction measures** imposed by the competent authority **and, in any event, before the termination of the contract if its duration is shorter.**

PRE-EXISTING ARRANGEMENTS

The **lessee can take advantage of this entitlement** to amend the lease irrespective of the agreements concluded by the parties prior to 22 October 2020.

ENTRY INTO FORCE

Decree Law 34/2020 came into force on **22 October 2020.**

To consult the full text of Royal Decree-Law 34/2020, click [HERE](#).



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Yours sincerely,
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Legal Area

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