

# The Model Tenancy Act (MTA)

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## Manifest Pedagogy:

The Model Tenancy Act was introduced with the objective of making renting property an easier and safe experience for both the owner and tenant. But it has received lukewarm responses from states. Since land and tenancy are state subjects, and since the Act suggests all states to set up dedicated courts and resolution authorities, the experience in each state could differ vastly.

In News: Over a year since the Union Housing and Urban Affairs Ministry circulated the Model Tenancy Act (MTA), only four States had revised their tenancy laws to be in line with the MTA.

## Placing it in Syllabus: Polity and Governance Static Dimensions

- Key Features of the act

## Current Dimensions

- Need for such an act
- Significance of the act
- Issues with the law

## Content

### Key Features of the act-

### Conditions for tenancy, eviction, and sub-letting

- **Tenancy agreement:** The Model Act states that to rent any premises, a written agreement must be signed between the landlord and the tenant.
  - The agreement must specify: (i) the rent payable, (ii) the time period for the tenancy, (iii) terms

and period for revision of rent, (iv) the security deposit to be paid in advance, (v) reasonable causes for entry of landlord into the premises, and (vi) responsibilities to maintain premises.

- The Rent Authority must be intimated about the agreement within two months from the date of agreement. This will apply to all premises used for residential, commercial, and educational purposes.
- **Security deposit:** The security deposit may not exceed: (i) two months' rent for residential premises, and (ii) six-months' rent for non-residential premises.
  - The security deposit will be refunded by the landlord to the tenant at the time of taking over vacant possession of the premises, after making due deductions.
- **Tenancy period:** The tenant may request the landlord for renewal or extension of the tenancy period. The tenant will be liable to pay enhanced rent if: (i) a tenancy period has ended and not been renewed, or (ii) the tenant fails to vacate the premises at the end of such tenancy.
  - If the tenant fails to vacate the premises at the end of tenancy, or on termination of tenancy by an order, he will be liable to pay: (i) twice the monthly rent for the first two months and, (ii) four times the monthly rent subsequently till he occupies the premises.
- **Eviction:** To evict a tenant, the landlord must apply to the Rent Authority seeking such eviction.
  - The Authority may make an order for eviction on certain grounds including : (i) refusal to pay the agreed rent; (ii) failure to pay rent for more than two months; (iii) parting of possession of part or whole of premises without written consent of landlord; (iv) misuse of premises even after receiving written notices to desist from such

misuse; and (v) structural change by tenant without written consent.

- **Subletting:** Under the Model Act, sub-letting is prohibited unless allowed through a supplementary agreement. The landlord and tenant must jointly inform the Rent Authority about the sub-tenancy within two months from the date of execution of such agreement.

### **Dispute adjudication mechanism**

- The Model Act proposes to establish a **three-tier quasi-judicial mechanism** for adjudication of disputes.
- Rent Authorities and Rent Courts will be appointed by the District Collector with the approval of the state government.
- The state government may establish a Rent Tribunal in each district after consulting with the jurisdictional High Court.
- No civil court will have jurisdiction over matters pertaining to provisions under the Model Act.
- The Model Act specifies the procedure for examination of cases and judicial conduct by Rent Courts and Rent Tribunals.
- It also specifies timelines for adjudication of certain cases by all three authorities.
- Disposal of a complaint/appeal by the Rent Court and the Rent Tribunal will be mandatory within 60 days.

### **Need for such an act**

- According to an estimate by the Ministry of Housing and Urban Affairs, around **11 million houses are lying vacant** in urban areas as landlords are unwilling to let these properties due to the lack of protective measures in the current tenancy and rent control laws.
- **The Economic Survey 2018** had blamed “unclear property rights, weak contract enforcement and low rental yields” for this structural problem.

- Owners of residential properties are reluctant to rent out their houses because they fear tenants would refuse to vacate their property when the time comes, and may not agree to changes in the rent amount as well.
- Some house owners routinely breach tenants' right to privacy by visiting the premises unannounced for sundry repair works.
- Whimsical rent raises are another problem for tenants, many of whom complain of being squeezed as "captive customers".

### **Significance of the act**

- Balancing interests and rights of the landlord and tenant.
- Creating adequate and affordable rental housing stock.
- Enabling formalisation of the rental housing market.
- Encouraging private participation in the sector.
- Unlocking vacant premises for rental purposes.

### **Issues with the act**

- **Lack of Rental Housing Policy:** The draft National Rental Housing Policy (2015) states that a comprehensive policy must be formulated to guide the role of central and state governments to sustainably grow rental housing and make it inclusive.
  - The draft policy has not been adopted yet. The Model Tenancy Act, 2021 is only one of the proposed reforms under the draft Policy.
- **Affordability:** About 96% of the urban housing shortage pertains to the Economically Weaker Sections (EWS) and Lower Income Group (LIG) categories. However, persons from EWS and LIG have low disposable or irregular income, and thus can often not afford to own homes even after government subsidies and incentives.
- **Model Act also goes into minute details** of a rental agreement like-the landlord must carry out structural

repairs and whitewashing of walls and doors.

- It may not be necessary for a model central legislation to specify these details. Providing these details in the law may also restrict changes that contracting parties may want to make in a contract based on their specific situation.
- **Violating Privacy**– Uploading details of tenancy agreements may violate the right to privacy. The parties will be provided a unique identification number, and details of the rental agreement (along with other documents) will be uploaded on the Authority's website. Both the tenant and the landlord submit their Aadhaar numbers and attach self-attested copies of the card with the form. This may violate the Supreme Court's 2018 Puttaswamy judgement.
- **No time limit specified** for resolution of some disputes- Essential Services, Revision of rent, Contraventions by property manager.
- Housing is a part of the State List under the Seventh Schedule of the Indian Constitution, the efficacy of the Model Act depends on its adoption by states. So far, only four States have revised their tenancy laws to be in line with the MTA

### **Way Forward**

- Centre must discuss with states to understand their concerns and gain their confidence to ensure successful implementation of the law.
- Measures to increase affordability, promote shelter facilities, incentivise market-driven rental housing and facilitate investments through financial instruments
- Provision of incentives such as tax exemptions and subsidies to tenants and homeowners.
- Encouraging public-private partnerships and residential rental management companies
- Enhancing access to finance within the EWS and LIG

sectors

### **Mould your thoughts**

1. Lukewarm response from states about the Model Tenancy act is a cause of concern. Discuss the factors responsible and steps that can be taken to ensure the states are on board. (250 words)

### **Approach to the answer.**

- Introduce about the act
- Provision of the acts
- Issues with the act and reasons why states have not accepted
- Probable solutions
- Way Forward and Conclusion