

Luxembourg approves amendments to proposed reform of residential leases

Insights - 19/04/2024

The Luxembourg reform of residential lease agreements took a turn this week, as the Luxembourg government approved major amendments to Bill 7642 on Monday 15 April 2024.

The previous government initiated the legislative process in 2020 to reform the residential lease law, proposing to cap rents to 3.5% of the capital invested in the property by the owner. However, the project hit several hurdles, mostly due to strong opposition.

To overcome these controversies and limit further delays to the introduction of Bill 7642 (the **Bill**), six major amendments have been adopted.

1. Clarification regarding the rent ceiling

The government decided to entirely amend the provisions regarding the controversial rent ceiling reform and declared a new proposal may be issued following a wider consensus.

However, the following provisions are maintained in the Bill:

- the total sum of the rents paid by tenants under a lease agreement, co-tenancy contract or multiple lease agreements may not be greater than the limit of the maximum annual rent, defined by the rule of 5% of the capital invested in the property
- a rent supplement for furniture can be requested by the landlord in case of furnished accommodation
- the annual thirds rule is replaced by a biennial rent increase limit of 10% (for each rent adjustment, the rent cannot be increased by more than 10%)

2. Co-tenancy contract

The Bill provides for specific legal provisions for shared accommodation and the establishment of a written co-tenancy pact to formalise the co-living situation, which are lacking in the current legislation.

3. Agency fees

The adopted amendments clarify that real estate agency fees are to be split equally between landlords and tenants. Tenants will no longer have to bear the full agency costs.

4. Written lease

Any future residential lease agreements will have to be made in writing and contain mandatory written requirements. For example, the express mention of compliance with the legal ceiling of the annual rent.

5. Rental guarantee

The maximum legal amount of the rental guarantee is reduced from three to two months' rent. The Bill also introduces a legal framework for the restitution of the rental guarantee.

6. Abolition of the notion of "luxury housing"

Considering the postponement of the rent ceiling reform, the concept of luxury housing, which originally made it possible to avoid the application of the rent cap, has been deleted.

Next steps

The amendments have been formally incorporated into the legislative procedure, in order for the Council of State (Conseil d'Etat) to provide its opinion ahead of the final vote before the Parliament (Chambre des députés).

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