

Guidelines on Maintenance Charges

In some real estate projects, the builder commits to maintain the projects number of years initially, and he recovers a maintenance charge for this, payable by the purchaser/allottee either in lump-sum or in instalments.

Sometimes in addition to the above, the builder also requires the purchaser/ allottee to pay a lump-sum amount towards a building maintenance corpus.

The above two practices are not contrary to the provisions of the RERA Act, and therefore acceptable, but they shall be subject to the following conditions:

1. The money charged to the purchaser/allottee for building maintenance or as contribution to a corpus fund does **not** constitute an income to the builder. Therefore, the builder cannot deposit the money so recovered into his company account.
2. The builder is required to open separate bank accounts for building maintenance corpus and building maintenance charges into which these amounts should be deposited.
3. Any interest earned on these amounts will not accrue to the builder but would accrue to the same accounts.
4. The builder is required to maintain separate accounts to be certified by a Chartered Accountant showing the annual expenses from these bank accounts, ensuring that the money has been exclusively spent for the purpose intended.

5. In case where the builder has given possession to allottees without making arrangement for domestic electricity connection, and consequently undertakes to pay difference between the higher rate charged by the MPEB and the normal rate for the domestic connection, this difference **cannot** be charged to the maintenance account, but must come out of the builder's own resources.
6. At the time of hand over of maintenance to the Residents Welfare Association (by whatever name called) the builder shall also hand over the balance amount in each of the bank accounts relating to the maintenance, as well as a copy of the description of Income and Expenditure statement duly certified by the Chartered Accountant.
7. The basic principle is that the maintenance accounts are only managed by the builder in trust for a limited period, on behalf of the Residents Welfare Association, and does not constitute a stream of income for the builder.