

Practical Completion under the HIA New Dwellings and Alterations and Additions Contracts

This information sheet explains practical completion under HIA ACT New Dwellings and Alterations and Additions Contracts.

Why is reaching practical completion important?

Practical completion is an important milestone. It determines who is responsible for insuring the works, when you get final payment, when the defects period starts and whether you are liable to pay liquidated (delay) damages.

Definition of practical completion:

“Practical completion” means that the building works have reached the stage where the builder certifies that they have been completed in accordance with the contract, except for minor omissions and, where applicable, has done all that the builder is required to do under the contract to enable a certificate of occupancy to be obtained. If you are unsure whether any omissions and defects are “minor” or may prevent works from being used for their usual purpose, you should contact your HIA workplace advisor for guidance.

What do you do when reaching practical completion?

When you believe the building works have reached the practical completion stage, you must:

- a. give the owner a written notice of practical completion and the final progress claim; and
- b. arrange to meet the owner on-site to inspect the works **within 5 days** of giving the notice.

When you meet the owner on site to inspect the works, the owner must either:

- a. pay the final progress payment; or
- b. give you written notice stating what he/she believes needs to be completed or rectified before practical completion is reached.

NOTE: If within 5 days the client has not issued you with such a notice, then practical completion is deemed to have been reached and the owner must pay the final progress payment.

If your client pays the final progress claim, the date of practical completion is that stated in your notice of practical completion.

If your client gives you a list of items to be completed or rectified for the works to reach practical completion you can either:

- a. complete/rectify those items which the owner has identified as needing to be done and issue another notice of practical completion

OR

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- b. give the owner a written notice denying that the items are defective or incomplete and referring the matter to dispute resolution

The owner must pay the final progress payment within 5 days of receiving the notice.

Handing over the keys

On payment of the final claim, you should give your client possession together with all keys, certificates, and warranties.

Please note that the owner must not take possession of the building works without your consent until all outstanding money owed to you is paid.

What if your client does not pay the final progress claim or give you a notice?

If this happens:

- a. the amount of your final progress claim is treated as debt owing to you;
- b. the date of practical completion is the date stated in your notice of practical completion; and
- c. the client is deemed to acknowledge that practical completion has been reached.

To find out more, contact HIA's Workplace Services team on 1300 650 620

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