

## Business Tenancies - Rights of Renewal

One of the largest changes to Landlord and Tenant law was enacted recently. Section 47 of the Civil Law (Miscellaneous Provisions) Act 2008 extended the category of tenant who can contract out of their rights of renewal. Previously this opt out provision under Section 4 of the Landlord and Tenant Act 1994 was only available to tenants leasing office units. Essentially the position now is that all commercial tenants can opt out of their statutory entitlement to renew a lease.

It is a condition of the opt out agreement that tenants opting out should at least receive the opportunity to obtain independent legal advice prior to signing the Deed.

Interestingly, there is no provision for the renunciation to be put in place prior to the commencement of the tenancy, however prudence would lean towards the renunciation being put in place at the same time as the lease in order to protect the landlord's position. However this does mean that such a renunciation may be applied to an existing tenancy if both parties are agreeable.

This change together with the new VAT rules, which provide that all new lettings are now exempt from VAT (unless the parties opt to tax), may help to provide for some movement in the commercial property market.

This may prove particularly useful to clients with existing tenancies or clients entering into new tenancies as they can now renounce any statutory entitlement to renew a lease.

As such landlords will not be limited to granting short term leases of four years and nine months.

Should you require any further advice on this matter please contact Susan or Eddie at the contact details below.

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