

# WHAT SCHEME EXECUTIVES SHOULD KNOW ABOUT LEVIES

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Each year, prior to the AGM, the managing agent or Scheme Executives of a scheme will prepare a budget, which will be approved by the Scheme Executives. The budget should include all of the scheme's expected day-to-day operating expenses for the coming fiscal year. The levy that property owners pay is dependent on this budget since levies are received to cover expected expenditures.

## WHY ARE LEVIES INCREASED?

- Increases in municipal tariffs.
- Savings towards a minimum amount of reserve fund to be used for the 10-year maintenance plan.
- Building insurance premiums.
- Fidelity insurance premiums.
- Obtaining a replacement valuation of the buildings and improvements at least every three years, which requires the services of a qualified evaluator.
- Schemes are required to raise levies for the Community Schemes Ombud Service (CSOS).



## INTERIM LEVY INCREASES

Management Rule 21(3)(b) grants Scheme Executives the discretion to increase levies by no more than 10% at the end of a scheme's financial year, to take account of an anticipated increase in the body corporate's liabilities for the next financial year.

## WAYS TO INCREASE A LEVY

The new levy will be properly authorized in terms of the STSMA only after the budget has been approved by the scheme members at the AGM. However, there is an exception to this rule: levies can be raised by the Scheme Executives by a maximum of 10% before the AGM (after the end of the previous financial year), if they exercise their discretion, before the budget for the next financial year is accepted at an AGM. The increase must then be ratified by the body corporate at the AGM, whenever that may be.

