

## Building Practice Note BP-16: Building permit & Cladding rectification levy

This Practice Note provides guidance on building permit and cladding rectification levy, payable by the applicant before their building permit is issued.

The content below provides guidance on:

- Levy calculation
- Applications for levy reimbursement
- Levy reassessment

### Abbreviations & Definitions

The abbreviations and definitions set out below are for guidance only. They are not intended to vary those set out in the Building Act 1993, or the Building Regulations 2018.

- **Act** – Building Act 1993
- **Applicant** – a person who lodges a building permit application with an RBS for approval. The applicant can be the owner or an agent of the owner.
- **BAMS** – Building Activity Management System
- **BCA** – Building Code of Australia
- **CoW** – Cost of building work (including the cost of materials, labour and GST)
- **CRL** – Cladding rectification levy
- **CSV** – Cladding Safety Victoria
- **Levy** – an amount paid into the Building account or the Cladding Safety Victoria account of the Victorian Building Authority Fund under sections 205A and 205G of the Building Act 1993 as the case requires.
- **RBS** – Relevant building surveyor
- **Regional Victoria** – the municipal districts of the councils set out in Schedule 1 of the First Home Owner Grant and Home Buyer Schemes Act 2000 and the alpine resorts within the meaning of the Alpine Resorts Act 1983.
- **Regulations** – Building Regulations 2018
- **Social housing** – as defined in the Housing Act 1983
- **VBA** – Victorian Building Authority



## Levy calculation

The calculation of building permit levies is based on the Cost of building work (CoW) for which a building permit is required and must be paid prior to the issue of any permit. The levies under section 205G(1) and (2) of the Building Act 1993 (Act) are not payable if the CoW for which a building permit is required is \$10,000 or less. The total of these levies is calculated at a rate of 0.128 cents in every dollar of the CoW.

To fund cladding rectification work by Cladding Safety Victoria (CSV), an additional building permit levy, the Cladding Rectification Levy (CRL) has been imposed from 1 January 2020 under section 205G(2A) of the Act (refer to section 205G of the Act for more information). Building work which requires a building permit is subject to the CRL, if:

- located in municipalities in metropolitan Melbourne (not in regional Victoria); and
- it is, or will be, a Class 2 to 8 building; and
- it has a CoW of \$800,000 or more, or if the building permit for the work is a staged permit, the cost of the whole of the building work is \$800,000 or more.

The CRL is payable at the rates set out in the following table.

Total cost of building work related to BCA Classes 2 to 8	Cents in every dollar of the CoW
\$800,000 to < \$1M	0.128
\$1M to <\$1.5M	0.256
\$1.5M and over	0.82

Building surveyors must consider the contract price for proposed building work when estimating the CoW. If there is no contract for the work, or if the contract is not for all the work, the RBS must request sufficient information to estimate the CoW. Refer to sections 205H and 205I of the Act for more information.

When reporting in Building Activity Management System (BAMS), building surveyors will need to provide a breakdown of the CoW for each building classification associated with the building work.



Refer to the VBA website at: [www.vba.vic.gov.au/surveyors/bams](http://www.vba.vic.gov.au/surveyors/bams)

## Levy exemptions

Building work on Commonwealth Crown land retains the current automatic exemption from any building permit levy, including the CRL. State Crown land attracts, and State entities remain liable to pay, the CRL if the building work meets the criteria set out above.

An exemption from the requirement to pay the CRL imposed under section 205G(2A) of the Act is applicable in certain circumstances where the building work includes the construction of social housing. Refer to regulation 281B of the Regulations for further detail.

An exemption from the requirement to pay the levies imposed under section 205G(1) and (2) of the Act is applicable where the applicant's dwelling was destroyed or damaged in an emergency that occurred on or after 1 November 2019 and the building work includes the reconstruction or repair of the applicant's dwelling on the same allotment, or within the same municipal district. Refer to Division 3 of Part 11A of the Regulations for further detail.



## Application for levy reimbursement

A reimbursement of levy is allowable only in circumstances where the levy was paid prior to the issue of a building permit and the application is withdrawn.

The VBA will not reimburse building permit levy if:

- building work does not proceed;
- building work is partially completed;
- a building permit lapses; or
- a building permit is cancelled.

Partial levy refunds are available in limited circumstances as part of the reassessment of levy under section 205LBA of the Act, allowing the Victorian Building Authority (VBA) to refund levy paid from 1 January 2020. Once the required changes to the building permit have been made in BAMS, the VBA will contact the applicant if eligible for a refund.

There are requirements for the VBA to refund levy paid in accordance with:

- section 205G(2A) of the Act where the building work includes the construction of social housing as set out in regulation 281C of the Regulations; and
- section 205G(1) and (2) of the Act where the applicant's dwelling was destroyed or damaged in an emergency that occurred on or after 1 November 2019 and the building work includes the reconstruction or repair of the applicant's dwelling, as set out in regulation 166 of the Regulations.

## Levy reassessment

Once a building permit has been issued, applicant must notify the VBA within 28 days of becoming aware of an increase in the CoW, if the increase is \$15,625 or more. Once notified, the VBA will reassess the building permit levy owed and send written notification to the applicant requesting payment of any additional levy and penalty levy. The payment of these levies is due within 14 days of notification. Under section 205LF of the Act, the person given the notice may apply to VCAT for review of the VBA's decisions.

## Related Documentation

- Alpine Resorts Act 1983
- Building Act 1993
- Building Regulations 2018
- [Building Surveyor User Guide \(Version 4.10\): Building Activity Management System](#)
- First Home Owner Grant and Home Buyer Schemes Act 2000
- Housing Act 1983

## List of Amendments

- Update format to new VBA style guide.
- Minor amendments to improve readability



## Version History

- Version 1.0, published 28 June 2022, supersedes Practice Note PN-73 Building Permit & Cladding Rectification Levy issued 28 June 2018.

## Contact Us

If you have a technical enquiry, please email [technicalenquiry@vba.vic.gov.au](mailto:technicalenquiry@vba.vic.gov.au) or call 1300 815 127.

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