

Commercial and Residential Rent Suspension Bill in Costa Rica

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The current times are unprecedented. The Coronavirus has impacted all areas of society, forcing new measures of social behavior such as isolation and distancing. Governments around the planet try to establish different measures to contain the disease, having to improvise in many cases. In all cases, the effect has been the same: the economy is suffering massive damage, causing a domino effect. In Costa Rica, some aid programs have been implemented to mitigate the damage, as well as laws that restrict traffic in private vehicles and allow employers to reduce employees' wages and hours.

Lawmakers now have a new goal: The landlord-tenant relationships. This hope to achieve this by modifying the current Rental Law or Ley de Arrendamientos Urbanos y Suburbanos. An initial draft was presented in Congress several weeks ago, containing somewhat of extreme regulations for the benefit of tenants only. Since then, different modifications were introduced and on April 17th, bill number 21927 was published in the official newspaper La Gaceta. Although it is possible that in the final approved version there are some further changes, we want to inform you what the bill establishes.

In the case of **Home Rentals (Residential)**, the changes are as follows:

1. If the tenant's income was affected 100% due to loss of employment or suspension of the employment contract, the landlord and the tenant must negotiate a total or partial moratorium (more than 50%) for a term of 3 months. This means that a rental price less than 50% of the current amount must be established, including non-payment of the rental price at all.
2. If the tenant's income was affected by 50% or more, the landlord and the tenant must negotiate a total or partial moratorium of at least 50% for a term of 3 months.
3. If the tenant's income was affected between 20% and 50%, the landlord and the tenant must negotiate a proportional reduction for a term of 3 months.

The ways that the tenant must demonstrate the reduction of income are as follows:

1. Proof issued by the employer of the dismissal, suspension or reduction of working hours

2. Copy of the latest VAT tax declarations in case of independent workers
3. Affidavit signed by two witnesses who are not relatives of the beneficiary, in the case of informal workers or who operate under the so-called simplified tax regime.

In the case of **Commercial Rentals**, the changes are as follows:

1. If the tenant's business was affected by a sanitary shutdown due to COVID-19, causing a 100% reduction in income, landlord and tenant must negotiate a total suspension of payment for 3 months. This would be the case of Bars, Gyms and Cinemas for example.
2. If the tenant's business was affected by a 50% or more reduction in income, landlord and tenant must negotiate a 50% reduction in the rental price for 3 months.
3. If the tenant's business was affected by a reduction of between 20% and 50% of income, landlord and tenant must negotiate a proportional reduction in the rental price for 3 months.

The ways that the tenant running a business must demonstrate the reduction of income are as follows:

1. Copy of the sanitary order of total closure issued by the respective government authority.
2. Copy of the last 3 VAT tax returns showing income reduction
3. Sworn statement signed by two witnesses who are not relatives of the beneficiary, in the case of tenants operating under the simplified tax regime.
4. Sworn statement signed by the tenant in those cases not covered and mentioned above.

The way in which the tenants -both residential and commercial- must reimburse the rent not paid later are the following: (Thats right they expect you to pay everything you missed back)

1. Tenants who suffered a 100% reduction in income must pay the three installments before January 31st, 2021. If by that date it shows that the affectation persists, they can pay 50% of the debt and the other 50% before June 30th, 2021.
2. Tenants who suffered a 50% or more reduction in income must pay the 3 installments within three months after receiving the benefit of the rental price reduction. If by that date it shows that the affectation persists, they can pay 50% of the debt and the other 50% in three additional months. (Because everyones business should be back to 100% after only 90 days... what are they thinking)

3. Tenants who suffered a 20% to 50% reduction in income must pay the outstanding difference within three months of receiving the rental price reduction benefit. If by that date it shows that the affectation persists, you can pay said difference in three additional months.

Other important provisions are as follows:

1. The suspension in the payment of the rental price does not imply suspension of the payment of utilities, HOA fees or other payment obligations established for the tenant.
2. Suspends all rent price increases throughout 2020
3. Suspends administrative and judicial evictions for a period of three months

As indicated, this is a bill, which could be approved as it is or have some type of minor modifications, but everything indicates that it will be approved soon. Landlords and tenants must be prepared to apply these changes

About the Author: Allan Garro was incorporated as a lawyer and public notary in 1996. He specializes in Litigation, Corporate, and Real Estate Law. He has also acted as an external legal consultant to Congress. He has been the author of more than 100 published English Language articles and can be reached at [\[email protected\]](#)