

## **Liability for levies when units are sold**

When a sectional title unit is sold, the pro rata ordinary or general levies for the period remaining of the current financial year automatically becomes the responsibility of the new owner, according to the Sectional Titles Act.

What happens, however, if there is a special levy due?

There is no provision in the Act that caters for the change of ownership during a period of special levy raising and payment, and this lack of provision sometimes makes a situation such as this complicated, says Mandi Hanekom, operations manager of sectional title finance company Propell.

The Act simply says that the person who is the registered owner of a unit on the date that the trustees raise a special levy is liable to pay it. There could be complications though when special levies are paid off over a period of time in instalments and during this time a unit (or units) changes hands.

The way to establish who is responsible for the payment is to ask who the registered owner was on the date that the trustees passed the resolution to raise a special levy, said Hanekom.

If the seller was registered as owner then he is still responsible for the full payment of the special levy - even if his installment payments continue after he has left the scheme. In cases such as these, it is recommended that he includes the outstanding amount in his sale price and passes this amount on to the body corporate as his settlement of the special levy when he leaves.

The option is available to the seller to pass the responsibility of the payment of the remainder of the special levy on to the buyer, but this would involve getting the body corporate, as well as the buyer, to agree to this, said Hanekom.

Unfortunately for some buyers, it can happen that the unit is transferred to his name and the resolution is passed to raise a special levy within a very short time of him becoming owner (or sometimes almost simultaneously). He might not have been involved in any of the discussions or meetings relating to raising the amount, but he will still have the responsibility of paying it.

In some instances, a loan to cover the full amount of the special project, instead of raising a special levy, is preferred, said Hanekom.

A lump sum loan is paid off via a slight increase in normal levies each month and this does reduce the complications of raising large sums of money from the owners of units. This also makes it easier for those wanting to sell, knowing that they won't be fully responsible for the special levy, nor will the potential buyer be "put off" by the prospect of a large lump sum having to be paid towards a special levy - a win-win solution for all, she said.

*Propell Press Release*