Reforms in Real Estate Sector **RERA- 2016**  
**Ministry of Housing and Urban Affairs**  
November 01, 2021

‘**RERA has strengthened the trust between the customers and the real estate developers.**’

- Prime Minister Shri Narendra Modi

**Background**

- Rapid urbanization: According to Census 2011, India’s urban population was 37.7 Crore, which is projected to grow to about 60 Crore by 2030.
- Share in GDP: The real estate sector contributed around 7 per cent to India’s GDP in 2018-19 and its share is expected to grow to around 13 per cent of India’s GDP in 2025.
- Employment: As per Economic Survey 2017-18, the sector employed around 4.0 crore people in 2013, which is estimated to be around 5.50 crore in 2020.
- Linkages: Real estate sector directly/indirectly impacts 270 different industries such as steel, cement, and other building materials.

**Real Estate Sector: Issues before Reforms**

- Irregularities such as duping of homebuyers by builders through various malpractices, rampant use of black money, diversion of funds and lack of accountability.
- Due to absence of any specific law to regulate this sector, there was no recourse to any speedy grievance redressal mechanism.
- Despite full payment, homebuyers did not get delivery of homes on time.
- Builders diverted funds to other lucrative investments
- Homebuyers not only lost their lifetime savings but also had to repay the bank loan along with interest with no roof of their own over their heads.
- Homebuyers forced to pay various extra charges including cost escalation. Developers were not held responsible.
- Home buyers fell prey to dishonest builders and invested in non-approved projects
- Terms such as: super built-up area, carpet area, covered parking etc. were used arbitrarily by developers to their advantage thereby cheating the homebuyers.
- Real estate agents were not regulated and, in many instances, used to defraud innocent homebuyers.
- Developers had to seek umpteen numbers of sanctions and approvals through complex processes before commencement of project construction.
Introduction/Enactment of **Real Estate (Regulation and Development) Act, 2016** [RERA]

- The Real Estate (Regulation and Development) Act, 2016 [RERA] was passed in the Parliament in March 2016. Certain Sections of RERA were notified with effect from 1 May 2016 and remaining sections from 1 May 2017.

**Key Provisions of RERA**

- Each State/UT has to establish its own Real Estate Regulatory Authority and Appellate Tribunal and also appoint Adjudicating Officers.
- The cases are to be decided within sixty days from the date of application/appeal.
- **Applicability of RERA**: RERA extends to residential and commercial real estate. It applies to both private and public bodies engaged in sale.
- **Mandatory Registration of Projects** (above 500 sq. meters. and above 8 apartments) with RERA before launch: eliminating the possibility of any misrepresentation/ false promises by the developers.
- **Registration of Real Estate Agents**: All agents dealing in real estate projects need to register with respective State Real Estate Regulatory Authorities.
- No deposit or advance to be taken by developer without first entering into agreement for sale with homebuyer.
- All project details like carpet area, layout, time period etc. to be furnished before Registration.
- **Separate Bank Account for each project**: 70% of the amount collected from homebuyers for a project must be maintained in a separate bank account and only be used for construction of that project only and land cost. Withdrawal of money from this account shall be done after certification of engineer, architect & chartered accountant in regards with of project completion.
- Information of registered projects through the online portal of respective state authorities.
- Mandatory mentioning of RERA registration number by developers in each advertisement or prospectus.
- Developers are now legally obliged to pay similar rate of interest to homebuyers in case of delay.
- **No change in project layout without consent of homebuyers**: Developers can’t do alteration or addition in the sanctioned plans/project layout without the written consent of 2/3rd of allottees/homebuyers.
- **Refund in case of delay**: If developer fails to complete the project as per terms of agreement for sale, homebuyer can either seek refund of paid amount along with interest or ask for interest for every month of delay, till the handing over of the possession.
- **Penal Provisions**: RERA provide strict penal provisions of imprisonment in addition to provisions for refund, interest, and penalty in case of non-compliance by developers, allottees and agent.
RERA Implementation Status (Till 10 July 2021)

- Other than West Bengal and Nagaland, **34 States/UTs have notified rules** under RERA.
- **30 States/UTs have set up Real Estate Regulatory Authority.**
- 28 States/UTs have set up Real Estate Appellate Tribunal.
- Regulatory Authorities of **27 States/UTs** have operationalized their websites under the provisions of RERA.
- More than 67,313 Real Estate Projects and approximately 51,895 Real Estate Agents have been registered under RERA across the country.
- More than 70,001 Complaints have been disposed-off by the Real Estate Regulatory Authorities across the country.

Measures for Homebuyers

- Enhancement in deduction for interest on housing loan from Rs. 1.50 lakh to Rs. 2.00 lakh.
- Rs. 1.50 lakh additional deduction on home loan interest for home loans availed from 1st April 2019 up to 31st March 2021 on affordable houses, up to Rs 45 lakh.
- Increase in deduction limit for investment under Section 80C from Rs 1 lakh to Rs 1.5 lakh.
- Moratorium of six (3 + 3) months to home buyers, developers, and other borrowers on payment of current dues falling between 1st March 2020 to 31st August 2020.
- For capital gain tax, reduction in holding period for computing long term capital gains from transfer of immovable property from 3 years to 2 years. Exemption on capital gain has been extended for 2 houses and up to 2 crores.
- Income tax relief on notional rent from unsold housing stock extended from one year to two years.
- No tax liability on either buyer or builder under Section 56(2)(x) or section 43CA of the Income Tax Act. If the transaction value of property is up to 20% lower than circle rate.
- Exemption of notional rental income from vacant house has been extended to two houses.
- TDS threshold for deduction of tax on rent has been increased from Rs 1.8 lakh to Rs 2.4 lakh.
- Reduction in rate of interest on house building advance (HBA) from 8.5 % to 7.9 % with maximum amount increased from Rs 7.50 lakh to Rs 25 lakhs. House cost ceiling increased from Rs. 30 lakhs to Rs 1.25 crore.

Source: **PIB e-Booklet on Reforms in Real Estate Sector RERA-2016**

AG/AKP/PS