

# Provisions of RERA

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In News

**The Real Estate (Regulation and Development) Act, 2016**, was formulated to safeguard the interest of homebuyers and to **infuse transparency and credibility into the otherwise unregulated real estate sector**. Under the Act, **the state governments are required to notify their own rules under the Act**, on the basis of the model rules framed under the central Act.

## Key Provisions of the Act

- The Act mandates that all the commercial and residential real estate projects **larger than 500 sq m, or eight apartments should be registered with their State's Real Estate Regulatory Authority (RERA)** before being launched.
- Ongoing projects without Completion Certificates (CC), as on the date of commencement of the Act, will have to file for registration within three months. Post acceptance of the registration request, the promoters will be required to present all the relevant details about the project on RERA's official website.
- **Real estate agents**, facilitating the sale or purchase of realty projects, too, will **have to register themselves** with the authority.
- RERA mandates all builders to **submit original, approved plans** of their ongoing projects, **furnish details of revenue collected** from allottees and utilisation of funds, along with **construction, completion and delivery timelines certified** by an authorised engineer, architect or a practicing chartered accountant.
- The promoter/developer of a real estate development firm will have to maintain a **separate escrow account for each**

- project. A minimum of 70% of the total funds** collected for a specific project will have to be deposited in that account and used only for the construction or land cost pertaining to the same project.
- Promoters of real estate projects will have to **charge buyers only on the basis of carpet area**, unlike the earlier practice of charging on the built-up or super built-up area.
  - The Act **bars a promoter from taking higher than 10% of the total cost** of apartment, plot or building, **as an advance payment** without entering into a written agreement of sale.
  - The Act **restricts the developer from making any alterations** or additions to the sanctioned plan of the apartment, building or common areas without the written consent of at least two-thirds of the allottees of the residential projects.
  - The Act enforces the **establishment of appellate tribunals** under the respective State regulators. The tribunals will be required to **settle grievances and complaints within 60 days** from the date of filing.
  - The Act also **outlines penalty clauses** for developers in case of structural defects or delay in project delivery, and for buyers in case of irregular payments.

### Impact of RERA Act

- While prices had been in a steady decline between 2013 and 2016, the cycle turned negative in the period immediately following the implementation of RERA. Evidently, sales dipped, and projects began to **struggle to cope with the rigorous requirements of a now regulated industry**.
- Reduction in supply slowdown in new launches was a **short-term negative impact** of RERA. Developers **stopped indiscriminate launches**. They are now **extremely cautious about new projects** and make sure that all approvals are

in place before any launch.

- While the flurry of reforms and various policy measures sent successive shock-waves in the real estate industry, the eventual acceptance of the new reality is sinking in. The supply side has clearly begun learning the dynamics of this changed environment, and has been **redrawing its business models.**
- The greatest **protection for the demand side** comes in the form of much higher transparency and an assurance on proper deployment of funds by builders.
- Home buyers can also see the number of ongoing projects by the same builder and **see whether the builder is over stretching himself.**
- While harsh on weak and bad builders, RERA has opened up the opportunity for small and good builders. Good and small builders can get credit from financial institutions. So, RERA is actually **helping expand the market** and not consolidate it.