

CLARIFICATIONS ON COST OF CONSTRUCTION

Through **MahaRERA Circular No.5/2017, dated 28th June 2017**, the Maharashtra Real Estate Regulatory Authority has clarified on issues with respect to **withdrawal of amounts deposited in separate account**.

Following are the synopsis of the said Order:

1. The provisions of **Rule 5(1)(i)(b)** of Maharashtra Real Estate (Regulation and Development) (Registration, of Real Estate Projects, Registration of Real Estate Agents, Rates of Interest and Disclosures on Website) Rules, 2017 applicable to new projects **shall also apply mutatis mutandis to ongoing project**.
2. In Form 3 of the Maharashtra Real Estate Regulatory Authority (General) Regulations:
 - a. **Prevention of Double Counting of Cost:**
 - i. All cost items should be mutually exclusive; there shouldn't be any double counting of costs.
 - b. **Non-Allowance of Marketing/Brokerage towards Sale:**
 - i. The Development Cost / Cost of Construction of the project should not include marketing and brokerage expenses towards sale of apartments; even though such expenses are part of the project cost.
 - c. **Non-Allowance of Principal Amount Repayment:**
 - i. In Form 3, field 1(ii)(c), only interest payable to financial institutions, scheduled banks, non-banking financial institutions (NBFC) or money lenders on construction funding or money borrowed for construction should be added to the total cost of construction, i.e. Principal Amount Repayment not to be considered for withdrawal of funds under Form-3.
 - ii. However, Principal amount shall be mentioned in the Form for information purpose.
 - iii. Apropos projects already registered or applied for registration with MahaRERA before issuance of this circular, estimated costs have to be reworked and reported during the quarterly update.

SPCM's Comments

1. This circular puts to rest the ambiguity regarding major concerns like:
 - a. Marketing Expenses
 - b. Principal Amount Repayment, etc
2. We expect clarifications regarding Joint Development Agreement may also be issued by MahaRERA Authority soon.

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