
How to deal with special levies

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The thought of special levies is unwelcome news for most sectional title property owners.



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The fear among sectional title owners that an unexpected special levy may be imposed on them, says Catherine Cockcroft, sales manager of the levy funding company, Propell [Gravelotte](#), is very real, especially for those struggling to make ends meet.

Owners find themselves suddenly liable for their portion of a new levy (calculated in relation to their participation quota, i.e. the square meterage they actually own in the scheme) and these special levy payments can be substantial, says Cockcroft.

The Prescribed Management Rules, she says, make it clear that the annual budget must be drawn up by the trustees and approved by members at the AGM. In a perfect world, she says, this budget would always include a surplus which allows for the accumulation of a reserve fund to cater for ongoing maintenance and upgrades in services such as security and elevators, etc.

“Regrettably, we do not live in a perfect world and many schemes today are not run in this efficient way,” says Cockcroft.

However, in the Prescribed Management Rules, (PMR) 31(4) gives the trustees the power to raise special levies from time to time for unforeseen and unexpected expenses provided that two requirements are met, says Cockcroft.

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She adds that the trustees may decide whether to make the special levy payable in one lump sum or in instalments.

In terms of section 37(2) of the Act, the owners at the time the special levy is raised are liable for payment thereof.

Trustees are given total discretion in the interpretation of “necessary” and “unforeseen” – subject to the provisions of sections 39 and 40 of the Act.

Certain clauses in the Sectional Title Act as it now stands, says Cockcroft, make it clear that no owner can dispute the amount of the levy once it has been decided on by the trustees. A new amendment, however, is likely to give owners more say here and, provided a quorum is achieved at the members’ meeting, may make them able to veto a special levy.

If an owner does decide to dispute whether a special levy was really necessary (and not budgeted for) in the current legal system he can take the matter to arbitration.

Any owner, says Cockcroft, who believes that a special levy was raised irregularly would be well advised not to react by withholding payment as this can only result in his paying additional expenses such as collection commission, interest and legal costs.

Trustees who are considering raising a special levy should also ensure they are adequately informed of the options available to members of their body corporate.

Cockcroft says in the current economic climate there will almost certainly be some owners who would be hard pressed to produce large sums of money quickly to cover their portion of a hefty special levy.

She says in instances like this Propell are able to make loans for one to five years to help fund projects and can also allow owners who are able to pay their portion of a special levy in a lump sum to be excluded from finance charges while others who cannot do this can make use of the extended repayment term as decided on by the trustees.