

## Understanding Accrual Accounting Levies and Interest in Strata

### NSW Strata Specialists – Owner Information Sheet

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#### **When is Interest Charged on Unpaid Levies?**

Under the *Strata Schemes Management Act 2015*, interest can be charged on unpaid levies.

##### **How it works:**

- **30-Day Grace Period:** No interest is charged in the first 30 days after the due date.
- **Interest Begins on Day 31:** From this point, interest is backdated to the original due date.
- **Daily Accrual:** Interest accumulates daily.
- **Interest Rate:** 10% per annum (unless varied by resolution).

##### **Example:**

The Quarterly levy was due on 1st January; payment was made on 15 February. On 1 February: 31 days of interest are applied and continues daily until paid. On 15 February interest will be calculated for 45 days.

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#### **How Are Payments Processed?**

NSW Strata Specialists uses **ABA file processing** for automatic receipting:

1. Payments are downloaded from the bank, verified, uploaded, and approved.
  2. Receipts are issued based on the **payment date**, not clearance date.
  3. This ensures interest calculations are fair and accurate.
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#### **Key Takeaways**

- Accrual accounting gives a true financial picture of your scheme.
  - Interest is applied **after 30 days**, based on the **original due date**.
  - Payments are recorded by the date **you paid**, not when they cleared.
  - Staying current with levies helps the scheme avoid cash flow issues and additional interest.
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