

Why there is nothing special about special levies

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hard to collect

often delay works

no tax advantages

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results in compromises

timing often poor

WHY THERE IS NOTHING SPECIAL ABOUT SPECIAL LEVIES

Special levies can be appropriate for some situations however are often an unpopular way of funding strata needs. However they do have some benefits such as:

- A financially efficient means of funding strata expenditure
- No lost opportunity cost to the scheme – not having to build a cash fund through a sinking fund over time
- No interest costs (unlike borrowing) to the scheme

But there are many other issues that make special levies a poor choice for owners. These include:

- Often unaffordable
- Often unpalatable to owners
- Difficulty in collecting
- Often result in substantial delays and further degradation of the property
- Affects owners credit worthiness
- Questionable value return to owners
- Taxation advantages forgone
- Forces many owners to sell
- Causes friction between the haves and the have nots
- Often results in compromises
- Timing not always right for all

There are two key points from the above that rate a mention. Firstly, special levies often can be inequitable for many owners who may not have the money and may be forced to sell their asset, with the building often in a deteriorated state, affecting the sale value.

Secondly, because special levies are unpopular it may mean that needed works are delayed yet again leading to further building degradation which then ends up costing more for the then owners down the track.

Timing is everything

As with many things in life, with funding strata expenditure timing is a significant factor. Special levies often come at a bad time; delays in works cost more time which end up costing more; and if owners do not have the money for a special levy they often have to sell at a bad time, when prospective owners can see there are outstanding works needed to the building.

With Strata Finance it is a user pays approach that ensures the user only pays for the period they own the property.

Questions or help?

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