

R C Jain & Associates LLP

Since 1986...

**The Real Estate
(Regulation and Development) Act, 2016**



Key Objectives

To Establish –

- **Real Estate Regulatory Authority (RERA) -**
 - For **regulation and promotion** of the real estate sector by administering
 - Registration of the real estate project; and
 - Registration of the real estate agents
 - To ensuring sale of plot, apartment or building in an **efficient and transparent** manner
 - To **protect the interest of consumers** in the real estate sector (by encouraging timely delivery of projects)
- An **adjudicating mechanism** for speedy dispute redressal
- **Real Estate Appellate Tribunal (REAT)** to hear appeals from decision / directions / orders of RERA & Adjudicating officer

The key terms that have been defined in the Act...

A number of key terms have been defined in the Act.

Just to name a few in relation to our industry are –

- Real Estate Project (REP)
- Promoter
- Carpet Area
- Commencement Certificate
- Occupancy Certificate
- Completion Certificate
- Agreement for sale
- Sanctioned Plan
- Advertisement

Definitions

Real Estate Project means —

- the development of a building or
- a building consisting of apartments, or
- converting an existing building or a part thereof into apartments, or
- the development of land into plots or apartment, as the case may be,
- for the purpose of selling all or some of the said apartments or plots or building, as the case may be, **and** includes the common areas, the development works, all improvements and structures thereon

Definitions (Continued...)

Promoter means —

➤ a person who **constructs** or causes to be constructed

- an independent building or

- a building consisting of apartments or

- converts an existing building or a part thereof into apartments,

for the purpose of selling all or some of the **apartments** to other persons and includes his assignees; OR

➤ a person who **develops**

- land into a project,(whether or not the person also constructs structures on any of the plots)

for the purpose of selling all or some of the **plots** in the said project to other persons (whether with or without structures thereon) OR

Definitions (Continued...)

- **any development authority or any other public body** in respect of allottees of
 - buildings / apartments constructed by such authority or body
 - on lands owned by them or
 - placed at their disposal by the Government; or
 - plots owned by such authority or body or
 - placed at their disposal by the Governmentfor the purpose of selling all or some of the **apartments or plots** OR
- an **apex State level co-operative housing finance society** and a **primary co-operative housing society**
 - which constructs apartments or buildings
 - for its Members or
 - in respect of the allottees of such apartments or buildings OR

Definitions (Continued...)

- **any other person** who acts himself as a
 - builder
 - coloniser
 - contractor
 - developer
 - estate developer or by any other name or
 - claims to be acting as the holder of a power of attorney from the owner of the land on which the building or apartment is constructed or plot is developed for sale OR
- such other person who constructs any building or apartment for sale to the general public.

Definitions (Continued...)

Explanation.—For the purposes of this clause,

- where the person who constructs or converts
 - a building into apartments or
 - develops a plot for sale and
 - the persons who sells apartments or plots are different persons,
 - both of them shall be **deemed to be the promoters** and
 - shall be jointly liable as such for the functions and responsibilities specified under this Act or the rules and regulations made thereunder
- In case of **Joint Promoters** or **Joint Venture Agreements** or cases of joint development with land owner on revenue share basis or area share basis where landlord and promoter are two different parties but both are beneficiaries of sale of project, both are liable to adhere the provisions of the Act and rules.

Definitions (Continued...)

Carpet Area means —

- net usable floor area of an apartment
- **excluding** the area covered by the external walls, areas under services shafts, exclusive balcony or verandah area and exclusive open terrace area
- but **includes** the area covered by the internal partition walls of the apartment.

Commencement Certificate means —

- commencement certificate / building permit / construction permit by whatever name called
- issued by the competent authority
- to **allow or permit** the promoter to **begin development works** on an immovable property as per the sanctioned plan

Definitions (Continued...)

Occupancy Certificate means —

- occupancy certificate / such other certificate by whatever name called
- issued by the competent authority
- **permitting occupation** of any building as provided under local laws
- which has **provision for civic infrastructure** such as water, sanitation and electricity

Completion Certificate means —

- completion certificate / such other certificate by whatever name called
- issued by the competent authority
- **certifying** that the real estate project has been **developed according** to the sanctioned plan, layout plan and specifications as approved by the competent authority under the local laws.



REGISTRATION – PROJECT REGISTRATION WITH RERA

Prior Registration of Real Estate Projects

All REP need to be registered with the **Maha RERA**

- **before the promoter advertise, market, book, sell or offer for sale,**
- **or invite persons** to purchase in any manner any REP, or part of it,
- **in any planning area***

* Entire State of Maharashtra (Rural as well as Urban) is under Planning Area of MR & TP Act and hence is covered under Maha RERA.

Where REP is to be developed in phases, every such phase shall be considered a stand alone REP and the promoter shall obtain registration for each phase separately

Registration not required under RERA

Projects on Land \leq 500 sq. mts

OR

No. of units $<$ 8 (Inclusive of all phases)

CC issued before 01/05/2017

Repair, Renovation or
Redevelopment \neq Marketing, etc.

Time limit to register Real Estate Projects

Projects completed with the CC / OC issued as on the date of commencement of the Act



No registration required

Project completed, but CC / OC is pending as on the date of commencement of the Act



Registration required within a period of 3 months

Ongoing projects



Registration required within a period of 3 months

New projects



Registered required before any kind of advert. is made

Promoters - Responsibility

Project Registration

Advertisement

Withdrawal – POC
method

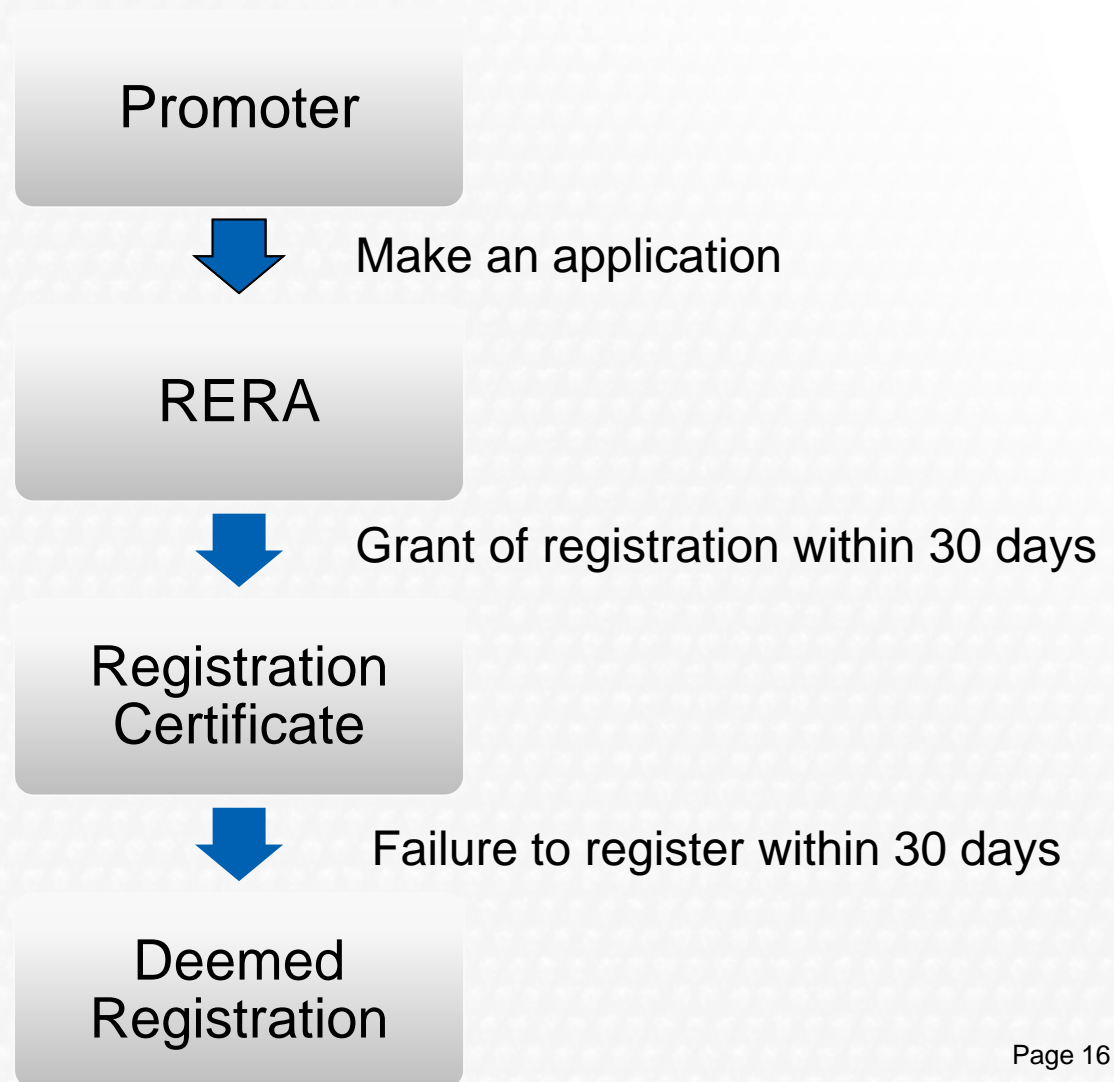
Website updation/
Disclosures

Carpet area

Alteration in project
- approval of
2/3 allottees

Project accounts
-Audit

Application Process



Important information to be enclosed by the promoter while making an application

- Details of the **company** and **names and photographs of the Promoter**
- Detail of **projects launched** by developer in the **past 5 years**
 - whether already completed or being developed,
 - including current status (ongoing / new) of said projects,
 - any delay in its completion,
 - details of cases pending,
 - details of type of land (freehold/leasehold) and payments pending
- Authenticated copy of **approvals** and **commencement certificate** from competent authority for REP mentioned in application
- Sanctioned plan, layout plan and specifications of proposed project or phase, and whole project as **sanctioned by competent authority**

Continued...

- **Plan of development works** (internal/external work) to be executed in proposed project and **proposed facilities** to be provided including fire fighting facilities, drinking water facilities, emergency evacuation services, use of renewable energy
- **Location details of project**, with clear demarcation of land dedicated for project along with its boundaries including latitude and longitude of end points of project
- **Pro-forma** of allotment letter, agreement for sale, and conveyance deed proposed to be signed with allottees
- **Number, type and carpet area of apartments for sale** in project along with area of exclusive balcony or verandah areas and exclusive open terrace areas apartment with apartment if any
- Number and areas of **garage** for sale in the project

Continued...

- Names and addresses of his **real estate agents** for proposed project
- Names and addresses of **contractors, architect, structural engineer** and other persons concerned with development of proposed project
- **Declaration, supported by an affidavit**, which shall be signed by promoter or any person authorized by promoter stating:-
 - he has **legal title** to the Land along with legally valid documents
 - Land is free from **all encumbrances**
 - **Time period** within which he undertakes to complete the project or phase
 - **70% of amounts realized** for REP from allottees, shall be deposited in a separate account to be maintained in a scheduled bank to cover cost of construction and land cost and shall be used only for that purpose.
 - **take all the pending approvals** on time from the competent authorities
 - furnished such other documents as may be prescribed by the rules/regulations made under this Act

Conditions imposed on Monetary Consideration for Real Estate projects

- 70%, of the amounts realized from the allottees shall be:
 - **Deposited** in a separate account to be maintained in a scheduled bank
 - **Utilization** only to cover the cost of construction and land cost
 - **Withdrawal** is in proportionate to the percentage of completion of project
 - Withdrawal certified from an **Engineer, Architect** and a **Chartered Accountant** in practice
 - Accounts of promoter needs to be **audited** within 6 months after the end of every Financial Year by a CA in practice

- Maximum advance / application fee that can be received by the Promoter, prior to executing a written agreement for sale = **10% of the cost of the apartment.**

Role of Chartered Accountant in Practice

- **Audit** accounts of promoter - **within 6 months** after the end of every Financial Year

- **Statement of accounts** - duly **certified & signed**

- **Verify** during the audit that
 - the amounts collected for a particular project have been utilized for the project
 - the withdrawal has been in compliance with the proportion to the % of completion of the project

Time limit for grant / rejection of registration by RERA

➤ RERA shall **within 30 days from date of application -**

- **grant** the registration & **provide** registration number, Login ID and password to applicant for accessing website of Authority and **to create** his/her web page and to fill details of proposed project.
- **reject** the application & communicate in writing the reasons for rejection of application

Continued...

- **Deemed Registration:** If RERA fails to grant registration or reject application, project shall be deemed to have been registered. RERA shall also **within 7 days** (from expiry of 30 days) provide registration number, Login ID and password to applicant for accessing website of Authority and to create his web page and to fill details of proposed project.
- **Validity of Registration:** Period declared by promoter for **completion** of project or phase.
- **Extension of Registration:**
 - Application - made by promoter due to **force majeure**.
 - Suo motu - RERA may in **reasonable circumstances**, without default on part of promoter, **based on facts of each case**, extend registration granted to a project for such time as it considers necessary, which shall, in aggregate, not exceed a period of 1 year.

(force majeure = a case of war, flood, drought, fire, cyclone, earthquake or any other calamity caused by nature affecting the regular development of the REP.)

Continued...

➤ **Revocation of Registration:**

- on receipt of a complaint or
- suo motu in this behalf or
- on recommendation of competent authority

➤ **Reasons for revocation of registration: Promoter -**

- **default** in doing anything under Act / Rules / Regulations
- **violates any terms** or conditions of approval given by competent authority
- involved in any kind of **unfair practice** or irregularities
- indulges in any **fraudulent practices**

Functions & Duties of Promoter

- The promoter shall **upon receiving his Login ID & Password**,
 - **create his web page** on the website of authority
 - **enter all details** of proposed project for public viewing including,
 - Details of registration granted by RERA
 - Quarterly up-to-date list of no. & type of apartments/plots booked
 - Quarterly up-to-date list of no. of garages booked
 - Quarterly up-to-date list of approvals taken & approvals which are pending subsequent to commencement certificate
 - Quarterly up-to-date status of project

Continued...

- **Website address** of the Authority to be mentioned in advertisement / prospectus issued / published by promoter
- The promoter shall **not transfer/assign** his majority rights & liabilities in respect of REP to a 3rd party without obtaining prior written consent from 2/3rd allottees, except the promoter & without prior written approval of the RERA
- Promoter shall provide following **information to the allottee** at the time of booking & issue of allotment letter :
 - Sanctioned plans, Layout plans as approved by competent authority
 - Stage wise time schedule of completion of the project including provisions for civic infrastructure

Continued...

➤ Promoter shall be responsible -

- For all obligations, responsibilities and functions under the provisions of this **act / rules / regulations** or to the allottee **as per agreement for sale** or to the association of allottee till the conveyance of all apartments, plots or buildings
- To **obtain CC / OC** or both from relevant authority & make it available to the allottee individually or to Association of allottee
- To **obtain lease certificate** if land is on lease, specify period of lease, certify that all dues & charges has been paid & make lease certificate available to the association of allottees
- To **enable formation** of an association / society / co-operative society of the allottees:

Association of allottee shall be formed within a period of 3 months of the majority of allottee having booked their plot / apartment / building in the project

Continued...

- **Execute a registered conveyance deed** of apartment / plot / building in favour of allottee
- **Pay all the outgoing** until he transfer the physical possession of the REP to the allottee which he has collected from the allottee

(outgoing includes land cost, ground rent, municipal or local taxes, water & electricity charges, maintenance charges, mortgage loan & interest thereon, other liabilities payable to competent authority, bank & FI which are related to the project)
- After he execute an agreement for sale for any apartment / plot / building, shall **not mortgage or create a charge** thereupon.

Continued...

Other functions of the Promoter include:

- The promoter may **cancel** the allotment only as mentioned -in terms of agreement for sale.
- The promoter shall **compensate** for any loss or damage for issuing / showing incorrect prospectus, advertisement or model apartment to any person who makes advance or deposit on basis of such advertisement, prospectus (compensation shall be entire investment along with interest)
- A promoter **cannot accept >10% of the cost** of the apartment/plot as an advance payment/application fees from the allottee without 1st entering into written agreement for sale & registering the same.
- **Defect Liability:** The promoter shall be liable for 5 years from the date of handing over of possession to the allottee towards structural defect or any other defect as specified therein. It is his duty to rectify such defects without further charges within 30 days.

Continued...

- Promoter can only **modify / amend** the sanctioned plans / layout plan / project specifications as approved by the competent authority,
 - In case of **minor** additions / alterations
 - After proper declaration & intimation to the allottees,
 - In case of **major** modification / alteration
 - only after taking prior approval from 2/3rd of the allottees.

For arriving at the number of 2/3rd allottees,

- the number of apartments held by the promoter will be excluded.
- also irrespective of the number of apartments held by an allottee or family members, he/she shall only be entitled to one vote

Obligations of Promoter

- The promoter shall **not transfer or assign** his majority rights & liabilities in respect of a REP to a 3rd party without obtaining prior written consent from 2/3rd allottees, except the promoters **AND** without the prior written approval of the authority
- The promoter shall obtain all **insurance** as notified by appropriate government in respect of title of land & building and construction of REP
- Registration of **conveyance deed** of apartment / plot / building in favour of allottee to be carried out by the promoter within 3 months from date of issue of OC
- The promoter shall **handover necessary documents & plans** including common area to the association of allottee or competent authority within 30 days after obtaining OC & handing over physical possession to the allottee

Agreement for Sale to include–RERA (Based on Model Agreement)

- Promoter rights to the title to the land/ POA for development rights
- Registration details of Project by the Promoter with RERA
- Carpet area of flat/apartment sold and confirmation by Promoter on final carpet area allotted to allottee
- Time Schedule for completion of project with specified date for handover of possession to allottee
- Sanctioned Plan, Layout and Specifications agreed for construction
- Execution of conveyance deed – handover the possession of land and building to society
 - Detailed Promoter representations on land and construction of project
 - Cancellation by Allottee / Compensation by Promoter in case of default

As per Model Draft Agreement provided in Rules

Sr. No.	Stage of Project	Maximum Percentage of the Total Consideration to be demanded at each stage	Net Percentage of the Total Consideration to be demanded at each stage
1	On or before the execution of the agreement	10%	10%
2	After the execution of the agreement	30%	20%
3	On completion of the Plinth of the building or wing in which the said Apartment is located	45%	15%
4	On completion of the slabs including podiums and stilts of the building or wing in which the said Apartment is located	70%	25%
5	On completion of the walls, internal plaster, floorings doors and windows of the said Apartment	75%	5%
6	On completion of the Sanitary fittings, staircases, lift wells, lobbies upto the floor level of the said Apartment	80%	5%
7	On completion of the external plumbing and external plaster, elevation, terraces with waterproofing, of the building or wing in which the said Apartment is located	85%	5%
8	On completion of the lifts, water pumps, electrical fittings, electro, mechanical and environment requirements, entrance lobby/s, plinth protection, paving of areas appertain and all other requirements as may be prescribed in the Agreement of sale of the building or wing in which the said Apartment is located	95%	10%
9	Against and at the time of handing over of the possession of the Apartment to the Allottee on or after receipt of occupancy certificate or completion certificate	100%	5%

Fees for Registration of Real Estate Project

Projects



Calculated @
Rs. 10/- per sq. mtr.
- on land area



Minimum
Rs. 50,000/-
Maximum
Rs. 10,00,000/-

Payment of registration fees should be through NEFT or RTGS or any digital mode of transaction



Offences and Penalties in **RERA**

Offence-wise Penalties for Promoters

Sr. No.	Offence	Penalty
1	Non-registration of a project	10% of the estimated cost of REP
2	Not complying with any of the orders / decisions / directions issued in connection with the above offence	Imprisonment - 3 years or Fine - 10% of the estimated cost of REP or Both
3	Providing false information etc.	5% of the estimated cost of REP
4	Other contravention of Act / Rules / Regulations	5% of the estimated cost of REP
5	Not complying with any of the orders / directions of the RERA	Penalty - 5% of the estimated cost of REP
6	Not complying / contravening any of the orders / decisions / direction of the appellate tribunal	Imprisonment - 3 years or Fine - 10% of the estimated cost of REP or Both

MAHA RERA RULES...



Co-Promoters - Land Owners / Investor

Co-promoter means and includes —

- any person(s) or organization(s) who,
 - under any agreement or arrangement with the promoter of REP
 - allowed / entitled
 - **share of total revenue generated from sale of apartments OR share of the total area developed in the REP.**
- The liabilities of such Co-promoters shall be as per the agreement or arrangement with the promoters, however for withdrawal from the Designated Bank Account, they shall be at par with the promoter of the REP.
- Details of Co-promoters at the time of registration are as follows:
- Copy of agreement / JDA
 - Declaration in Form B
 - Whether entitlement of share is: Revenue share OR Area share

Continued...

Revenue Sharing

- Land Owner is Co-promoter and shall file declaration in Form B
- Land Owners liability shall be in accordance with Development Agreement
- No need of Separate Account for Land Owner
- Sale proceeds towards these individuals or organization shall not be considered as cost of the project

Continued...

Area Sharing

- Land Owner is Co-promoter and shall file declaration in Form B
- Land Owners liability shall be in accordance with Development Agreement
- Separate Account to be opened by for Land Owner
- Process of withdrawal to be followed = $\text{cost incurred} \div \text{total cost} * 100\%$
- Deposit 70% of the sale proceeds realized from sale of apartment in the separate Bank A/c
- Withdrawal up to cost incurred only and balance on OC

Time period for formation of Legal Entity

- Where Promoter is required to form —
 - **Legal Entity** for Single building not being part of a layout / layout of more than one building or a wing of one building in the layout
 - Within 3 months from the date on which 51% of the total number of allottees in such a building or a wing have booked their apartment
 - **Apex Body** either as a federation of Co-operative Societies / companies / any other legal entities
 - within a period of 3 months from the date of the receipt of the OC of the last of the building which was to be constructed in the Layout

Time period for Conveyance of title by Promoter

➤ **To allottees** in case of PLOTS

- within 3 months from the date the allottees in such plot have paid full consideration

➤ **To legal entity of allottees** in case of SINGLE BUILDING PROJECT

If no period agreed upon between them, then execute the conveyance

- within 3 months from the date of issue of OC

OR

- 51% of the total number of allottees in such a building or a wing, have paid the full consideration
- whichever is **earlier**

Continued...

➤ **To organization of allottees** in case of LAYOUT

- In the case of a **building or a wing** of a building in a Layout

If no period agreed upon between them, then execute the conveyance

- within 1 month from the date on which the Co-operative society / the company is registered / the association of the allottees is duly constituted

OR

- within 3 months from the date of issue of OC
- whichever is **earlier**

Continued...

➤ **To organization of allottees in case of LAYOUT**

- In the case of a **Layout (Land)**

If no period agreed upon between them, then execute the conveyance

- within 3 months from the date on which the Apex Body / Federation / Holding Company is registered / the association of the allottees is duly constituted

OR

- within 3 months from the date of issue of OC to the last of the building or wing in the layout
- whichever is **earlier**

Real Estate Agent



Real Estate Agent

Real Estate Agent means —

- any person,
 - who negotiates or acts on behalf of one person
 - in a transaction of transfer of his plot, apartment or building, as the case may be, in a REP, by way of sale, with another person OR
 - transfer of plot, apartment or building, as the case may be, of any other person to him AND
 - receives remuneration or fees or any other charges for his services whether as commission or otherwise and includes a person who introduces, through any medium, prospective buyers and sellers to each other for negotiation for sale or purchase of plot, apartment or building, as the case may be, and includes property dealers, brokers, middlemen by whatever name called.

Continued...

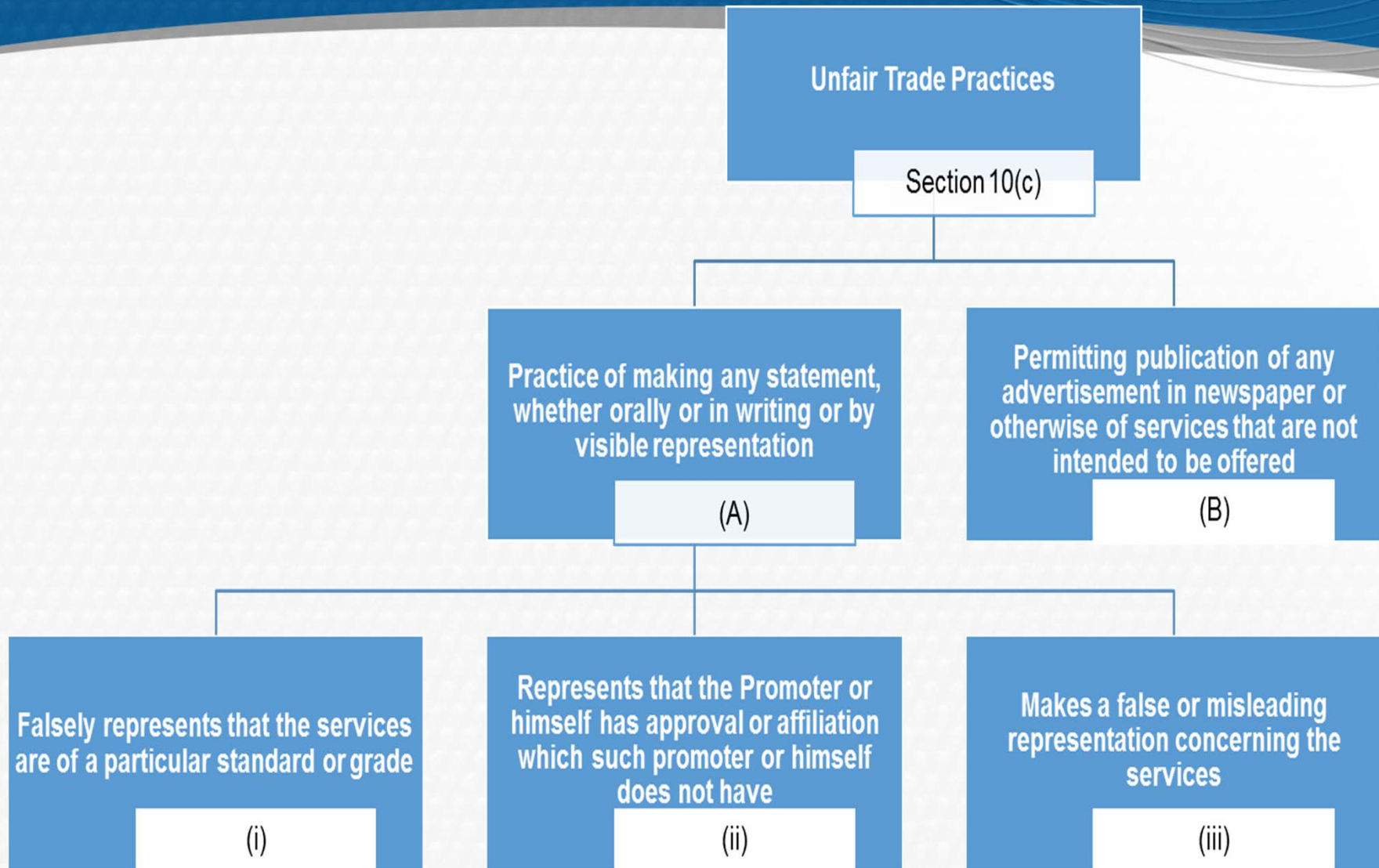
Registration

Marketing

Unfair trade
practice

- Every RE agent is required to be registered with RERA for facilitating sale, purchase of any REP.
- Facilitate the possession of all the information and documents to the allottee.
- RE Agent shall not facilitate purchase or sale of RE project not registered with RERA maintain and preserve books of accounts, records and documents as may be prescribed

Unfair Trade Practices



Real Estate Agent Registration

- **Registration Mode:** Online through Maha RERA portal which shall go-live on 1st May 2017.
- **Fees:**



Payment of registration fees should be through NEFT or RTGS or any digital mode of transaction

- **Jurisdiction:** Registration shall be valid only for Maharashtra
- **Validity:** 5 years
- **Listing:** Every Agent has to be listed by Promoter during the Project Registration / Status Updates. Without which Agent can't market the project

Revocation of Registration of Real Estate Agent

- Where any real estate agent who has been granted registration certificate number
 - Commits breach of any terms and conditions specifying under these rules and regulations made thereunder OR
 - where the authority is satisfied that such registration has been secured by the real estate agent through misrepresentation or fraud
- the authority may without prejudice to any other said provisions under the act
 - either on application OR
 - complaint from the promoter or allottee
- revoke the registration / suspend the registration as the authority thinks fit and inform all the promoters.
- Provided that , no such revocation / suspension of registration shall be made by the authority unless an opportunity of being heard has been given to the real estate agent

Renewal of Registration

- A Real Estate Agent to whom registration has been granted under **Sec 9**.
 - may, make an application for renewal of his registration
 - at least **60 days** prior to the expiry of the registration
 - The application shall be in the **Form 'J'** and
 - shall be accompanied with the same fees and fresh documents as are applicable in case of new registration, under these rules

Responsibility and Functions of Real Estate Agent

- Maintenance and preservation of
 - Books of Accounts, records and documents as he may be required
 - in accordance with the provisions of the Income Tax Act 1961 or the Companies Act 2013 or under any law applicable for the time being in force or rules and regulations framed there under and
 - will be required to produce them for inspection if so need for grant or, renewal of the registration.

- The Real estate agent shall provide assistance to enable the allottee and promoter of each real estate project to exercise their respective rights and fulfill the respective obligations at the time of marketing and selling, purchase and sale of any plot, apartment or building as the case may be



Offences and Penalties in **RERA**

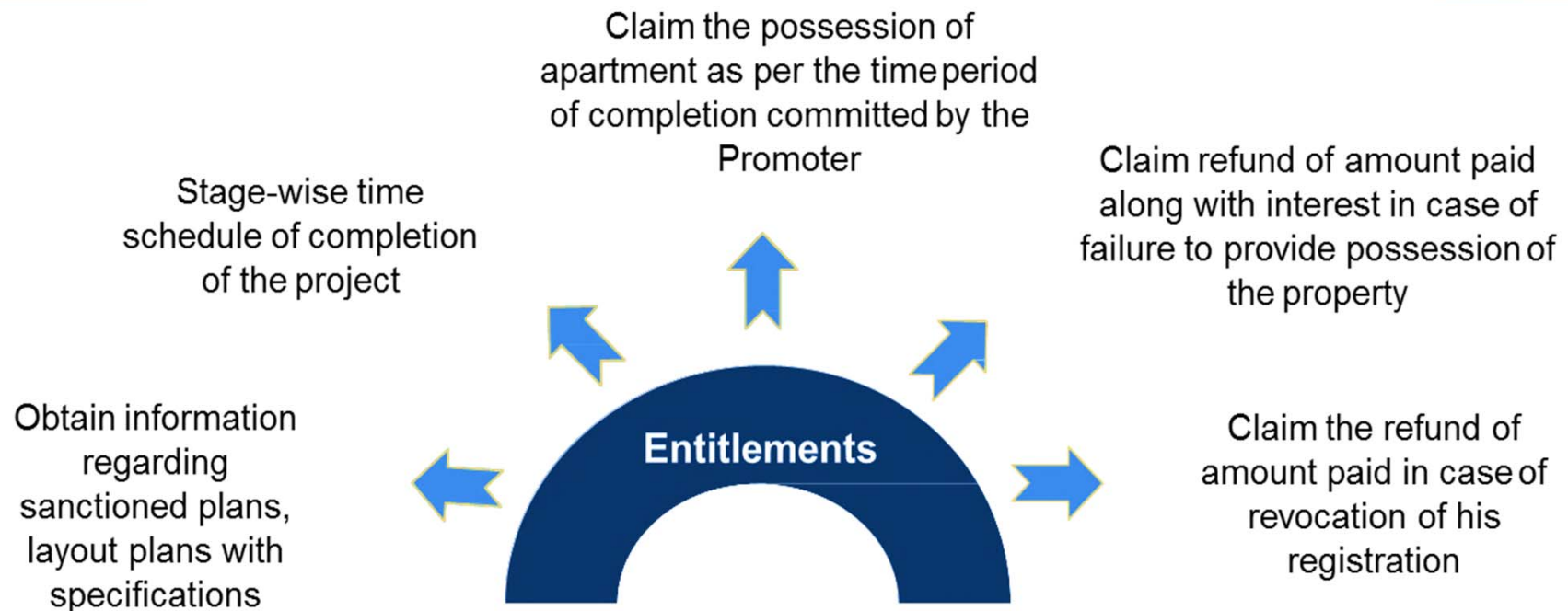
Offence-wise Penalties for Real Estate Agents

Sr. No.	Offence	Penalty
1	Penalty for non registration and contravention under sections 9 and 10	Rs. 10,000 per day of defaults which may extend up to 5% of the cost of the property whose sale or purchase was facilitated by him
2	Penalty for failure to comply with orders of Authority by real estate agent	Penalty on a daily basis which may cumulatively extend up to 5% of the estimated cost of the property whose sale or purchase was facilitated by the agent
3	Penalty for failure to comply with orders of Appellate Tribunal by real estate agent	Imprisonment up to 1 year with without fine which may extend up to 10% of estimated cost of project.

Allottees – Obligations and Entitlements



Entitlements



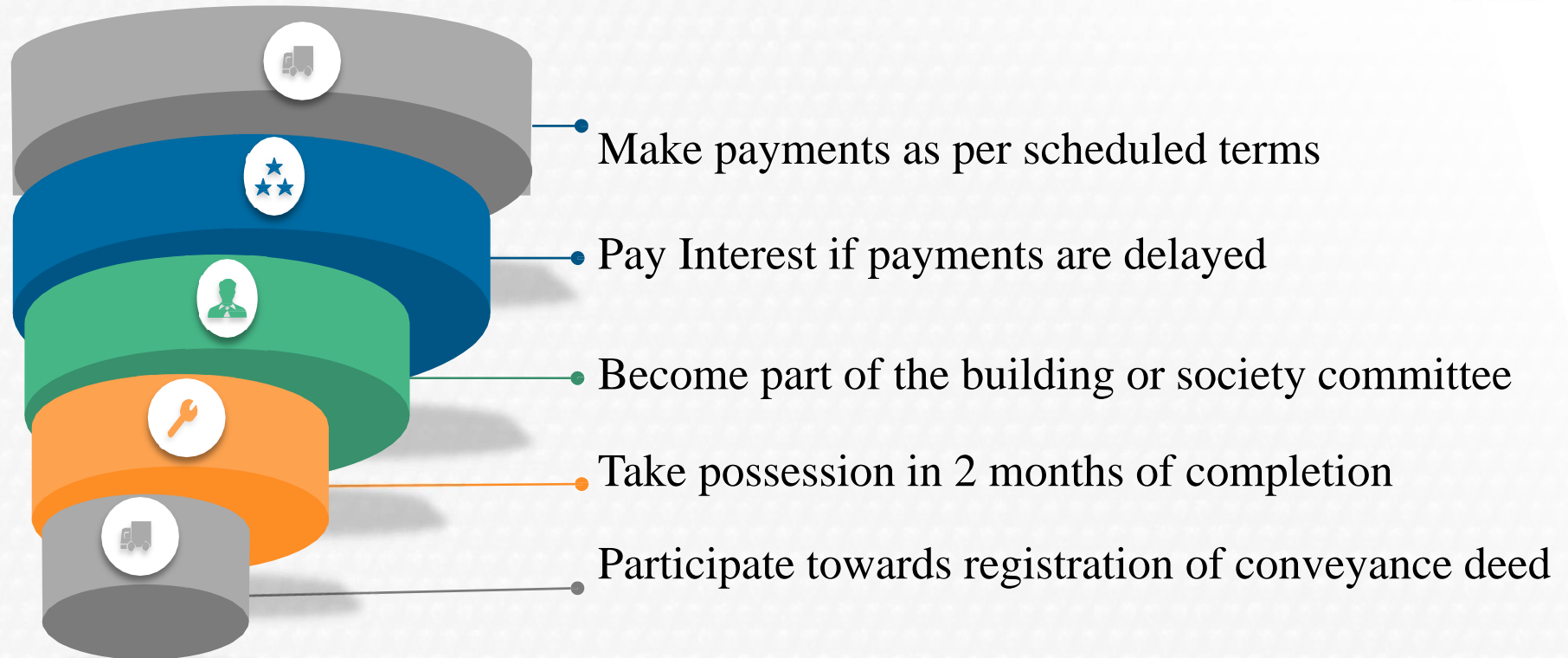
Section 2(d) - Allottee in relation to a real estate project includes a **person to whom a plot, apartment or building, as the case may be, has been allotted, sold** (whether as freehold or leasehold) or otherwise transferred by the promoter but does not include a person to whom such plot, apartment or building, as the case may be, is given on rent. **Normally, a person to whom the plot, apartment, building is given on leasehold basis would be paying rent and therefore a clarity is required to that effect**

Filing of Complaints

- **Complaint filing** :Complaints can be filed with respect to registered projects
- **Mode:** The aggrieved person can file complaints online or at Maha RERA IT Helpdesk in “Form A” provided by Maha RERA
- **Fees:** The fees for filing a complaint is Rs. 5000. The mode of payment is NEFT or RTGS System or any other digital transaction mode.
- **Complainant:** Any interested party including Allottee, Promoter and Real Estate Agents can file complaints
- **Form:** The aggrieved person can file an application online as per format provided by Maha RERA. It shall include the following details:
 - Registration number of the project to which the complaint pertains
 - Particulars of the complainant and respondent
 - Facts of the case
 - Relief Sought
 - List of Enclosures and so on

Although the form is filled online, hard copies shall be required after registration of complaint from time to time.

Obligations



Judicial Mechanism- RERA Authority

High Court

**Required to
adjudicate cases
within 60 working
days from the
date of receipt of
appeal/
application**

**RE Appellate
Tribunal**

**RERA
Authority**

**Adjudicating Officer
[District Judge]**

**Other
matters**

**For
adjudging the
compensation
to be paid by
Promoters**

**Adjudicating Officer to be appointed
by RERA in consultation with the
State**

Section 12 - Veracity of
information in advertisement,
notice, prospectus or model
apartment

Section 14 - Adherence to
sanctioned plans, layout plans and
project specifications by the
Promoter

Section 18 - Return of amount of
compensation

Section 19 - Rights and duties of
allottees

- Any dispute resolution relating to matters on any violation or contravention of provisions is through the RERA or the Adjudicating Officer
- No recourse to other consumer forums/ civil courts on matters covered under the RE Act
- In respect of matters pending before Consumer Courts, the Appellants have the option to withdraw such complaint and file an application before the Adjudicating Officer
- Pre-deposit at REAT level: 30 percent of penalty for Promoters or 100 percent of interest/ compensation for allottees REAT to be headed by a sitting or retired Judge of the High Court, with one judicial and one administrative/ technical member



Offences and Penalties in **RERA**

Offence-wise Penalties for Allottees

Sr. No	Offence	Penalty
1	Failure to comply with any order or decision of RERA Authority	Penalty for per day of default, which may cumulatively extend up to 5 percent of cost of the project
2	Failure to Comply with any order or decision of RERA Tribunal	Penalty with imprisonment for a term extend to 1 year or with fine for every day which may cumulatively extend up to 10% of the cost of the plot, apartment or building

Overall Analysis

- RE industry already facing liquidity crunch and mounting inventories. It's likely that the regulatory burden, Cost of capital and compliance would increase
- May help Tier-II and Tier-III developers to attract PE funding with the increase in transparency. Currently 80 - 85 % PE funds invest in Tier-I developers owing to good corporate governance structure
- Tier-II and Tier-III cities may now appear on PE investment radar
- Restricted use of 70 % – Well intentioned but may have little economic merit
- Dispute settlement mechanism - Given the experience of consumer courts, it's only a matter of time before the new mechanism gets as clogged as the existing could revitalize consumer confidence in the over-supplied/ over-priced RE market
- Makes an agreement for sale compulsorily registerable. The Indian Registration Act, 1908 does not provide for compulsory registration of an agreement for sale seems to penalize the developer but at the same time does not provide any real relief to the end user
- Silo style of operation should stub out with the requirement to make disclosures of project details
- Pre-launch/ Soft launch sale of projects will now be a history

Hits and Misses



Hits

- Increased affirmation on timely completion/ delivery of RE projects
- Increase in quality of construction - Defect liability period of 5 years from the handing over of possession
- Balanced builder-buyer agreements (otherwise agreements heavily loaded in favour of developer)
- Regulated RE Agent/ Broker environment
- Greater visibility into the developer's delivery track record
- Sale on the carpet area basis/ terms to help improve transparency in pricing and bring in standardisation



Misses

- Timelines for approval by the regulatory authorities not defined
- May lead to slightly higher prices for RE due to the reduced competition, insurance and other ancillary costs passed on by the Developers etc
- Little elbow room to utilise money collected from homebuyers. Combination of this with plethora of guidelines to be followed may put brakes on the number of new launches (in the short term)
- Existing practice of soft launch may end due to the restriction on the launch of projects before getting approvals

Overall Impact Of GST and RERA

- Reductions in rates of Real estate sector which is explained in the below example

Particulars	Previous Rate	Current Rate	Difference
Steel (12+5)= 17	117	100	17
Cement (16.5+12.50)	129	100	29
Impact	246	200	46

- Contractors/Suppliers
- Banks
- Customers – stage wise details, Timely completion, Reduction in rate.

R C JAIN AND ASSOCIATES LLP

CHARTERED ACCOUNTANTS

Head Office

622-624, Corporate Center,
Nirmal Lifestyle, LBS Marg,
Mulund (W), Mumbai – 80.
Tel : 25628290/91/92/93
Email : rcjainca@vsnl.com

Bhopal Branch

302, Plot No. 75B, 1st Floor,
Neelam Plaza, Nr. Chetak
Bridge, Kasturba Nagar,
Bhopal – 462001 (M.P.)
Tel : 0755 – 2600646
Email :
hmjainca@rediffmail.com

Aurangabad Branch

Su-Shobha, Plot No. 7,
Mitra Nagar,
Behind Akshwani,
Nr. Maratha Dabar Hotel,
Aurangabad – 431001 (MAH.)
Tel : 0240 –
2357556/9922455556
Email : sskasliwal@gmail.com

Shivpuri Branch

Govindam, Near Pandey
Baba Mandir, Mahal
Road
Shivpuri – 473551 (M.P.)
Tel : 9993274175
Email :
g2a_ca@rediffmail.com



Open House Discussions

*Thank
you*

