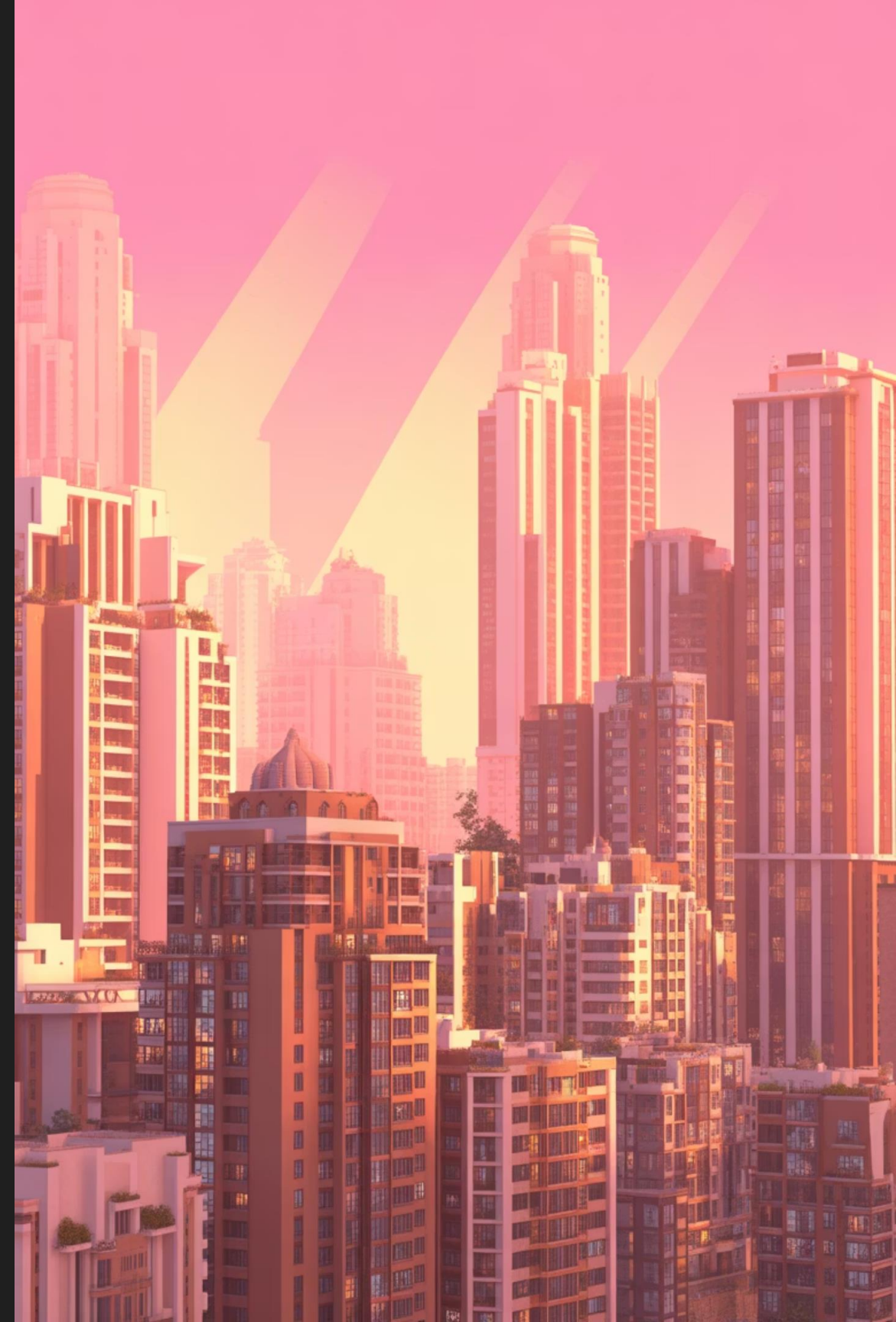


Intricacies of MahaRERA - A Chartered Accountant's Perspective

Exploring key aspects: Registration, Financial Flows, and CA Certifications.

A guide for Chartered Accountants specializing in Real Estate & Infrastructure.



Session Objectives



Decode RERA Framework

Understand the RERA and MahaRERA statutory architecture from a CA's technical lens, including the interplay of central legislation and state-specific regulations.



Registration & Amendments

Analyse the nuances of project registration, correction workflows, timeline extensions, and the procedural aspects of change of promoter under MahaRERA.



Financial Architecture

Master the 70% separate account rule and the three-account system mandated by MahaRERA, including fund flow controls and withdrawal mechanisms.



CA Certification Risk

Deep-dive into certification responsibilities under Form 3, Form 5, and post-Order 56/2024 requirements, understanding professional risk and liability exposure.



Tax Integration

Map RERA milestones to Income-tax recognition principles and GST compliance requirements, bridging regulatory and fiscal obligations.

RERA 2016 - Core Architecture

The Real Estate (Regulation and Development) Act, 2016, represents a watershed moment in Indian real estate regulation. Fully effective from May 2017, RERA introduced a paradigm shift from caveat emptor to transparency and accountability.

01

Mandatory Registration (Section 3)

No advertisement, booking, or sale permitted before registration with the Authority. This foundational requirement applies to projects meeting prescribed thresholds.

03

Extensions (Sections 6 & 7(3))

Framework for extending project registration timelines, either through standard extension procedures or with two-thirds allottee consent for significant delays.

02

70% Separate Account (Section 4(2)(I)(D))

At least 70% of amounts realised from allottees must be deposited in a separate bank account, with use restricted to land and construction costs only.

04

Transfer & Remedies (Sections 15 & 18)

Provisions governing change of promoter requiring regulatory approval, plus statutory interest and compensation obligations for delays or defaults.

MahaRERA - Front-Runner in Implementation

Maharashtra established itself as one of the earliest and most robust implementers of RERA in India. The state has consistently led in the number of registered projects and active regulatory oversight.

The comprehensive framework comprises the Maharashtra Real Estate (Regulation and Development) Act, 2016, supplemented by the Maharashtra Rules 2017 and MahaRERA General Regulations 2017.

A dense ecosystem of orders and circulars addresses granular operational matters including bank account operations, correction procedures, extension protocols, and formats for Agreements for Sale.

The MahaRERA portal functions as a statutory data room, mandating detailed project disclosures that are publicly accessible, creating unprecedented transparency in real estate transactions.

50K+

Registered Projects

Among highest in India

2017

Year Established

Early mover advantage

100%

Online Portal

Fully digital workflow

Project Registration - Statutory & Practical Triggers

Registration under MahaRERA is **mandatory before any advertisement, booking, or sale activity** commences, subject to specified area and unit thresholds defined in the Act.

1

Application Components

Section 4 application requires comprehensive documentation including clear title, details of encumbrances, sanctioned plans, realistic project timeline, and bank account undertaking.

2

Online Process

MahaRERA registration is fully online with detailed data capture requirements across multiple schedules, creating a comprehensive project database.

3

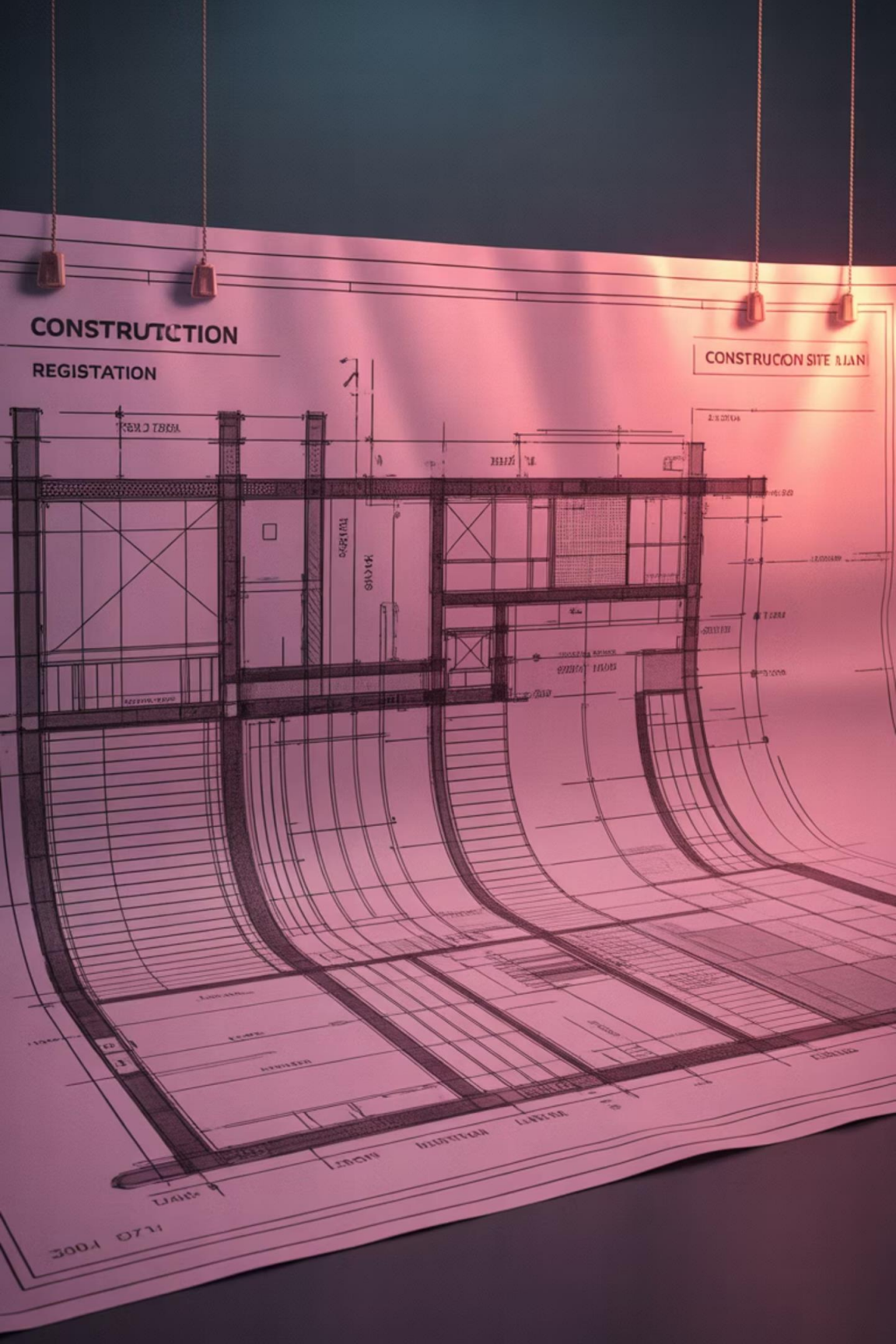
Business Model Checkpoint

Registration serves as the first regulatory checkpoint for the sanity of the business model, funding structure, and project feasibility assessment.

4

Funding Linkage

Financial institutions increasingly link disbursements to RERA registration status and separate account operation as part of their sanction terms.



Registration - Intricacies in MahaRERA

Ongoing & Legacy Projects

Complex issues in defining project phases and handling pre-RERA bookings that occurred before the regulatory framework came into effect.

- Segregation of phases vs unified registration
- Treatment of pre-2017 collections
- Retrospective compliance challenges

Redevelopment & Cluster Projects

Determining project boundaries in complex structures: whether to adopt layout-wise or building-wise registration approaches.

- Slum rehabilitation components
- Multiple landowner scenarios
- Staggered approval timelines

Funding Integration

Registration and separate bank account operation now embedded in lender sanction terms and disbursement conditions.

- Bank account undertakings
- Tri-partite agreements
- Escrow arrangements

CA Pre-Registration Role

Pre-registration diligence memorandum covering land status, approvals in hand, funding plan adequacy, and credible cost-to-complete estimates.

- Title verification support
- Financial model review
- Cost escalation analysis

Agreement for Sale under RERA / MahaRERA

Section 13 prohibits collection of any advance payment exceeding 10% of the total consideration without executing a registered Agreement for Sale (AFS) with the allottee.

The Maharashtra Model AFS is prescribed in the Rules as Annexure A, with limited scope for customisation while maintaining compliance with mandatory clauses.

Order 60/2024 introduced a revised proforma for both allotment letters and AFS, specifically aligned with the three-account regime to ensure regulatory consistency.

The AFS has evolved from a simple sale contract into a regulatory instrument directly linked to RERA portal disclosures and controlled bank fund flows.





AFS Clauses Under Regulatory & Judicial Scrutiny

Possession Dates & Grace Periods

Tribunals and courts read possession timelines strictly. Limited tolerance exists for casual invocation of force majeure clauses. Specific, documented force majeure events must be proven.

Unilateral Changes

Any modifications to layout, amenities, specifications, or consideration require explicit allottee consent. Absence of consent triggers compensation obligations and potential penalties under Section 18.

Interest Rate Symmetry

Growing expectation of broadly symmetric interest rates for delayed payments by promoters versus delayed receipts from allottees. Asymmetric clauses face regulatory challenge.

Arbitration Subordination

Arbitration clauses increasingly treated as subordinate to RERA's statutory remedies. Jurisdiction of RERA tribunals takes precedence for most allottee disputes.

AFS - What Senior CAs Should Review

Regulatory Alignment

Verify end-to-end consistency between the AFS terms, RERA registration details, sanctioned development plans, and marketing brochures. Discrepancies create legal and reputational risk.

Side Arrangements

Identify and assess side letters covering extra area purchases, assured return promises, or revenue-sharing agreements with landowners or investors. These create off-balance-sheet obligations.

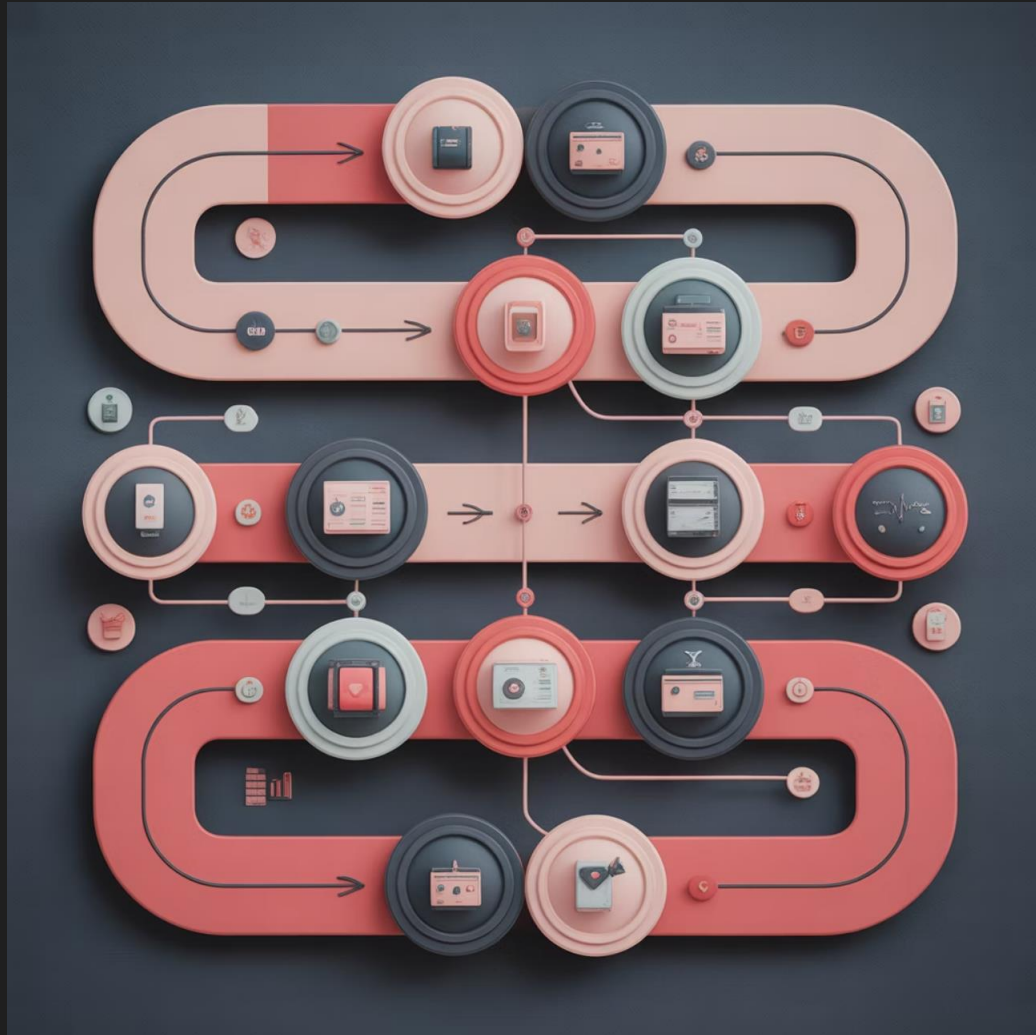
Cash Flow Synchronisation

Match the instalment schedule against projected project cash flow requirements under the 70% separate account regime. Front-loaded collections may indicate stress or non-compliance risk.

Collection Structure Risk

Analyse front-loaded or aggressive collection structures for linked RERA compliance risk, income-tax timing implications under ICDS, and GST time-of-supply consequences.

Section 4(2)(I)(D) - From Legal Text to Bank Plumbing



Section 4(2)(I)(D) mandates that **70% of amounts realised from allottees** must be deposited in a separate bank account maintained exclusively for that project.

The use of funds in this separate account is strictly restricted to land cost and construction cost for that specific project. No other application is permitted.

Withdrawals from the separate account must be proportionate to the percentage of project completion, supported by certificates from architects, engineers, and chartered accountants.

MahaRERA operationalised this provision through a sophisticated three-account structure via Order 56/2024, adding granular controls on fund movements and traceability.

MahaRERA Three-Account System



Collection Account

All homebuyer receipts—booking amounts, instalments, and final payments—must first land in this account. It serves as the initial reception point for all allottee funds.



Separate Account

At least 70% of collections are transferred here. Withdrawals are strictly controlled and backed by Forms 1, 2, and 3 certifying completion stages and eligible costs.



Transaction Account

The remaining funds and other permissible project-related movements flow through this account, providing flexibility for non-land and non-construction expenses.

The system includes strict controls on changing designated banks. Special clarifications have been issued for landowner-promoter scenarios where land cost and promoter roles intersect.

Financial Flow - CA's Analytical Lens

01

Five-Way Reconciliation

Perform comprehensive reconciliation across bookings register, Collection Account, Separate Account, Transaction Account, and books of account. Unexplained variances signal control failures.

02

Cost Classification Test

Verify that only land cost and construction cost are funded from the 70% pool. Marketing, interest, overheads, and group expenses must not flow through the Separate Account.

03

Cross-Project Diversion

Identify any use of RERA accounts to service old debt, group liabilities, or fund other projects. Such diversions constitute serious violations with regulatory and professional consequences.

04

Certification Decision

Where serious deviations exist, the CA must qualify the certification or refuse to certify. Professional courage is essential when confronting non-compliance by client management.



RERA / MahaRERA - CA Certification Framework



Form 3 - Withdrawal Certificate

CA certificate required for each withdrawal from the Separate Account, certifying the quantum of completion and eligible costs incurred. This is a recurring, transaction-level certification.



Form 5 - Annual Audit Report

Annual audit report on the deposit and utilisation of funds received from allottees. This provides a comprehensive yearly view of RERA fund compliance.



Inter-Professional Alignment

The architect's Form 1 and engineer's Form 2 must align precisely with the CA's Form 3. Discrepancies between professional certifications raise red flags for the Authority.



Judicial Reliance

RERA authorities, appellate tribunals, and courts routinely rely on these CA certificates in adjudication orders. The professional's opinion carries evidentiary weight.

Post Order 56/2024 - Enhanced CA Responsibilities



Order 56/2024 significantly expanded the CA's role by introducing the three-account structure and requiring deeper scrutiny of fund flows.

- **Three-Account Verification**

Understand and verify the three-account structure in actual banking practice, not just on paper. Trace fund movements across all three accounts.

- **Transfer Scrutiny**

Scrutinise inter-account transfers with particular attention to round-tripping schemes that artificially inflate compliance percentages.

- **Landowner Scenarios**

When a landowner is also a promoter or co-promoter, separate account operation and certification triggers become complex and require careful analysis.

- **Forensic Mindset**

Certification now resembles a mini-forensic review rather than a routine cost certificate. The CA must adopt an investigative approach.



RERA Certifications - Risk Zones for CAs

Cost Mis-Classification

Deliberate or inadvertent mis-classification of project costs versus overheads in Forms 3 and 5. Interest, marketing, and corporate expenses often wrongly charged to project.

Debt Service Diversion

Use of RERA-protected funds to service old debt, group company liabilities, or acquire unrelated land parcels. Such diversions expose the CA to regulatory action.

Cash-Driven Re-Phasing

Post-facto re-phasing of projects driven solely by cash constraints rather than genuine scope or approval changes. This masks liquidity stress and misleads allottees.

Professional Safeguards

Robust engagement letters specifying scope and limitations, detailed working papers documenting verification procedures, and specific written management representations are essential.

Project Corrections - Regulatory Framework

MahaRERA provides structured workflows for project updates, corrections, and modifications post-registration. Certain data fields are directly editable by promoters on the portal.

However, **material changes** require a formal correction application with supporting documentation and Authority approval. These changes cannot be made unilaterally.

Material changes typically include alterations to project area, number of units, project timelines, promoter details, bank account changes, and significant cost revisions.

Each correction has cascading implications on project cost structure, revenue recognition, funding arrangements, GST liability computations, and income-tax positions.

15K+

Annual Corrections

Processed by MahaRERA

48hr

Standard TAT

For non-material edits

Extensions under Sections 6 & 7(3)



Change of Promoter - Legal Basis & Circulars

Section 15 of RERA prohibits transfer of majority rights, liabilities, or obligations in a project without obtaining prior approvals from the Authority. This provision protects allottee interests during promoter transitions.

Allottee Consent Consent of at least two-thirds of allottees by both value and area is mandatory before any change of promoter application can proceed.	Authority Approval Even with allottee consent, the Authority must independently review and approve the proposed change based on financial capacity and track record of the incoming promoter.
Operational Framework Operationalised through detailed MahaRERA Circulars 24/2019, 24A/2021, and 24B/2024, which prescribe documentation, timelines, and approval criteria.	Restructuring Tool Commonly used in stressed projects where lenders or investors initiate resolution by bringing in a financially stronger or more competent promoter.

Change of Promoter - CA's Due Diligence Role

Incoming Promoter / Investor Perspective

Conduct transaction-style due diligence on RERA fund flows, similar to acquisition due diligence. Trace all inflows from allottees and outflows for project costs.

Quantify actual costs incurred versus declared costs in RERA registration. Identify unpaid liabilities to contractors, landowners, and statutory authorities. Assess completion gap and funding requirement.

Outgoing Promoter Perspective

Review revenue recognition policies and ensure compliance with ICDS / Ind AS 115.

Document all remaining obligations under AFSs and statutory provisions.

Prepare detailed schedules of security packages, guarantees, and contingent liabilities.

Support negotiations on liability assumption and indemnity structures.

Authority Approval Pack

CA certificates on project cost incurred, ageing of payables, RERA account reconciliation, and compliance status are typically required as part of the approval documentation.

The Authority scrutinises these certifications closely to assess whether the incoming promoter has realistic visibility of the financial commitment required.

RERA - Income-tax Interplay

1

Revenue Recognition Timing

Under ICDS and Ind AS 115, timing of revenue recognition for real estate projects is influenced by RERA milestones such as registration, possession dates, and occupation certificates.

2

Section 45(5A) JDA Implications

For Joint Development Agreements taxable under Section 45(5A), the date of occupation certificate or completion certificate—both RERA-tracked events—becomes the critical trigger for capital gains.

3

Sections 43CA / 50C Interplay

RERA-driven price corrections and amendments to AFS can create gaps between consideration per books versus stamp duty valuation, triggering deemed income adjustments under Sections 43CA and 50C.

4

Interest & Compensation Character

The character of delay interest and compensation payable under Section 18 RERA—whether business income, interest income, or damages—remains a contentious interpretational area with tax implications.

RERA - GST Interplay



Ongoing Project Definition

The definition of 'ongoing project' for the 2019 GST rate shift from 12% to 5% (or 8% to 1% for affordable) is linked to RERA registration status and issuance of occupation or partial occupation certificates.



Time of Supply

For development rights transfers and Joint Development Agreements, the time of supply for GST is often tied to handover or occupation certificate issuance—events tracked under RERA timelines.



Project-Wise Accounting

RERA's mandate for project-wise accounting and separate bank accounts significantly aids GST reconciliation, input tax credit segregation, and compliance under the project-based taxation regime.



Complex Areas

Compensation to allottees, price reductions post-booking, treatment of blocked input tax credits post-2019, and reverse charge implications create complex GST positions requiring RERA context.

Practical Engagement Workflows for CAs

1

Pre-Registration / Funding Stage

Structure project phasing, define co-promoter roles, and clarify landowner relationships to ensure RERA compliance while maintaining bankability. Prepare feasibility studies and cost models.

2

Execution Phase

Periodic RERA certifications (Forms 3 and 5), quarterly bank account reconciliations, GST and income-tax alignment reviews, and maintenance of delay and compensation MIS for management.

3

Stress / Change of Promoter

Independent due diligence on behalf of incoming promoters or lenders, quantification of completion gaps and funding requirements, and resolution support including documentation for Authority approval.

4

Strategic Positioning

Evolve from being a 'Form 3 filler' to a RERA-centric transaction adviser who integrates regulatory, financial, tax, and GST dimensions into holistic project advisory.



Red-Flag Checklist for RERA Engagements

Three-Account Non-Compliance

RERA accounts not following the mandated three-account pattern, or accounts being operated across multiple banks without proper Authority approval. This indicates weak financial controls.

Inter-Project Fund Transfers

Heavy transfers from RERA accounts to group companies or other projects, particularly occurring just before extension applications or change of promoter events. This suggests fund diversion.

Serial Corrections & Extensions

Frequent corrections and timeline extensions without credible, documented cost-to-complete estimates or realistic funding plans. This points to fundamental project viability issues.

Reconciliation Failures

Agreements for Sale, RERA portal data, bank sanction letters, and CA certificates failing to reconcile with each other. Systematic discrepancies indicate potential fraud or gross negligence.

Closing & Q&A



MahaRERA has fundamentally redesigned the entire lifecycle of real estate projects in Maharashtra, from initial registration through execution to completion or even distress resolution.

The regulatory impact spans registration procedures, funding architecture, correction workflows, timeline extensions, and change of promoter mechanisms.

For practising Chartered Accountants, the opportunity lies in providing integrated advisory that bridges law, funding structures, GST compliance, and income-tax implications.

Questions & Discussion

Please share your case experiences, specific queries, and practical challenges for an interactive discussion.