COMMUNITY HOUSING
Industry Association Victoria

Comparison of Additional Property Costs and Service Charges

The following table compares and contrasts the two methods.

	Additional Property Costs	**Service Charges**
Description	A charge incorporated into the rent calculation to cover costs that are not separately metered (e.g. gas, electricity etc.). It is not listed separately to the fortnightly rent payable.	A separate levy alongside the rent which is calculated based on the actual cost of utilities and services that are not separately metered. It is listed separately to the fortnightly rent payable.
RTA provisions	There are no specific RTA provisions (the charge forms part of the rebated income-based rent calculation, therefore is subject to oversight by the Registrar).	Sections 57 and 109A outline the powers and requirements for service charges.
How is it charged?	As a component of a single fortnightly charge (e.g. "Your rent payable is X").	As a separate charge alongside the rent payable (e.g. "Your rent payable is X. Your service charge is Y. Further information about your service charge is detailed below.").
What properties can it apply to?	Can be applied to any property type.	Applies to general tenancies and rooming houses with self-contained rooms. Note: Cannot be applied to rooming houses with shared facilities.
What can be included?	Not covered in the RTA. Subject to performance standards on rent setting but not the subject of detailed regulatory guidance.	The RTA only allows this to cover actual costs for water, central heating, laundry or utility services or facilities made available to the renter (where these cannot be individually measured).

How is it recovered?	As a component of rent via arrears recovery processes.	Via a general VCAT application (separate to but alongside arrears recovery processes).
Information renters require	CHOs must be transparent in their rental charges (as a regulatory requirement).	As well as the requirement to be transparent, the RTA requires written notice to be given to renters including the particulars of service charges.
Renter rights to challenge	Renters can complain to Registrar.	As well as complaining to the Registrar, renters can challenge a service charge at VCAT to seek to remove or reduce a service charge, should they believe the charge to be excessive.
Calculating charges	Can be spread across multiple facilities to smooth out fluctuations in costs.	Service charges must be specific to each rooming house or building.
GST implications	No requirement to charge GST. Same test for GST-free supplies across the whole rental charge (i.e. must be supplied at less than 75% of market value).	Unclear. Legal Advice is needed.
CRA implications	Attracts CRA.	Attracts CRA. In practice, there can be difficulties with service charges being separated if Services Australia staff do not correctly apply the policy.
Exceeding market-based rent	Income-based rent + additional property costs cannot exceed market-based rent.	Income-based rent + service charge can exceed market-based rent.

Further Assistance

Should you have any questions or comments in relation to the information in this resource please email leadingpractice@chiavic.com.au.

This resource will be periodically reviewed and continually updated based on sector feedback.