



REAL ESTATE

Karnataka RERA Issues New Directive on Mandatory Annual Audits

AUTHOR Ayush Shukla

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Introduction

The Real Estate (Regulation and Development) Act, 2016 (RERA Act) was introduced by the Government of India to bring transparency, accountability, and discipline into the real estate sector. Following this, the Government of Karnataka notified the Karnataka Real Estate (Regulation and Development) Rules, 2017. To ensure effective implementation, the Karnataka Real Estate Regulatory Authority (K-RERA) established a comprehensive web portal to enable registrations, filing of quarterly updates, change requests, submission of complaints, and filing of audited accounts.

One of the key compliance requirements under the RERA Act relates to the submission of annual audit reports by promoters. The recent circular issued by K-RERA on 12 September 2025 mandates all promoters to file the annual audit report for the financial year 2024-25 in strict compliance with statutory provisions.

Statutory Mandate under Section 4(2)(I)(D)

The RERA Act, 2016 under Section 4(2)(I)(D) requires every promoter to get their accounts audited within six months after the end of each financial year. The audit must be conducted by a practicing chartered accountant, and the promoter is required to produce a statement of accounts duly certified and signed by the auditor. The verification during the audit must confirm that the amounts collected for a particular project have been used solely for that project and that withdrawals from project funds are proportionate to the percentage of project completion.

This provision ensures financial discipline and prevents misuse of funds collected from homebuyers. It is one of the strongest accountability mechanisms built into the RERA framework.

Requirement of Form-7 Submission

In line with the powers conferred under Section 25 and Section 37 of the RERA Act, K-RERA has mandated the submission of Form-7, the Annual Audit Report, for the financial year 2024-25. Promoters must obtain and duly fill out Form-7 and submit it through the designated online module available on the K-RERA web portal. The circular clearly directs that the promoter should log in under the "Annual Audit" section of the portal, select the appropriate project registration, and upload all relevant details and documents along with Form-7.

The introduction of a dedicated online module enhances transparency and standardizes the filing process. It also ensures that regulatory authorities have real-time access to audit data for monitoring and enforcement purposes.

Submission of Audited Financial Statements

Apart from Form-7, promoters are also required to submit their annual audited books of accounts for the financial year ending 31 March 2025. This includes the profit and loss account, balance sheet with schedules, cash flow statements, income tax returns, and the auditor's report. These documents must be uploaded on or before 15 November 2025. The requirement has been framed to ensure full financial disclosure and compliance with both the RERA Act and the Karnataka Real Estate Rules, 2017.

By making such submission mandatory, K-RERA aims to create a transparent system where project funds and financial positions of promoters are open to scrutiny, thereby protecting the interests of allottees and homebuyers.

Compliance and Enforcement

The circular emphasizes strict adherence to these requirements, highlighting that the annual audit is a statutory compliance measure, not just a procedural formality. Failure to submit Form-7 and audited accounts within the stipulated time frame may expose promoters to regulatory action under the RERA Act.

Additionally, to enable compliance, the circular has provided support through a helpdesk mechanism. Promoters facing login or technical issues can raise tickets for resolution. This reflects the authority's commitment to assisting promoters in meeting their obligations without procedural hindrances.

Conclusion

The circular issued by Karnataka RERA reinforces the principle of financial transparency and accountability in the real estate sector. By mandating timely submission of Form-7 and complete audited financial statements, the regulator seeks to ensure that homebuyers' funds are safeguarded and used strictly for project development. The compliance framework strengthens regulatory oversight and instills greater confidence among stakeholders in the real estate market.

The emphasis on digital filing through the K-RERA portal represents a move towards efficiency and ease of compliance, reducing paperwork and manual interventions. As the real estate sector continues to expand, such regulatory measures are crucial in aligning promoters' responsibilities with the expectations of buyers and the broader objectives of RERA.

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