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# How the new Act will affect sectional title owner levies

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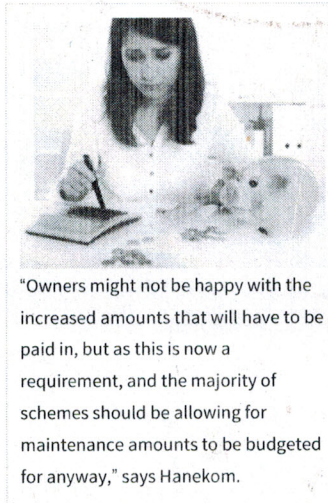
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Now that the Sectional Titles Schemes Management Act (STSMMA) has been signed into law and became effective on 7 October 2016, which was when it was published in the Government Gazette, trustees of sectional title schemes will have to reassess the levy contributions from owners each month.

This is according to Mandi Hanekom, operations manager for the sectional title finance company, Propell.

Hanekom says the first additional amount is the percentage that will go towards the reserve fund. It is a requirement, according to the Act, for all sectional title schemes to have:

- (i) an administrative fund to cover the costs of maintenance, repair, management and administration, rates, taxes and other municipality charges, insurance premiums and other obligations of the body corporate; and
- (ii) a reserve fund to cover the cost of future maintenance and repair of the common property.



"Owners might not be happy with the increased amounts that will have to be paid in, but as this is now a requirement, and the majority of schemes should be allowing for maintenance amounts to be budgeted for anyway," says Hanekom.

The STSMMA regulations prescribes minimum amounts to be contributed to the reserve fund annually, which is determined with reference to the amount of money in the reserve fund at the end of the previous financial year.

Hanekom says it is suggested that 25% of the annual levy budget be set aside initially as a reserve fund for repairs and maintenance to the common property.

"The Act does allow for a lower additional amount to be paid in if there is already a reserve fund in place, but the majority of sectional title schemes have not yet implemented this practice," she says.

The Community Schemes Ombud Service Act (CSOSA) has now also been signed, and became effective on the same date as the STSMMA.

"Each community scheme, which includes sectional title schemes, share block companies, home or property owners' associations, housing schemes for retired persons and housing co-operatives, is required to fund the Community Schemes Ombud Service (CSOS), and must collect a prescribed monthly levy from every unit and pay it to the Service on a quarterly basis," says Hanekom.

She says there is a sliding scale according to levies paid by owners to the scheme to ascertain what the CSOS levy should be. The current prescribed maximum CSOS levy is R40 a month.

"Owners might not be happy with the increased amounts that will have to be paid in, but as this is now a requirement, and the majority of schemes should be allowing for maintenance amounts to be budgeted for anyway," says Hanekom.