

Real Estate Update

April 20, 2007

REPEALING THE CEILING: URBAN LAND (CEILING AND REGULATION) ACT MAY FINALLY BE REPEALED

The Urban Land (Ceiling and Regulation) Act, 1976 ("ULCRA") is a statute that was enacted by the Indian Legislature to control holdings of urban land by a select few, and utilise the excess land available after the land ceiling for housing the poor. But contrary to this objective, the ULCRA resulted in amongst other things, escalation of real estate prices in urban areas.

In order to curb the same, the Indian Legislature, in 1999, passed the Urban Land (Ceiling and Regulation) Repeal Act, 1999, wherein an option was given to the various Indian States to adopt the same through their own legislatures.

A resolution has now been moved in the Maharashtra State legislature ("State Legislature") to repeal ULCRA and it is likely that ULCRA's fate may be sealed in the coming session of the State Legislature. States such as Punjab and Haryana have already repealed ULCRA. If Maharashtra were to repeal ULCRA, it would be the 10th Indian state to do so.

IMPLICATIONS OF THE REPEAL

- Firstly, the rise in real estate prices may be checked.
- Decrease in prices would benefit the consumers as well as the developers.
- The repeal could lead to greater transparency and efficiency in land acquisition, which would further encourage foreign investment in the real estate sector. The repeal of ULCRA would also aid the investment process and make it less complicated, as regulatory and legal hurdles imposed by ULCRA would no longer be a factor. Moreover, administrative fees payable under ULCRA, which are sometimes as high as Rs. 100 per square foot, would be done away with.
- The repeal would be a major step in urban land reform in Maharashtra State and would provide the State increased access to more Central Government funding which was waning due to the continuance of the ULCRA.

The repeal of ULCRA would be a positive step. It would achieve objectives of urban land reform and result in the upsurge of quality development that will be a boon for the government and all participants in the real estate sector. All eyes are on the upcoming monsoon session of the State Legislature.

- **Diptee Deshpande & Vivek Kathpalia**

Sources:

- *Business Standard*, April 19, 2007
- *The Hindu*, April 17, 2007
- *The Financial Express*, April 17, 2007

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