Real Estate Bill 2016

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Real Estate Bill

- Real Estate Bill, which aims to protect the interests of buyers and bring more transparency to the sector was passed in Rajya Sabha on Thursday, 10th March 2016 .
- The bill was first introduced in 2013 and amendments have been made to it by the present government.
- The Finance Ministry in 2012 paper on black money had pointed out that the real estate sector is vulnerable to black money because of under-reporting of transactions.

Real Estate Bill

1. The Government has gone beyond the recommendation of the Select Committee and now requiring developers to deposit 70% of the collections form buyers in a separate accounts towards the cost of construction including that of land as against a minimum of 50% suggested by the Select Committee;

2. Norms for registration of projects has been brought down to plot area of 500 sq.mts or 8 apartments as against 4,000 sq.mt proposed in the draft Bill in 2013 and 1,000 sq.mts or 12 apartments suggested by the Standing Committee;

3. Commercial real estate also brought under the ambit of the Bill and projects under construction are also required to be registered with the Regulatory Authority. About 17,000 projects are reported to be at various stages of development;

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4.Capret area has been clearly defined which forms the basis for purchase of houses, eliminating any scope for any malpractices in transactions;

5.Ending the earlier asymmetry which was in favour of developers, both consumers and developers will now have to pay same interest rate for any delays on their part;

6.Liability of developers for structural defects have been increased from 2 to 5 years and they can't change plans without the consent of two thirds of allottees;

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7. The Bill provides for arranging Insurance of Land title, currently not available in the market which benefits both the consumers and developers if land titles are later found to be defective;
8. Specific and reduced time frames have been prescribed for disposal of complaints by the Appellate Tribunals and Regulatory Authorities; and
9. A provision is now made for imprisonment of up to 3 years for developers and up to one year in case of real estate agents and consumers for any violation of Tribunals and Regulatory Authorities.

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- The Bill requires project promoters to register their projects with the Regulatory Authorities disclosing project information including details of promoter, project including schedule of implementation, lay out plan, land status, status of approvals, agreements along with details of real estate agents, contractors, architects, structural engineers etc. Shri Naidu said that this enables transparent, accountable and timely execution of projects.

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- The Minister further said that the Real Estate Bill,2016 enables the people meet their genuine aspirations of owning a house including those of urban poor by giving a fillip to affordable housing initiative under which the Government intends to enable construction of 2 crore by the year 2022 under Prime Minister's Awas Yojana (Urban).

Features

1) Better organised real-estate sector

- The real-estate sector in India is unorganised which leads to various discrepancies in the functioning. The bill will establish state-level authorities called Real Estate Regulatory Authorities (RERAs) which will regulate transactions related to both residential and commercial projects. The authority will grade the projects helping customers to make better decisions.

Features

2) **Timely completion and hand-over**

- One of the problems which buyers face is that they don't get possession of property as promised by the seller because of delayed construction among other issues. The bill ensures that 70 per cent of the money taken from buyers has to be kept aside in a separate bank account and this money can only be used for construction activities. This will ensure that the sellers don't invest the money received from one project into another project.

Features

3) Accurate information

- As per the bill, it will become mandatory for sellers to disclose all information like project layout, approval, land status, contractors, schedule and completion of project with customers as well as the RERA.

Features

4) Appropriate punishment

- If the developer fails to hand-over the property to the buyer on time, then he would be liable to pay same amount as interest which he is charging from the buyer on delay in payment. Also, the property cannot be sold on the basis of 'super area' which includes both flat area and common area. If the developer violates the orders of appellate tribunal, then he/she can get a jail term of up to three years or penalty.

Features

5) Allottees association and after-sales service

- It has been made mandatory to set-up an allottees association within three months of the allotment of major units/properties so that the residents can manage common facilities like a library and a common hall. Also, if the buyer finds any structural deficiency in the property, then he/she can contact the developer for after-sales service within one year of possession. The promoters or developers cannot make any changes to the plan without consent of the buyer, the bill states.