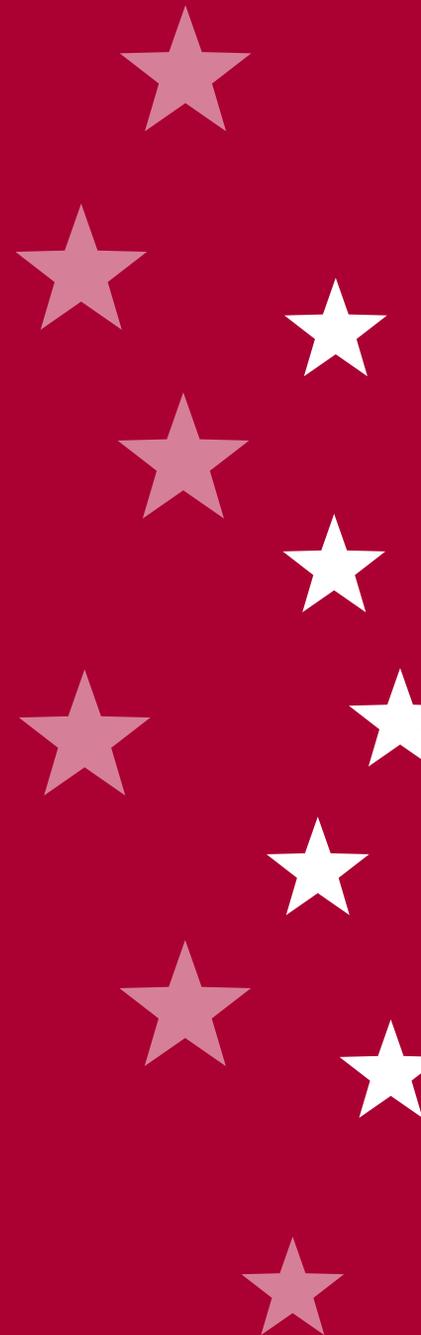


Home Lease

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What is home lease?

- The words "Arrendamiento" and "Alquiler" mean the same (lease or rent).
- The home lease contract is the agreement by which a homeowner (landlord) transfers the use of the said home to another person (tenant) so that the latter can use it for a specific period as his usual, permanent home in exchange for an amount of money called rent. This type of contract can apply to furniture, parking spaces, lumber rooms and any other room, area or service in the rented home.
- The following are not considered home leases:
 1. The lease of premises, apartments, houses or other buildings for commercial or business activities.
 2. The lease of property whose main use is for agriculture, cattle farming or forestry activities, even though it includes a home.
 3. Seasonal lease (homes rented for holidays, to students for academic years, etc.).
 4. The use of university homes by students and university staff.
 5. The contracting of so-called tourist accommodation: apartments, villas, chalets, bungalows and similar whose use is assigned at a price once or more times in a year for occasional use by people who do not usually live in the town or who occupy the said homes for holiday or leisure purposes, when the lease is carried out as an economic activity by an enterprise in accordance with the provisions laid down in the Decree of Generalitat Valenciana 30/1993, dated 8 March.
- The contract of lease or rent of a home is subject to the Urban Lease Act 29/1994, by virtue of the will of the parties as laid down in the corresponding contract of lease and, complementarily, by the Civil Code.
- Act 29/1994 shall not apply when the home under lease has a surface area of more than 300 m² or the rent to be paid is more than 5.5 times higher than the minimum interprofessional salary. In these cases, the provisions agreed by and between the parties in the contract of lease shall apply and those laid down in Act 29/1994 and the Civil Code shall apply exclusively as complementary provisions.

■ Benefits of the lease:

- Benefits for the homeowner

1. The owner obtains profits from the home without having to sell it.
2. All homes have maintenance expenses (taxes, community, electricity, water, etc.). Renting the home represents an income for meeting the said expenses.
3. The money obtained from renting a home has tax benefits.
4. The renting of homes, among other things, also fulfils a social purpose, since it provides a home for individuals who cannot or prefer not to buy a home (young people, the elderly, etc.).

- Benefits for the tenant

1. Renting a home is faster and less complicated than buying one. It involves less procedures and is cheaper.
2. It is simpler to change home than if the home is owned, with greater capacity for adapting to changes in personal life (moves, increases in family numbers, etc.).
3. Home maintenance is cheaper, since the main repairs correspond to the owner.
4. A rent contract is sufficient for registering on the municipal census.

■ Signing a contract of lease:

- The contract of lease can be verbal, but it is more recommendable for both the landlord and the tenant to sign a written contract.

- Either party has the right to ask the other to sign a written contract.

- In Spain, the written contract can be purchased from a tobacconist's or can be drawn up by the parties. The latter option allows the incorporation of the clauses the parties consider appropriate, since the contract purchased in the tobacconist's is very basic.



■ Content of a contract of lease:

A contract of lease formalised in writing must be signed by the parties on all its pages and must contain at least the following:

- Identification of the people signing the contract:

- Name and surname(s) of the landlord and tenant.



- Identification number: national identity document (DNI), aliens ID number (NIE) or passport number. It is recommendable to include a photocopy of the identity document of each party in the contract.



- It is advisable to mention in the contract whether or not the home is to be occupied by anyone other than the tenant and his family.



- Addresses of the parties for the intents and purposes of notices. In principle, the address of the tenant could be the address of the home being rented.

- Identification of the home that is to be rented:



- They should indicate the town and address of the home and it would be advisable to mention the reference of the said home in the Property Register and the Cadastral Register.

- If the home has auxiliary elements that are also being rented (lumber rooms, parking spaces, etc.), they should also be identified.



- Term of Contract:



- The contract must indicate the date on which the lease begins. This date will normally be the same as the date of the contract, although it may also be the date on which the home is made available to the tenant (delivery of keys).



- The term of this type of contract depends on the agreements reached by and between the parties. If no specific mention of the term is given in the contract, it shall be understood as annual.

- Should the term of contract be less than five years, once the term of contract has ended, it shall be extended, if the tenant so wishes, for annual periods until the term of 5 years is completed.
- After the said five years and should neither of the parties notify the other of his wish to not renew the contract, it shall continue to be extended, if the tenant so wishes, for annual periods during a further three years.

-Rent

- The rent is the amount the tenant has to pay the landlord for the use of the home and it is determined by mutual agreement between the parties when the contract of lease is formalised.
- Normally, a monthly amount is determined and paid within the first seven days of each month.
- The payment will be made in accordance with the agreements reached by and between the parties. The most convenient way of paying the rent is by bank transfer or payment into an account. In addition, this provides the tenant with a receipt of payment and clearly indicates the date of the said payment.
- The first month must be paid when the contract is signed.
- Whatever the case, the landlord must always give the tenant a receipt for the monthly payments, indicating the different concepts paid separately.
- The rent will be updated on an annual basis in accordance with the consumer price index (CPI).
- Together with the rent, the tenant shall pay other amounts, such as the utility bills (electricity, water, telephone, etc.) and, should the parties so agree, the community expenses, the corresponding taxes and whatsoever other amount agreed.

- Deposit

- The deposit is an amount of money equivalent to one month's rent which the tenant pays the landlord as a guarantee when the contract is signed.
- The deposit must be returned to the tenant on the expiry of the contract, although the amount corresponding thereto may be reduced if the home or furniture has suffered any serious damage caused by the tenant.



- The landlord is obliged to deposit the amount paid by the tenant as a deposit with the Generalitat Valenciana. He must do so within the term of 15 business days after the date on which the contract is signed.

- The parties may agree whatsoever other type of guarantee, e.g. a guarantor, who is a person who undertakes to pay should the tenant fail to do so. They may also agree a bank guarantee.

- The contract of lease can include other terms and conditions or agreements reached by and between the parties.



- Whatsoever term or condition modifying the provisions laid down in Title II of Act 29/1994 in detriment to the tenant are considered null and void.



- Agreement on the possibility of the tenant having pets in the home under lease.



- Possibility of whether or not the tenant can sublet part of the home. Should the landlord not allow this, it shall be prohibited.

- Possibility of whether or not the tenant, as well as living in the home under lease, can carry out whatsoever economic activity.



- Possibility of whether or not the tenant can carry out building work in the home. The work may be carried out only if the landlord gives his consent in writing.

- How and where notices by and between the parties must be made.



- The contract of lease can be registered in the Property Register. Although this infers expenses (notary and property register), it demonstrates to third parties that the home is under lease.

■ Main rights and obligations of the tenant:

- Rights

- The landlord cannot enter the home without his consent.
- The home must be delivered in habitable conditions.
- The landlord must carry out all the building work and repairs necessary to maintain the home in habitable conditions, where the expense thereof shall be on the landlord's account, as long as the damage has not been caused by the tenant.
- Should the tenant or any member of his family be disabled, he may carry out work to adapt the home but, on the expiry of the contract, he must return the home to its initial state.
- To legally established extensions.
- To being provided with a copy of the document that demonstrates that the deposit has been deposited with the Generalitat Valenciana.
- To the preferential purchase of the home should the landlord decide to sell it during the lease.
- To recuperate the deposit on the expiry of the contract of lease.
- Should the tenant die or leave the home, his spouse or common-law partner, in the latter case having lived with the tenant for at least two years, as well as other people living with him in the home under lease (children, parents, brothers/sisters, etc.), may continue living in the home and shall become the tenants.
- The tenant has the right to register the home under lease as his address on the census.

- Obligations

- To pay the rent each month, as well as the other amounts agreed in the agreed place and term.
- To pay the deposit when the contract of lease is signed.
- To put up with the maintenance work in the home.

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- To put up with the improvement work in the home that cannot wait until the end of the contract.
 - To inform the landlord as soon as possible of the need for repairs or whatsoever other circumstance that may affect the home.
 - To carry out, on his own account, the small repairs arising from the ordinary use of the home.
 - Not to carry out building work without the landlord's written consent.
 - Not to carry out whatsoever action or activity that may affect the home.
 - To return the home in the same conditions as it was given to him.
 - To indemnify the landlord if he leaves the home before the completion of the term agreed in the contract.



■ Termination of the contract of lease

- The contract of lease expires:
 - At the end of the term agreed for the contract when the legally recognized extensions are not implemented.
 - By agreement by and between the parties.
 - By the loss of the property for reasons that may not be attributed to the tenant (fire, earthquake, etc.) or due to a state of ruin declared by the authorities.
- Breach of contract by either of the parties can also give rise to the termination of the contract:
 - Breach by the tenant
 - Non-payment of the rent or any of the other amounts agreed.
 - Non-payment of the deposit.
 - Subletting without the landlord's consent.
 - Voluntarily causing damage to the home.

- Carrying out building work without the landlord's written consent.
- Carrying out activities that are considered upsetting, unhealthy, noxious, dangerous or illegal.
- When the home is no longer the tenant's usual residence.
- Breach of any of the term or condition laid down in the contract.

- Breach by the landlord

- When the landlord fails to carry out the building work and repairs to which he is obliged by law.
- Whatsoever interference in the use and enjoyment of the home by the tenant.

- Should the home under lease be sold, the lease does not terminate unless the home under lease is sold together with the other homes or premises owned by the landlord in the same building or when all the apartments and premises in the building are sold jointly by different owners to the same buyer. In these cases, the contract of lease is terminated.

- In general, whatsoever notice by and between the landlord and the tenant shall be given in writing with a record of receipt and with the notice laid down in law for each case, which is normally one month.

- Whatsoever discrepancy arising with regard to the contract of lease or the termination thereof shall be solved by the civil courts of the place in which the home is located.

■ Taxes

- A contract of lease shall be subject to the tax on documented legal acts. If the contract is purchased in a notary's office, the tax will already have been paid; otherwise, it must be paid in the corresponding tax office.

- The rent received by the landlord shall be subject to income tax (IPRF) as income from real estate. A number of expenses may be deducted from this income.

- The main expenses that may be deducted are as follows:

- Expenses corresponding to services provided for the home (security, administrator, etc.).
- Expenses corresponding to the formalisation of the contract and associated legal protection.

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- Conservation and repair expenses, where this does not include improvement work.
 - Insurance contracts.
 - Non-state taxes applicable to the property: IBI, rubbish collection, drains, etc.

- This net amount (rent - deductible expenses) can also be reduced by 50%, but the resulting amount may not be negative under any circumstances.



- In Comunidad Valenciana, tenants can deduct a percentage of the rent paid from their income tax assessment, with a maximum deduction per taxpayer which varies in accordance with their personal situation.

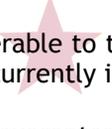


■ Recommendations



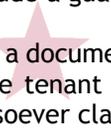
- Always draw up the contract of lease in writing.

- Include an inventory of the furniture and domestic appliances provided with the home. This inventory must be signed by the parties on all pages. It would be recommendable to attach photographs to the inventory.



- It is preferable to take out home insurance to cover the damages to both the home and the furniture. There are currently insurance policies that also cover the non-payment of rent by tenants.

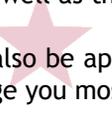
- Include a guarantor to sign the contract of lease together with the landlord and the tenant.



- Sign a document on the termination of the contract which clearly states that the home has been returned by the tenant in perfect condition, the deposit has been returned and the parties have no reason for whatsoever claim.



- It is advisable to turn to a professional for advice on the contract and the obligations and rights laid down therein, as well as the corresponding procedures.



- It would also be appropriate to ask for the contract to be drawn up in Spanish and, in two columns, in the language you most easily understand.

■ Reference legislation

- Civil Code. Articles 1546-1574 and 1580-1582.
- Act 29/1994, dated 24 November, governing urban leases.
- Act 1/2000, dated 7 January, governing Civil Proceedings.
- Art. 12.1 Legislative Royal Decree 1/1993, dated 24 September, which adopts the Rewritten Text of the Tax on Patrimonial Transfers and Documented Legal Acts Act.
- Royal Decree 515/1989, dated 21 April, governing the protection of consumers regarding the information to be supplied in the sale and lease of homes.
- Royal Decree 297/1996, dated 23 February, on the registration of urban contracts of lease in the property register.
- Decree 30/1993, dated 8 March, of the Government of Valencia, which adopts the Regulation governing Tourist Apartments, Villas, Chalets, Bungalows and similar.
- ORDER of the Ministry of Economy and Taxes, dated 4 October 1999, which adopts the model contract of lease of urban property, laid down in article 12.1 of the rewritten text of the Tax on Patrimonial Transfers and Documented Legal Acts.

■ Offices and registers

- Consellería de Territorio y Vivienda [Department of Land and Housing]. Territorial Office of Alicante. Avda. Aguilera nº 1, CP 03007. Telephone 012. Fax 965 936 777. Open to the public from Monday to Friday from 09:00 to 14:00 and Tuesday and Thursday from 17:00 to 19:00.

- Consellería de Economía, Hacienda y Empleo [Department of the Economy, Taxes and Employment]. Territorial Office of Alicante. C/ Churruca nº 25, CP 03003. Telephone 012. Fax 965 126 414. Open to the public from Monday to Friday from 09:00 to 14:00 and Tuesday and Thursday from 17:00 to 19:00.

- Agencia Valenciana del Alquiler en Alicante [Rent Agency of Valencia in Alicante]. C/ Teniente Robles nº 3, bajo CP 03001. Telephone 902 230 323. Open to the public from Monday to Friday from 09:00 to 14:00.

■ Useful websites

- Agencia Valenciana del Alquiler [Rent Agency of Valencia]
www.ivvsa.gva.es/nuevo/castellano/agencia_alquiler/inicio.php

- Sociedad Pública del Alquiler [Public Rent Association]
www.spaviv.es

- Consellería de Medio Ambiente, Agua, Urbanismo y Vivienda. [Department of the Environment, Water, Town Planning and Housing]
www.cth.gva.es

- Consellería de Economía, Hacienda y Empleo [Department of the Economy, Taxes and Employment.]
www.gva.es/c_economia/web/html/home_c.htm