

**LAW NO. 4-C/2020, OF 6 ABRIL**

**EXCEPTIONAL REGIME FOR LATE RENT PAYMENT DURING THE COVID-19 PANDEMIC**

**I. FRAMEWORK**

- Law no. 4-C/2020, of 6 April, establishes an exceptional regime that applies to:
  - Late rent payment in residential and non-residential lease agreements due to the epidemiological situation caused by the Covid-19 disease;
  - Other type of agreements involving the occupancy of real estate properties, namely for commercial purposes (with the necessary adjustments).



## II. LEASE FOR RESIDENTIAL PURPOSES

<b>Deferral and Financial Support to tenants</b>	<ul style="list-style-type: none"><li>■ Provided that:<ul style="list-style-type: none"><li>○ The tenant's household income has decreased over 20% in comparison with the previous month or with the same period of the previous year; and,</li><li>○ The tenant's household effort rate (percentage of household income allocated to rent payment) is, or becomes, higher than 35%,</li></ul></li></ul> <p>residential tenants may not pay the rents that become due during the emergency state measures and in the following month. Unpaid rents must be paid within 12 months as of the end of that period, along with each month's rent in monthly instalments of at least 1/12 of the total outstanding amount. This deferral hinders the corresponding termination right of landlords (as detailed below).</p> <ul style="list-style-type: none"><li>■ Residential tenants - except those whose income decrease determines a reduction of rents under programs such as supported lease (<i>arrendamento apoiado</i>), supported rent (<i>renda apoiada</i>) and social rent (<i>renda social</i>) - and guarantors of students who do not earn income from work and whose place of residence is more than 50km away from the study place, that can demonstrate an income decrease under the terms referred to above, may, as an alternative to the non-payment of rents, request to the public institute IHRU, I.P. (<i>Instituto da Habitação e Reabilitação Urbana, I.P.</i>) the granting of an interest-free loan to pay the difference between the amount of the rent due on a monthly basis and the amount resulting from the application of a 35% effort rate to household income. The remaining available income of the household may not be lower than the social support index (<i>IAS</i>).</li></ul>
<b>Financial support to the landlords</b>	<ul style="list-style-type: none"><li>■ Provided that:<ul style="list-style-type: none"><li>○ The landlord's household income has decreased over 20% in comparison with the previous month or with the same period of the previous year; and,</li><li>○ The percentage of income decrease is due to the non-payment of rents by tenants under this exceptional regime,</li></ul></li></ul>



## II. LEASE FOR RESIDENTIAL PURPOSES

	<p>residential landlords whose tenants did not request a loan to IHRU, I.P. to pay rents, are entitled to request to IHRU, I.P. the granting of an interest-free loan to compensate the monthly rents, due and unpaid, whenever the remaining available income of the household decreases, for this reason, below the social support index.</p>
<b>Termination of Lease Agreements</b>	<ul style="list-style-type: none"><li>Landlords are only entitled to terminate lease agreements for residential purposes, on the grounds of non-payment of rents due during the emergency state period and in the following month, provided that tenants do not pay such rents within 12 months as of the end of that period. Unpaid rents must be paid along with each month's rent in monthly instalments of at least 1/12 of the total amount outstanding.</li></ul>
<b>Information duties</b>	<ul style="list-style-type: none"><li>Tenants are required to notify the landlord, in writing, up to 5 days prior to the due date of the first rent regarding which they seek to benefit from this exceptional regime, attaching to such notice evidence of meeting the respective requirements (pursuant to an administrative order yet to be approved);</li><li>As for rents that became due on April 1, 2020, tenants may notify the landlords in writing up to April 27.</li></ul>

### III. LEASE FOR NON-RESIDENTIAL PURPOSES

<b>Applies to</b>	<ul style="list-style-type: none"><li>■ The following can benefit from this regime:<ul style="list-style-type: none"><li>○ Establishments open to the public for retail and service activities that are closed or suspended as per Decree 2-A/2020, of 20 March, or by legislative or administrative order, under the terms of Decree-Law 10-A/2020, of March 13, as amended, or under the Civil Protection Base Law, the Health Base Law, or other provisions aimed at the execution of the emergency state, including cases where the provision of electronic commerce activities and/or the provision of distance services and/or through an electronic platform is maintained;</li><li>○ Restaurants and similar, including those that are maintaining their activity for the preparation of meals for consumption outside the establishment or for home delivery under the terms of Decree 2-A/2020, of March 20, or under any other provision that allows it.</li></ul></li></ul>
<b>Deferral of Rents</b>	<ul style="list-style-type: none"><li>■ Tenants may defer the payment of rents that become due during the emergency state measures and in the following month, to the 12 following months. Unpaid rents must be paid along with each month's rent in monthly instalments of at least 1/12 of the total amount outstanding.</li></ul>
<b>Termination of Lease Agreements and other Penalties</b>	<ul style="list-style-type: none"><li>■ Failure to pay rents that become due during the emergency state measures and in the following month does not constitute grounds for any type of termination of lease agreements, nor for the obligation to vacate leased properties.</li><li>■ Tenants benefiting from this regime are not required to pay any other penalties based on late rent payment within this period.</li></ul>
<b>Other type of agreements</b>	<ul style="list-style-type: none"><li>■ This regime applies, with the necessary adjustments, to any other types of agreements involving the occupancy of real estate properties for commercial purposes.</li></ul>

#### IV. PUBLIC ENTITIES

- Without prejudice to the aforementioned regimes applicable to residential and non-residential leases, during the emergency state measures public entities with real estate properties leased or assigned under other type of agreements may opt to:
  - Reduce the rents owed by tenants that had an income decrease higher than 20% in comparison with the previous month or with the same period of the previous year, when the rate of effort exceeds 35%;
  - Exempt their tenants from rent payment as long they demonstrate that they do not have income since March 1, 2020;
  - Grant rent deferrals to their tenants.

#### V. FINAL PROVISIONS

<b>Indemnity</b>	■ In general terms the landlord is entitled to receive an indemnity equal to 20% of the amounts outstanding in case of late rent payment as set forth in article 1041 of Civil Code. Within the state of emergency measures, the landlord is not entitled to receive such indemnity provided that the tenants meet the requirements set forth in this Law.
<b>Acceleration</b>	■ In the event of lease agreement termination due to tenant's initiative, all unpaid rents shall become immediately due as of the date of termination.



## VI. APPLICATION

- This Law is applicable to rents that become due during the emergency state and in the following month, as of April 1, 2020;
- This Law is applicable throughout the entire national territory.

Lisbon, April 10 2020

CS Associados Team