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RENT AGREEMENT DRAFTING

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We work from Monday to Friday 10 a.m to 6 p.m

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A Rent agreement is a legal document that binds both the parties to their obligations and also provides rights to them. It gives the right of “occupying the property” to the tenant/lessee and the right to receive a mutually agreed “Rent” to the owner/lessor. In addition, mentioning different clauses or terms and conditions, after mutual agreement, eliminates any chance of dispute or disagreement at any point in time. Both the parties are at ease and are aware of their rights and limitations.

Before entering into a lease/rent agreement it is necessary to decide the name of the business, finalise and form the business entity (Sole proprietorship, Partnership Firm, Company, LLP). The agreement will be entered in the name of the business and details of the entity (Type of entity, address of entity etc.) are also required to be mentioned in the agreement.

Following are some of the important clauses which should be included in a Lease/Rent agreement:

(Some important clauses of a Lease/Rent Agreement)

a. Security deposit:

There is usually a practice of keeping some amount as ‘Security Deposit’ across various cities in India. It is generally ‘X’ number of times the monthly rent. The amount can be discussed between the parties.

It is advisable to mention that in case the tenant/licensee defaults in payment of rent and/or damages the property, the owner/lessor has the right to recover such amount from the security deposit

b. Use of rented/leased property:

The purpose for which the property has been rented/leased should be specified in the agreement. Clauses relating to quiet possession, a surrender of property should be included in the agreement. Also, clauses relating to sublet and/or assign the property, alterations in the property should be included in the agreement.

c. Payment of rent:

The exact amount and the due date of payment of the rent should be mentioned in the agreement. Which means whether the rent will be paid at the start of the month, i.e. in advance, or paid after the month is over.

d. Agreement period:

The agreement period is generally kept as 11 months and is mentioned in the agreement. In case there is any lock-in period, that should also be mentioned. The lock-in period is the date until which both the parties cannot terminate the agreement unless otherwise specified in the agreement.

e. Termination:

There can also be a provision that either party may terminate the agreement upon prior written notice to the other party.

f. Maintenance or Society charges, Government taxes or any other charges:

The Agreement should mention who will pay the monthly charges such as maintenance or society chargers, parking charges, electricity charges, gas pipeline bill etc. Also, who will be liable to pay Property tax or Municipal tax must be mentioned in the agreement.

g. Damages:

The responsibility of who will bear the cost of damage to the property should be mentioned in the agreement.

h. Renewal of agreement:

Provision for renewal should be made in the agreement.

i. Dispute resolution:

Place, governing law and mode of dispute resolution should be specified in the agreement.

List of information and documents required to draft a Rent/Lease Agreement:

(What information and documents are required while drafting the Ret/Lease agreement?)

1. Detailed address of the premises.
2. Details of the owner (s) of the premises (Address, name etc.)
3. Details of the occupant i.e. the business occupying the premises on rent/lease (Name, address, etc).
4. Duration of lease/rent.
5. Lease/rent amount.
6. Security deposit amount.
7. Identity proof and address proof of the owner(s).
8. PAN of the business (In case of Proprietorship concern PAN of the Proprietor is sufficient).
9. Identity proof and address proof of the representative(s) of the business (Representative can be the proprietor, partner, director).
10. Address proof of the premises (Sale deed or Index II).
11. Passport size photos of the owner and representatives of the business.

List of documents required for registering the Rent/Lease Agreement (For Maharashtra Only):

(In Maharashtra which documents are necessary for registering the Rent/Lease agreement?)

1. Address proof and identity proof of all the parties (PAN and Aadhar are mandatory).
2. Address proof and ownership proof (e.g. Index II, electricity bill etc.) of the premises to be rented or given on lease.
3. Passport size photograph of all the parties (only in the case of individuals)
4. Based on the constitution of the business of the parties following additional documents are required:
   a. Partnership firm – Registered Partnership deed.
   b. Limited Liability Partnership (LLP) – LLP Agreement.
   c. Private Limited Company, Public Company and OPC – Certificate of Incorporation,

MOA and AOA, Board Resolution permitting the renting of premises.

d. Trust – Trust deed.

e. Co-operative Society – Copy of by-laws.

5. The agreement should be executed on a stamp paper of appropriate value.

FAQs

Q: Who is "Lessor" and who is "Lessee"?

A – Lessee is the person or business entity which will occupy the premises or property on lease, i.e. lessee is the tenant. Lessor is the person or business entity which gives their property or premises to the lessee on lease i.e. Lessor is the owner of the premises or property.

Q: Is the registration process same throughout India?

A – Registration process will change from state to state.

Q: What is the stamp duty applicable for a Rent or Lease Agreement?

A – Generally, stamp duty depends upon factors such as the rental or lease amount, security deposit amount, tenure of agreement, location of business premises etc. The amount of stamp duty will change from state to state as every state has its own rules regarding levy of stamp duty.

Q: Is registration of Rent or Lease Agreement mandatory?

A – If the tenure of the agreement exceeds a period of 12 months or a year, then, it is mandatory to register such agreement. Therefore, agreements wherein the tenure are less than 12 months or a year are not mandatorily required to register. However, registration gives all the parties legal rights, hence, it is advisable to register the agreement.

Q: What is a Security Deposit?

A – Security Deposit is an amount taken by the Lessor or owner from the Lessee or tenant as a safety amount, which is used by the Lessor in case of any damage to the premises by the Lessee.

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Thank you so much for choosing our checklist!
We genuinely hope it becomes your guiding star on your exciting journey into the world of entrepreneurship.



Wish you All the Best for your journey!

Should you require any further assistance, please feel free to reach out, and we will be delighted to assist you!

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