



RERA Act, 2016



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Introduction

- ❑ RERA Act, 2016 came into effect from May, 2017.
- ❑ It seeks to protect home-buyers as well as help boost investments in the real estate sector by bringing efficiency and transparency in the sale/purchase of real estate.

Need for the RERA

- ❑ Real estate sector was largely unregulated, no standardization of business practices and transactions.
- ❑ Prevalence of issues like delays, price, quality of construction.
- ❑ Numerous instances where developers cheated property buyers.
- ❑ No grievance redressal mechanism.
- ❑ Huge generation of black money in real estate sector.

Objectives of RERA

- ❑ Enhance transparency and accountability in real estate and housing transactions.
- ❑ Boost domestic and foreign investment in the real estate sector.
- ❑ Provide uniform regulatory environment to ensure speedy adjudication of disputes.
- ❑ Promote orderly growth through efficient project execution and standardization.
- ❑ Offer single window system of clearance for real estate projects.
- ❑ Empower and protect the right of home buyers.

Key Provisions

- ❑ Establishment of state level regulatory authorities - Real Estate Regulatory Authority (RERA).
- ❑ Establishment of Real Estate Appellate Tribunal.
- ❑ Mandatory Registration of plots of size >500 sq. mt. or 8 apartments.
- ❑ Depositing 70% of the collected amount from buyers in an escrow bank account for construction of that project only.
- ❑ Developer's liability to repair structural defects for five years.
- ❑ Penal interest in case of default.
- ❑ Cap on Advance Payments (<=10%).
- ❑ Buyers will be charged for the carpet area and not super built-up area.
- ❑ Imprisonment of up to three years for developers and up to one year in case of agents and buyers for violation of orders of Appellate Tribunals and Regulatory Authorities.

Benefits

- ❑ Timely delivery of flats more likely.
- ❑ Furnishing of accurate project details so that buyer take informed decisions.
- ❑ Specifying carpet area.
- ❑ All clearances are mandatory before beginning a project.
- ❑ Curb on diversion of funds from a project due to separate account for each project.
- ❑ Clear provisions regarding after sales service.

Concerns

- ❑ Past real estate projects not included.
- ❑ Delay from government agencies in approval of clearance.
- ❑ No compulsory regulation for projects less than 500 square meter.
- ❑ New project launches expected to be delayed due to pending clearance by the government authorities.
- ❑ Does not deal with the concerns of developers regarding *force majeure* (acts of god outside their control).

Way Forward

- ❑ Avoiding any conflict between the Centre and the states regarding regulation of real estate sector.
- ❑ States should not dilute the RERA provisions.
- ❑ States should fully implement RERA to curb black money.
- ❑ Government agencies should be made accountable for the delay in granting approvals.
- ❑ A robust IT infrastructure for monitoring projects and quick redressal of grievances.



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