20 JULY 2026

Shardul Amarchand Mangaldas

Legislative Update

Karnataka Apartment (Ownership and Management) Bill, 2025

On July 15, 2026, the Karnataka government rolled out The Karnataka Apartment (Ownership and Management) Bill, 2025 (the "**Bill**"). The Bill proposes a single statutory framework for apartment ownership and management in Karnataka and intends to repeal ***(i)*** the Karnataka Ownership of Flats (Regulation of the Promotion of Construction, Sale, Management and Transfer) Act, 1972 and ***(ii)*** the Karnataka Apartment Ownership Act, 1972.

If enacted, this legislation will oversee how apartment projects are titled, handed over, funded, managed and redeveloped. It is essential to monitor this draft Bill, given the commercially sensitive nature of certain provisions.

Background

The existing legal framework fails to address stakeholder challenges comprehensively including uncertainty with respect to transfer of common areas, not making registration of owners' associations compulsory and lack of alignment with certain provisions of the Real Estate (Regulation and Development) Act ("**RERA**").

- As we see, the main intention of the Bill is to recognize an apartment along with its undivided share in land ("**UDS**") and common areas, as heritable and transferable immovable property.
- The Bill also seeks to create a localized governance system, empowering owners of apartment units to manage their society effectively.
- As RERA requires promoters to facilitate an association of allottees and convey apartments along with undivided proportionate title in common areas, this Bill attempts to provide the Karnataka specific machinery for that framework to work in practice.

Applicability

The Bill applies to the following:

- All projects with more than eight apartments in one or more buildings;
- Villas forming part of single plot approvals or development plan approvals or approved layouts under the Karnataka Town and Country Planning Act, 1961;
- Projects containing more than eight apartments developed on the building sites formed in layouts approved under the Karnataka Town and Country Planning Act, 1961.

The Bill does not apply to the following:

- Government buildings,
- Single ownership buildings not intended for separate apartment ownership
- Certain plotted or villa developments where each plot or villa site is individually conveyed
- Roads, Parks and Civic amenities which are handed over to the local authority

However, if any such project has common areas, services or infrastructure meant to be owned, used or managed collectively, then the provisions of the Bill shall apply.

Salient features of the Bill

Key definitions

The definition of "apartment" is very wide and covers residential, commercial, institutional and other lawful premises, together with common area rights and attached vehicle parking spaces. *Accordingly, every owner shall be entitled to title of the apartment and an undivided, non-exclusive interest in the project land and common areas.*

The definition of "common areas and facilities" is one of the most important features. The Bill brings within the definition of common areas, several facilities including and not limited to basements, terraces, gardens, internal roads, utilities, service installations, rainwater harvesting structures, sewage treatment plants and community or commercial facilities intended for common use. *Wherefore, a promoter cannot retain ownership of any commercial facility which is used for common purposes.*

Transfer, encumbrances and promoter obligations

An apartment, together with its UDS and common areas, is expressly made heritable and transferable by sale, mortgage, lease, gift, exchange, bequest or other lawful mode. The promoter must execute and register a deed of transfer in favour of the allottee, covering the apartment and the appurtenant undivided interest in project land and common areas. Once the association is formed and registered, the promoter must transfer management, maintenance and administration of common areas to the association. *Note: While the ownership remains with the apartment owners in their proportionate shares, the association only manages the common areas.*

Further, the promoter is obligated to disclose all mortgages, charges and encumbrances affecting the project land in the declaration and also in each deed of transfer. *Note: If the project land is encumbered, no apartment can be conveyed unless the promoter obtains a release or no-objection certificate for that apartment from the relevant mortgagee.*

The promoter is required to submit the declaration within sixty days from the occupancy certificate and hand over title documents, approvals, insurance, maintenance and project fund records etc. to the association within the same period. After management is transferred, the promoter cannot undertake further development within the project or common areas unless it was already disclosed in the sanctioned plan or is approved by the competent authority with consent of at least two-thirds of apartment owners.

Associations, maintenance and governance

Every project must have an association of allottees or apartment owners. The promoter must facilitate formation and registration within three months from the date on which a majority of apartments have been allotted. Every allottee or apartment owner is a member, and the promoter remains liable for maintenance charges on unsold or unallotted apartments.

Note: Existing associations registered under specified laws are deemed to be associations under the Bill, but they will need to align their particulars and bye-laws with the new regime.

Maintenance charges will be levied in proportion to the super built-up area, subject to special services or usage based charges permitted under the Bill. Associations will also have more compliance obligations. They must maintain bank accounts, books of account and annual financial statements.

Development rights and redevelopment

Any additional built-up area, development rights or development arising from changes in planning regulations, zoning regulations, FSI, FAR or otherwise will belong collectively to apartment owners and will be distributed or used in proportion to their individual area. A promoter cannot claim or retain those rights except to the extent attributable to unsold apartments, unless the apartment owners expressly transfer them in accordance with the Bill.

Note: The Bill takes a clear owner protective position on future development potential. This could affect legacy sale structures, reserved rights clauses and project finance assumptions where future development potential was intended to remain with the developer.

Redevelopment is also dealt with in some detail. A redevelopment scheme must set out the plan, development rights or FAR to be used, owner entitlements, financial arrangements and completion timeline. Approval for the same should be obtained in writing from at least 75% of apartment owners of the concerned building and the approved resolution binds all apartment owners.

Note: Non-consenting or non-participating owners may opt for a monetary settlement, which the Bill states that it should not be less than two times the market value after deducting applicable depreciation, as mutually agreed between the owner and the association. Further, mortgagees must also consent and execute the instruments needed to transfer or settle their security.

For older projects, where land, common areas, access roads, civic amenity areas or facilities were not included in past declarations or conveyances but were shown in planning approvals or disclosed to RERA as part of the project, those areas are deemed to have been conveyed to the apartment owners.

Competent authority and dispute resolution

The Government may appoint officers of local authorities or planning authorities as competent authorities. Their functions include registering and supervising associations, maintaining records of declarations and bye-laws, verifying encumbrance disclosures, regulating charges, adjudicating disputes and maintaining a public electronic registry. The competent authority will also have civil court powers.

Note: The Bill gives the proposed competent authority a central role.

Disputes may be referred to the competent authority. Appeals shall be filed with the First Appellate Authority, then to the Second Appellate Authority, with a further appeal right to the High Court. Civil court jurisdiction is barred for matters that the competent authority or appellate authorities may determine, and injunctions against action under the Bill are also barred.

Key takeaways

Notably, this Bill arrives at a time when many older developments remain unregularized and buyers of such units are left without clarity. The Bill further aims to bring unorganized developments within a legislative framework and could potentially curtail future unorganized market activity. It also seeks to introduce uniformity in association bye-laws and ensure structured utilization of funds, particularly when the industry is struggling to comply with outdated legislation that fails to meet current situations. If enacted, it may streamline documentation of common areas, development rights, hand over, recover maintenance dues and structure redevelopment.

- From the Developers' point of view, they are required to execute declarations, sale agreements, sale deeds and handover projects as per the Bill's proposed requirements.
- From associations' and purchasers' point of view, they are required to comply bye-laws, maintenance recovery rights, common area records, structural safety compliance and redevelopment.
- From the lenders' point of view, they are required to understand and acknowledge restrictions on project level wise encumbrances as their NOC will be linked to conveyance of each sale deed of a unit in the Project.

Until the final act and rules are notified, it is recommended that all transactional documents remain flexible enough to accommodate any future statutory changes.

The Bill is open for comments and suggestions until August 06, 2026. Please get in touch with the concerned author if you would like to discuss any aspect of the Bill in more detail or if you have any comments or suggestions.

Link to the Bill: https://udd.karnataka.gov.in/uploads/media_to_upload1784100708.pdf

Please feel free to address any further questions or request for advice to:

Arjun K Perikal
Partner
arjun.perikal@AMSShardul.coml

Vedashree P Ravishankar
Principal Associate
vedashree.ravishankar@AMSShardul.com