Issues with RERA

Why in news?

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Recently a new piece of legislation governing the real estate sector came into force.

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What is Real Estate Regulation and Development Act (RERA)?

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- It was proposed in 2009 and got implemented in the year 2016.
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- The aim of the Act is to safeguard the interest of home buyers in the primary real estate market.
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- The Act stipulates compulsory registration of all the residential projects with plot size more than 500 sq. meters.
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- The developer will need to disclose draft of builder buyer agreements, to the authority.
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- A clear picture of the number of units sold and construction status also has to be disclosed.
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- Incorrect or incomplete disclosure will attract a penalty of 5% of project cost.
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- Buyer will be able to get information on defaulting developers.
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- It has been decided that a developer can sell only on the basis of usable area.
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- This helps a home buyer understand how much he is paying for each sq. ft that he will get for his use.
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How this law will be implemented?

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- RERA is a central law, its implementation requires the co-operation of state governments.
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- The law requires each state and Union Territory to set up its own real estate regulatory authority.
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- It will be this authority that should frame the rules under which the Act will operate in that state or Union Territory.
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- All the projects and agents operating in the state are supposed to register with this state-level regulatory authority within three months of the notification of the Act.
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- This provides important transparency to buyers.
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- A web site need to be maintained by the state level regulator, so that buyer can check the details of the project’s regulatory filings.
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What are the issues with the implementation?

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- Many state governments are lagging in the full and proper implantation of the Act.
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- Out of 36 only 24 states and Union Territories had not set up regulatory authorities and 16 had failed to notify their rules.
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- The real estate sector has been highly affected by demonetisation and GST tax regimes.
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- Many projects and agents have to wait leading to a slow pace of registration.
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- For instance, only three projects were reported as having been registered in Rajasthan.
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- In Mumbai, although there may be as many as 800 real estate projects under way in the city proper, not one had sought registration.
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- Some major disruption of business seems inevitable for the sector.

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Source: Business Standard

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