



# Real Estate (Regulation and Development) Act, 2016





# Introduction

The Real Estate (Regulation and Development) Act, 2016 of the Parliament Of India which seeks to **protect home-buyers** as well as help boost **investments in the real estate industry**. The Act establishes Real Estate Regulatory Authority (RERA) in each state for regulation of the real estate sector and also acts as an adjudicating body for speedy dispute redressal.



# History

- ❖ **Bill Introduced By:-** UPA 2 in 2013.
- ❖ **20 Amendments Approved:-**By Union Cabinet Of India in December 2015.
- ❖ **Final Report Given By Committee:-**July 2015.
- ❖ **Passed By Rajya Sabha:-**10th March,2016.
- ❖ **Passed By Lok Sabha:-**15th March,2016.
- ❖ **Effective Across The Country:-** 1st May,2016 (59 out of 92 Sections notified)  
1st May,2017 (Remaining Sections)



# Major Provisions

- ❖ The Real Estate (Regulation & Development) Act makes it **mandatory** for all **commercial and residential real estate projects** where the **land is over 500 square metres, or eight apartments, to register with the Real Estate Regulatory Authority (RERA).**
- ❖ For **Failure** to register, a **penalty** of up to **10 percent of the project cost** or **three years' imprisonment** may be imposed.
- ❖ **Ongoing projects** which have not received completion certificate on the date of commencement of the Act, will have to seek **registration within 3 months.**



# Registration Process for Real Estate Agents

- ❖ File an **application form along with fee** and documents to get registered with **RERA**
- ❖ Applicant will **receive a registration number** from the regulator which needs to be mentioned in every property sale
- ❖ Agent is required to **maintain the books of accounts**, records and documents related to the transactions on **quarterly basis**.
- ❖ **Share all the information** and documents about the project **with the buyer**.
- ❖ **Agent may be suspended for the misrepresentation or fraud during the registration process.**



# Rera's Impact On Construction Industry

- ❖ All new projects are required to be registered with the regulating authority. This will help provide **greater transparency** about the project for the customers. If a developer **fails to register** his property, he will have to pay **penalty up to 10% of the project cost**.
- ❖ As per the new Act, developers **cannot collect more than 10% of the value of the project in advance** unless a sale deed has been executed.
- ❖ Developers must adhere to sanctioned plan and specifications – For **customers**, this means that they **can avoid delays in construction schedule due to the subsequent change in plan/layout made by the developers**. Under the law, if there is **a delay in completion, the developer is liable to pay back the customer the same interest as the bank is charging from customer on loan amount**.
- ❖ In case of any structural or other **defects found within 5 years** by the buyers, **developers have to bear the responsibility of repairs**. This will boost the demand for good quality of construction and buyers will have increased willingness to pay a good price for good quality buildings.



# Rera's Impact On Construction Industry

- ❖ **Developers** have to **put aside 70% of project funds** in a dedicated escrow account linked to the project. This will act as an incentive for developers to use allocated funds for the specific project and **prevent them from diverting the booking money to invest in other projects.**
- ❖ **The law states that mentioning of only super built-up area is no longer valid – properties have to be sold on clearly defined carpet area.**
- ❖ Other than developers, real estate agents must also register with their State RERA.
- ❖ **Developers have to post details** like the project plan, layout plan, approvals, land title status, details of promoters, contractors, architects, date of completion **with the State RERA** – Customers can access this information from the RERA websites.
- ❖ Any **violation** of an order by the RERA Appellate Tribunal will **invite jail term of 3 years or more.** Real estate agents will face the **penalty up to Rs 10,000 per day during the period of violation.**
- ❖ These measures will **increase transparency** during the funding phase which will invite increased foreign Investment.
- ❖ Most importantly, as **developers will be held accountable for details furnished**, they will have to **ensure that false promises are not made to homebuyers.**



# Buyers' Benefit through RERA

- ❖ A **major benefit** for consumers included in the Act is that **builders** will have to **quote prices based on carpet area and not super built-up area**, while carpet area has been clearly defined in the Act to include usable spaces like kitchen and toilets.
- ❖ The Act prohibits unaccounted money from being pumped into the sector and as of now **70 per cent of the money has to be deposited in bank accounts through cheques is now compulsory.**





# Real Estate Regulatory Authority and Appellate Tribunal

- ❖ It will **help** to establish **state-level Real Estate Regulatory Authorities (RERAs) to regulate transactions** related to both residential **and commercial projects and ensure their timely completion and handover.**
- ❖ Every **State Govt.** shall, **within a period of 1 year from the date of coming in force of this Act,** **establish an Appellate Tribunal** to be known as the ( Name of State / UT)
- ❖ Real Estate Appellate Tribunal **to exercise the powers conferred & perform the function assign to it by this Act.**
- ❖ **Every bench** of Real Estate Appellate Tribunal **shall consist of at least one Judicial Member and one Administrative or Technical Member.**



# Powers of Appellate Tribunal

❖ The Appellate Tribunal shall have all the powers of Civil Court under CPC, 1908 in respect of following matters

Summoning and enforcing the attendance of any person and examining him on oath.

Requiring the discovery and production of documents.

Receiving evidence on affidavits.

Issuing commissions for examination of witnesses or documents.

Reviewing its decisions

Dismissing an application for default or directing it ex-parte.

Any other matter which may prescribed.



# Additional Powers Of Tribunal

- ❖ **Require the promoter or allottee or real estate agent to furnish** in writing such information or explanation or produce such documents reasonable time, **as it may deem necessary.**
- ❖ **Requisitioning any public record** or document or copy of such record or **document from any office.**

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