

Important Construction Contract Clauses You Should Take Note

Putting the important Building contract clauses are important. Being specific with the terms in your contract statements can prevent you from missed expectations and other problems.

Prevent complicated and costly disputes from affecting your construction business. Our construction lawyer in Melbourne can help you draft and review any specific construction contract you need.

Important Contract Clauses: Everything You Need To Know

- What are Contract Clauses?
- Common Contract Clauses in Domestic and Commercial Building Contracts
- Important Construction Contract Clauses
- Key Construction Contract Provisions
- Seek Help from our Melbourne Construction Lawyer

What are Contract Clauses?

Contract clauses are the specific terms and provisions written in any kind of contract. These are the specific sections that address a particular condition or aspect that relates to the overall subject matter of the agreement. Each of the different clauses clearly define and address various project concerns such as responsibilities, rights, and privileges of both contracting parties.

These are a set of terms that can be found as parts of a construction contract. These are important parts of any building and construction agreement so it has to be stated as clearly as possible.

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Common Contract Clauses in Domestic and Commercial Building Contracts

Depending on the needs of the contracting parties, specific contract clauses apply for different types of construction contracts. These contract clauses can also be found in most standard Australian building contracts such as:

Statute of Limitations Clause

This clause sets the time frame in which a building dispute can be filed after a breach of contract or other violation.

Time of Performance Clause

This indicates the time frame in which the obligations of the parties must or must not be performed. If the other party fails to do its obligation under the contract in a reasonable amount of time, it means a contract breach is made and a building dispute is in place.

Important Construction Contract Clauses

Signing a contract is easy but drafting one takes time, especially when you want to include specific conditions and be compliant with the laws. Writing down the terms and conditions of the contract requires it to be drafted meticulously and precisely. The Domestic Building Contracts Act 1995 and other relevant construction laws also specifies important provisions in domestic and commercial building contracts such as:

Termination Clause

Adding a termination clause in your construction contract is necessary especially when things are not going according to plan. This can let you escape an owner who most likely won't pay you at the right time and in the exact amount. You can even withdraw from any domestic building contract with no penalties within 5 days after the building owner receives the contract.

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The law allows the parties to terminate the agreement by mutual consent if one has breached the contract, or if the contract price or time blows out of proportion. In this case, the contract can be ended if the contract price increases by 15 per cent or the work is not completed within 1.5 times the original contract period.

Variation Clause

A clause that allows for any changes in the contract price or time frame is a good inclusion to any building contract. It serves as a reminder of warning that the contract price could still vary, and the builder is ready to make the necessary adjustments before the variation actually happens.

Payment Clause

Payment clauses are crucial for the success of the building project. Most building disputes are caused by payment concerns such as unpaid claims or late payments. Thus, the contracting parties must agree on the payment terms and schedule before entering into a building contract. Builders, contractors, and subcontractors all benefit from the Security of Payment Act, as it protects their legal rights to payment. So you better consider adding and reviewing the payment terms section in your contract if you want to prevent any conflicts from happening.

Dispute Resolution Clause

Whenever conflicts or issues arise, looking back to the dispute resolution clause will be the most helpful. There are many methods to resolve a building dispute such as mediation, arbitration, conciliation, adjudication, and litigation.

Other Key Construction Contract Provisions

Contracts might be too long to read but you must review the following clauses twice because it is risky if you keep these vague or unattended.

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No Damage for Delay Provision. Each builder must always carefully examine the contract and its supporting documents to know if there is a no damage delay clause within the contract terms. This provision implies that while the contractor is not entitled to claim for delay damages, it will still result in an extension of time.

Contractors Review of Documents Provision. Owners often seek to add exculpatory or “freed from blame” contract clauses to put the blame onto contractors or subcontractors when building defects occur.

Indemnity Provision or Clause. A common element of contracts, an indemnity clause is used to shift potential costs from one party to another. This clause states that one party agrees to indemnify or compensate the other party.

Seek Help from our Melbourne Construction Lawyer

Our expert construction lawyer and contracts specialist in Melbourne, John Dela Cruz, can help you with anything related to building contracts such as contract drafting, review, and termination.

Our specialist construction law firm has experience on both Melbourne and Sydney construction law matters, with over 10 years of experience on various types of construction cases and issues. Wherever you are, you can be confident that your legal rights will be enforced.

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