

Exemption of ceiling limits under the ULC Act on land acquired from government bodies

25 June 2025

Introduction

On 13 June 2025, the Department of Urban Development and Municipal Affairs, Government of West Bengal vide an order (Order), clarified an age-old impasse amongst key players in the market whose primary business involves investment in large scale acquisition of land and its development in West Bengal. By virtue of this Order, any private acquisition of land in an '*urban agglomeration*' from the Government of West Bengal (GoWB), or government agencies or by any urban local bodies under the land allotment policies shall be exempted from the ceiling provisions of the Urban Land (Ceiling and Regulation) Act, 1976 (ULC Act). Initiatives like the present one shall induce multiple large conglomerates to invest and acquire large land parcels in West Bengal from government bodies, driving economic development and employment generation.

Background of the ULC Act and the Order

The ULC Act was introduced with the primary object to provide for an imposition of a ceiling on vacant land in urban agglomerations, for acquisition of any ceiling excess vacant land, and for matters connected therewith; with a view to preventing the concentration of urban land in the hands of a few persons and speculation and profiteering therein, and with a bringing about an equitable distribution of land in urban agglomerations to subserve the common good.

Although, the ULC Act has been repealed in most of the states, it is still applicable on the urban agglomerations of Calcutta, Asansol and Durgapur in West Bengal. Under the ULC Act, no person is allowed to hold vacant land in excess of the prescribed ceiling limits. As per the scheme of the Act, the ceiling limits under the ULC Act are applicable not only on land under ownership but also on land which is under the possession of a person as an owner or tenant or mortgagee. As per the provisions of the ULC Act, the term vacant land means land not being mainly used for the purpose of agriculture in an urban agglomeration.

Under Section 20 of the ULC Act, the state government may after considering factors, such as the land's location and intended use, exempt such land from the ceiling provisions of the ULC Act. This exemption, subject to conditions specified in the order, is granted if it is in the public interest or to prevent undue hardship to the landowner on a case-to-case basis. By virtue of Section 19 of the ULC Act, any vacant land held by the Central Government or any State Government, or any local authority or any corporation established under a Central/provincial/state law or any government company was exempted from the ceiling provisions under the ULC Act. However, upon acquiring land from government, or any company or corporation under it by way of sale or lease, by any private entity/company, the ceiling provisions were made applicable along with the subsequent necessity to obtain exemption for any ceiling excess vacant land held by it. With evolving time, this has come off to be considered as a draconian legislation which in fact acts as a hindrance for land acquisition in West Bengal.

By way of exercising the power conferred on the state government under section 20 of the ULC Act, the Governor of West Bengal through the Order has exempted all land parcels which are allotted by the state government, or its parastatals or by urban local bodies in consonance with the land allotment policy, from the ceiling provisions of the ULC Act subject to two conditions, these being (i) that the purpose for which the land was allotted cannot be changed without the prior approval of the GoWB and (ii) that the land will

have to be utilised for the specified purpose as provided in the transfer deed within 3 years of execution of the transfer deed.

For land parcels already allotted with the prior approval of the State Cabinet in conformity with the land allotment policy, the Order clarifies that exemption will be deemed to have been extended, provided (i) that the purpose for which the land was allotted, had not been changed without the prior approval of the GoWB and (ii) that the allotted land has been utilised for the specified purpose in the transfer deed within 3 years of execution of the transfer deed.

Concluding remarks and market impact

The ULC Act has various grey areas including lack of clarity on the timeline for granting the exemption under Section 20 of the ULC Act, a provision for deemed exemption in case the application is not responded to within a prescribed time limit.

By way of this Order, the GoWB has removed any confusion in relation to the applicability of ceiling provisions on land acquired from government entities by third parties; and taken an approach for facilitating businesses in the state. The GoWB and parastatals like West Bengal Housing Infrastructure Development Corporation, West Bengal Industrial Development Corporation Limited, West Bengal Infrastructure Development Finance Corporation Limited, West Bengal Industrial Infrastructure Development, etc. hold large land banks in the state; this Order shall be beneficial to help transfer by way of sale/lease such land parcels to intending developers and investors at better rates by way of removing the complexities for obtaining exemptions in the case of acquisition of ceiling excess vacant in an urban agglomeration. This shall help to see growth of investment in the state as it will entice the investors to acquire in their desired location of land parcels from government entities without having to worry about the stringent ceiling provisions.

The genesis of this Order is well thought of and in consonance with the age-old debate of that one arm of the government, cannot take away what the other arm i.e. the government companies/parastatals etc., has offered.

It is pertinent to note that in the budget statement issued for the year of 2024, the government had recognised that in the past few decades there has been a mammoth change in the social, economic and industrial development in the country and in West Bengal; and one such constraints faced by the industry is the ceiling on private ownership of land. Accordingly, it was stated that the GoWB would seek to revisit and examine the applicability of the ULC Act and the ceiling provisions thereof; along with the ceiling provisions prescribed under the West Bengal Land Reforms Act, 1955. Given the earlier statement of the GoWB and the Order, we may see future orders or relaxations in this regard.

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