

**Government of Telangana
Telangana Real Estate Regulatory Authority**

Circular

No: 1558/TG RERA/2024

Dt: 09.09.2024

Sub: TG RERA - Maintenance and operation of separate Bank Account of registered real estate projects- Circular instructions issued-Reg.

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Financial monitoring and discipline are vital to the successful execution of real estate projects. Section 4(2)(I)(D) of the Real Estate (Regulation and Development) Act, 2016, mandates that 70% of the funds realized from allottees must be deposited in a separate bank account maintained in a scheduled bank. These funds are exclusively reserved for construction and land costs, and their withdrawal is subject to certification by an engineer, architect, and chartered accountant.

2. It has come to the Authority's attention that some promoters fail to adhere to this provision, leading to fund misutilization. To ensure compliance, transparency, and financial discipline, TG RERA hereby introduces the system of maintaining three distinct bank accounts for each registered real estate project, following best practices established by other state RERA authorities such as Karnataka RERA, Maharashtra RERA, and UP RERA.

3. Definitions

- **Act:** The Real Estate (Regulation and Development) Act, 2016.
- **Authority:** Telangana Real Estate Regulatory Authority, Hyderabad.
- **No Lien Account:** A bank account without any third-party rights or security interests.
- **Collection Account:** The account in which 100% of the funds from allottees are initially deposited.

- **Separate Account:** The account holding 70% of the funds from the Collection Account for construction and land costs.
- **Transaction Account:** The account holding the remaining 30% of the funds for operational and tax-related expenses.

4. General Guidelines

- (i) The "Separate Account" opened in accordance with the provisions of section 4(2)(I)(D) of the Act, shall be a „No Lien Account“, and any withdrawal from such account shall be in accordance with the provisions of the Act, the rules, the regulations there under and directions issued by the authority from time to time.
- (ii) The promoter has to comply with provisions of principle of section 11(4)(g) and (h) of RERA, 2016. Section 11(4)(g) and (h) of RERA, 2016 provides that the promoter shall- pay all outgoings until he transfers the physical possession of the real estate project to the allottee or the associations of allottees, as the case may be, which he has collected from the allottees, for the payment of outgoings (including land cost, ground rent, municipal or other local taxes, charges for water or electricity, maintenance charges, including mortgage loan and interest on mortgages or other encumbrances and such other liabilities payable to competent authorities, banks and financial institutions, which are related to the project):
- (iii) Provided that where any promoter fails to pay all or any of the outgoings collected by him from the allottees or any liability, mortgage loan and interest thereon before transferring the real estate project to such allottees, or the association of the allottees, as the case may be, the promoter shall continue to be liable, even after the transfer of the property, to pay such outgoings and penal charges, if any, to the authority or person to whom they are payable and be liable for the cost of any legal proceedings which may be taken therefor by such authority or person; after he executes an agreement for sale for any apartment, plot or building, as the case may be, not mortgage or create a charge on such apartment, plot or building, as the case may be, and if any such mortgage or charge is made or created then notwithstanding anything contained in any other law for the time being in force, it shall not affect the right and interest of the allottee who has taken or agreed to take such apartment, plot or building, as the case may be;

- (iv) The amount withdrawn from the "Separate Account" shall be utilized for the purpose of completion of the same real estate project. However, there is no end use restriction on the amount which is withdrawn from the "Separate Account", in accordance with the provisions of the Act, the rules, the regulations thereunder and directions.
- (v) In case of projects availing bank finance, loan amount and interest shall be disbursed and repaid from the Transaction account.

5. Guidelines for Operation

I. Collection Account of the project (100%): -

- i) The promoter shall open and maintain the **"Collection account of the Project"** in a scheduled bank for each registered project separately and it is mandatory to mention **'Collection Account of the project' with the name of the project. Example "Collection Account of < Name of Project>.** The entire amount accepted from the allottees should be deposited in this account.
- ii) The bank where the **'Collection Account of the Project'** is opened shall ensure that no debits or withdrawals are permitted by means of cheque, debit card, credit card, internet banking facility, or any other payment methods (e.g., Demand Draft (DD), bank guarantees, etc.) or any means of instruments, except through an auto sweep facility transferring a minimum of seventy (70%) percent of the amount collected from allottees to the 'Separate Bank Account of the Project' and a maximum of thirty (30%) percent of the collected amount to the 'Transaction account of the project'.
- iii) The promoter shall furnish/publish particulars of the **'Collection account of the project'** in the Allotment letter and agreement for sale and any other document for communication with the existing/ prospective homebuyers for the purpose of receiving payments towards their unit in the registered project.

II. Separate Account of the project (70%): -

- i) The promoter shall open and maintain '**Separate bank account of the project**' in a scheduled bank for each registered project separately and it is mandatory to mention '**Separate Account of the project**' with the name of the project. Example **Separate Account of the <Name of the Project>**, wherein seventy percent of the amount received in 'collection account of the project' from the allottees shall be transferred through auto sweep facility.
- ii) The amounts from the separate account shall be withdrawn by the promoter only after submission of Form 1 (Architect Certificate), Form 2 (Engineer Certificate) and Form 3 (CA Certificate) as prescribed in the Regulations for getting release of money from the separate account of the project to the transaction account of the project.
- iii) The promoter shall withdraw the amounts from the separate account, to cover the cost of the project, in proportion to the percentage of completion of the project.
- iv) There shall be only one "Separate Account" for each Real Estate Project. If there are more than one promoter in a project, then any one of them will be authorized for the operation of the separate account. Promoters shall enter into a contract or statutory arrangements for this purpose.
- v) If according to the contract with the allottees, the promoter collects amounts in addition to the cost of plot, building, apartment, like maintenance charges, electricity charges, club charges etc. then all such collected amounts shall be deposited in a separate account, and will be responsibility of the promoter to maintain the accounts, so that later it can transfer to the Association of Allottees.

III. Transaction Account of the project (30%): -

- i) The promoter shall open and maintain the **"Transaction account of the Project"** in a scheduled bank for each registered project separately and it is mandatory to enclose **'Transaction Account with name of the Project'. Example Transaction Account of <Name of the Project>.**
- ii) If under the provisions of the Income Tax Act, 1961 or under the provisions of any other Act, any taxes have to be deducted at source (TDS) by the bank or Allottee; such deductions shall be made from the remaining 30 % of the amount i.e., Transaction account of the project.
- iii) This account can be utilized for meeting expenses for any purpose, in accordance with the provisions laid out in the Act, the Rules, and the Regulations.

IV. Withdrawals from Account: -

- i) As per the provisions of Section 4(2)(I)(D) of the Act, - Promoter can withdraw the amount from the RERA Separate account in proportion to the completion of the project, it has to be certified by the Engineer, Architect and Chartered Accountant that the amount is being withdrawn in proportion to the completion of the project.
- ii) To ensure that the withdrawal from the RERA Separate Account of the project, the promoter has to present the following three certificates of professionals to the bank
 - a. Form-1, Architect's Certificate regarding the progress/completion of the project.
 - b. Form -2, Engineer Certificate regarding actual expenditure incurred on construction cost in the project.
 - c. Form -3, Chartered Accountant Certificate regarding the estimated cost of land and construction in the project, vis-a-vis the actual cost and other expenditure as per Books of Account.
- iii) The bank shall every time, get the certificates of the above three professionals and only after that, any amount can be transferred

from **"Separate Account of the Project"** to **"Transaction Account of the Project"**. If the project does not get completed and the promoter does not receive completion certificate, until then the promoter has to follow the above procedure to withdraw any amount from Separate Account of the project.

- iv) After completion of the project, and obtaining the completion certificate, the promoter shall submit the certificates in the bank, only after that the balance deposit in the RERA Separate account of the project could completely be transferred to the Transaction account of the project.
- v) After obtaining the completion certificate from the competent authority the promoter shall submit Form -1A from the Architect and upload it in the Authority's web portal.

6. Compliance Requirements

- Promoters must provide the details (account number and IFSC code) of all three accounts at the time of project registration.
- Banks are obligated to adhere to the provisions for opening, operating, and closing these accounts.

7. Penalties for Non-Compliance

Non-compliance with these directions will attract penalties under Sections 60 and 63 of the RERA Act, 2016.

8. Obligations of Banks

- Banks must ensure compliance with the prescribed nomenclature for account naming and the auto-transfer mechanism.
- The Collection and Separate Accounts must remain free of encumbrances, liens, and third-party controls.
- Banks must notify the Authority of any suspicious transactions and ensure that unauthorized withdrawal mechanisms (e.g., cheque books, debit cards) are not provided.
- Upon project completion, banks shall allow account closure or fund transfers only with written approval from TG RERA.

9. This circular ensures transparency, accountability, and financial discipline in the utilization of funds for real estate projects. All stakeholders, including promoters and banks, are urged to strictly comply with these directions.

(Approved by the Authority, Dt 03.09.2024)


SECRETARY
TG RERA
9/9/2024

To:

1. All Registered Promoters.
2. All Scheduled Banks.