

THE MODEL TENANCY ACT, 2020

At present, nearly every State has its own law governing matters of rental housing in the form of Rent Control Acts. However, these rent control laws have completely failed to solve the problems in the rental housing sector in the country. Hence, the Union Cabinet has approved the Model Tenancy Act 2020 (“ACT”) on June 2, 2021. An Act to establish Rent Authority to regulate renting of premises and to protect the interests of landlords and tenants and to provide speedy adjudication mechanism for resolution of disputes and matters connected therewith or incidental thereto.

The Act has been prepared with the objective of balancing the interests and rights of both the Landlord/Lessor and Tenant/Lessee and to create an accountable and transparent ecosystem for renting the premises in an organized and efficient manner.

As per the Indian Constitution, Land is a State subject. Thus, the enactment and enforcement of the Act is the responsibility of each States. The Union Cabinet has sent the model Act to the States and Union Territories to enact legislation for adaptation by way of enacting fresh legislation or amending existing rental laws. States and Union Territories may enact a new tenancy law or modify their existing laws to align with the provisions of this Act.

KEY TAKEAWAYS:

- **JURISDICTION:** District collector with approval of State Government may establish Rent authorities and Rent Courts across the States, while making it clear that civil courts will have no jurisdiction to hear cases falling under this Act.

- **NO MONETARY CEILING:** The Act applies to all premises which are leased for both commercial as well as residential use except for hotel, lodging house, Dharamshala, inn and for industrial use and there is no monetary limit prescribed to limit any tenancy agreement.

- **APPLICABILITY:** Unless the State or Union Territory adopts the said Act, it will not become applicable in that particular State or Union Territory. The Act is applicable

only prospectively and the existing tenancies shall continue to be governed by the respective rental laws as applicable on date.

- **TENANCY AGREEMENT:** The Act states that no premises to be rented/leased except by a written agreement between the landlord and tenant. The said agreement shall specify the rent, period of tenancy and other related terms as agreed between the parties. The Rent authority must be intimated about the tenancy agreement within 2 months from the date of the agreement. The tenancy agreement shall be signed in duplicate by both the landlord and tenant, and one each of such original signed tenancy agreement shall be retained by the landlord and tenant.

- **SECURITY DEPOSIT:** A tenant must pay **2 months of Rent** as security deposit to rent a residential property. Whereas for a commercial property, a tenant/lessee must pay **6 months of Rent** as security deposit. Security deposit shall be refunded by the landlord to the tenant on the date of taking over vacant possession of the premises from the tenant after making due deduction of any liability of the tenant.

- **COMPENSATION ON DEFAULT IN THE TERMS OF TENANCY:** The Act states that after the termination of the tenancy period, if the tenant fails to vacate the premises, or fails to renew the tenancy period then in such case, the landlord will be entitled to get double the monthly rent for initial **2 months** and **4 times** the monthly rent thereafter, for overstaying in the premises.

- **SPEEDY DISPUTE RESOLUTION:** In case of any dispute during the tenancy period, the landlords and tenants will have to approach the rent authority for settlement of such dispute. In case they are not satisfied with the order of the authority, they can challenge it before the Rent Court/Rent Tribunal. The court/tribunal is obligated to dispose the case **within 60 days**. The jurisdiction of the Rent Court is limited to the tenancy agreement and does not extend to disputes on title and ownership of the tenanted premises.

- **PROVISION FOR EVICTION:** The landlord can approach the Rent Court in case the tenant has not paid the rent for two consecutive months **or** the tenant continues to misuse the premises despite notice not do so from the landlord **or** if the tenant has carried out any structural change or erected any permanent structure in the premises without the landlord's consent.

- **RESTRICTION ON SUBLETTING:** Sub-letting is not permitted without the execution of a supplementary agreement between landlord and tenant.

- **FORCE MAJEURE:** The Act states that in case of a force majeure event, the landlord shall allow the tenant to continue in possession till a period of one month from the date of cessation of such disastrous event on the terms of the existing tenancy agreement.

CONCLUSION:

The present corporate world is majorly depended on lease of the premises for their day to day running of business. In view of the same, this Act is an important piece of legislation that promises to ease the burden on civil courts, unlock rental properties stuck in legal disputes, and prevent future tangles by balancing the interests of tenants and landlords, provided it is implemented in right way.

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