

Law 12/2023

LAW 12/2023 OF 24 May ON THE RIGHT TO HOUSING

On May 25, 2023, Law 12/2023, of May 24 on the right to housing, which seeks to establish a homogeneous regulation of the most essential aspects of housing policies, was published in the official gazette.

Among the main tax innovations introduced by this Law, a distinction is made between leases entered into before and after January 1, 2024 in the reduction for residential leasing.

Regarding the reduction for the rental of housing for lease contracts entered into as from January 1, 2024:

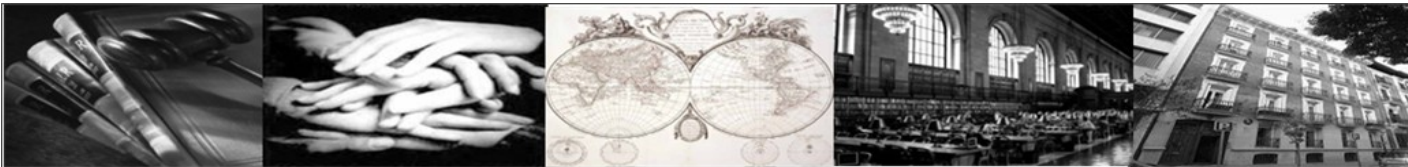
The current 60% reduction is modulated by establishing that the positive net yield will be reduced:

- a) 90% when with the same tenant has entered into a new lease contract on a property located in a stressed residential market area, with at least a 5% reduction in the on the previous contract. .
- b) 70% when, not meeting the requirements of the previous letter, it is the incorporation into the rental housing market in areas with a stressed residential market and is rented to young people between 18 and 35 years of age in these areas, or it is affordable housing that is incentivized or protected, leased to the public administration or third sector or social economy entities that have the status of non-profit entities, or included in a public housing program that limits the rental income.
- c) 60% when, not fulfilling the requirements of the previous letters, the house has been object to a rehabilitation project that has been completed within the two years prior to the date of the contract.
- d) 50% in all other cases.

The above requirements must be met at the time of entering into the lease contract and the reduction will apply for as long as these requirements continue to be met.

The stressed residential market areas will be those set out in the resolution approved by the Ministry of Transport, Mobility and Urban Agenda, in accordance with the provisions of state housing legislation.

With respect to the reduction for rental housing for leases entered prior to January 1, 2024, the 60% reduction for rental residential leasing is maintained.



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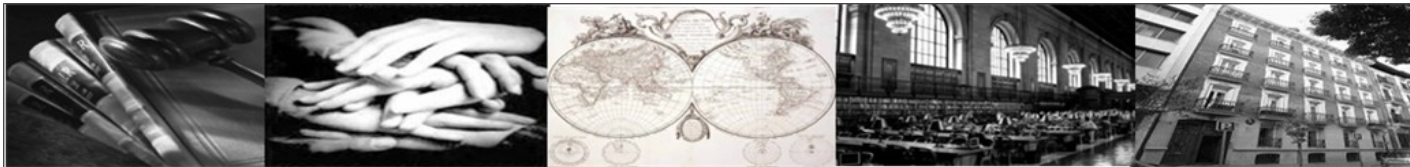
Regarding rental price increases, there has been a decoupling of the annual update of rental prices which will no longer be linked to the CPI. Currently, the rent update limits for 2023 and 2024 will be as follows:

- In 2023, the rent price increase will be limited to 2%.
- In 2024, limit will be 3%.

The law also indicates that, in housing contracts where lessors who are not considered large lessors, i.e., who do not have more than five properties or up to ten properties in areas not declared stressed, the parties may reach a rent update agreement they deem appropriate, although if there is no agreement between the parties, the maximum will be the one indicated according to the year of the update.

There are also changes regarding the brokerage of a real estate agency in the rental, given that, in paragraph 1 of article 20, states that the real estate management expenses and those of formalization of the contract will be borne by the lessor.

The regulation seeks to force owners to rent out their properties and to this end empowers the municipalities to modulate surcharges on the Municipal Tax (IBI) of empty properties. In this way, the most affected will be those owners of a property that remains unoccupied for more than three years, for whom an increase in the tax of up to 100% is foreseen.



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