

*m*SCOA Treatment - Cost Of Free Basic Services

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Free basic service: the minimum amount of basic levels of services, provided on a day to day basis, sufficient to cover or cater for the basic needs of the poor households. Various sector departments have set minimum standards outlining basic amount of services or quantity to be supplied to the indigents with regards to water, energy, sanitation and refuse removal.



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Grap Alignment

Paragraph 15 of GRAP 9 states the following:
“Revenue shall be measured at the fair value of the consideration received or receivable”

Paragraph 16 of GRAP 9 states the following:
“The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.”



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Grap Alignment

Paragraph 71 of GRAP 23 states the following:
“Taxation revenue shall be determined at a gross amount. It shall not be reduced for expenses paid through the tax system.

Paragraph 73 and 74 of GRAP 23 states the following:
“Taxation revenue shall not be grossed up for the amount of tax expenditures.
Tax expenditures are foregone revenue, not expenses, and do not give rise to inflows or outflows of resources – that is, they do not give rise to assets, liabilities, revenue or expenses of the taxing government



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Consistently with Standards of GRAP 9 and GRAP 23 read with IGRAP 1, municipalities should not gross up revenue to reflect the Cost of Free Basic Services covered by the equitable share, or Revenue Foregone in the annual financial statements.

Revenue disclosed on Table A4 should be net revenue excluding revenue foregone

***m*SCOA Treatment of Free Basic Services**

Currently according to national policy, free basic services includes 6kl of water, 50kWh electricity, free sewerage and free weekly refuse removal for households earning less than the prescribed amount

Amounts provided to the indigent consumers must be recorded at cost through the billing system.

Contra the cost of the free basic services: Credit the debtors account and debit the relevant *m*SCOA revenue component of the chart.

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**Example: Indigent Debtor incurs a total bill of R1000.00 for electricity usage of which, R200.00 is the cost of free basic services (50 KWh).
(Funded from the “Basic Services Component” of the Equitable Share)**

DEBIT	CREDIT	AMOUNT	DESCRIPTION
Trade and other Receivables: Electricity	Revenue: Services Charges: Electricity	800.00	Collectable revenue
Trade and other Receivables: Electricity	Revenue: Services Charges: Electricity	200.00	Cost of free basic services
Revenue: Services Charges: Electricity	Trade and other Receivables: Electricity	200.00	Reducing the debtor's payable debt by the cost of free basic services

mSCOA Treatment of Free Basic Services

DEBIT	CREDIT	AMOUNT	Fund	Project
Trade and other Receivables: Electricity	Revenue: Services Charges: Electricity	800.00	General Revenue: Service Charges: Electricity	Default
Trade and other Receivables: Electricity	Revenue: Services Charges: Electricity	200.00	General Revenue: Equitable Share	Default
Revenue: Services Charges: Electricity	Trade and other Receivables: Electricity	200.00	General Revenue: Equitable Share	Cost of Free Basic Services: Electricity

mSCOA Treatment of Free Basic Services

All cost of free basic services and revenue foregone items are accommodated in the project segment. These projects will be linked to the schedules.

Cost of Free Basic Services				
	Electricity (50 kw h per household per month)			
	Waste Water Management (free minimum level service)			
	Waste Management (removed once a week)			
	Water (6 kl per household per month)			
Revenue Cost of Free Services				
	Electricity (Other Energy)			
	Housing (Top Structures)			
	Rental Rebates			
	Waste Management			
	Waste Water Management			
	Water			
Property Rates Rebate				
	Bona Fide Farmers Rebate or Exemption			
	Indigent Owners			
	Pensioners/Social Grants			
	Temporary Relief Rebate			
	Phase-in Reductions/Discounts			
	General Residential Rebate (excess exceeding R15000 Threshold)			
	Discretionary			
	Disaster or Adverse Conditions			

Linking Cost of Free Basic Services to SA1, SA9, SA10 which Feeds to A1 Schedules

Extract of SA1

Service charges - electricity revenue

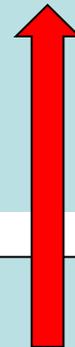
Total Service charges - electricity revenue

less Revenue Foregone (in excess of 50 kwh per indigent household per month)

less Cost of Free Basis Services (50 kwh per indigent household per month)

Net Service charges - electricity revenue

Project: Cost of Free Basic Services: Electricity



Revenue Foregone is any discount, rebate or subsidy provided by the municipality to its consumers. Revenue foregone includes both exchange and non-exchange transactions



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mSCOA Treatment of Subsidised Basic Services

Example: Debtor incurs a total bill of R1000.00 for electricity usage of which, R200.00 is the discretionary discount. (Council decision) Funded from rates and tariffs)

DEBIT	CREDIT	AMOUNT	DESCRIPTION
Trade and other Receivables: Electricity	Revenue: Services Charges: Electricity	800.00	Collectable revenue
Trade and other Receivables: Electricity	Revenue: Services Charges: Electricity	200.00	Subsidised Discount
Revenue: Services Charges: Electricity	Trade and other Receivables: Electricity	200.00	Reducing the debtor's payable debt by the subsidised discount

mSCOA Treatment of Subsidised Basic Services

DEBIT	CREDIT	AMOUNT	Fund	Project
Trade and other Receivables: Electricity	Revenue: Services Charges: Electricity	800.00	General Revenue: Service Charges: Electricity	Default
Trade and other Receivables: Electricity	Revenue: Services Charges: Electricity	200.00	General Revenue: Service Charges: Electricity	Default
Revenue: Services Charges: Electricity	Trade and other Receivables: Electricity	200.00	General Revenue: Service Charges: Electricity	Revenue Cost of Free Basic Services: Electricity

Linking Cost of Subsidised Basic Services to SA1, SA9, SA10 which Feeds to A1 Schedules

Extract of SA1

Service charges - electricity revenue

Total Service charges - electricity revenue

less Revenue Foregone (in excess of 50 kwh per indigent household per month)

less Cost of Free Basis Services (50 kwh per indigent household per month)

Net Service charges - electricity revenue

**Project: Revenue Cost of Free Basic Services:
Electricity**

Revenue Foregone: Property Rates

Revenue foregone of Subsidised Services/ Rates to individuals reflecting subsidies, allowances or discounts provided to an individual or a group of consumers

Revenue foregone reflecting subsidies, allowances or discounts provided to all rate payers and consumers to be recorded as Revenue Foregone-Subsidised Services General



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*m*SCOA Treatment of Property Rates Rebates

Example: A Pensioner incurs a total bill of R1000.00 for property rates of which, R200.00 is the rebate.

DEBIT	CREDIT	AMOUNT	DESCRIPTION
Receivables- Non Exchange: Property Rates	Revenue: Property Rates: Residential	800.00	Collectable revenue
Receivables- Non Exchange: Property Rates	Revenue: Property Rates: Residential	200.00	Property Rates Rebate
Revenue: Property Rates: Residential	Receivables- Non Exchange: Property Rates	200.00	Reducing the debtor's payable debt by the property rates rebate

mSCOA Treatment of Property Rates Rebates

DEBIT	CREDIT	AMOUNT	Fund	Project
Receivables- Non Exchange: Property Rates	Revenue: Property Rates: Residential	800.00	General Revenue: Taxes: Property Rates	Default
Receivables- Non Exchange: Property Rates	Revenue: Property Rates: Residential	200.00	General Revenue: Taxes: Property Rates	Default
Revenue: Property Rates: Residential	Receivables- Non Exchange: Property Rates	200.00	General Revenue: Taxes: Property Rates	Property Rates Rebates: Pensioners

Linking Property Rates Rebates to SA1, SA9, SA10 which Feeds to A1 Schedules

Extract of SA1

REVENUE ITEMS:

Property rates

Total Property Rates

less Revenue Foregone (exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA)

Net Property Rates

Project: Property Rates Rebates: Pensioners

Questions

