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Malta's Rent Reform Explained

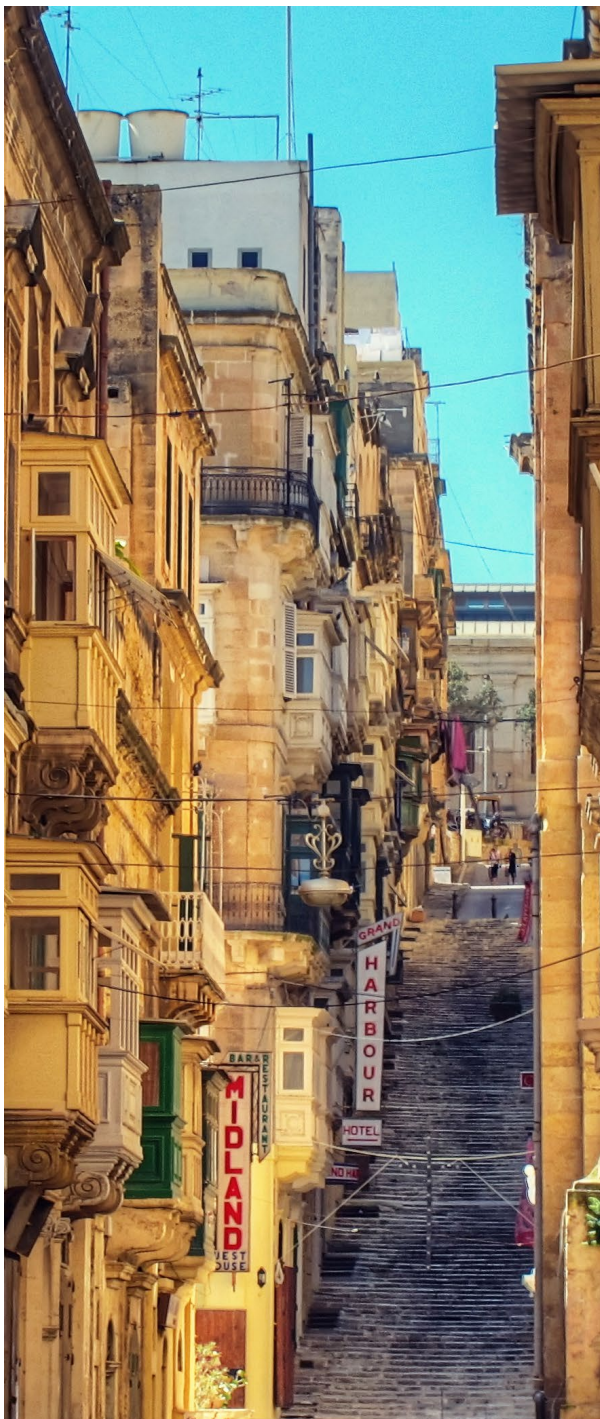
2020



The Private Residential Leases Act (PRLA)

As from 1st January 2020 the Private Residential Leases Act (PRLA) has come into force. The long-awaited act seeks to bring stability in the rental market by curbing abuse and providing rights to both tenants and landlords.

The legislation introduces a number of responsibilities and rights, which are overseen by the Housing Authority. These include the mandatory registration of contracts by landlords, the introduction of minimum rental timeframes, notice periods, and yearly rental increases capped at 5%.



PRIVATE RESIDENTIAL LEASES ACT (PRLA)

CAP. 604 of the Laws of Malta

An Act to promote the development of the private rented sector by ensuring standards of fairness, clarity and predictability in contractual relations between lessors and lessees and to safeguard and protect the right to adequate accommodation, and to make provision with respect to matters ancillary thereto or connected therewith.

Definitions

1. **Lessee / Tenant:** the lessee of the premises, or the spouse, civil union partner, cohabitant or a family member up to the second degree, whether direct or collateral;
2. **Private residential lease:** any long or short private residential lease, including the letting of shared residential space, which is entered into after 1st January 2020, and any lease for a residential purpose entered into before the 1st January 2020, which would still be in its original or renewed period on the 1st January 2021;
3. **Long private residential lease:** any lease, negotiated for a primary residential purpose [in accordance with Art. 8], for a period of 1 year or more, and which is not a short private residential lease;

4. **Short private residential lease:** any lease, negotiated for a duration of 6 months, which is meant to satisfy the need of the following categories of tenants:
- Non-resident workers who are employed either for a period less than 6 months or only to complete a specific task within a maximum period of 6 months;
 - Non-resident students who are enrolled in courses for less than 6 months;
 - Residents who need to rent an alternative primary resident for a period of less than 6 months;
 - Non-residents who need to rent a tenement for period of less than 6 months, provided that they would not be seeking to establish their long residence in Malta.

The short lease contract shall identify the specific category within which the lessee falls into and attest it through attached documentation.

In absence, the contract shall be deemed as a long private residential lease.

- NOT EXCEEDING 6 MONTHS
- MAY NOT BE EXTENDED

5. **Letting of shared residential space:** letting of any separate space in an apartment or building shared amenities, such as kitchen and bathroom facilities;
6. **Residence:** a tenement let for a primary residential purpose. This does NOT include: guesthouses and dormitories;
7. **Tourist:** any person who is travelling to and staying in places outside his usual environment for no more than 1 consecutive year for leisure, business or other personal purposes other than by taking up employment or to establish his business in the place visited;
8. **Authority:** the Housing Authority.



When it does and when it does not apply



The PRLA applies to:

- private residential leases entered into after 01/01/2020; or
- private residential leases renewed after 01/01/2020.

Leases granted after 01/06/1995 and which are still in force, shall be regulated exclusively by the provisions of the Civil Code [subject to Article 5 of the PRLA].

The PRLA does NOT apply to:

- properties belonging to the Government of Malta;
- properties let to any tourist, exclusively for tourism purposes;
- properties which are not let for a primary residential purpose;
- properties let before the 01/06/1995;
- properties [urban] which contracts of emphyteusis or sub-emphyteusis have been or are about to be converted into leases by virtue of law.

Obligation to register contracts



All private residential lease contracts entered into after 01/01/2020, including their renewal, whether express or tacit must be registered;



If not registered, the contracts shall be null and void;



The Landlord is to register the contract within 10 days of the commencement of the lease with the Authority;



If the Landlord fails to register the contract, the Tenant may proceed to register the lease contract, at the expense of the Landlord;



As part of the registration process, the Authority may demand the Landlord to specify the number of occupants that shall reside in the tenement.

Registration requisites

The following information must be presented in writing to the Authority:

1. The property to be leased;
2. The agreed use of the property;
3. The agreed period for the lease;
4. Whether such lease may be extended and in what manner;
5. The amount of rent that shall be paid and the manner in which such payment shall be made;
6. Any amount deposited by the Tenant by way of security for the performance of his obligations;
7. An inventory of all the items inside the property.



In absence of any of the above, the contract shall not be registrable and therefore considered NULL and VOID.

Contract termination

Long Private Residential Lease: ceases to have effect upon the expiration of its term, provided that the Landlord gives notice to the Tenant at least 3 months before by registered letter.



In absence of serving the notice within the specified time, the private lease shall be deemed to have been RENEWED for a further period of one year.

Short Private Residential Lease: ceases to have effect upon the expiration of its term.



Withdrawal from contract

Long Private Residential Lease: the Tenant may not withdraw before the lapse of

- **6 months** if the lease is less than 2 years;
- **9 months** if the lease is 2 years or more but less than 3 years;
- **12 months** if the lease is for 3 years or more.



If the Lessee withdraws before the lapse of the above periods, Lessor may retain an amount not exceeding 1 month's rent from the deposit left as security.

The parties may agree to stipulate more advantageous conditions for the Tenant in connection with the withdrawal of the lease.

Short Private Residential Lease: the Tenant may not withdraw before the lapse of 1 month. The parties may agree to stipulate more advantageous conditions for the Tenant in connection with the withdrawal of the lease.

Rent

- the rent shall be freely stipulated between the parties;
- unless otherwise agreed between the parties, a rent increase can only take place once a year.



The rent increase can NEVER exceed the previous rent by more than 5%

Letting of shared residential space (6 months)

Withdrawal may be done at any time by giving 1 week prior notice to the Lessor via registered letter.



The Authority shall have the power to introduce and enforce safety and security standards for properties which are let to more than 1 household, including limiting the number of persons that could occupy the property at once.

Water and electricity services

The Landlord is bound to ensure adequate supply of water and electricity whenever a tenement, or any of its parts, is leased for residential purpose.

Over-holding of rented premises by lessee

A Tenant who remains in occupation of the rented property beyond the lapse of the contract agreement, shall be bound to pay the Landlord an amount equivalent to the rent until the date of the effective eviction of the property.

Monitoring and enforcement

If a person is found granting a tenement, or any separate space therein, for a residential purpose, which is not in accordance with the provisions of the PRLA, a fine between €2,500 and €10,000 can be applied.

Adjudicating panel

A specific adjudicating panel has been established to decide disputes relating to:

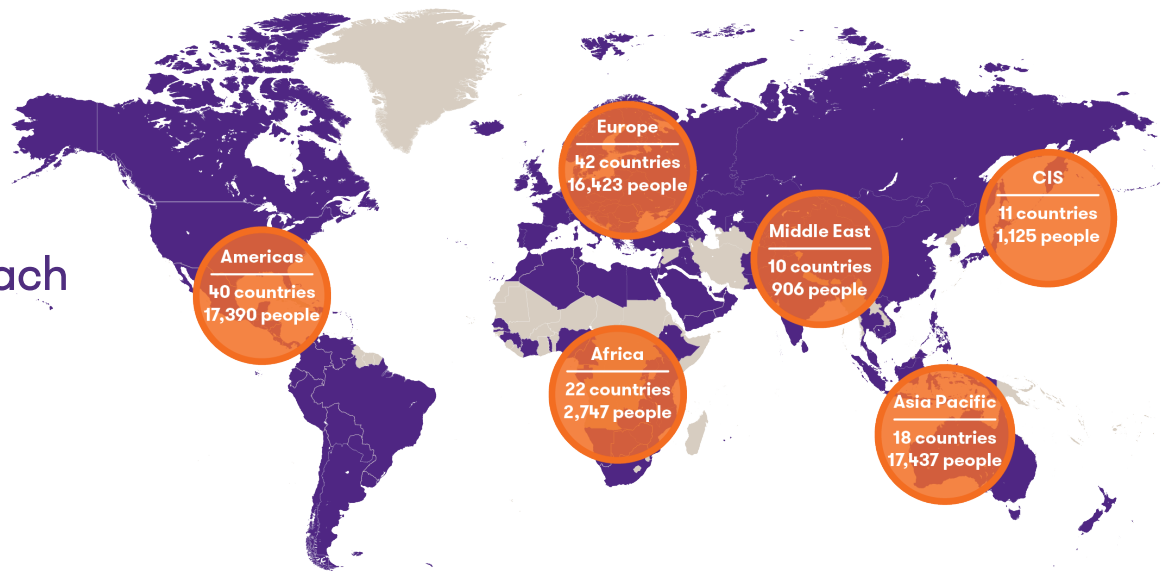
1. private residential leases which don't exceed the value of €5,000;
2. claims pertaining to registered contracts.

The adjudicating will deliver judgement within the shortest time possible, but not later than five working days from the date of the last submission by the parties.



Any party aggrieved by a decision by the adjudicating panel may appeal on a point of law to the Court of Appeal composed of one Judge.

A global reach



We discover what is important to you and make it important to us

Our culture is built on a genuine interest in our clients – their challenges, growth ambitions and wider commercial context. You get the attention you deserve from approachable, senior professionals who ask the right questions, listen and provide real insight and a clear point of view.

The bottom line

- A relationship-led approach with more time and attention from partners and senior advisers
- A deeper understanding of your business for more meaningful advice and recommendations.

Agile and responsive service

Our size and structure creates advantages for you. We adopt a flatter structure, with shorter decision making chains, empowered teams and no complex chain of command. We have all the necessary processes and controls in a streamlined, efficient and responsive environment.

The bottom line

- A faster response when you need quick answers and clarity
- Anticipating the answers you will need before you ask.

Pragmatic solutions to help you improve and grow

Our teams bring ideas to the table, going beyond the technical issues to recommend ways to make your business better. We balance a desire to do what's best for you in the future with an experienced sense of what is going to help you now.

The bottom line

- Helping you think ahead and think more broadly
- Proactively identifying opportunities for improvement and growth

Collaborative teams with a different mindset

Our people are open, accessible and easy to work with. We work through the issues alongside you and challenge your ideas where necessary, whilst keeping an independent perspective. Our collaborative style also enables us to assemble teams across service lines, industries and geographies to tailor our capabilities to your requirements.

The bottom line

- Teams and solutions built around your needs not our structures
- A better working relationship with you and your team



Our distinctive client experience sets us apart



USD5.72bn
(2019 revenue)



56,028
people



756
offices



143
countries

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