

# LEVIES EXPLAINED

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Levies are regular financial contributions that owners in a strata property collectively pay to cover various expenses associated with the maintenance, repair, and management of the common property (property jointly owned by all owners).

Levy contributions from owners are made into a trust account held in the name of the owners corporation and are divided into two different funds.

## 1. Administrative Fund

These levy contributions are allocated for day-to-day expenses of the owners corporation, including repairs and maintenance to common property, shared utilities, building insurance, and other operational expenses.

## 2. Capital Works Fund

Funds set aside for planned or unplanned major expenses that the scheme will incur in the future, such as painting, roof replacement, and other significant projects.

### How are levies apportioned?

Levies are apportioned under the unit entitlement of the lot. The strata plan shows the unit entitlement for each lot which is appointed on a market valuer basis by a valuer typically commissioned by the developer immediately prior to registration of the strata plan.

### Who determines levy amounts?

Levy amounts are determined through a collaborative process involving the strata committee and strata manager, who prepares a proposed budget based on the previous year's expenses, anticipated costs for the upcoming year. Ultimately, it is the responsibility of all owners at the AGM to review, discuss,

and approve the budget, thereby setting the levy amounts for the year.

### Notice of the AGM

The proposed budget and levies are shared with owners via a notice of the general meeting provided at least 14 days prior to the meeting. We advise owners to personally receive these notices, rather than through their property managers, to ensure they have the chance to contribute to the process.

### Voting on levies

At the meeting, owners have the chance to discuss and seek clarifications about budget items before a motion is presented to approve the proposed budget and levy schedule. Owners can vote in person or by proxy (if they can't attend in person). To vote by proxy, a proxy form must be completed and submitted according to the legislative timeframe before the meeting date (24 hours for large schemes or by the start at the meeting for other schemes).

### Voting threshold

The decision to approve the levies typically requires a simple majority vote (more than 50 percent of those eligible to vote).

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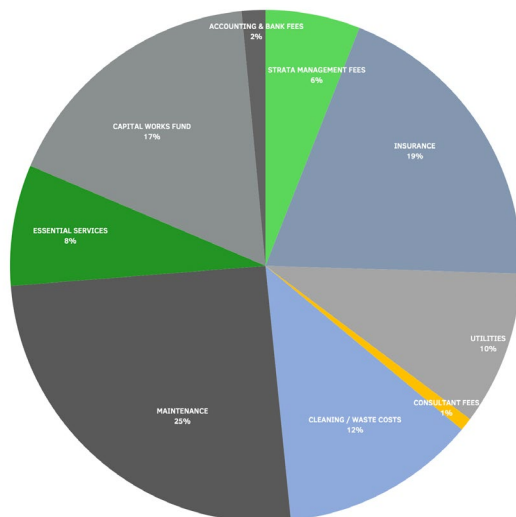
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## AN EXAMPLE BREAKDOWN OF STRATA LEVIES



A building's design and construction can greatly affect levies. But, an owners corporation that focuses on preventive maintenance, sustainable upgrades, energy monitoring, and budgeting has better levy control.

A general\* breakdown of levies include:

### Insurance premiums

Cover for total rebuild costs, machinery breakdown, public liability, volunteer workers, office bearers' liability and the Emergency Services Levy.

### Repairs & maintenance

Plumbing, electrical, mechanical ventilation, garage doors, intercoms, CCTV, pool and lift maintenance, air conditioning etc

### Onsite services

Including cleaning, building management, security, landscape gardening or concierge.

### Compliance

Fire safety systems, lifts, pools, escalators, car stackers and cooling towers all need certification and registration.

### Utilities

Consumption of electricity, gas and water on common property and emergency phones in lifts & monitored fire alarms.

### Cleaning & waste management

Service fee for cleaners and supplies, pest control, external window cleaning and sanitation for waste management facilities.

### Administration costs

Professional fees for accounting, auditing and strata management as well as charges for meetings, photocopying, software, postage.

### Capital works fund

Money set aside for major foreseeable works such as painting, carpets, facades, roofs, foyers and lifts.

\*Operational costs vary greatly from scheme to scheme.

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## PAYMENT OF LEVIES, INTEREST, AND ARREARS

### Payment and interest

Levies are payable every quarter in advance, with the due date falling on the first day of the quarter. Our office sends levy notices out approximately five weeks before the due date to provide sufficient time for payment.

### Interest for overdue levies

If the levy is not paid within one month from the due date, interest will accrue at 10% per annum, as stipulated by legislation. The strata manager, strata committee, and the owners corporation do not have the legislative authority to waive interest on overdue levies. However, the owners corporation can pass a resolution to charge no interest generally or in relation to a specific lot.

### Who receives the interest?

Accrued interest is paid to the owners corporation trust account.

### The debt recovery process

A reminder notice is sent if a contribution is unpaid for more than 30 days, then at 45 days. If the total amount of contributions and interest is unpaid for 90 days, a final notice is sent advising the owner (or property manager) advising them to pay, before the matter is sent for debt collection.

### How does an owners corporation recover unpaid levies?

If a contribution remains unpaid after one month, the owners corporation can consider it a debt. This includes any interest owed and the expenses incurred in recovering these amounts.

Your strata manager handles the management of unpaid levies. Associated costs are billed to the owner and detailed on the lot statement.

### Who sets the budgets in new buildings?

In a new strata development, the developer is responsible for establishing the initial financial framework for the property and determining the initial levies.

Once the developer transfers control of the property to the owners corporation, the responsibility for setting levies typically shifts to the owners corporation itself (or strata manager on their behalf).

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