



Covid-19: payment of rents may be postponed

While state of emergency remains in force, tenants may postpone payment of rents. For housing leases, interest-free loans are being put in place by the State to support landlords and tenants suffering significant income reduction.

Following the extension of the state of emergency in Portugal until 17 April 2020, the Portuguese Parliament enacted new legislation with a view to mitigate the impact of coronavirus pandemic in lease agreements.

Law no. 4-C/2020 of 6 April 2020 is applicable to housing and commercial leases, as well as to other forms of exploring real estate assets, and to the rents falling due between 1 April 2020 and the first month after the expiry of the state of emergency.

In housing lease agreements, tenants whose households have suffered a significant income reduction (to be determined pursuant to the new legislation) may delay payment of the above-mentioned rents. Provided that the amount of the delayed rents is paid during the subsequent 12-month period - in monthly instalments of not less than 1/12 of the total amount and together with the relevant rents - landlords will be prevented from terminating lease agreements. Tenants in these circumstances may, alternatively, file an application with the Portuguese Institute for Housing and Urban Rehabilitation (*Instituto da Habitação e da Reabilitação Urbana - IRHU*) to obtain an interest-free loan to cover payment of rent.

In case tenants wish to make use of these rules, they must inform the landlord in writing at least 5 days before the relevant rent falls due or until 27 April 2020 for the rent falling due in April.

Landlords suffering a significant income reduction arising of the suspension of payment of rents by tenants now permitted, may also apply for an interest-free loan with IRHU to cover income they stop receiving.

As to commercial lease agreements, tenants with businesses under lockdown or activity restrictions due to mitigation and containment measures (such as, for example, restaurants, which are only allowed to sell for take-away or home delivery), may defer payment of the above-mentioned rents to the subsequent 12-month period, where the deferred amount should be paid in monthly instalments of not less than 1/12 of the total amount together with the relevant rents. No penalties for delay may be claimed to tenants.

Other measures already in place with a view to mitigate impact of the coronavirus pandemic in lease agreements include suspension of early termination of lease agreements by landlords, suspension of expiry of lease agreements at the end of the relevant term (unless accepted by tenants) and prohibition of terminating commercial lease agreements with grounds on business lockdown or activity restrictions.

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