CHAPTER 11 · COMPLIANCE MANUAL · 2024 EDITION

Real Estate (Regulation and Development) Act, 2016

*This chapter is an extract from **The RST Compliance Manual**, a regulator-mapped reference for Indian business entities curated by the partners of R S T & Co.*

RERA is an act passed by the Parliament in 2016 that came into effect wholly from 1st May, 2017. It protects homebuyers and boosts investments in the real estate sector by bringing efficiency & transparency in the sale/purchase of real estate.

The Act establishes Real Estate Regulatory Authority in each state for regulation of the real estate sector and acts as an adjudicating body for dispute resolution. Karnataka government approved the Karnataka Real Estate (Regulation and Development) Rules in July 2017.

11.1 Applicability

Parties to the transaction – Applies to promoters and real estate agents, including builder, developer, contractor, development body or any other public body which constructs or develops land/building/apartment for the purpose of sale (Land owner in case of Joint development).

Type of properties – Commercial buildings, residential apartments and plot developed for sale.

Area – Real estate projects exceeding 500 sq. meters or having more than eight apartments.

11.2 Main features of RERA

Mandatory public disclosure norms for all registered projects: details of the promoters, layout plan, plan of development works, land status, status of the statutory approvals, disclosure of proforma agreements, disclosure of names and addresses of real estate agents, contractors, architect, structural engineer, etc.

Escrow – Compulsory deposit of 70 percent (or lesser percent notified) of the amounts realized for the real estate project from the allottees in a separate account in a scheduled bank within a period of 15 days to cover the cost of construction.

Compulsory for builders to update the status of their projects on a **quarterly basis**.

Any structural or workmanship defects brought to the notice of a promoter within a period of 5 years from the date of handing over possession must be rectified by the promoter, without any further charge, within 30 days.

Developers and buyers must pay the same **penal interest of SBI’s Marginal Cost of Lending Rate plus 2%** in case of delays.

11.3 Registration

11.3.1 Mandatory Registration

For all builders developing a project where the land exceeds 500 sq. metre or number of proposed apartments in all phases is more than 8.

Developers will have to submit and upload project details, including approved layout plan, timeline, cost, and the sale agreement.

Before applying for registration, the layout of the real estate project has to be approved by the local authority.

11.3.2 Registration requirement for ongoing projects

The promoter of an ongoing project has to compulsorily register it within 90 days from the date of commencement of the Act in the state, by furnishing following information,

Status of the project

Original time period disclosed to the allottee for completion of the project at the time of sale including the delay and the time period within which he undertakes to complete the pending project.

This information shall be certified by an engineer, an architect and a chartered accountant.

The promoter must disclose the size of the apartment based on carpet area even if it is sold on any other basis.

Applicable for ongoing projects,

Where all development works have been completed as per the Act and certified by the competent agency and sales/lease deeds of 60% of the apartments/houses/plots have been registered and executed.

In respect of layouts where the streets and civic amenities sites and other services have been handed over to the Local Authority and Planning Authority.

In respect of apartments where common areas and facilities have been handed over to the registered Association consisting of majority of allottees.

Where all development works have been completed as per the Act and certified by the competent agency and application has been filed with the competent authority for issue of completion certificate/occupation certificate.

Where partial occupancy certificate is obtained, upto that particular extent.

11.3.3 Process of RERA Registration and Documentation

RERA registration is a state-wise & Project-wise registration process.

The process is online and can be applied from the official website of the state.

The promoters and the real estate agents have to submit the relevant documents along with the application for registration to the Regulating Authority of the respective state.

Real estate agents engaged in the sale and purchase of properties can get the RERA registration that will remain valid throughout the state.

Promoter will be issued a registration rumber, login ID, and password after receipt of the application for registration, which can be used for updating the status of the project.

RERA registration is valid for the period within which the promoter undertakes to complete the project. It can be extended in case of a natural calamity (valid for a period of one year).

11.4 Registration Fees & Charges

The fee for promoters is based on the area of the project subject to a maximum limit. The fees for agents are based on the entity type.

Type of Project	Applicable Fees	Applicable Fees
Type of Project	**Area of proposed land for development is 1,000 sq. meters**	**Area of proposed land for development is > 1,000 sq. meters**
Group Housing Project	Rs. 5 per sq. meter	Rs. 10 per sq. meter (maximum of Rs. 5 lakh)
Mixed Development Project (commercial and residential)	Rs. 10 per sq. meter	Rs. 15 per sq. meter (maximum of Rs. 7 lakh)
Commercial Projects	Rs. 20 per sq. meter	Rs. 25 per sq. meter (maximum of Rs. 10 lakh)
Plotted Development Projects	Rs. 5 per sq. meter (maximum of Rs. 2 lakh)	Rs. 5 per sq. meter (maximum of Rs. 2 lakh)
Real Estate Agents	Rs. 25,000 (individual) Rs. 2 lakh (other cases)	Rs. 25,000 (individual) Rs. 2 lakh (other cases)

11.5 Quarterly Compliance

Karnataka RERA has a different procedure for quarterly return filings where it has divided the section into two parts - for plots and for apartments.

Architect Certificate (Form 1), Engineer Certificate (Form 2) and Chartered Accountant Certificate (Form 3) are categorized as RERA Return.

Details of number of flats sold, booked and leased along with their construction status need to be submitted as well.

11.6 Filing of Complaint

Any person may file a complaint with the Adjudicating Officer or Regulatory Authority for any violation under the Act. He would have to provide a fee of Rs. 1,000 in the form of a Demand Draft.

Complaints can be filed online at **https://rera.karnataka.gov.in/home.**

11.7 Penalty for Contraventions

For Promoters

Section	Offence	Penalty
Section 59	Non-registration Fails to comply with the rule and continues to be unregistered	10% of the project’s estimated cost Up to 3 years’ imprisonment or a fine up to 20% of the estimated cost of the property, or both
Section 60	Giving false information	5% of the project’s estimated cost

Section	Offence	Penalty
Section 61	Contravention of other provisions	5% of the project’s estimated cost
Section 63	Non-compliance with Authority	Daily penalty up to 5% of the project’s estimated cost
Section 64	Non-compliance with the Appellate Tribunal	Up to 3 years’ imprisonment or a fine of 10% of the estimated cost of the property, or both

For Agents

Section	Offence	Penalty
Section 62	Non-registration of projects (Section 9 & 10 of RERA)	Rs. 10,000 per day, up to 5% of the approximate cost of the project
Section 65	Non-compliance with Authority	Daily penalty up to 5% of the project’s estimated cost
Section 66	Non-compliance with the Appellate Tribunal	Imprisonment up to 1 year or 10% of the project’s estimated cost, or both

For Buyers

Section	Offence	Penalty
Section 67	Non-compliance with RERA	Daily penalty up to 5% of the approximate cost of the project
Section 68	Non-compliance with the Appellate Tribunal	Imprisonment up to 1 year or 10% of the approximate cost of the project, or both

Recent amendments

The Real Estate Regulatory Authority of Karnataka has recently announced that it will impose a **fine of Rs. 10,000 per month on the builders** across the state who fail to file the quarterly updates on the status of their projects.

NOTES

End of Chapter. *For the complete Compliance Manual, additional chapters, or a tailored briefing for your finance and compliance teams, contact* ***info@rstandco.co.in****.*