

## Levy contributions



What is a lot owner?

As a lot owner, you have certain rights and responsibilities under strata law. Your rights include the right to use your lot for its intended purpose, the right to vote at owners corporation meetings, and the right to access common property for necessary repairs or maintenance.

Your responsibilities as a lot owner include paying levies and other fees associated with the upkeep and maintenance of common areas, complying with by-laws that govern the use and behaviour of residents within the strata scheme, and ensuring that your activities do not cause a nuisance or interfere with the rights of other lot owners.

What are the advantages and disadvantages of owning in a strata scheme?

Strata living can have major advantages. The costs of fixing walls, roofs and other major repairs can be shared with other owners through your levies, which can make strata living a very cost-effective way to own property. Depending on your strata property you may have caretakers or gardeners to keep a shared property in its optimal condition – imagine having a pool and never having to clean it!

On the other side, if the strata scheme is poorly managed or maintenance is neglected, these shared costs can potentially become costly. If you're considering a strata property purchase and are new to the concept of strata schemes, you'll likely have some questions about how it all works and what your obligations are as a lot owner. We cover the essential information for a fast introduction

What are the units of entitlement?

The strata plan for your strata scheme, which is registered with NSW Land Registry Services, shows the unit entitlement for each lot. The unit entitlement represents the lot owners' share of ownership in the strata scheme. It is used to calculate the contributions (levies) each owner pays and how much their vote is worth.

What is a budget and who sets it?

An owners corporation budget is a financial plan created by the owners corporation to assist in the management of a strata-titled property. The budget outlines the estimated income and expenses for the coming year, and it is used to guide financial decisions and ensure that the property is properly maintained.

To create a budget, the owners corporation typically consults with a strata manager or financial advisor who can help them estimate their income and expenses. The budget should include all expected income, such as levies and rental income, as well as all expected expenses, including maintenance costs, repairs, and insurance.

Once the budget is created and approved by the owners corporation, it becomes the basis for all financial decisions throughout the year. The approved budget is then divided between all lot owners based on their lot entitlements and paid quarterly, this is known as a standard quarterly contribution schedule.

It's important for the owners corporation to create a realistic budget that takes into account any expected increases in expenses, such as rising insurance costs or maintenance needs. The budget should also be reviewed and adjusted annually to ensure that it remains accurate and reflects the current needs of the property.

What are the levy contributions?

The one thing that some owners may have a problem understanding is the levies, maintenance, insurance and how it works. So, in order for the building to be maintained and insured, the owners corporation will set the annual budgets and levy contributions. The owners are obligated to pay set levies on time to allow the owners corporation to meet all financial and maintenance obligations on time.

Strata levies are contributions owners must all make to cover the strata building's running costs. Levies are set at each annual general meeting when the budgets are approved for the next 12 months and regular administrative or capital works fund (previously named sinking fund) levies are usually payable quarterly.

What do strata levies cover?

Lot owners pay levies to meet their financial obligations of the Owners Corporation including:

- Building maintenance
- Building insurance
- Maintenance of common areas (including any swimming pools, gyms, lifts or fire servicing equipment and installations)
- Onsite caretaker, gardener or cleaner
- Any common electricity or common water
- Capital works fund costs (building improvements)
- Costs for management

What are the contributions?

Contributions are the fees paid by all lot owners in a scheme to cover the projected costs and expenses of the strata scheme. They are paid into funds administered by the owners corporation, which include the administrative fund and the capital works fund (see: 'The administrative fund and the capital works fund' in this guide).

What are the different types of strata levies?

Strata levies in NSW consist of an administrative fund for regular costs, and a capital works or sinking fund to cover major and planned repairs. Occasionally the owners corporation may vote on a special levy to cover unexpected costs, for example major repairs or upgrades to common property.

How are the levies set?

The individual levies for each lot are determined by the approval of the estimated budget considered by the owners corporation at the annual general meeting (AGM). The unit entitlement (UE) for your lot as set out in the schedule on the registered Strata Plan.

When is the levy notice sent?

Section 83, Strata Schemes Management Act 2015 prescribes that the due date of a levy notice "must be at least 30 days after the notice is given. Therefore, you will receive your levies a month in advance. The levy notice is sent to an address provided by you, your settlement lawyer, or your property manager. Should an address not be provided, then the levy notice is sent to the actual address of your lot. It is the owners responsibility to ensure that the address for notices provided to the strata manager is correct and up to date.

*Note: You have the option to receive levy notices via email or by post.*

Who is the interest paid to?

An owners corporation may, by special resolution at a general meeting, determine (either generally or in a particular case) that a contribution is to bear no interest.

*Note: a strata manager does not have the authority to waive the interest as this is the money owed to the owners corporation, not a strata manager.*

Can an owners corporation waive interest?

An owners corporation may, by special resolution at a general meeting, determine (either generally or in a particular case) that a contribution is to bear no interest.

*Note: a strata manager does not have the authority to waive the interest as this is the money owed to the owners corporation, not a strata manager.*

What is the process of recovering the overdue levies?

A reminder notice is sent if a contribution is unpaid for more than 45 days. If the total amount of contributions and interest is unpaid for 90 days, then a final notice is sent advising the owner (or property manager) that they have 15 days to pay before the matter is sent for debt collection. If the levies remain unpaid at 120 days, the matter is forwarded to a debt collection lawyer, with instructions to commence proceedings.

*Note: all costs associated with debt recovery fees and the office administration for the duration of the recovery process are payable by the lot owner.*

What happens if I don't pay my levies?

The immediate consequences of non-payment are administrative in nature. An owner who has not paid its levies is deemed "unfinancial" and loses a number of privileges, including the right to vote at general meetings or to be a member of the strata committee. However, the obligation to pay the levy will not go away.

Under the Strata Scheme Management Act 2015 S85 the owner will:

Incur daily interest on due levies at an annual rate of 10% or, if the regulations provide for another rate, that other rate. This interest does not kick in until payment is one month overdue but will then apply from the due date until the date payment is made. A contribution, if not paid when it becomes due and payable, bears until paid simple interest.

*Note: Interest is not payable if the contribution is paid not later than one month after it becomes due and payable.*

CONTACT US

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