

Rental Laws in India: An Overview

All transactions in [Indian real estate](#) sector are governed by various laws enacted by the Central Government of India and respective State governments. One such law is the RENTAL LAWS. These laws govern the rental of commercial and residential property and are necessary to enforce individual civil rights of both landlord and tenant and prevention of any kind of deceit.

The real estate scene in India is flawed by land market distortions. The most glaring ones include inflexible zoning, rent and tenancy laws. Zoning laws, rent controls and protected tenancies have been detrimental to the healthy rental trends in India. They have put a freeze to land in city centers that could be otherwise made available for new retail outlets and flats. These laws also gloss over operational inefficiencies and scuttle competition. Tenants residing could not be evicted for along time and would not surrender their cheap tenancies on their own volition. The renovation of buildings could hardly happen. One such act favoring the rental property market in India is the Rent Control Act.

Rent Control Act

Rent Control Act was an attempt by the Government of India to eliminate the exploitation of tenants by landlords. Rent legislation tends to providing payment of fair rent to landlords and protection of tenants against eviction. But the allowances have been very generous and hence tenants residing in [rental properties in India](#) since 1947 continue to pay rents fixed then, irrespective of inflation and the realty boom.

The Rent Control Act has led to several adverse situations like languishing [investment in rental housing](#), withdrawing of existing housing stock from the rental market, stagnating municipal property tax revenue. The rent control along with security of tenure has not given any encouragement to house owners to renovation their houses and most houses as a result have a worn out look.

Repeal of the Rent Control Act would lead to construction boom and meet the growing need for housing and aid employment generation. There will be more rational use of prime locations and will set off a continuous process of urban renewal.

In 1992, the Central Government proposed a model rent control legislation, which was meant for and circulated to all states. The model Act proposed modification of some of the existing provisions on inheritance of tenancy and also prescribed a rent level beyond which rent control could not apply. The New Delhi Rent Control Act that was passed in 1997 was based on this but failed to be notified due to resistance from traders who are sitting tenants. Very few states have introduced the model Act.

The new Maharashtra Rent Control Act, Delhi Rent Control Act, Tamil Nadu Rent Control Act, Karnataka Rent Control Act all has provisions for the dispute among the landlords and tenants. Each of the State Rent Act provides for fixation of Standard Rent as well decree for possession and provisions that lay down the satisfaction of the Court.

Rental Agreement is an integral part of rental law

Rent or lease of a residential or commercial property in India is subject to strict Indian laws. A mutual agreement on the terms and conditions of the rented property by the landlord and the tenant is required. In the present times, leasing a commercial space in India as opposed to owning commercial real estate is turning out to be a brilliant move.

Professional legal advice becomes a necessity as there are fewer tenant-friendly laws in the area of commercial leases, and no standard lease agreements. A lawyer's help will be useful for making an informed decision in negotiating the best deal on a commercial lease as

he/she can research zoning laws and local ordinances and inform you about local real estate market conditions and customs.

A rental agreement refers to a relationship between the landlord and the tenant. It is legally binding upon the parties. It may be brief, or it may have extra conditions or obligations.

However, any changes or additions to a rental agreement should be maintained in writing.

The rental agreement is a 'Legal Form' which has to be completed, signed and dated by the tenant and landlord. There are leases and rental forms for renting, leasing and managing residential rental properties. Both the parties must have access to the document once it is signed.

The landlord should get the agreement registered. The landlord must give the tenant a duplicate copy of the rental agreement, failing which the tenant is not obligated to pay rent until the tenant receives a copy of the rental agreement.

For a lease agreement, the terms of the lessee (tenant) and the lessor (landlord) when they enter into a lease agreement would include terms like the term of lease, deposit amount and monthly rentals. The lessor or the landlord should ensure the premises come back in the right shape in repossession.

- There has been no damage to the tiling, plumbing, flooring or electrification and the premises are in the proper condition.
- No major changes have been incorporated in the premises. If the lessee has made some changes, which are not acceptable to the lessor, the latter may ask him to undo the changes.
- In the case of leasing of furnished premises, the condition of the furnishings is in proper condition.
- All the electricity and telephone charges have been taken care of till the specified date by the lessee or tenant at the time of repossession.

On satisfactory fulfillment of all these aspects, the lessor should offer the refund the security deposit (if given) to the lessee offering vacant and peaceful possession of the premises.

In a Tenancy Agreement there is a transfer of interest and it establishes the non-eviction of the tenant by the owner except on the grounds of eviction mentioned under the Rent Act.

Under the Leave and License Agreement transfer of interest takes place on permission and the same can be terminated as per the terms of the agreement. The possession can be demanded back from the licensee. The label to the agreement could be Leave & License or Tenancy Agreement, but it is the intention of the party that counts. Documentation of the commercial lease is also an important rental law procedure.

In Conclusion

The rental laws in India need to be revised to protect the owner and his/her property from the tenant.

- Special areas of focus should be on terminating old tenancies, removing constraints on increase of rentals and empowering owners in the sense of being able to reclaim their properties without any court proceedings.
- The market forces should be allowed to determine the rental amounts and the owner must have full protection for his/her property. This will go a long way in providing security to the landlord and also reduce the deposit amount required with the lease agreements.

If these laws are enacted and strictly enforced, there is every chance that more investors will want to enter the real estate market to utilize the rental fees as income. This is especially

true for the commercial sector. The tax laws also need to be revised so that renting of properties becomes a financially viable option. Amendments in the Rent Acts of several states are a progressive move.