



Understanding the calculation of different levies

Training by Leigh Maingard – 26 September 2023

Discussion points

- Legislation
- Importance of the budget
- Administrative levies
- Exclusive use levies
- Maintenance reserve levies
- Special levies
- Who decides on the different levies
- Interesting aspects related to levies

Legislation

Sectional Title Schemes Management Act 8 of 2011

Sectional Title Schemes Management Act 8 of 2011 - PMR

Levies mentioned once in (PMR) - Otherwise referred to as contributions

- Part 5 – Financial Management
 - Contributions and charges – section 25
 - Financial records, budgets, reports and audit – section 26
- Part 6 – Administrative Management
 - Governance documents and records – section 27

Importance of the budget

- Administrative budget:
 - Annual estimate of income and expenditure
 - Income must cover the budgeted expenditure for the year
 - Includes exclusive use levies
 - Includes maintenance reserve levies
 - Does not include special levies
 - Approve by the members at the AGM
- Levies calculated based on the approved budget

Administrative levies

Administrative budget:

- Calculated on participation quota (PQ) values – 3(1)(f) of STSM Act
- Unless otherwise determined (developer / MR) - 11(2)(a) of STSM Act
- Trustees by resolution prior to year-end by maximum 10%
 - Done to ensure income sufficient for escalated expenses
 - Ratify at AGM and amend any changes approved by members

Exclusive use levies

Sectional Title Schemes Management Act 8 of 2011 – 3(1)(c)

- Make additional contributions to defray costs
 - Rates & taxes, insurance, maintenance
 - Electricity & water – unless rules determine owner responsible
 - Calculation not the same as administrative levies
- Applies to registered or inferred EUAs to the scheme rules
- Exclude from normal administrative levy calculation
 - Problem - not being ringfenced
 - Problem - no record keeping of costs & ultimate calculation going forward

Maintenance reserve levies

- Separate budget (rolling 10-year period) with itemised cost allocation per year
- A **minimum reserve fund contribution** must be determined by the ratio between:
 - the reserve fund total at the end of the financial year, and
 - the total contributions to the administrative fund in that year
- If ratio less than 25% then 15% of current contribution
- If ratio between 25% & 100% then amount equal budgeted to be spent on repairs & maintenance in current year
- If ratio 100% or more, then no minimum contribution
- Plus any additional funds required to provide for maintenance budget

Special levies

Contributions other than those determined at an AGM

Additional contributions to meet necessary expenses

- That cannot reasonably be delayed to the next financial year
- For which the body corporate has not budgeted for in the current year

Calculated on PQ values / Exclusive use areas are not included in the calculation

Payment period to be determined (trustees / owners) – can be subject to urgency of expense

Determined by the trustees (resolution)

Not applicable if alterations or improvements to common property – special resolution

Who decides on the different levies

Administrative levies

- Trustees prepare proposed budget – members decide at AGM (majority)

Exclusive use levies

- Part of the admin budget – members decide at AGM (majority)

Maintenance reserve levies

- Separate budget – members decide at AGM (majority)

Special levies

- Trustees decide – majority (unless alterations or improvement to common property)

Interesting aspects related to levies

- Administrative, exclusive use & maintenance reserve levies are payable by the seller pro rata until date of transfer
- Levies become payable on the passing of a trustee resolution to that effect
- Levies remain payable in the same amount after the expiry of the financial year subject to an approved budget at the AGM
- Members that pay all their levies due on or before the due date may be receive a maximum of 10% discount – body corporate must budget for this
- Special levies raised for alterations or improvements to common property requires a special resolution

THANK YOU