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**RERA - CA Certificate
for Registration and Importance
(Part - 9 of RERA Series)**

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CA. Vinay Thyagaraj

RERA - CA CERTIFICATE FOR REGISTRATION AND IMPORTANCE

(PART - XI OF RERA SERIES)

The Real Estate Regulation and Development (RERA) Act, 2016 is considered one of the landmark legislations passed by the Government of India. Its objective is to reform the real estate sector in India, encouraging greater transparency, citizen centricity, accountability and financial discipline. This is in line with the vast and growing economy of India as in the future many people will be investing in the real estate sector.

1. RERA Act 2016 has given much importance to practicing professionals of Engineers, Architects and Chartered Accountants, relying on their professional work, and accordingly certificates are mandated under the Act. Those certificates are mandatorily obtained by the promoters of the real estate project on various occasions during the tenure of the development of the project.
2. In order to achieve the objectives of the RERA Act, this RERA Authority has issued various guidelines, notifications etc from time to time.
3. Many state RERA Authorities have mentioned to the CA members to take utmost care while issuing the certificates. As the Act has given much importance and relied on the independence and integrity of the CA members while discharging the professional work.
4. The RERA authorities have received communication from ICAI, New Delhi on the option of UDINo in the certificate formats accordingly most of the Authorities have made the UDINo mandatory on CA Certificates.

Recently Karnataka RERA has notified the new Chartered Accountant's Certificate format. This CA certificate shall be obtained by the promoter of the real estate project and submit the same along with an application for grant of RERA Registration.

The content and information of the certificate are meaningful and the reader of the certificate gets a sense of knowledge of the financial aspects of the real estate project.

The contents of the CA certificate format notified by Karnataka RERA Authorities is discussed in subsequent paragraphs considering the various requirement and critical aspects of this information –

Sl No	Contents of the Certificate	Comment
1	Name of the Chartered Accountant Certificate as notified by Karnataka RERA	Reg 1
2	When to obtain this certificate	The promoter of the project shall obtain this Reg 1 certificate once the details of the project are ready and finalised
3	Who shall issue this CA Certificate	CA holding COP shall issue this Reg 1 CA Certificate
4	CA undertaking to issue the Chartered Accountants certificates as mandated U/s. 4(2)(L) (d) of the Real Estate (Regulation and Development) Act, 2016 read with Karnataka Real Estate (Regulation & Development Rules) 2017 to facilitate the promoter to withdraw the money from the RERA Designated bank account based on the percentage of completion of the Project.	This paragraph emphasizes that the CA issuing Reg 1 undertakes to issue CA certificates for withdrawal of money from the project bank designated account once the RERA grants the registration of the project. Such certificates are mandated under Sec 4(2) (L)(D) of the RERA Act Refer Note – 1

Sl No	Contents of the Certificate	Comment
5	<p>The Promoter of the proposed real estate project is an Individual/Partnership Firm / LLP / Company / Society / Others –</p> <p>I have verified the ownership document of the entity and present owners</p>	<p>CA shall collect the relevant ownership documents to know the present owners of the entity.</p> <p>This certificate brings out the details of the owners of the project, for the authority analyze or assess.</p> <p>CA may collect this information from the latest financial audited statement available or any other documents (PF deed, ROC records, membership register etc)</p>
6	Other KYC details of the Promoters	<ol style="list-style-type: none"> 1. Registration No 2. PANo 3. GST Reg No 4. List of Designated Partners in LLP 5. List of Directors in LLP
7	Total Value of the Assets as per latest Balance Sheet	<ol style="list-style-type: none"> 1. CA shall collect the latest balance sheet of the promoter. 2. This information may be for the purpose of assessing the total value of the Assets of the promoter. 3.
8	Total Net worth of the Promoter as per latest Balance Sheet	<ol style="list-style-type: none"> 4. CA shall collect the latest balance sheet of the promoter. 5. This information may be for the purpose of assessing the net worth of the promoter. 6. Authority may ask for additional information in case of the negative networth of the promoter.

Sl No	Contents of the Certificate	Comment
9	<p>The project being developed is plotted development / group housing / villa project / commercial / mixed development / industrial project. The promoter has obtained necessary sanctioned plan from the competent authorities. The project address being _____</p> <p>(mention full address as mentioned in the sanctioned plan).</p>	<p>CA shall certify the type of project being developed by verifying the sanctioned plan.</p> <p>CA shall collect the details of the sanctioned plan copy and verify the project address and mention in this Reg 1 Certificate.</p>
10	<p>The promoter of the project has opened the RERA Designated bank account for the proposed project –</p> <ol style="list-style-type: none"> 1. Name of the Account Holder: 2. Designated Account Number: 3. Bank Name: 4. IFSC Code: 5. Branch Name: 	<p>Collect the copy of passbook or statement and mention the details of the designated bank account of the project.</p> <p>CA shall mention and certify 70 % of account details for the purpose of Sec 4(2)(L)(D) of the RERA Act</p> <p>Refer Note - 2</p>
11	<p>The promoter has provided the details of the estimated cost of the real estate project. I / We have reviewed the estimated cost of the project and the details are as below. These values are based on the supporting documents provided by the promoter.</p>	<ol style="list-style-type: none"> 1. CA shall collect the details of estimated cost 2. Land cost 3. Development cost 4. Supporting documents like BOQ's, Engineer estimates shall be collected 5. Offsite cost, borrowing cost, administrative costs etc shall be collected and included as part of this paragraph <p>Refer Note – 3</p>

SI No	Contents of the Certificate	Comment
12	The Promoter of the Project has borrowed money from the following parties for the purpose of real estate project being registered	In the initial paragraphs, capital contributions by the promoters has captured. In this paragraph debt, borrowing etc shall be mentioned In the case of NCDs, ECB's if any shall also be mentioned Such borrowings shall be directly related to the project (i.e., not related to corporate borrowings etc)
	The Promoter of the project is in compliance with the Section 3(1) of the RERA Act.	Further CA shall certify the Sec 3 compliance. i.e., CA shall verify and ensure that the promoter has not violated Sec 3(1) of the RERA Act. Sec 3(1) prohibits the promoter advertise, marketing, selling, an invitation to sell etc unless RERA Registration is obtained. It is an additional responsibility of the CA to ensure the money has not been collected directly or indirectly
	Notes to the certificate – 1. The details of CA mentioned on the website shall be the same CA, who undertakes to issue this certificate 2. Promoter shall not appoint or engage a new CA without obtaining the No Objection Certificate from this CA for the purpose of withdrawal of funds from the project bank account in accordance with Sec 4(2)(L)(d) of the RERA Act	

SI No	Contents of the Certificate	Comment
	3. CA shall issue this certificate in accordance with ICAI Standards	This means the details of CA associated with the project for the purpose of withdrawal of funds from the designated bank account is not further strengthened by bringing the clause, promoter not shall a CA during the tenure of the project.
	UDINo	Mandatory to mention on the CA Certificate

Note – 1

- It is important to note that each Project shall have only one project designated bank account. Section 4(2)(I)(D) of the Act mandates 70 % of the money realised from the allottees of the project shall be deposited irrespective of whether the sold unit belongs to the land owner or builder in case of joint development agreements etc. Hence it is important for the professionals to understand the requirements under the Act and advice the promoters (Landowners and Developers) accordingly.
- The Chartered Accountant holding certificate of practice shall issue the certificate for withdrawal of funds in accordance with sec 4(2)(I)(D). Such certificates shall be issued only after obtaining the certificates of Engineer and Architect and assessing the content of those certificates and considering the information, correlating the same while issuing the certificate. Tamilnadu Real Estate (Regulation and Development) Rules 2017 mentioned-
 - the engineer shall certify that the items shown in the cost of construction is matching to the physical condition at the site of the real estate project;
 - the architect shall certify that the physical condition at the site is built as per the sanctioned plan; and the chartered accountant shall certify the cost incurred on construction cost and land cost;

- iii. the chartered accountant shall also certify the proportion of the cost incurred on construction and land cost to the total estimated cost of the project

Note – 2

1. Post RERA various banks have come out with banking products for RERA. This will have 3 different Accounts -
 - a. Master Collection Account - to deposit the 100 % Collections
 - b. RERA 70 % Account - banker transfers 70 % of the money deposited automatically from 100 % Account
 - c. 30 % Account - banker transfers 30 % of money deposited automatically from 100 % Account
 - i. End of the day there will be NIL balance in the 100 % collection account
 - ii. The 30 % Account may be used as an operating account by the promoter to make any payments to vendors etc.,
 - iii. RERA 70 % account will not have a Cheque facility. Based on % of completion the eligible amount will be transferred to either 30 % Account or any other operative account of the promoter
 - iv. In case the promoter borrows money from the banks / financial institutions, then the repayment of such borrowing happens out of 30 % account / amount.

Note – 3

The Estimated Cost of the Real Estate Project = Estimated Land Cost + Estimated development Cost

- a) Estimated Land Cost includes the cost of the land, rights acquired for additional construction by way of TDR / FSI etc, litigation or settlement amount, the amount remitted to clearance boards etc.,
- b) Estimated development cost includes - Onsite Costs, Off-Site Costs, Taxes, Borrowing Cost and any other costs associated in the development of the Real Estate Project

- c) Onsite Costs include all expenses related to the physical development of the project. Men, Materials, machinery, consultants fees etc
- d) Offsite Costs would include administrative costs, management costs, which may be direct costs or on allocation or apportionment basis in case of promoter developing multiple projects / multiple businesses
- e) Taxes/levies - any taxes or levies in relation to the development of the project. Eg., Labour Cess, ground rent, property taxes, any other taxes as may levy by the state government or statutory authorities, GST if it is considered as Cost etc
- f) Income Tax is shall not be part of the Cost of the Project.
- g) Marketing or sales cost are not part of the Estimated Cost - as it is not associated with the development of the project (it is associated with sales and marketing activities)
- h) Borrowing / Interest cost - for the purpose of development of the project. Such borrowing cost shall have direct nexus to the project (many a time promoter does borrow based on the project, however, borrowed funds are deployed other than for the project. In those scenarios, such borrowing costs shall not be considered as part of the project cost)
- i) Borrowing/interest cost on land also can be considered as part of land cost.
- j) Various states have given guidance on the estimated cost of Real Estate projects.

Conclusion - CA's or professionals intend practice, the promoters shall take the support of experts or professionals in the respective field and arrive at the estimated cost of the real estate project scientifically. Not to be casual about it, we have seen over the last 5 years that many promoters have suffered more penalties or are unable to withdraw the funds from the designated bank account etc for the erroneous value of the estimated cost of the real estate project.

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