

Everything You Need to Know About Paying Levies

The importance of paying levies

Within a sectional title ownership scheme, every owner is required to pay a monthly contribution to the body corporate - known as the levy, which essentially funds the day-to-day maintenance and management of the sectional title development.

Smit says that each sectional title unit owner is essentially investing in the scheme through monthly financial contributions, and it is therefore important that owners understand the value and purpose of these contributions.

Carl Smit, Managing Director of Sandak-Lewin Property Trust, says these funds are a vital component for the effective and efficient running of the scheme, and provide the necessary financial support for the upkeep and longevity of the development.

Smit says that each sectional title unit owner is essentially investing in the scheme through monthly financial contributions, and it is therefore important that owners understand the value and purpose of these contributions.

He says trustees also have the authority to raise special levies if needed, so the understanding of special levies is essential too.

Furthermore, he says that although the owner is responsible for paying the funds, the body corporate or managing agent is responsible for the collection from all owners or members in the scheme.

What are you actually paying for?

Smit says that the most common question asked about levies is ‘what do levies cover?’.

“Firstly, levies cover all costs which relate to the common areas of the scheme. This includes maintenance and repairs for existing recreational facilities, including public pools, clubhouses, parks and gardens, and the structural property of common areas such as walls and passage ways,” he says.

“The funds collected are also used to cover administrative costs like management fees, bank charges and stationery, municipal costs including water, electricity, refuse collection and sewage, and insurance for the entire property - but not for the contents of each unit.”

Smit says that these contributions may vary depending on the features of the scheme. For example, additional costs may be added to the levy for upkeep of lifts or for security purposes.

What is not covered by levies?

“On the other hand, levies do not cover any maintenance which fall within the area of an owner’s individual unit,” says Smith.

“For example, if a unit has a damaged wall inside the unit, or a leaking pipe, it is the owner’s responsibly to resolve the problem. Each owner is responsible for all necessary maintenance within their own unit.”

How is your payment calculated?

Smit says the levy of a section or unit is determined by what is termed a ‘participation quota’ (PQ), which is determined by the size of the section.

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“The participation quota can be found on the sectional title plans that each scheme’s body corporate holds. The general formula to calculate the cost of a levy is based on a percentage of the total cost for the entire scheme, divided by the number of units on the property,” he says.

“For example, if the sectional title scheme has 10 units and each owner contributes 10% of the total monthly costs of the scheme, which is R1 000, then each unit is responsible to pay R100.”

However, Smit says there are also ‘exclusive-use levies’ which are determined in terms of the cost associated with the exclusive-use area, for example a private garden.

“The extra cost for these areas would arise from watering the garden, or perhaps the maintenance of private lawn which is mowed by a garden service employed by the body corporate.”

What are special levies?

Smit says the trustees also have the right to raise ‘special levies’, which are the funds needed to cover an unforeseen expense and have not been budgeted for in the Annual General Meeting (AGM).

“In order to finance these particular costs, the trustees of the scheme require owners to pay towards special levies. Special levies can also be raised for improvements which need to be made to the common property and have not been budgeted for in the body corporate’s reserves,” he says.

“If the special levy is relating to improvements of the scheme, for example the scheme has no fence around it and the body corporate has security concerns and would now like to erect a fence

to control access, they need to follow a process of notifying the owners of what they intend on doing and how they plan on financing it, either in the form of a meeting or a written notification. The notification needs to clearly state that the body corporate intends to raise a special levy.”

Smit says as the upkeep and improvement of the scheme is dependent on these additional funds, it is important that owners not default on these payments.

What happens if you don't pay?

“When payment is not made, it puts strain on the cash flow of the body corporate,” he says.

“If default payments continue for too long, the body corporate will not be able to pay staff, managing agents and various other contractors who are employed by the body corporate.”

Should an owner fail to pay towards the levies, Smit says the [South African Sectional Titles Act](#) allows the body corporate to hand the matter over to an attorney who will proceed with action to attach removal of property, whereby the owner’s property could be sold to cover the debt.