

*m*SCOA Treatment - Cost Of Free Basic Services

Presented by : Trevor Chetty



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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.



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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.”



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

*m*SCOA Treatment of Free Basic Services

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.

mSCOA Treatment of Free Basic Services

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



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

*m*SCOA 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

*m*SCOA 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



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

*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

*m*SCOA 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

