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| Description: Description: Letter Head |
| STANDARD CHART OF ACCOUNT SPECIFIC TO LOCAL GOVERNMENT  *[SCOA for MUNICIPALITIES (mSCOA)]* |
| Project Detail:  Section 6.1 – Item Segment – Revenue |
| *November 2017 (Version 6.1)* |

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# SECTION 6.1: REVENUE

## Background to the Item Revenue segment

This component of the Item segment contains the classification structure for revenue to inform the extraction of reporting information in various formats, for example the Budget Reporting Tables, In-year Reporting, Annual Financial Statements, the NERSA Regulatory Reporting Tables, the Department of Water and Sanitation reporting requirements, etc.

**Definition:**

**Revenue** - is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

By definition “revenue” includes “gains”. The mSCOA Classification provides for “gains” within the component of the Item segment for “Gains and Losses”.

The key question to find the appropriate classification code for this Item Revenue segment is: ***“what is the type and nature of the revenue accrued?”***

## 

## Illustration: High-level Classification

The illustration of the high-level classification structure for this Item Revenue segment directly relates to the main classifications required in the Statement of Financial Performance in accordance with the requirements of the Standards of GRAP 1 - Presentation of Financial Statements.

At the highest level this Item Revenue segment distinguishes between:

|  |  |
| --- | --- |
|  | ***Some local government practitioners noted that the Revenue Accounts appear to be a duplication of the Funding Segment. What is the difference between the Fund Segment and the Revenue component within the Item Segment?***  The Funding Segment appears to be a duplication of the content of the Revenue Components from the Item Segment yet completely different in purpose and use. The Funding Segment classification is similar to the Revenue Component in the Item Segment but the fundamental difference is that the “**funds” (in the Funding segment) reflects the actual funds (cash basis of accounting) available for funding operational and capital expenditure**. Expenditure and Revenue transactions based on the principle of funds received and thus available for spending and expenditure incurred are reflected in the Funding segment. Theoretically the net effect of all transactions reflected in the Funding segment should balance to the cash and cash equivalents, increase/ decrease in borrowings/ investments. |

## 

## Design Principles

When reading the Item Revenue segment, the user must simultaneously also consider the design principles defined in the Item Segment Introduction together with the following design principle(s):

Principle 1: Exchange and Non-Exchange Revenue - On the highest-level Revenue distinguishes between Exchange and Non-exchange Revenue. Revenue from non-exchange transactions are transactions that are not exchange transactions in accordance with the *Standard of GRAP 23 - Revenue from non-exchange transactions.* In a non-exchange transaction, the municipality either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange. Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Principle 2: Gains - By definition “revenue” includes “gains”. The SCOA Classification provides for “gains” within the component of the Item Segment for “Gains and Losses”.

Principle 3: Share of Surplus attributable to Associate/ Share of Surplus attributable to Joint Venture using Equity Method/ Share of Surplus attributable to Non-Controlled Interest - These accounts need to be disclosed on the face of the statement of financial performance as allocations of surplus or deficit for the period. These items are included in the revenue component although not within the definition of revenue.

Principle 4: Agency Services - The principle underlying agency services is that the Municipality performs a service on behalf of another entity. The amounts collected on behalf of the principal are not revenue. Instead, revenue is the amount of any commission received or receivable for the collection or handling of the gross flows.

Principle 5: Interest, Dividends and Rent on Land - This category is defined in the Economic Reporting Framework and accordingly included as a “group of accounts” in mSCOA.

Principle 6: Operational Revenue - This group of accounts provides for “all other types of revenue” not specifically provided for in the revenue accounts.

Principle 7: Rental from Fixed Assets - This group of accounts distinguish between “market” and “non-market” related rental and further provides for “straight-lined operating lease, contingent rent and sub-lease payments” in accordance with the provision of the *Standard of GRAP 13 - Leases*.

Principle 8: Sale of Goods and Rendering of Services - This category consists of sales and services rendered provided that the municipality produced or partially produced the good or service. Detail categories were added according to the general functions provided by local government.

Principle 9: Service Charges - This group of accounts provides for the typical services rendered by the municipality as “exchange transactions”, for example electricity, water, waste water management and waste management.

Principle 10: Fines, Penalties and Forfeits - This item consists of all compulsory receipts imposed by a court or quasi-judicial body considered to be non-exchange revenue.

Principle 11: Licences or Permits - This item provides accounts for the granting of licenses or permits associated with a regulatory function administered by the municipality.

Principle 12: Property Rates - Section 8 and 15 of Local Government Municipal Property Rates Act, 2004 and its Regulations respectively provide for categories which a municipality may use to determine respectively “differential rates and exemptions, reductions and rebates”. These categories were applied in mSCOA with some detail added as directed by the Municipal Budget and Reporting Regulations, 2009 in its Table SA 13 (2012/13). Section 8 of the Local Government: Municipal Property Rates Amendment Act, 2014 (Act No. 29 of 2014) determines that the “provisions of section 8 must be applied by a municipality within seven years of the date of the commencement of the Act”. It is important that mSCOA provide for sufficient classification to address the requirements of the Local Government: Municipal Property Rates Act, 2004 as well as the Local Government Property Rates Amendment Act, 2014.

Principle 13: Surcharges and Taxes - Funds generated from the collection of (new taxes) instituted in terms of the Municipal Fiscal Powers and Functions Act, 2007 (Act No. 12 of 2007).

Principle 14: Special Rating Areas - Property rates levied on “special ratings areas” to be separately provided for within “revenue” to meet the accounting requirements provided for in Section 12 of the Local Government Municipal Property Rates Act, 2004. The posting-level detail is to be populated by the municipalities.

Principle 15: Transfers and Subsidies - The high-level categories applied in the SCOA for Capital and Operational Transfers and Subsidies are based on the transfer categories as defined in the Reference Guide to the Economic Reporting Format (September 2009) for National and Provincial Departments. In addition, provision is made for Transfers and Subsidies received by a municipal entity from the parent municipality. The categories provided for in the mSCOA Tables Version 6.1, consists of:

* + Departmental Agencies and Accounts
  + Foreign Governments and International Organisations
  + Households
  + District Municipalities
  + National Governments
  + Non-profit Organisations
  + Provincial Governments
  + Public Corporations and Technikons
  + Higher Educational Institutions
  + Municipal Entities

*Principle 16: Equitable Share -* Equitable share to be separately provided for within “revenue” to be able to link the cost of providing basic services to poor households to the funding source. This account used with the account detail in the item, function, regional and project segment would thus give an indication of funding, spending, what it’s been spent on and the ward/ area receiving the benefit.

*Principle 17: Allocations In-kind (Goods and Services In-kind)* - The Standard of GRAP 23 (Revenue from Non-Exchange Transactions) provides guidance on the recognition of services and goods given in-kind.

*Principle 18: Transfers and Subsidies [National Governments] -* The classifications provided for under this group of accounts are based on Schedule 4, 6 and 7 of the Division of Revenue Act, No 2 of 2013 (DoRA). The content of this classification require an annual update based on the allocations published in the annual DoRA for the reporting period.

*Principle 19: Transfers and Subsidies (Provincial Governments) -* Limited information is available from the local government database thus the “functional classification” is used for the purpose of classifying district transfers and subsidies to local municipalities in the absence of specific detail.

*Principle 20: Transfers and Subsidies (District Municipalities) -* Limited information is available from the local government database thus the “functional classification” is used for the purpose of classifying district transfers and subsidies to local municipalities in the absence of specific detail.

*Principle 21: Transfers and Subsidies (Departmental Agencies, Foreign Government and International Organisations, Households, Non-profit Institutions, Private Enterprises, Public Corporations and Higher Educational Institutions) -* Limited information is available from the local government database accordingly, entities added to these categories are based on the detail defined by the SCOA for Departments revised for municipalities. Requests for comments to municipalities following the “road shows” (preceding the release of the draft mSCOA Regulations) revealed little inputs to revise the content of these categories comprising about 70 per cent of the detail populated in this segment. Municipalities are required to request additional information to be considered either during the comments processes following the release of the SCOA Draft Regulations, or during the formal process with the SCOA Technical Committee in requesting changes/ revisions annually.

*Principle 22: Transfers and Subsidies from Parent Municipality* – Classification was provided in Version 6 specifically for “transfers and subsidies” made by parent municipalities to municipal entities. These transfers typically need to be eliminated at consolidation of the parent municipality and municipal entity information.

*Principle 23: VAT Indicators -* Included in the classification are VAT indicators to assign specific VAT categories to posting level accounts. Distinction is made between VAT charged at Standard Rate, Exempt and Zero Rated as indicated in the detailed SCOA Tables.

## Legislative and Regulatory Requirements

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on SCOA |
| --- | --- | --- |
| LEGISLATION |  |  |
| Local Government Municipal Property Rates Act, 2004 (Act No. 6 of 2004) and its Regulations | Section 8: Differential Rates | This section of the Act informed the **posting level accounts** provided for in the SCOA classification for “property rates”. |
| Section 15: Exemptions, Reductions and Rebates – *Projections regarding revenue to be forgone for a financial year in relation to subsection (3)(b) must be reflected in the municipality’s annual budget for that year as a) income on the revenue side and b) expenditure on the expenditure side.* | Provision is made for this requirement in the **“contra account”.** |
| Section 22: Special Rating Areas | Special rating areas separately identified in the SCOA classification to comply with the requirement to provide for this in the **accounting and other record keeping systems**. |
| Local Government: Municipal Property Rates Amendment Act, 2014 (Act No. 29 of 2014) | To amend the Local Government: Municipal Property Rates Act, 2004, so as to provide for the amendment and insertion of certain definitions; to delete the provisions dealing with district management areas; to provide that a rates policy must determine criteria for not only the increase but also for the decrease of rates; to delete the provisions of section 3(4) and to provide for a rates policy to give effect to the regulations promulgated in terms of section 19(1)(b); to provide that by-laws giving effect to the rates policy must be adopted and published in terms of the Municipal Systems Act, 2000; to provide for the determination of categories of property in respect of which rates may be levied and to provide for a municipality to apply to the Minister for authorisation to sub-categorise property categories where it can show good cause to do so; to regulate the timeframe of publication of the resolutions levying rates and what must be contained in the promulgated resolution; to provide for the Minister to make a decision in terms of section 16(2) with the concurrence of the Minister of Finance; to provide for the exclusion from rates of certain categories of public service infrastructure as well as mining rights or mining permits, to provide that infrastructure above the surface in respect of mining property is rateable and the rates are payable by the holder of the mining right or mining permit; to provide that the exclusion from rates in respect of land belonging to a land reform beneficiary is extended to the spouse and dependants; to provide that an exclusion from rates in respect of the seashore lapses if any part thereof is alienated; to provide that a municipality may levy different rates on vacant residential property; to provide that a municipality may not recover rates in respect of a right of exclusive use registered against a sectional title unit from the body corporate; to provide that a person liable for a rate must furnish the municipality with his or her postal address; to provide that municipalities are not required to value properties fully excluded from rates; to provide for the period of validity of a valuation roll to be four years in respect of a metropolitan municipality and five years in respect of local municipalities; to provide for the MEC for local government to extend the period of validity of valuation rolls by two additional years where the provincial executive has intervened in terms of section 139 of the Constitution and by one financial year and two financial years for metropolitan and local municipalities respectively on request by a municipality in any exceptional circumstances; to provide that a body corporate, share block company or managing association is required to provide information to a valuer; to delete the requirement for the payment of interest in specific instances; to delete the requirement for the establishment of a valuation appeal board in every district municipality; to provide that a professional associated valuer may be appointed to the valuation appeal board if a professional valuer cannot be appointed; to amend the quorum of an appeal board to include the valuer member of the valuation appeal board; to amend the dates on which a supplementary valuation takes effect; to provide for the notification of owners of property affected by a supplementary valuation; to limit coadunation by the MEC for local government through the framework to municipalities only; to provide for more effective monitoring and reporting by municipalities and provinces on critical areas of the implementation of the Act; to extend the Minister’s regulatory powers; to provide for the phasing in of certain regulations; to provide for the phasing in of the prohibition on the levying of rates on certain types of public service infrastructure; to provide for transitional arrangements in respect of municipalities that have been affected by a redetermination of municipal boundaries; to provide for transitional arrangements for the implementation of section 8; and to provide for matters connected therewith. | The impact of the changes made have been considered and provided for in mSCOA Version 5.4 already. |
| Municipal Finance Management Act, 2003 (Act No. 56 of 2003) | Section 20: Matters to be Prescribed - *Matters to be Prescribed - (1)b(iv) “uniform norms and standards concerning the setting of municipal tariffs, financial risks and other matters where a municipality uses a municipal entity or other external mechanism for the performance of a municipal service or other function”.* | Considered in the set-up of the SCOA segments. |
| Section 64: Revenue Management | The SCOA classification structure within the component contributes to a **management, accounting and information system** which recognises revenue when it is earned, accounts for debtors and accounts for receipts of revenue. |
| Section 68: Budget Implementation | The SCOA classification structure within the component contributes to the proper **monitoring of revenue**. |
| Section 71: Monthly Budget Statements | The SCOA classification structure within the component contributes to providing “**actual revenue, per revenue sources”**. |
| Section 72: Mid-year Budget and Performance Assessment | The SCOA classification structure within the component provides the revenue classification to inform the municipalities’ **performance during the first half of the** year. |
| Section 121: Preparation and Adoption of Annual Reports | The SCOA classification structure within the component informs the compilation of the **Statement of Financial Performance and the budget versus actual results**. |
| Constitution No 108 of 1996 | Section 216: Treasury Control  National legislation must establish a national treasury and prescribe measures to ensure both transparency and expenditure control in each sphere of government by introducing:   1. Generally, recognised accounting practice 2. Uniform expenditure classification; and 3. Uniform treasury norms and standards   The National Treasury must enforce compliance with the measures established in terms of subsection (1), and may stop the measures established in terms of subsection (1), and may stop the transfer of funds to an organ of state if that organ of state commits a serious or persistent material breach of these measures. | **SCOA Segments** set-up to assist in achieving this constitutional requirement. . |
| Local Government Transition Act,1993 (Act No. 209 of 1993) | Provide guides on the mandate given to municipalities for providing specific services. | The services had been considered in setting-up the **revenue classification** as per this component. |
| Municipal Fiscal Powers and Functions Act, 2007 (Act No. 12 of 2007) (MFPFA) | Section 3: Application of Act | **Surcharges and Taxes** provided for in the SCOA Classification. |
| Water Services Act, 1997 (Act No. 108 of 1997) | To provide for the gathering of information in national information systems and the distribution of that information; to repeal certain laws; and to provide for matters connected therewith. | The reporting requirements of the **Department of Water Affairs** have been considered in the compilation of the SCOA classification framework. |
| Annual Division of Revenue Act, 2011 | Act determines allocation to municipalities. | This act informs the posting level accounts to be set-up for “**Transfers and Subsidies from National Departments**”. |
| REGULATIONS |  |  |
| The Municipal Budget and Reporting Regulations,2009 | Section 40: Funding of Expenditure | The revenue classification within the Item Revenue Segment provides for all possible **sources of revenue** informing the budget reporting tables. |
| CIRCULARS |  |  |
| Municipal Fiscal Powers and Functions Act Circular No 1: Introduction to the Municipal Fiscal Powers and Functions Act No. 12 of 2007 | Defines “surcharges and taxes”. | The revenue classification provides for “surcharges and taxes” in support of the legislation. |
| Municipal Fiscal Powers and Functions Act Circular No 2: Verification of Municipal Taxes that existed prior to the introduction of the Municipal Fiscal Powers and Functions Act No. 12 of 2007 | Reporting requirements | The component provides for a classification for recording taxes and thus present accordingly in the **Budget Reporting Tables and Annual Financial Statements**. |
| * MFMA Circular 45: 2008/09 MTREF Budget * MFMA Circular 48: Municipal Budget Circular for the 2009/10 MTREF * MFMA Circular 51: Municipal Budget Circular for the 2010/11 MTREF * MFMA Circular 55: Municipal Budget Circular for the 2011/12 MTREF * MFMA Circular 58: Municipal Budget Circular for the 2012/13 MTREF | Budgeting for Free Basic Services | Provision is made for this requirement within the project segment. |
| * MFMA Circular 45: 2008/09 MTREF Budget * MFMA Circular 48: Municipal Budget Circular for the 2009/10 MTREF * MFMA Circular 55: Municipal Budget Circular for the 2011/12 MTREF * MFMA Circular 66: Municipal Budget Circular for the 2013/14 MTREF | * Budgeting for Revenue and Revenue Foregone * Specific Revenue and Expenditure Items * Revenue Management * Pricing Services Correctly | The **revenue classification** within the Item Revenue Segment provides for all possible sources of revenue informing the budget reporting tables and other reporting formats. Further to this “revenue foregone” is dealt with in the project segment. |
| MFMA Circular 64: Revenue Management | * Revenue Management and Revenue Enhancement * Source of Funding Municipalities * Funding the Operating Budget * Funding the Capital Budget * Own Revenue (Property Rates, Trading Service, Own Revenue Sources) * Protecting the Municipal Revenue Base | The **revenue classification** within the Item Revenue Segment provides for all possible sources of revenue informing the budget reporting tables and other reporting formats. |
| * MFMA Circular 48: Municipal Budget Circular for the 2009/10 MTREF * MFMA Circular 51: Municipal Budget Circular for the 2010/11 MTREF * MFMA Circular 67: Municipal Budget Circular for the 2013/14 MTREF * MFMA Circular 70: Municipal Budget Circular for the 2014/15 MTREF * MFMA Circular 72: Municipal Budget Circular for the 2014/15 MTREF | * Revising Rates, Tariffs and Other Charges * Eskom Bulk Tariff Increases * Implementation of Municipal Property Rates Act * Introduction of Inclining Block Tariffs * NERSA approval of Municipal Electricity Tariffs/ NERSA process to approve electricity tariffs * Operating Revenue * Solid Waste Tariffs * Verification of Existing Municipal Taxes * Water/ Sanitation Tariffs must be cost reflective | The **revenue classification** within the Item Revenue Segment provides for all possible sources of revenue informing the budget reporting tables and other reporting formats. |
| MFMA Circular 48: Municipal Budget Circular for the 2009/10 MTREF | Fuel Levy Allocation to Metropolitan Municipalities | The **revenue classification** within the Item Revenue Segment provides for all possible sources of revenue informing the budget reporting tables and other reporting formats. |
| * MFMA Circular 48: Municipal Budget Circular for the 2009/10 MTREF * MFMA Circular 51: Municipal Budget Circular for the 2010/11 MTREF * MFMA Circular 55: Municipal Budget Circular for the 2011/12 MTREF * MFMA Circular 58: Municipal Budget Circular for the 2012/13 MTREF * MFMA Circular 59: Municipal Budget Circular for the 2012/13 MTREF | * Accounting Treatment of Conditional Grants * Interest Received on Conditional Grant Funds * Unspent Conditional Grant Funds * Conditional Transfers to Municipalities * Distinguish between Cash and Non-Cash Transfers and Grants * Grants and VAT Transactions * Municipal Water Infrastructure Grant and Non-revenue water * Integrated City Development Grant | The **revenue classification** within the Item Revenue Segment provides for all possible sources of revenue informing the budget reporting tables and other reporting formats. |
| MFMA Circular 74: Municipal Budget Circular for the 2015/16 MTREF | * This Circular provides guidance to municipalities and municipal entities for the preparation of their 2015/16 Budgets and Medium-Term Revenue and Expenditure Framework (MTREF). * The Medium-Term Budget Policy Statement * Local Government Conditional Grants and Additional Allocations * Regulation of a Standard Chart of Accounts for Local Government (mSCOA) * Revising Rates, Tariffs and Other Changes * Operating Revenue * Interpretation of Section 43 of the MFMA (NERSA) (Deals with the applicability of Tax and Tariff Capping on Municipalities and the NERSA process to approve electricity tariffs) * Eskom Bulk Tariff Increases * Water and Sanitation Tariffs must be Cost Effective * Funding Choices and Management Issues * Budgeting for Unfunded/ Underfunded Mandates * Conditional Transfers to Municipalities * Conditional Grant Issues dealt with in Previous MFMA Circulars * Budgeting for Revenue on Budget Reporting Table A9 * Budgeting for Revenue Foregone and Free Basic Service to Indigents | The **revenue classification** within the Item Revenue Segment provides for all possible sources of revenue informing the budget reporting tables and other reporting formats. |
| MFMA Circular 75: Municipal Budget Circular for the 2015/16 MTREF | * Transfers to Local Government 2015 (AMENDMENT TO MUNICIPAL INFRASTRUCTURE GRANT AND PUBLIC TRANSPORT GRANT) * Changes in the 2015 Division of Revenue Bill * Revising Rates, Tariffs and Other Changes * Eskom Bulk Tariff Increases * Electricity Levy Increases * Service Level Standards * VAT on Conditional Grants * Conditional Grants Transfers to Municipalities * Times of Municipal Conditional Grant Transfers * Payment Schedules for Transfers * Provincial Allocations and Payment Schedules * Criteria for the Rollover of Conditional Grant Funds * Unspent Conditional Grant Funds for 2014/15 * The Difference between the Collection Rates on Table SA8 and SA10 | The revenue classification within the Item Revenue Segment provides for all possible sources of revenue informing the budget reporting tables and other reporting formats. |
| MFMA Circular 78: Municipal Budget Circular to the 2016/17 MTREF | * To support the newly amalgamated municipalities to undertake a smooth transition, the Municipal Demarcation Transition Grant (MDTG) was established with a time span of three years (2015/16 to 2017/18). The purpose of the grant is to subsidise the additional institutional and administrative costs arising from major boundary changes due to come into effect after the 2016 local government elections. The grant only subsidises additional administrative costs related to the mergers (such as merging and changing administrative systems and costs related to transferring staff). It does not provide for any infrastructure funding. * The 2016 DoRA will set out the funding that will be provided to the affected municipalities, and these municipalities, CMCs and affected provinces must ensure that they adhere to the conditions attached to the Municipal Demarcation Transition Grant (MDTG) * In particular, business plans must be timeously submitted to the Department of Cooperative Governance and Traditional Affairs so as to ensure that transfers are done in accordance with the payment schedules. * Changes to local government grants. * National Treasury has initiated a process of reviewing development charges. A national draft policy framework on development charges has been developed and processes are underway to consult on the policy. * Annexure A - Changes to Schedule A1. * A10 Cost of Free Basic Services. * SA1 Revenue Foregone. * SA9 Provision of Free Basic Services. |  |

## 

## Transactions by Business Process to be allocated in this Segment

Business processes are the set of activities taking place from the initiation of a process to the completion thereof. Typical in the context of financial reporting is a source document from an activity within a business process initiating the activity to flow through a defined business process ultimately resulting in the transaction being captured within a financial model in the system and updating the general ledger.

The mSCOA classification framework provides a classification structure within the general ledger to “record” transactional information within “fields” within the municipality’s database functioning in the background of the financial application.

Identification of transactions by typical business processes thus would provide a standardisation of specific transactional types for recording within the various segments of mSCOA.

The transaction types reflected here are based on the initial discussions of the mSCOA Project Steering Committee held during October 2010. Pending the completion of the “Business Process links to mSCOA” this table may be replaced.

|  |  |  |
| --- | --- | --- |
| Transaction Type | Allocate Yes/ No | Comments |
| Net Assets | No |  |
| Assets | No |  |
| Liabilities | No |  |
| Revenue | Yes | Need to be expanded |
| Expenditure | No |  |

Pending the outcome of the Standard Operating Procedures Project undertaken by the National Treasury: Office of the Accountant General this table may need to be expanded to include business cycles and activities.

## 

## Category Links and Business Rules

Category links and business rules refer to those programming rules that system developers of financial and business applications for local government are required to provide for in their applications. The considerations listed may not be complete considering the development stage of this project and might need to be enhanced as this consultation with the various stakeholder groups evolves.

Proposals identified at this stage of the development of mSCOA:

* + Opening accounts for Transfers and Subsidies in the Item segment: Revenue needs to result in opening an account in the Funding segment and Item segment: Assets, Liabilities and Net Assets for unspent transfers and subsidies.
  + Revenue accounts in the Item segment to be linked to the equivalent account in the Funding segment.

## 

## Discussion of the Classification Structure

### Discontinued Operations

The *Standard of GRAP 100 - Discontinued Operations* require municipalities to specify the presentation and disclosure of discontinued operations. In particular, the Standard requires the results of discontinued operations to be presented separately in the statement of financial performance with additional disclosures provided in the notes to the financial statements. Discontinued operation is a component of an entity that has been disposed of and:

* + represents a distinguishable activity, group of activities or geographical area of operations;
  + is part of a single co-ordinated plan to dispose of a distinguishable activity, group of activities or geographical area of operations; or
  + is a controlled entity acquired exclusively with a view to re-sale.

The classification provides for the municipality (at own discretion) to add accounts required to accomplish the presentation and disclosure envisaged by the Standards of GRAP. Accordingly, the account is at a posting level as National Treasury do not need any more information for statistical and analytical purposes.

### Exchange Revenue

On the highest-level Revenue distinguish between Exchange and Non-Exchange Revenue. Revenue from non-exchange transactions are transactions that are not exchange transactions as per *Standard of GRAP 23 - Revenue* from non-exchange transactions. In a non-exchange transaction, the municipality either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange. Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

#### 

#### Agency Services

**Definition:**

**Agency Services –** is compensation received by the municipality from the principle (maybe a national/ provincial department or a district municipality) for rendering the agency service and should be recognised as receipts and not set-off against the expenditure. This compensation may be in the form of a commission to be deducted from the amount to be surrendered to the principle by the municipality, or management fees or handling fees.

At the highest level this classification provides for:

Revenue includes only the gross inflows of economic benefits or service potential received and receivable by the municipality on its own account. Amounts collected as agent of an entity or on behalf of other third parties, for example, the collection of motor vehicle registration fees by the municipality on behalf of municipalities providing such services, are not economic benefits or service potential that flow to the municipality and do not result in increases in assets or decreases in liabilities. Therefore, they are excluded from revenue.

Similarly, in a custodial or agency relationship, the gross inflows of economic benefits or service potential include amounts collected on behalf of the principal and which do not result in increases in net assets for the municipality.

The amounts collected on behalf of the principal are not revenue. Instead, revenue is the amount of any commission received or receivable for the collection or handling of the gross flows.

The principle underlying agency services is that the municipality performs a service on behalf of another entity.

Funding received by the municipality to compensate for cost to provide the agency service should be recognised as receipts and not set-off against the expenditure.

The actual expenditure incurred to deliver the agency services must be recognised as expenses. This funding code is therefore used for the recording of transactions relating to the provision of “Agency Services”.

Non-core functions (defined in the Function Segment) are commonly known as “agency services”. The structure provides for a classification of “non-core services” per function provided for in the constitution. The arrangement depends on the municipality whether to agree with a national/ provincial department or district municipality to perform the administration of the function.

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##### District Municipalities

Commission or management fees received for agency functions on behalf of district municipalities. Posting level accounts defined under this category is limited to the Eastern Cape and Western Cape Provinces.

Due to the diverse nature and different arrangements currently in place between municipalities and province/ national departments mSCOA provides for a distinction between national/ provincial and district municipality/ local municipality agreements. Accordingly, the posting level accounts needed for the respective agency agreements need to be provided to National Treasury for inclusion in the mSCOA.

The posting level for these accounts are defined based on information provided to National Treasury. Accordingly, the available posting levels are not sufficient for all municipalities due to a lack of information forthcoming to define accounts. The following accounts are available within the above overall classification for “Agency Services”.

##### National

Commission or management fees received for agency functions on behalf of national departments undertaken by municipalities as per agency agreement. Posting levels accounts are added based on requests made by municipalities through the mSCOA Frequently Asked Questions (FAQ) Database and mSCOA Technical Committee:

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##### Provincial

Commission or management fees received for agency functions on behalf of provincial departments, for example vehicle registration handled on behalf of province.

If the current classification is not adequate, a municipality need to request additional posting level accounts to be added through logging requests to the mSCOA Technical Committee through the Frequently Asked Questions (FAQ) Database for consideration:

VAT Consideration applicable to Agency Agreements

Chapter 3 of the VAT 419 Guide for Municipalities provides some important information on “agent versus principal” in determining the VAT consequences of a transaction.

In order to correctly apply the VAT legislation to the concept of agents, it is necessary to identify and understand the concept of an “agent” as understood in common law.

An agency is a contract whereby one person (the agent) is authorised and required by another person (the principal) to contract or to negotiate a contract with a third person, on the latter’s behalf.

The agent in representing the principal, creates, alters or discharges legal obligations of a contractual nature between the principal and the third party.

The agent therefore provides a service to the principal and normally charges a fee (generally referred to as “commission” or “agency fee”) but does not acquire ownership of the goods and/ or services supplied to or by the principal.

This agent/ principal relationship may be expressly construed from the wording of a written agreement or contract concluded between the parties. Where a written agreement or contract does not exist, the onus of proof is on the person who seeks to bind the principal and demonstrate that the relationship was that of a principal and agent.

An understanding of the relationship between the parties is therefore a requirement in understanding the VAT treatment of supplies made by the parties.

The differences between an agent and a principal can be summarised as follows:

| **Agent** | **Principal** |
| --- | --- |
| The agent will not be the owner of any goods or services acquired on behalf of the principal. | The principal is the owner of the goods or services acquired on the principal’s behalf by the agent. |
| The agent will not alter the nature or value of the supplies made between the principal and third parties. | The principal may alter the nature or value of the supplies made between the principal and third parties. |
| Transactions on behalf of the principal do not affect the agent’s turnover, except to the extent of the commission or fee earned on such transactions. | The total sales represent the principal’s turnover. The commission or fee charged by the agent forms part of the principal’s expenses. |
| An agent only declares the commission or fee for Income Tax and VAT purposes. | The principal declares gross sales as income for Income Tax and VAT purposes, and may be allowed to claim a deduction for the commission or fee charged by the agent. |

In essence, the differences indicate that the principal is ultimately responsible for the commercial risks associated with a transaction, and that the agent is trading for the principal’s account. The agent is appointed by and takes instruction from the principal regarding the facilitation of transactions as per the principal’s requirements and generally charges a fee or earns a commission for that service.

To correctly apply the VAT legislation, it is necessary to identify and understand the contractual relationship between the parties. The VAT treatment of supplies proceeds from the fact of whether a person is acting on their own behalf, or on behalf of another person. In essence, section 54 provides that where a vendor employs the services of an agent to acquire goods or services, or to make supplies on the vendor’s behalf, the supplies are made to, or acquired by, the principal (as the case may be). There are also special provisions dealing with the receipt and issuing of tax invoices. Refer to the discussion below.

As an agent merely acts on behalf of the principal, any output tax and input tax in relation to the underlying supplies made or received on behalf of the principal must be accounted for on the VAT return of the principal (if the principal is a vendor). The agent will only declare output tax and input tax in relation to the agency services supplied (if the agent is a vendor).

The classification structure provides for agency services delivered on behalf of national departments, provincial departments or district municipalities. These classifications are not at a posting level. Municipalities need to provide details of the entity and the contract or agreement to National Treasury to add “posting levels accounts”.

Municipalities need to follow the process for requesting changes or revision to mSCOA by providing the information on specific agreements, and only these can then be added to the mSCOA classification.

The *Standards of GRAP 109 - on Accounting Principles and Agents* provide further guidance to be considered in classifications within this category.

#### Interest, Dividend and Rent on Land

**Definition:**

Consist of the income associated with ownership of interest-bearing financial instruments, such as bank deposits, loans extended to others, bills and bonds issued by others and charges for the use of cash or cash equivalents or amounts due to the municipality. Dividends come in the form of receipts from shares and distribution of profits to the owner. Rent on land is the receipts due to ownership of land.

At the highest level this classification consists of the following:

|  |  |
| --- | --- |
|  | ***Why is “rent of land” excluded from “Rental from Fixed Assets”?***  mSCOA adopted the design framework defined in the Economic Reporting Format to the extent relevant to “municipalities” within the legislative framework applicable to municipalities. Land is classified being part of the group of accounts for Interest, Dividend and Rent on Land”. |
|  | ***If it is not possible to separately identify the receipt for “Rent of Land” what should the classification be?***  Rent on land consists of the receipts due to ownership of land. If it is not possible to distinguish receipts due to ownership of land from receipts due to ownership of fixed structures on that land (for example a building), the whole amount should be recorded under sales of goods and services. This item also includes all receipts due to ownership of sub-soil assets and other commercially exploitable naturally occurring assets such as virgin forests, game and fisheries.  The *Standards of GRAP 13 - Leases* contains a requirement for the separate assessment of a lease if it includes both land and building in accordance with paragraphs 10 and 16 of the Standard. In determining whether the land element is an operating or a finance lease, an important consideration is that land normally has an indefinite economic life. |

##### Interest

**Definition:**

This item consists of the income associated with ownership of interest-bearing financial instruments, such as bank deposits, loans extended to others, bills and bonds issued by others, overdue accounts receivable, etc.

At the highest-level mSCOA provides for the following groups of accounts within the classification for Interest:

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###### Receivables

**Definition:**

This account is to be used for interest charged by the municipality on overdue accounts receivable in accordance with the debt management policy of the municipality and include the accounts provided for in current and non-current assets for receivables, receivables from non-exchange transactions and receivables from exchange transactions.

The following posting-level accounts are provided for within this group of accounts:

###### Current and Non-Current Assets

**Definition:**

Interest earned during the reporting period whether or not received or billed.

The following posting-level accounts are provided for within this group of accounts:

###### Deemed Interest

**Definition:**

Interest income (calculated using the effective interest method) for financial instruments at amortised cost and interest income on impaired financial assets accrued in accordance with the Standard of GRAP 104 Financial Instruments.

This account is at a posting-level with no breakdown-allowed.

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##### Dividends

**Definition:**

Dividends received from equity participation in private and public sector investments.

The following posting-level accounts are provided for within this group of accounts:

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#### Operational Revenue

**Definition:**

Operational Revenue refers to all other revenue not provided for specifically under the above headings.

This posting level accounts provided for within this groups of accounts includes (unless indicated otherwise):

#### Rental from Fixed Assets

**Definition:**

Rental income received by the municipality from external use. Distinction is made between rental income based on market related versus non-market related rates.

This account provides for rental income earned from the ownership of buildings, fixed structures, plant and equipment. The receipts from ownership of buildings must be distinguished from ownership of land sub-soil assets; the latter is classified as rent of land which is a separate category. If it is impossible to split receipts earned from ownership of land from that earned from the fixed structure on it, the transaction should be recorded under this category. When municipalities let property, plant and equipment at marked-related prices, the transaction should be recorded here.

At the highest-level distinction is made between rental income based on market related versus non-market related rates:

**Definition:**

**Market Related -** This group of accounts provides for the recognition of rental income from market related rates. Market related implies that fees charged must be in line with that charged by the “market”.

**Non-market Related -** This group of accounts provides for the recognition of rental income from non-market related rates.

mSCOA provides for the following classification with posting level accounts at the lowest level as indicated in the diagram below:

The following posting-level accounts must be used for the category above “Property, Plant and Equipment”:

#### Sale of Good and Rendering of Services

**Definition:**

The rendering of services typically involves the performance by the municipality of an agreed task over an agreed period of time. This category consists of sales and services rendered provided that the municipality produced or partially produced the good or service. Detail categories were added according to the general functions provided by local government. The services may be rendered within a single period or over more than one period.

Examples of services rendered by entities for which revenue is typically received in exchange may include the provision of housing, management of water facilities, management of toll roads, and management of transfer payments.

Goods include goods produced by the municipality for the purpose of sale, such as publications, and goods purchased for resale, such as merchandise or land and other property held for resale.

The following posting level accounts have been added within this group of accounts:

**Definitions:**

**Sales of Goods and Rendering of Services:** This category consist of sales and services rendered provided that the municipality produced or partially produced the good or service.

**Academic Services:** Fees collected by the Municipality from external attendants for training and academic services made available to the public and other municipalities.

**Course Material:** Student pays for books, types or other material which relates to the course the student is taking.

**Formal Training:** Students pays for a course that is held in an organised and precise manner.

**Informal Training:** Students pays for a course that is not held in an organised and precise manner.

**Registration, Tuition and Examination Fees:**  This item is for the classification of money collected from the enrolment for training/ courses, attendance and tuition fees and fees payable for writing exams.

**Temporary Accommodation Personnel:** This item is for fees collected for giving temporary accommodation to trainees/ students whilst attending courses/ training, specifically personnel.

**Temporary Accommodation Students:** This item is for fees collected for giving temporary accommodation to trainees/ students whilst attending courses/ training, specifically non-employees.

**Transportation Fees:** This item is for fees collected for providing transport specifically for academic services.

**Advertisements:** This item provide for revenue collected from advertising for external parties through municipal activities.

**Camping Fees:** Revenue collected for making available a place where tents, huts, or other temporary shelters are set up for temporary accommodation or recreational purposes including caravan stands.

**Cemetery and Burial:** Fees collected from providing cremation or mortuary services including pauper coffin sales, burial fees, tokens and plates and garden of remembrance fees.

**Cleaning and Removal:** Fees received for the service rendered for the cleaning of ervin; disposal and transfer of waste, dumping of garden refuse, cutting of grass and trees, drain blockages, etc.

**Computer Services:** This item is for fees collected from providing computer services to external parties, for example sale of broadband, dates, GIS Services, etc.

**Day Care Fees:** Charges for the provision of daytime training, supervision, recreation, and often medical services for children of preschool age, for the disabled, or for the elderly.

**Development Charges:** The levy on developers in the instance where additional real rights are conferred on properties where such rights have a direct impact on bulk/ major services such as roads, water, sewers, solid waste storm water and electricity. The contributions are based on agreed unit rates/ tariffs and the developer makes a contribution towards the delivery of services.

**Domestic Services:** Collection of fees charged for domestic service, work performed in a household by someone who is not a member of the family.

**Escort Fees:** Fees collected from one or more persons accompanying another to guide, protect, or show honour.

**Entrance Fees:** Revenue collected from attending or entering a venue for concerts, presentations, ceremonies or events and public entertainment such as swimming pool, aquariums, air shows, etc.

**Exempted Parking:** Fees collected for upfront payment of parking for use based on specific applications.

**Fire Services:** Fees collected for providing fire services if a person or institution could be held responsible for causing a fire. Included in this account is availability charges.

**Health Services:** This item provides for money collected from providing health services such as patient fees, professional fees, ambulance fees, laundry, orthopaedic and surgical aids, immunisation fees, etc.

**Housing (Boarding Services):** Accommodation for staff and other individuals including hostel fees.

**Staff:** Accommodation for staff including hostel fees.

**Private:** Accommodation for other individuals including hostel fees.

**Immunisation Fees:** Fees collected from providing a service for a process or procedure that protects the body against an infectious disease. A vaccination is a type of immunization.

**Laboratory Services:** Fees collected from providing scientific research and experiments.

**Legal Fees:** Legal fees recovered from third parties.

**Library Fees:** Fees collected from municipal library services provided to the community. If this service is done on behalf of the province this would recorded as an agency fees through a control account in the Statement of Financial Position and only the management fees paid to the municipality for administration of this services recognised as revenue.

**Loan Fees:** Fees paid by members for lending a book for an agreed period.

**Membership:** Fees paid by the community to become a member of the community library and lending of books.

**Copyright and Royalty Fee:** Copyright fees/ royalty’s fees charged by reference library for the use of reference of copyrighted material.

**Management Fees:** Fees charged for providing management service to other entities. Also, included under this item is revenue flowing from managing vending machines by municipalities on behalf of private companies.

**Meal and Refreshment:** Money collected from the sale of meals and refreshments.

**Membership Fees:** Membership fees from subscribing to a service, such as copies of voter rolls, valuation roles, or other municipal information, gym fees, art club, etc.

**Objections and Appeals:** Fees paid for the objection and appeals against property valuations.

**Parking Fees:** Parking meter fees collected and other public parking spaces.

**Photocopies and Faxes:** Fees collected from providing photocopying and fax services to individuals and entities.

**Amendment Fees:** The act of offering an improvement to replace a mistake; setting right or making changes to a document and the fees recovered for this service.

**Application Fees for Land Usage:** Land use ensure that all land and properties are used only according to their permitted land-use or zoning rights. New applications by property owners and developers are considered for changing permitted land uses, zoning rights and their accompanying restrictions, which are in turn specified in zoning scheme. This responsibility is done in accordance with the municipalities commitment to sustainable and equitable development. Consents (Conditional use) – Fees charged for applications for secondary zoning rights (conditional use rights), and Departure Fees – Fees charged for applications in terms of uses and rights contrary to what the Zoning Scheme allows.

**Building Plan Approval:** When submitting a building plan application, scrutiny fees will be calculated according to municipal ordinance per square meter. These fees must be paid in full on submission of the application and are not refundable if the application is rejected. Entails the change in land use. Removal of restrictions and the rezoning in terms of the removal of Restriction Act, 1967 (Act No. 84 of 1967).

**Building Plan Clause Levy:** Fees payable for changes to "Clauses" contained in Building Plans, for example, Specifications for boundary walls, height and roof type, external furnishes, etc.

**Clearance Certificates:** Rates clearance certificate provided by the municipality to the transfer attorney when a property is changing ownership.

**Drainage Fees:** Fees collected for the drainage of water from leaking pipes, sewerage or ground water or storm water and flood water.

**Encroachment Fees:** Fees charged for encroaching building lines in respect of building regulations.

**Occupation Certificates:** This account is for the fees paid by developers/ home owners for obtaining an occupation certificate. An occupation certificate is compulsory for every building before occupation, as required by the National Building Regulations and Building Standards Act, 1977. This is to show that all requirements have been met and to safeguard the owner. The occupational certificate specifies the type of building – freestanding, terraced, cluster complex, town house complex, apartment or commercial building. The certificate is required before water and electricity deposits can be accepted for newly built properties.

**Removal of Restrictions:** The recovery of cost where the owner applies for removal of certain town planning restrictions for example rezoning.

**Town Planning and Servitudes:** This account provides for fees collected from "town planning". Town planning is a technical and political process concerned with the control of the use of land and design of the urban environment, including transportation networks, to guide and ensure the orderly development of settlements and communities. It concerns itself with research and analysis, strategic thinking, architecture, urban design, public consultation, policy recommendations, implementation and management.

**Sale of Goods:** This group of accounts provide for the sale of goods to third parties.

**Agricultural Products:** Revenue raised from the sale of agricultural products incidental to the activities of the municipality.

**Cattle Crazing:** The support provided in a form of actual grazing in times of drought/ disaster. Applicants pay a fee for their animals to graze on municipal property.

**Fresh Farm Products (Animals):** Revenue raised from the sale of fresh farm products (animals).

**Nursery Sale of Plants:** Revenue raised from the sale of plants.

**Assets < Capitalisation Threshold:** Allocation of income received from the sale of assets with an original cost of less than the capitalisation threshold.

**Promotions, Corporate Gifts and Curios:** Revenue raised from the sale of promotional items, corporate gifts, stuffed animals, souvenirs, t-shirts, photographs, tattoos, etc.

**Publications:** Revenue raised from the sale of various publications and printed matter by the municipality.

**Books:** Revenue raised from the sale of books by the municipality.

**Charts/ Posters:** Revenue raised from the sale of charts/ posters by the municipality.

**Departmental Publications:** Revenue raised from the sale of departmental publications.

**Maps:** Revenue raised from the sale of maps.

**Plans:** Revenue raised from the sale of plans.

**Prints:** Revenue raised from the sale of printed matter by the municipality.

**Tender Documents:** Revenue raised from the sale of tender documents.

**Valuation Rolls:** Money received from the sale of valuation roll information to third parties.

**Voters Role:** Money received from the sale of the voters roll to third parties.

**Ticket Rolls:** Sale of ticket rolls

**Beach and River Sand:** Sale of beach and river sand

**Bandwidth:** Sale of bandwidth to Private Enterprises

**Consumables:** Sale of minor and less material items not warranting separate items, for example keys, locks, etc.

**Sub-division and Consolidation Fees:** This relates to splitting an existing parcel of land into many parcels (Zoning remains the same) which is the sub-division fee payable. Consolidation refers to taking many parcels of adjacent land and consolidating it into one property, again the zoning does not change.

**Pest Control:** Money collected from pest control service provided by the municipality, for example rates, mice, bees, etc.

**Aviation Fuel:** Sale of aviation fuel by municipalities operating airports.

**Materials and Equipment:** Repayment by contractors for stock and equipment not returned by contractors. Also, included municipality branded safety gear purchased by contractors.

**Scrap, Waste & Other Goods:** This item includes sales of all items that are not considered capital assets and not produced by the municipality.

**By Products:** Sales of all by-products for example, compost, abattoir related products, logs, effluent water, etc.

**Recycling of Waste:** Money received for the sale of waste sold for recycling by third parties

**Removal and Disposal of Coal:** Money received by the municipality for the collection and removal of coal.

**Scrap:** Money received from the sale of scrap material.

**Swimming Pool Back Wash:** Money received for the sales of swimming pool back wash to third parties.

**Treatment Effluent:** Income derive from affluent treatment

**Waste Paper:** Money received from the sale of waste paper materials.

**Streets/ Street Markets (Informal Traders):** Money received from sales made at informal markets. This is not the account for recording rental received from the use of exhibition space, tables at city markets, etc.

**Squatter Re-allocation:** Fees received from squatters for relocation.

**Transport Fees:** This item is for the collection of transport fees from clients or staff for making use of transport arrange by the municipality, for example, Bus fares to Airport, Inner City Bus Fares, Special Bus Services, etc.

**Valuation Services:** The act or process of assessing value or price; an appraisal, issue of valuation certificates, appeal fees, etc.

**Weighbridge Fees:** Fees charged at weighbridges

**Water Meter Protectors:** Sale of protective covers for water meters

**Buyers Card:** Payment for issue of buyer’s card to public to be able to purchase goods at the Bulk Markets

**Traffic Control:** Recovery of traffic control services provided by metro police to Private Enterprises

**Stone and Gravel:** Sale of stone and gravel from municipal quarries to the public.

**Sale of Carbon Credits:** National Treasury has a paper on Carbon Credits that may be useful in explaining the concept as well. Initiatives that lower the carbon footprint such as our Gas to Electricity project being awarded Carbon Credits for the savings in Carbon Dioxide produced (1 Carbon Credit represents 1 ton of Carbon Dioxide). These Carbon Credits maybe sold to companies internationally for offsetting their carbon footprint.

**Demolition Application Fees:** Application fee payable for permit to demolishing an existing building.

#### Service Charges

**Definition:**

The rendering of services typically involves the performance by the municipality of an agreed task over an agreed period of time. The services may be rendered within a single period or over more than one period. Examples of services rendered by municipalities for which revenue is typically received in exchange may include the provision of electricity and water.

At the highest-level mSCOA provides for the following group of accounts for service charges:

##### Electricity

The information included in the mSCOA Classification on service charges for electricity is informed by the NERSA Regulatory Reporting Requirements. National Treasury is well aware that municipalities are at various stages of implementing the NERSA Regulatory Reporting Requirements. This group of accounts provides for posting levels under the heading “Non-compliance to NERSA”.

**Definition:**

Sale of electricity by the municipality to the community.

The following accounts are provided for within this group of accounts for Electricity:

##### Waste Management

**Definition:**

Revenue collected from sales and services rendered relating to waste management including availability charges.

The following accounts are provided for within this group of accounts for waste management:

**Definitions**

**Availability Charges:** Basic fees levied for service availability but not used.

**Carrier Bags:** Revenue collected from the sale of municipal carrier bags.

**Disposal Facilities:** Revenue collected from solid waste disposal at landfill sites or transfer stations.

**Refuse Bags:** Fees collected from the sale of municipal refuse bags.

**Refuse Removal:** Fees collected from the removal of waste (also known as rubbish, trash, refuse, garbage, junk and litter) of unwanted or useless materials.

**Waste Bins:** Including refuse bins, “wheelie bins" and "baboon proof bins", etc.

**Skip:** Fees for skips (waste containers) delivered by special trucks and collected for emptying at landfill sites or transfer stations.

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##### Waste Water Management

**Definition:**

Revenue collected from sales and services rendered relating to Waste Water Management including availability charges.

The information included for waste water and water service charges is informed by the Department of Water and Sanitation.

The following accounts are provided for within this group of accounts for waste water management:

**Definitions:**

**Waste Water Management:** Revenue collected from sales and services rendered relating to Waste Water Management including availability charges.

**Industrial Effluent:** Fees collected from the sale of industrial effluent.

**Treatment of Effluent:** Income derive from effluent treatment

**Sanitation Charges:** Formulation and application of measures designed to protect public health and disposal of sewage and the fees received for providing such a service to the community.

**Agricultural and Rural:** Fees collected from providing water for agricultural and rural use.

**Higher Level Service:** Service charges from waste removal in excess of basic service being once a week.

**Industrial Waste Water:** The infrastructure necessary to provide a sanitation facility which is safe, reliable, private, protected from the weather and ventilated, keeps smells to a minimum, is easy to keep clean, minimises the risk of the spread of sanitation-related disease by facilitating the appropriate control of disease carrying flies and pests, and enables safe and appropriate treatment and/ or removal of human waste water in an environmentally sound manner. The provision of a basic sanitation facility which is easily accessible to a household, the sustainable operation of the facility, including the safe removal of human waste and waste water from premises where this is appropriate and necessary, and the communication of good sanitation, hygiene and related practice. Waterborne sanitation service connected to septic tank and / or sewerage system.

**Availability Charges:** Basic fees levied for service availability but not used.

**Connection/ Reconnection:** Fees charge for connecting/ reconnecting a new user or disconnect user to the sewer network.

**Pump/ Removal of Waste Water:** Charges collected from removal of waste water and sewerage from tanks. [Honey suckers]

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##### Water

**Definition:**

Revenue collected from sales and services rendered relating to water including availability charges.

The information included for waste water and water service charges is informed by the Department of Water and Sanitation.

The following accounts are provided for within this group of accounts for water:

**Definitions:**

**Connection/ Disconnection:** Fees charge for connecting/ reconnecting a new user or disconnected user to the water network.

**Meter Reading Fees:** Fees collected from testing water meters, special readings and call-out fees.

**Sale:** Sales of water to the community.

**Conventional:** Sales of water to the community using conventional meters.

**Prepaid:** Sales of water to the community through a pre-paid system.

**Flat Rate:** Sale of unmetered water at a flat rate.

**Agricultural and Rural Water Service:** Sales of water generated from providing agricultural and rural water.

**Urban Higher Level Service:** Yard or and house connection - more than 6000 litres potable water per formal connection per month as per need; with a minimum flow of 10 litres per minute; sustainable facility which is available for at least 350 days per year and not interrupted for more than 48 consecutive hours per incident; and communication of good water - use, hygiene and related practice.

**Industrial Water:** Water used for industrial purposes such as fabricating, manufacturing, processing, washing, and cooling, and includes such industries as steel, chemical and allied products, paper and allied products, mining, and petroleum refining. Alternatively referred to as "clarified water" being water purified only to the extent it is used for industrial purposes. For example, not potable water

**Availability Charges:** Basic fees levied for service availability but not used.

#### Intercompany/Parent-subsidiary Transactions

Revenue generated due to exchange transactions between municipalities and their subsidiary municipal entities.

##### Licenses or Permits

Granting of licenses or permits associated with a regulatory function by government. Fees recognised under this category must result from a principle agreement. If the municipality act as an agent on behalf of provincial or national government the transaction need to be treated accordingly. Judgment need to be applied in deciding whether the "license or permits" need to be classified as exchange or non-exchange revenue.

Please refer to the Position Paper on Exchange versus Non-Exchange Transactions for further guidance to assist in making a distinction.

**Definitions:**

**Angling/ Fishing:** Angling licenses are issued for catching fish in inland fresh water areas (water which do not permanently or at any time during the year form part of the sea).

**Boat:** Boat licenses to utilise boats on municipal dams and rivers.

**Dog:** Depending on the Municipal Ordinances Dog Licences/ Permits are issued for dogs owned either exceeding a prescribed number of dogs.

**Fauna and Flora:** This license is issued to the public authorising them to be in possession of endangered and protected fauna/ flora species. This is also issued to researchers so that they can obtain samples of fauna/ flora species for research purposes.

**Filming Fees:** Permits issued/ fees charged for filming rights within the municipal area.

**Game:**  Moneys received to obtain a permit for keeping game on private property.

**Threatened and Protected Species:** Tops refers to regulations relating to listed threatened and protected species as defined in the Biodiversity Act, 2004 (Act No. 10 of 2004).

**Health Certificates:** Depending on the Municipal by-laws health certificates and permits may be issued for "hazardous uses of premises", "private sewage works", "offensive trades", "hairdressing, beauty and cosmetology services", "second-hand goods", "accommodation establishments", "dry-cleaning and laundry", "nursery homes", "child-care services", 'keeping of animals", etc.

**Hiking Trails:** Permits issued by municipalities for access to hiking trails by hikers and usual covers entrance fees.

**Hoarding (Collecting/ Storing):** Licences issued for the collecting and storing of food.

**Trading:**  Trading licences are governed by the Business Act, 1991 (Act No. 71 of 1991) which states that the following businesses require licences: 1) sale or supply of meals or perishable foodstuffs; 2) provision of certain types of health facilities or entertainment and 3) hawking in meals or perishable food.

**Road and Transport:** Moneys received for licences and permits relating to road and transport.

**Abnormal Loads:** In terms of section 81 of the National Road Traffic Act, 1996 (Act No. 93 of 1996) an MEC may, subject to such conditions and upon payment of such fees or charges as determined, authorise in writing, either generally or specifically, the operation on a public road of a vehicle which does not comply with the provisions of this Act or the conveyance on a public road of passengers or any load otherwise than in accordance with the provisions of this Act. Permits issued by the Provincial Roads Authority.

**Activities on Public Roads:** Licence and permits levied in terms of the municipal by-laws and might cover games, races and sport events on public roads, marches and protest actions, street functions, etc.

**Drivers Licence Application/ Duplicate Drivers Licences:** Fee for temporary drivers licence (that is valid for 6 months) allowing the person to drive a specific vehicle as described in the licence on public roads including issuing of duplicate drivers licences either applying for a drivers licence by making an appoint to be tested.

**Drivers Licence Certificate:** Fee payable for a person to issue a driver's licence after the person passed the learners drivers test so that the person can learn how to drive a motor bike, motor vehicle or truck.

**Flammable:** Certificate issued to allow the transport of flammable substances.

**Instructor Certificate:** Fee payable to obtain a certificate for a person to be an instructor. The person with the licence may instruct pupils on how to drive a motor vehicle in order to obtain a driver's licence.

**Learner Licence Application:** Application fees collected for making an appointment to write a "learners licence test".

**Learners Certificate:** Fees paid for the issue of a learner’s licence.

**Licence Inspectors:** Licence issued to "licence inspectors" to credible for certifying/ inspecting driver’s licences.

**Licence Test Officers:** Licence fees paid by an official to be authorised to be "licence test official".

**Motor Vehicle Licence:** Annual renewal/ new issue of motor vehicle licences.

**Operators and Public Drivers Permits:** Issue/ re-issue of operators and public drivers permits

**Bus Rank:** In respect of each public bus for which application for the right to use a bus rank was made.

**Taxi Rank:** In respect of each taxi for which application for the right to use a taxi rank was made.

**Market Porters:** Permit issued upon payment of a prescribed fee: Market Porter means a person who is authorised to operate on the market with a trolley or pallet jack;

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### Non-exchange Revenue

**Definition:**

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the municipality either receives value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

In some transactions, it is clear that there is an exchange of approximately equal value. These are exchange transactions and are addressed in the *Standards of GRAP 9- Revenue from Exchange Transactions.*

In other transactions, the municipality will receive resources and provide nominal or no consideration directly in return.

There is a further group of non-exchange transactions where the municipality may provide some consideration directly in return for the resources received, but that consideration does not approximate the fair value of the resources received. In these cases, the municipality determines whether there is a combination of exchange and non-exchange transactions, each component of which is recognised separately.

There are also additional transactions where it is not immediately clear whether they are exchange or non-exchange transactions. In these cases, an examination of the substance of the transaction will determine if they are exchange or non-exchange transactions, for example, the sale of goods is normally classified as an exchange transaction.

If, however, the transaction is conducted at a subsidised price, that is, a price that is not approximately equal to the fair value of the goods sold, that transaction falls within the definition of a non-exchange transaction. In determining whether the substance of a transaction is that of a non-exchange or an exchange transaction, professional judgement is exercised.

In addition, municipalities may receive trade discounts, quantity discounts, or other reductions in the quoted price of assets for a variety of reasons. These reductions in price do not necessarily mean that the transaction is a non-exchange transaction.

Amounts collected as an agent of the government or other third parties will not give rise to an increase in net assets or revenue of the agent. This is because the agent entity cannot control the use of, or otherwise benefit from, the collected assets in the pursuit of its objectives.

Where the municipality incurs some cost in relation to revenue arising from a non-exchange transaction, the revenue is the gross inflow of future economic benefits or service potential, and any outflow of resources is recognised as a cost of the transaction, for example, if the municipality is required to pay delivery and installation costs in relation to the transfer of an item of plant to it from another entity, those costs are recognised separately from revenue arising from the transfer of the item of plant.

Delivery and installation costs are included in the amount recognised as an asset, in accordance with the Standard of GRAP 17 on Property, Plant and Equipment.

At the highest-level non-exchange revenue consists of:

#### Fines, Penalties and Forfeits

This item consists of all compulsory receipts imposed by a court or quasi-judicial body. Out-of-court settlements are also included in this category. As with taxes, this item consists of unrequited, compulsory transactions. Thus, the recipient municipality does not provide anything in return for these receipts.

This group of accounts provides for the following categories:

##### Fines

Definition:

This account is to be used for the recording of money collected from fines resulting from a crime or offence.

The group of accounts provide for the following posting level accounts for fines:

##### Penalties

**Definition:**

A punishment imposed for a violation of law.

The group of accounts provide for the following posting level accounts for penalties:

##### Forfeits

The group of accounts provide for the following posting level accounts for forfeits:

#### Licenses or Permits

**Definition:**

Granting of licences or permits associated with a regulatory function of the municipality.

License or Permits may be exchange or non-exchange. Further guidance on making the distinction is provided in the Position Paper Exchange versus Non-Exchange.

The group of accounts provide for the following posting level accounts:

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#### Property Rates

The Local Government Municipal Property Rates, 2004 (Act No. 6 of 2004) regulates the power of a municipality to impose rates on property; to exclude certain properties from rating in the national interest; to make provision for municipalities to implement a transparent and fair system of exemptions, reductions and rebates through their rating policies; to make provision for fair and equitable valuation methods of properties; to amend the Local Government: Municipal Systems Act, 2000 so as to make further provision for the serving of documents by municipalities; to amend or repeal certain legislation; and to provide for matters connected therewith. Accordingly, this Act serves as the basis to be used in determining the classification required for “property rates, exemptions, reductions and rebates”.

The following sections of the Local Government Municipal Property Rates Act, 2004 have specific relevance in the determination of the classification proposed in the mSCOA for municipalities:

* + Section 2: Power to Levy Rates
  + Section 8: Differential Rates
  + Section 15: Exemptions, Reductions and Rebates
  + Section 17: Other Impermissible Rates
  + Section 22: Special Rating Areas

Section 2 of the above-mentioned Act determines that: “a metropolitan or local municipality may levy a rate on property in its area and that a district municipality may not levy a rate on property except on property in a district management area within the municipality”.

The accounts as explained in the paragraphs below clearly indicate in the “Column: Use by”, “Municipalities excluding District Municipalities”.

Section 8 Differential Rates - indicates that subject to section 19, a municipality may in terms of the criteria set-out in its rates policy levy different rates for different categories of rateable property, which may include categories determined according to the use of the property, permitted use of the property or geographical area in which the property is situated. Subsection (2) includes categories of rateable property that may be determined. These categories were used in mSCOA (Version 5.3) for categorising property rates.

The Local Government: Municipal Property Rates Amendment Act, 2014 (Act No. 29 of 2014) came into operation on 1 July 2015, as per Government Gazette No 38259 dated 28 November 2014.

The summary provides a comparison of the Local Government: Municipal Property Rates Act, 2004 with the amendment introduced in the Local Government: Municipal Property Rates Amendment Act, 2014. These changes informed the revision made to the categories provided for in Version 5.4 of mSCOA.

Section 8 of the Local Government: Municipal Property Rates Amendment Act, 2014 determines that the “provisions of section 8 must be applied by a municipality within seven years of the date of the commencement of the Act”. It is important that the mSCOA need to provide for sufficient classification to address the requirements of the Local Government: Municipal Property Rates Act, 2004 as well as the Local Government Property Rates Amendment Act, 2014.

The table below provides as summary of the requirements set-out in the respective legislation and the application thereof in mSCOA Version 5.4:

##### Summary of the changes introduced by the Local Government: Municipal Property Rates Amendment Act

|  | Local Government: Municipal Property Rates Act, 2004 (Act No. 6 of 2004) |  | Local Government: Municipal Property Rates Amendment Act, 2014 (Act No. 29 of 2014) | mSCOA Version 5.4 Improvements |
| --- | --- | --- | --- | --- |
| Section 8: Differential Rates | | | | |
| 8(1) | Subject to section 19, a municipality may in terms of the criteria set out in its rates policy levy different rates for different categories of rateable property, which may include categories determined according to the: (a) use of the property; (b) permitted use of the property; or (c) geographical area in which the property is situated. | 8(1) | Subject to section 19, a municipality may, in terms of the criteria set out in its rates policy, levy different rates for different categories of rateable property, determined in subsection (2) and (3), which must be determined according to the: (a) use of the property; (b) permitted use of the property; or (c) a combination of (a) and (b). | No impact on the mSCOA Version 5.4 classification. |
| 8(2) | Categories of rateable property that may be determined in terms of subsection (1) include the following: | 8(2) | A municipality must determine the following categories of rateable property in terms of subsection (1) provided such property category exists within the municipal jurisdiction: | Refer to the subsection for specific indication of the changes made in mSCOA Version 5.4 required by the Local Government: Municipal Property Rates Amendment Act, 2014. |
| 8(2)(a) | Residential properties; | 8(2)(a) | Residential properties; | No changes required to mSCOA Version 5.4. |
| 8(2)(b) | industrial properties; | 8(2)(b) | industrial properties; | No changes required to mSCOA Version 5.4. |
| 8(2)(c) | Business and commercial properties; | 8(2)(c) | business and commercial properties; | No changes required to mSCOA Version 5.4. |
| 8(2)(d) | Farm properties used for:   1. agricultural purposes; 2. other business and commercial purposes; 3. residential purposes; or 4. purposes other than those specified in subparagraphs (i) to (iii); | 8(2)(d) | agricultural properties; | Farm Properties with the sub-classification remains available for use in mSCOA Version 5.4 pending the lapse of the transitional arrangements provided for in the Local Government: Municipal Property Rates Amendment Act, 2014.  The provision of the Local Government: Municipal Property Rates Amendment Act, 2014 has been addressed by including a “new account for Agricultural Properties” in mSCOA Version 5.4. |
| 8(2)(e) | farm properties not used for any purpose; |  |  | Farm Properties not used for any purpose remains available for use in mSCOA Version 5.4 pending the lapse of the transitional arrangements provided for in the Local Government: Municipal Property Rates Amendment Act, 2014. |
|  |  | 8(2)(e) | mining properties; | Classification added in mSCOA Version 5.4 to provide for “Mining Properties”. |
| 8(2)(f) | smallholdings used for:   1. agricultural purposes; 2. residential purposes; 3. industrial purposes 4. business and commercial purposes; or 5. purposes other than those specified in sub-paragraphs (i) to (iv); |  |  | Small Holdings where the sub-classification remains available for use in mSCOA Version 5.4 pending the lapse of the transitional arrangements provided for in the Local Government: Municipal Property Rates Amendment Act, 2014. |
| 8(2)(g) | state-owned properties; | 8(2)(f) | properties owned by an organ of state and used for public service purposes; | No changes required to mSCOA Version 5.4. |
|  |  |  | **Definition:**  Public Service Purpose in relation to the use of a property means property owned and used by an organ of state as:  hospitals or clinics;  schools, pre-school, early childhood development centres or further education and training colleges;  national and provincial libraries and archives;  police stations;  correctional facilities; or  courts of law;  but excludes property contemplated in the definition of “public service infrastructure”. |  |
| 8(2)(h) | municipal properties; |  |  | Municipal Properties remains available f\*or use in mSCOA Version 5.4 pending the lapse of the transitional arrangements provided for in the Local Government: Municipal Property Rates Amendment Act, 2014. |
| 8(2)(i) | public service infrastructure; | 8(2)(g) | public service infrastructure properties; | No changes required to mSCOA Version 5.4. |
|  |  |  | **Definition:**  “public service infrastructure’’means publicly controlled infrastructure of the following kinds:  *(a)* national, provincial or other public roads on which goods, services or labour move across a municipal boundary;  *(b)* water or sewer pipes, ducts or other conduits, dams, water supply reservoirs, water treatment plants or water pumps forming part of a water or sewer scheme serving the public;  *(c)* power stations, power substations or power lines forming part of an electricity scheme serving the public;  *(d)* gas or liquid fuel plants or refineries or pipelines for gas or liquid fuels, forming part of a scheme for transporting such fuels;  *(e)* railway lines forming part of a national railway system;  *(f)* communication towers, masts, exchanges or lines forming part of a communications system serving the public;  *(g)* runways or aprons at national or provincial airports;  *(h)* breakwaters, sea walls, channels, basins, quay walls, jetties, roads, railway or infrastructure used for the provision of water, lights, power, sewerage or similar services of ports, or navigational aids comprising lighthouses, radio navigational aids, buoys, beacons or any other device or system used to assist the safe and efficient navigation of vessels;  *(i)* any other publicly controlled infrastructure as may be prescribed; or  *(j)* rights of way, easements or servitudes in connection with infrastructure mentioned in paragraphs *(a)* to *(i)* |  |
| 8(2)(j) | privately owned towns serviced by the owner; |  |  | Privately owned towns serviced by the owner remains available for use in mSCOA Version 5.4 pending the lapse of the transitional arrangements provided for in the Local Government: Municipal Property Rates Amendment Act, 2014. |
| 8(2)(k) | formal and informal settlements; |  |  | Formal and informal settlements services by the owner remains available for use in mSCOA Version 5.4 pending the lapse of the transitional arrangements provided for in the Local Government: Municipal Property Rates Amendment Act, 2014. |
| 8(2)(l) | communal land as defined in section 1 of the Communal Land Rights Act, 2004; |  |  | Communal land remains available for use in mSCOA Version 5.4 pending the lapse of the transitional arrangements provided for in the Local Government: Municipal Property Rates Amendment Act, 2014. |
| 8(2)(m) | state trust land; |  |  | State trust land remains available for use in mSCOA Version 5.4 pending the lapse of the transitional arrangements provided for in the Local Government: Municipal Property Rates Amendment Act, 2014. |
| 8(2)(n) | Properties:  (i) acquired through the Provision of Land and Assistance Act, 1993 (Act No. 126 of 1993), or the Restitution of Land Rights Act, 1994 (Act No. 22 of 1994); or  (ii) which is subject to the Communal Property Associations Act, 1996 (Act No. 28 of 1996); |  |  | Communal land remains available for use in mSCOA Version 5.4 pending the lapse of the transitional arrangements provided for in the Local Government: Municipal Property Rates Amendment Act, No 2014. |
| 8(2)(o) | protected areas; |  |  | Protected areas remain available for use in mSCOA Version 5.4 pending the lapse of the transitional arrangements provided for in the Local Government: Municipal Property Rates Amendment Act, 2014. |
| 8(2)(p) | properties on which national monuments are proclaimed; |  |  | Protected areas remain available for use in mSCOA Version 5.4 pending the lapse of the transitional arrangements provided for in the Local Government: Municipal Property Rates Amendment Act, 2014. |
| 8(2)(q) | properties owned by public benefit organisations and used for any specific public benefit activities listed in Part 1 of the Ninth Schedule to the Income Tax Act,1962 (as amended); or | 8(2)(h) | properties owned by public benefit organisations and used for specified public benefit activities; | National monument properties remain available for use in mSCOA Version 5.4 pending the lapse of the transitional arrangements provided for in the Local Government: Municipal Property Rates Amendment Act, 2014. |
| 8(2)(r) | properties used for multiple purposes, subject to section 9 | 8(2)(i) | properties used for multiple purposes, subject to section 9; or | No changes required to mSCOA Version 5.4. |
|  |  | 8(2)(j) | any other category of property as may be determined by the Minister, with the concurrence of the Minister of Finance, by notice in the Gazette. | Classification added in mSCOA Version 5.4 to provide for “Mining Properties”. |
|  |  | 8(3) | In addition to the categories of rateable property determined in terms of subsection (2), a municipality may determine additional categories of rateable property, including vacant land: Provided that, with the exception of vacant land, the determination of such property categories does not circumvent the categories of rateable property that must be determined in terms of subsection (2). | Account is available for Vacant Land in the classification for “Residential Property”. |
|  |  | 8(4) | (a) Where a municipality can, on good cause, show that there is a need to sub-categorise the property categories listed in subsection (2), a municipality must apply to the Minister in writing for authorisation to create one or more of such sub-categories.  (b) Such application must:  (i) be accompanied by a motivation for such sub-categorisation;  ii) demonstrate that such sub-categorisation is not in contravention of section 19; and 10 | No impact on the mSCOA Version 5.4 classification. |
| Section 15: Exemptions, Reductions and Rebates | | | | |
| 15(1) | A municipality may in terms of criteria set out in its rates policy: |  |  | No impact on the mSCOA Version 5.4 classification. |
| 15(1)(a) | exempt a specific category of owners of properties, or the owners of a specific category of properties, from payment of a rate levied on their property; or |  |  | No impact on the mSCOA Version 5.4 classification. |
| 15(1)(b) | grant to a specific category of owners of properties, or to the owners of a specific category of properties, a rebate on or a reduction in the rates payable in respect of their properties |  |  | No impact on the mSCOA Version 5.4 classification. |
| 15(2) | When granting in terms of subsection (1) exemptions, rebates or reductions in respect of owners of categories of properties, a municipality may determine such categories in accordance with section 8(2), and when granting exemptions, rebates or reductions in respect of categories of owners of properties, such categories may include: | 15(2) | When granting in terms of subsection (1) exemptions, rebates or reductions in respect of owners of categories of properties, a municipality may determine such categories in accordance with section 8(2) and subsection (2A), and when granting exemptions, rebates or reductions in respect of categories of owners of properties, such categories may include: | No impact on the mSCOA Version 5.4 classification. |
| 15(2)(a) | indigent owners; |  |  | No impact on the mSCOA Version 5.4 classification. |
| 15(2)(b) | owner’s dependent on pensions or social grants for their livelihood; |  |  | No impact on the mSCOA Version 5.4 classification. |
| 15(2)(c) | owners temporarily without income; |  |  | No impact on the mSCOA Version 5.4 classification. |
| 15(2)(d) | owners of property situated within an area affected by:   1. a disaster within the meaning of the Disaster Management Act, 2002 (Act No. 57 of 2002); or 2. any other serious adverse social or economic conditions; |  |  | No impact on the mSCOA Version 5.4 classification. |
| 15(2)(e) | owners of residential properties with a market value lower than an amount determined by the municipality; or |  |  | No impact on the mSCOA Version 5.4 classification. |
| 15(2)(f) | owners of agricultural properties who are bona fide farmers. |  |  | No impact on the mSCOA Version 5.4 classification. |
|  |  | 15(2)A | In addition to the categories of rateable property determined in terms of section 8(2), a municipality may, subject to any ratio determined in terms of section 19, for the purposes of granting exemptions, rebates and reductions, determine such property categories based on:  (a) properties used for public service purposes; and  (b) properties to which the provisions of the National Heritage Resources Act, 1999 (Act No. 25 of 1999), apply, or an institution that has been declared to be subject to the Cultural Institutions Act, 1998 (Act No. 119 of 1998).’’ | No impact on the mSCOA Version 5.4 classification. |
|  | (3) The municipal manager must annually table in the council of the municipality a:  *(a)* list of all exemptions, rebates and reductions granted by the municipality in terms of subsection (1) during the previous financial year; and  *(b)* statement reflecting the income for the municipality foregone during the previous financial year by way of:  (i) such exemptions, rebates and reductions;  (ii) exclusions referred to in section 17(1)*(a)*, *(e)*, *(g)*, *(h)* and *(i)*; and  (iii) the phasing-in discount granted in terms of section 21 |  | (3) The municipal manager must annually table in the council of the municipality a:  *(a)* list of all exemptions, rebates and reductions granted by the municipality in terms of subsection (1) during the previous financial year; and  Deleted subsection 3(b). | No impact on the mSCOA Version 5.4 classification. |
|  | (4) All exemptions, rebates and reductions projected for a financial year must be reflected in the municipality’s annual budget for that year as:*(a)* income on the revenue side; and *(b)* expenditure on the expenditure side. |  |  | No impact on the mSCOA Version 5.4 classification. |
| Section 17: Other Impermissible Rates | | | | |
| 17(1) | A municipality may not levy a rate: |  |  | No impact on the mSCOA Version 5.4 classification. |
| 17(1)(a) | on the first 30 per cent of the market value of public service infrastructure; | 17(1)(a) | subject to paragraph (aA), on the first 30 per cent of the market value of public service infrastructure | No impact on the mSCOA Version 5.4 classification. |
|  |  |  | subject to paragraph (aA) on any property referred to in paragraphs (a), (b), (e), (g) and (h) of the definition of ‘public service infrastructure’ | No impact on the mSCOA Version 5.4 classification. Definition changed to be in agreement with the Local Government: Municipal Property Rates Amendment Act, 2014. |
| 17(1)(b) | on any part of the seashore as defined in the Seashore Act, 1935 (Act No. 21 of 1935); |  | on any part of the seashore as defined in the National Environmental Management: Integrated Coastal Management Act, 2007 (Act No. 24 of 2008); | No impact on the mSCOA Version 5.4 classification. Definition changed to be in agreement with the Local Government: Municipal Property Rates Amendment Act, 2014. |
| 17(1)(c) | on any part of the territorial waters of the Republic as determined in terms of the Maritime Zones Act, 1994 (Act No. 15 of 1994); |  |  |  |
| 17(1)(d) | on any islands of which the state is the owner, including the Prince Edward Islands referred to in the Prince Edward Islands Act, 1948 (Act No. 43 of 1948); |  |  |  |
| 17(1)(e) | on those parts of a special nature reserve, national park or nature reserve within the meaning of the Protected Areas Act, 2003 or of a national botanical garden within the meaning of the National Environmental Management: Biodiversity Act, 2004, which are not developed or used for commercial, business, agricultural or residential purposes; |  |  |  |
| 17(1)(f) | on mineral rights within the meaning of paragraph *(b)* of the definition of ‘‘property’’ in section 1; | 17(1)(f) | on mining rights or a mining permit within the meaning of the Mineral and Petroleum Resources Development Act, 2002, No 28 of 2002, excluding any building, other immovable structures and infrastructure above the surface of the mining property required for purposes of mining. | No impact on the mSCOA Version 5.4 classification. Definition changed to be in agreement with the Local Government: Municipal Property Rates Amendment Act, 2014. |
| 17(1)(g) | on a property belonging to a land reform beneficiary or his or her heirs, provided that this exclusion lapses ten years from the date on which such beneficiary’s title was registered in the office of the Registrar of Deeds; | 17(1)(g) | on property belonging to a land reform beneficiary or his or her heirs, dependents or spouse provided that this exclusion lapses:   1. ten years from the date on which such beneficiary’s title was registered in the office of the Registrar of Deeds; or 2. upon alienation of the property by the land reform beneficiary or his or her heirs, dependants or spouse. | No impact on the mSCOA Version 5.4 classification. Definition changed to be in agreement with the Local Government: Municipal Property Rates Amendment Act, 2014. |
| 17(1)(h) | on the first R15 000 of the market value of a property assigned in the valuation roll or supplementary valuation roll of a municipality to a category determined by the municipality:   1. for residential properties; or 2. for properties used for multiple purposes, provided one or more component/s of the property are used for residential purposes; or |  |  | No impact on the mSCOA Version 5.4 classification. |
| 17(1)(i) | on a property registered in the name of and used primarily as a place of public worship by a religious community, including an official residence registered in the name of that community which is occupied by an office-bearer of that community who officiates at services at that place of worship |  | on a property registered in the name of and used primarily as a place of public worship by a religious community, including the official residence registered in the name of that community which is occupied by the office bearer of that community who officiates at services at that place of worship. | No impact on the mSCOA Version 5.4 classification. |

**Definition:**

**Property Rates** means a municipal rate on property envisaged in section 229 (1)(a) of the Constitution read with the Municipal Property Rate Act, 2004 (Act No. 6 of 2004) as amended by the Municipal Property Rates Amendment Act, 2014 (Act No. 29 of 2014). Rateable property means property on which a municipality may in terms of section 8 levy a rate and excludes impermissible rates as per section 17 of the Act.

The table below provides the posting level accounts for property rates. The Local Government: Municipal Property Rates Amendment Act, 2014, section 93B provides the transitional arrangements and determines that the provisions of section 8 must be applied by the municipality within 7 years of the date of the commencement of the Act, being 1 July 2015. Accordingly, mSCOA Version 6.1 provides for the rate categories as directed by the section 8 of the Local Government: Municipal Property Rate Act, 2004 as well as the changes provided for in the Local Government: Municipal Property Rates Amendment Act, 2014. The notes column provides an indication on the continuous use of some of the accounts following the implication of the Amendment Act.

| Account Description | Definition | Comment |
| --- | --- | --- |
| Business and Commercial Properties | Property rates levied on properties used for office buildings, medical centres, hotels, malls, retail stores, shopping centres, garages, guesthouses, bed-and-breakfast and multifamily housing buildings included in a valuation roll in terms of section 8(2)c of the Municipal Property Rate Act, 2004 as amended by the Municipal Property Rates Amendment Act, 2014. As determined by Section 8(4)a of the Municipal Property Rates Amendment Act, 2014. | Remains applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014. |
| Communal Land | This classification would not be applicable if the Municipal Property Rates Amendment Act, 2014 has been implemented by the municipality. Communal Land is defined in the Communal Land Rights Act, 2004 (Act No. 11 of 2004) as being land contemplated in section 2 which is, or to be, occupied or used by members of a community subject to the rules or custom of that community. Section 9 of this Act directs that a property used for multi purposes must, for rates purposes, be assigned to a category determined by the municipality for properties used for (a) a purpose corresponding with the permitted use of the property; (b) a purpose corresponding with the dominant use of the property or (c) multiple purpose in terms of section 8(2)(r). Subsection 2 determines that a rate levied on a property assigned in terms of subsection (1)(c) to a category of properties used for multiple purposes must be determined by (a) apportioning the market value of the property, in a manner as may be prescribed, to the different purposes for which the property is used; and (b) applying the rates applicable to the categories determined by the municipality for properties used for those purposes to the different market value apportionments. Accordingly, “Communal Land” is sub-divided according to the use of the property or parts thereof in agricultural, residential, industrial, business and commercial and other purposes not specified above. | **Not applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.** |
| * Business and Commercial | This classification would not be applicable if the Municipal Property Rates Amendment Act, 2014 has been implemented by the municipality. Property rates on “Communal Land” used for business and commercial and/ or apportioned in terms of section 9 of the Municipal Properties Rates Act, 2004 and included in a valuation roll in terms of section 48(20(b) of the same Act. | **Not applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.** |
| * Farm Property | This classification would not be applicable if the Municipal Property Rates Amendment Act, 2014 has been implemented by the municipality. Property rates on “Communal Land” used for farm property and/ or apportioned in terms of section 9 of the Municipal Properties Rates Act, 2004 and included in a valuation roll in terms of section 48(20(b) of the same act. | **Not applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.** |
| * Other | This classification would not be applicable if the Municipal Property Rates Amendment Act, 2014 has been implemented by the municipality. Property rates on “Communal Land” used for “other purposes” and/or apportioned in terms of section 9 of the Municipal Properties Rates Act, 2004 and included in a valuation roll in terms of section 48(20(b) of the same Act. Posting level need to be specified. | **Not applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.** |
| * Residential | This classification would not be applicable if the Municipal Property Rates Amendment Act, 2014 has been implemented by the municipality. Property rates on “Communal Land” used for residential purposes and/ or apportioned in terms of section 9 of the Municipal Properties Rates Act, 2004 and included in a valuation roll in terms of section 48(20(b) of the same Act. | **Not applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.** |
| * Small Holdings | This classification would not be applicable if the Municipal Property Rates Amendment Act, 2014 has been implemented by the municipality. Property rates on “Communal Land” used for small holdings and/ or apportioned in terms of section 9 of the Municipal Properties Rates Act, 2004 and included in a valuation roll in terms of section 48(20(b) of the same Act. | **Not applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.** |
| Farm Properties | This classification would not be applicable if the Municipal Property Rates Amendment Act, 2014 has been implemented by the municipality. New category included for Agricultural Properties. Property rates levied on properties permitted for farming such as the cultivation of animals, plants, fungi and other life forms for food, fibre and other products used to sustain life included in a valuation roll in terms of section 48(20(b) of the Municipal Property Rates Act, 2004. “Permitted use”, in relation to a property, means the limited purposes for which the property may be used in terms of (a) any restrictions imposed by (i) a condition of title; (ii) a provision of a town planning or land use scheme; or (iii) any legislation applicable to any specific property or properties; or (b) any alleviation of any such restrictions. [Municipal Properties Rates Act, 2004] Section 9 of this Act directs that a property used for multi purposes must, for rates purposes, be assigned to a category determined by the municipality for properties used for (a) a purpose corresponding with the permitted use of the property; (b) a purpose corresponding with the dominant use of the property or (c) multiple purpose in terms of section 8(2)(r). Subsection 2 determines that a rate levied on a property assigned in terms of subsection (1)(c) to a category of properties used for multiple purposes must be determined by (a) apportioning the market value of the property, in a manner as may be prescribed, to the different purposes for which the property is used; and (b) applying the rates applicable to the categories determined by the municipality for properties used for those purposes to the different market value apportionments. Accordingly, Farm Properties are sub-divided according to the use of the property or parts thereof in agricultural, residential, industrial, business and commercial and other purposes not specified above. | **Not applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.** |
| * Agricultural Purposes | This classification would not be applicable if the Municipal Property Rates Amendment Act, 2014 has been implemented by the municipality. New category included for Agricultural Properties. Property rates levied on farming properties used for agricultural purposes and/or apportioned in terms of section 9 of the Municipal Properties Rates Act, 2004 and included in a valuation roll in terms of section 48(20(b) of the same Act. | **Not applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014. See account added for Agricultural Purposes for the changes required by the amendments.** |
| * Business and Commercial | This classification would not be applicable if the Municipal Property Rates Amendment Act, 2014 has been implemented by the municipality. New category included for Agricultural Properties. Property rates levied on farming properties used for business and commercial purposes and/ or apportioned in terms of section 9 of the Municipal Properties Rates Act, 2004 and included in a valuation roll in terms of section 48(20(b) of the same Act. | **Not applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.** |
| * Industrial Purposes | This classification would not be applicable if the Municipal Property Rates Amendment Act, 2014 has been implemented by the municipality. New category included for Agricultural Properties. Property rates levied on farming properties used for industrial purposes and/ or apportioned in terms of section 9 of the Municipal Properties Rates Act, 2004 and included in a valuation roll in terms of section 48(20(b) of the same Act. | **Not applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.** |
| * Residential Properties | This classification would not be applicable if the Municipal Property Rates Amendment Act, 2014 has been implemented by the municipality. New category included for Agricultural Properties. Property rates levied on farming properties used for residential purposes and/ or apportioned in terms of section 9 of the Municipal Properties Rates Act, 2004 and included in a valuation roll in terms of section 48(20(b) of the same Act. | **Not applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.** |
| * Other purposes than the above | This classification would not be applicable if the Municipal Property Rates Amendment Act, 2014 has been implemented by the municipality. New category included for Agricultural Properties. Property rates levied on farming properties used for “other purposes than specified” and/or apportioned in terms of section 9 of the Municipal Properties Rates Act, 2004 and included in a valuation roll in terms of section 48(20(b) of the same Act. | **Not applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.** |
| * Farm Properties not used for any purpose | This classification would not be applicable if the Municipal Property Rates Amendment Act, 2014 has been implemented by the municipality. New category included for Agricultural Properties. Property rates levied on farming properties not used for any purpose included in a valuation roll in terms of section 48(20(b) of the same Act. | **Not applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.** |
| Formal and Informal Settlements | This classification would not be applicable if the Municipal Property Rates Amendment Act, 2014 has been implemented by the municipality. Formal and Informal Settlements (or also called squatter settlements) sometimes illegal or unauthorised is a settlement of impoverished people who live in improvised dwellings made from scrap materials, often plywood, corrugated metal and sheets of plastic and do not have proper sanitation, electricity or telephone services. | **Not applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.** |
| Industrial Properties | Property rates levied on industrial properties such as factories, warehouses, industrial parks, manufacturing and processing included in a valuation roll in terms of section 8(2)b of the Municipal Property Rate Act, 2004 as amended by the Municipal Property Rates Amendment Act, 2014. As determined by Section 8(4)a of the Municipal Property Rates Amendment Act, 2014. | Remains applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014. |
| Mining Properties | Mining property means a property used for mining operations as defined in the Mineral and Petroleum Resources Development Act, 2002 (Act No. 28 of 2002) included in a valuation roll n terms of section 8(2)e of the Municipal Property Rate Act, 2004 as amended by the Municipal Property Rates Amendment Act, 2014. As determined by Section 8(4)a of the Municipal Property Rates Amendment Act, 2014. | Account added to assist the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014. |
| Municipal Properties | This classification would not be applicable if the Municipal Property Rates Amendment Act, 2014 has been implemented by the municipality. Property rates levied on Municipal Properties (including municipal entities as defined in the Municipal Systems act) included in a valuation roll in terms of section 48(20(b) of the Municipal Property Rates Act, 2004. | **Not applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.** |
| National Monument Properties | This classification would not be applicable if the Municipal Property Rates Amendment Act, 2014 has been implemented by the municipality. Property rates levied on “National Monument Properties” included in a valuation roll in terms of section 48(20(b) of the Municipal Property Rates Act, 2004. Property on which national monuments are proclaimed. | **Not applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.** |
| Privately Owned Towns Serviced by the Owner | This classification would not be applicable if the Municipal Property Rates Amendment Act, 2014 has been implemented by the municipality. Property rates levied on “Privately Owned Town serviced by the Owner” included in a valuation roll in terms of section 48(20)(b) of the Municipal Property Rates Act, 2004. | **Not applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.** |
| Protected Areas | This classification would not be applicable if the Municipal Property Rates Amendment Act, 2014 has been implemented by the municipality. Property rates levied on “Protected Areas” included in a valuation roll in terms of section 48(20(b) of the Municipal Property Rates Act, 2004. | **Not applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.** |
| Public Benefit Organisations | Properties owned by public benefit organisations and used for specified public benefit activities provided for by section 8(2)h of the Municipal Property Rate Act, 2004 as amended by the Municipal Property Rates Amendment Act, 2014. As determined by Section 8(4)a of the Municipal Property Rates Amendment Act, 2014. | Remains applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014. Consider the definition provided. |
| Public Service Infrastructure Properties | Public service infrastructure means publicly controlled infrastructure of the following kinds: (a) national, provincial or other public roads on which goods, services or labour move across a municipal boundary, (b) water or sewer pipes, ducts or other conduits, dams, water supply reservoirs, water treatment plants or water pumps forming part of a water sewer scheme serving the public, (c) power stations, power substations or power lines forming part of an electricity scheme serving the public, (d) gas or liquid fuel plants or refineries or pipelines for gas or liquid fuels, forming part of a scheme for transporting such fuels, (e) railway lines forming part of national railway stations, (f) communication towers, masts, exchanges or lines forming part of a communication system serving the public, (g) railways, aprons and the air traffic control unit at national and provincial airports, including the vacant land known as the obstacle free zone surrounding these, which must be vacant for air navigation purposes, (h) breakwaters, sea walls, channels, basins, quay walls, jetties, roads, railway or infrastructure used for the provision of water, lights, power, sewerage or similar services or ports, or navigational aids comprising lighthouses, radio navigation aids, buoys, beacons or any other device or system used to assist the sage and efficient navigation of vessels, (i) any other publicly controlled infrastructure as may be prescribed or (j) a right registered against immovable property in connection with infrastructure mentioned in paragraphs (a) to (i) included in a valuation roll in terms of section 8(2)g of the Municipal Property Rate Act, 2004 as amended by the Municipal Property Rates Amendment Act, 2014. As determined by Section 8(4)a of the Municipal Property Rates Amendment Act, 2014. | Remains applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014. |
| Residential Properties | Residential property means a property included in a valuation roll in terms of section 48(2)(b) in respect of which the primary use or permitted use is for residential purposes without derogating from section 9 of the Municipal Property Rate Act, 2004 as amended by the Municipal Property Rates Amendment Act, 2014. As determined by Section 8(4)a of the Municipal Property Rates Amendment Act, 2014. | Remains applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014. |
| * Developed | Property rates levied on developed residential properties included in a valuation roll in terms of section 48(20)(b) of the Municipal Property Rates Act, 2004. This distinction is made based on the provision included in section 8(3) of the Municipal Property Rate Act, 2004 as amended by the Municipal Property Rates Amendment Act, 2014: "a municipality may determine additional categories of rateable properties, including vacant land. As determined by Section 8(4)a of the Municipal Property Rates Amendment Act, 2014”. | Remains applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014. |
| * Vacant Land | Property rates levied on undeveloped residential properties included in a valuation roll in terms of section 48(20)(b) of the Municipal Property Rates Act, 2004. This distinction is made based on the provision included in section 8(3) of the Municipal Property Rate Act, 2004 as amended by the Municipal Property Rates Amendment Act, 2014: "a municipality may determine additional categories of rateable properties, including vacant land. As determined by Section 8(4)a of the Municipal Property Rates Amendment Act, 2014”. | Remains applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014. |
| Restitution and Redistribution Properties (Section 8(2)n) | This classification would not be applicable if the Municipal Property Rates Amendment Act, 2014 has been implemented by the municipality. Property rates levied on “Restitution and Redistribution Properties" included in a valuation roll in terms of section 48(20(b) of the Municipal Property Rates Act, 2004. Land reform involves the changing of laws, regulations or customs regarding land ownership. Land reform may consist of a government-initiated or government-backed property redistribution, generally of agricultural land. Land reform can, therefore, refer to transfer of ownership from the more powerful to the less powerful: such as from a relatively small number of wealthy (or noble) owners with extensive land holdings (e.g., plantations, large ranches, or agribusiness plots) to individual ownership by those who work the land. Such transfers of ownership may be with or without compensation; compensation may vary from token amounts to the full value of the land. | **Not applicable following the implementation of the Local Government: Municipal Property Rates Amendment 2014.** |
| * Communal Property Associations Act,1996 (Act No. 28 of 1996) | This classification would not be applicable if the Municipal Property Rates Amendment Act, 2014 has been implemented by the municipality. Restitution of Land Rights Act: To provide for the restitution of rights to land in respect of which persons or communities were dispossessed under or for the purpose of furthering the objects of any racially based discriminatory law; to establish a Commission on Restitution of Land Rights and a Land Claims Court; and to provide for matters connected therewith. Property rates levied on “Restitution and Redistribution Properties” included in a valuation roll in terms of section 48(20)(b) of the Municipal Property Rates Act, 2004. To enable communities to form juristic persons, to be known as communal property associations in order to acquire, hold and manage property on a basis agreed to by members of a community in terms of a written constitution; and to provide for matters connected therewith. | **Not applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.** |
| * Land and Assistance Act or Restitution of Land Rights Act, 1994 (Act No. 22 of 1994) | This classification would not be applicable if the Municipal Property Rates Amendment Act, 2014 has been implemented by the municipality. Land and Assistance Act: To provide for the designation of certain land; to regulate the subdivision of such land and the settlement of persons thereon; to provide for the rendering of financial assistance for the acquisition of land and to secure tenure rights; and to provide for matters connected therewith. Property rates levied on “Restitution and Redistribution Properties” included in a valuation roll in terms of section 48(20)(b) of the Municipal Property Rates Act, 2004. | **Not applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.** |
| Small Holdings | This classification would not be applicable if the Municipal Property Rates Amendment Act, 2014 has been implemented by the municipality. New category included for Agricultural Properties. Property rates levied on properties permitted for “small holdings” being small farms supporting a single family with a mixture of cash crops and subsistence farming and their rural lifestyle provided for, included in a valuation roll in terms of section 48(20)(b) of the Municipal Property Rates Act, 2004. “Permitted use”, in relation to a property, means the limited purposes for which the property may be used in terms of (a) any restrictions imposed by (i) a condition of title; (ii) a provision of a town planning or land use scheme; or (iii) any legislation applicable to any specific property or properties; or (b) any alleviation of any such restrictions. [Municipal Properties Rates Act, 2004]. Section 9 of this Act directs that a property used for multi purposes must, for rates purposes, be assigned to a category determined by the municipality for properties used for (a) a purpose corresponding with the permitted use of the property; (b) a purpose corresponding with the dominant use of the property or (c) multiple purpose in terms of section 8(2)(r). Subsection 2 determines that a rate levied on a property assigned in terms of subsection (1)(c) to a category of properties used for multiple purposes must be determined by (a) apportioning the market value of the property, in a manner as may be prescribed, to the different purposes for which the property is used; and (b) applying the rates applicable to the categories determined by the municipality for properties used for those purposes to the different market value apportionments. Accordingly, “Small Holdings” are sub-divided according to the use of the property or parts thereof in agricultural, residential, industrial, business and commercial and other purposes not specified above. | **Not applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.** |
| * Agricultural Purposes | This classification would not be applicable if the Municipal Property Rates Amendment Act, 2014 has been implemented by the municipality. New category included for Agricultural Properties. Property rates levied on “Small Holdings” used for agricultural purposes and/ or apportioned in terms of section 9 of the Municipal Properties Rates Act, 2004 and included in a valuation roll in terms of section 48(20)(b) of the same Act. | **Not applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.** |
| * Business and Commercial Purposes | This classification would not be applicable if the Municipal Property Rates Amendment Act, 2014 has been implemented by the municipality. New category included for Agricultural Properties. Property rates levied on “Small Holdings” used for business and commercial purposes and/ or apportioned in terms of section 9 of the Municipal Properties Rates Act, 2004 and included in a valuation roll in terms of section 48(20(b) of the same Act. | **Not applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.** |
| * Industrial Purposes | This classification would not be applicable if the Municipal Property Rates Amendment Act, 2014 has been implemented by the municipality. New category included for Agricultural Properties. Property rates on “Small Holdings” used for industrial purposes and/ or apportioned in terms of section 9 of the Municipal Properties Rates Act, 2004 and included in a valuation roll in terms of section 48(20)(b) of the same Act. | **Not applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.** |
| * Purposes other than the above (specify) | This classification would not be applicable if the Municipal Property Rates Amendment Act, 2014 has been implemented by the municipality. New category included for Agricultural Properties. Property rates levied on “Small Holdings” used for “other purposes than specified” and/ or apportioned in terms of section 9 of the Municipal Properties Rates Act, 2004 and included in a valuation roll in terms of section 48(20)(b) of the same Act. | **Not applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.** |
| * Residential Purposes | This classification would not be applicable if the Municipal Property Rates Amendment Act, 2014 has been implemented by the municipality. New category included for Agricultural Properties. Property rates levied on “Small Holdings” used for residential purposes and/ or apportioned in terms of section 9 of the Municipal Properties Rates Act, 2004 and included in a valuation roll in terms of section 48(20)(b) of the same Act. | **Not applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.** |
| Special Rating Area | Section 22(1) of the Municipal Property Rate Act, 2004 as amended by the Municipal Property Rates Amendment Act, 2014. determines that “the Municipality may by resolution of council determine a special rating area and levy an additional rate on property in that area for the purpose of raising funds for improving or upgrading that are differentiated by category of property". As determined by Section 8(4) of the Municipal Property Rates Amendment Act, 2014. | Remains applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014. |
| State-owned Properties | Properties owned by an organ of state and used for public service purposes as provided for in section 8(2)f of the Municipal Property Rate, 2004 as amended. As determined by Section 8(4)a of the Municipal Property Rates Amendment Act, 2014. | Remains applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014. |
| State Trust Land | This classification would not be applicable if the Municipal Property Rates Amendment Act, 2014 has been implemented by the municipality. This category provides for "property rates" levied on State-owned Properties under the custodianship of National Government (National Department of Public Works) as provided for in the Government Immovable Asset Management Act, 2007 (Act No. 19 of 2007) (GIAMA). | **Not applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.** |
| Agricultural Property | Agricultural property means property that is used primarily for agricultural purposes but, without derogating from section 9, excluding any portion thereof that is used commercially for the hospitality of guests, and excluding the use of the property for the purpose of eco-tourism or for the trading in or hunting of game as provided for in Section 8(2)d of the Municipal Property Rate Act, 2004 as amended. As determined by Section 8(4)a of the Municipal Property Rates Amendment Act, 2014. | Account added to assist the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014. |
| Multiple Purposes | Multiple purpose use properties as provided for in Section 8(2)i and defined in Section 9 of the Municipal Property Rate Act, 2004 as amended. As determined by Section 8(4)a of the Municipal Property Rates Amendment Act, 2014. | Remains applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014. |
| Other Categories | Any other categories of property as may be determined by the Minister, with the concurrence of the Minister of Finance as provided for in Section 8(2)j of the Municipal Property Rate Act, 2004 as amended. As determined by Section 8(4)a of the Municipal Property Rates Amendment Act, 2014. | Remains applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014. |

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###### Special Rating Areas

**Definition:**

Municipal Property Rates Act, 2004, section 22(1) “the Municipality may by resolution of council determine a special rating area and levy an additional rate on property in that area for the purpose of raising funds for improving or upgrading, that are differentiated by category of property.

1. Section 22 of the Municipal Property Rates Act, 2004, guides special rating areas and determines that:
   * (1) A municipality may by resolution of its council (a) determine an area within that municipality as a special rating area; (b) levy an additional rate on property in that area for the purpose of raising funds; (c) differentiate between categories of properties when levying an additional rate for improving or upgrading that area; and referred to in paragraph (b).
   * (2) Before determining a special rating area, a municipality must (a) consult the local community, on the following matters: (i) the proposed boundaries of the area; and (ii) the proposed improvement or upgrading of the area; and (b) obtain the consent of the majority of the members of the local community in the proposed special rating area for which the community will be liable to pay the additional rate.
   * (3) When a municipality determines a special rating area, the municipality (a) must indicate how the area is to be improved or upgraded by funds derived from the additional rate; (c) must establish separate accounting and other record-keeping systems regarding (i) the revenue generated by the additional rate; and (ii) the improvement and upgrading of the area; and (d) may establish a committee composed of persons representing the community in the area to act as a consultative and advisory forum for the municipality on the improvement and upgrading of the area, proved representivity, including gender representivity, is taken into account when such a committee is established. Such a committee must be a subcommittee of the ward committee or committees in the area, if the municipality has a ward committee or committees in the area.
   * (4) This section may not be used to reinforce existing inequities in the development of the municipality, and any determination of a special rating area must be consistent with the objectives of the municipality's integrated development plan.
   * (5) This section must be read with section 85 of the Municipal Systems Act, 2000, if this section is applied with the purpose to provide funding for an internal municipal service district established in terms of that section of the Municipal Systems Act, 2000.

The above account was included in the Item Segment under Revenue for Property Rates: Special Rating Area. The Source of Funding Segment provides the detail on the utilisation of the revenue raised through the “additional rate” and the Project Segment on the specific “improvement and upgrading” undertaken for the “special rating area”.

#### 

#### Surcharges and Taxes

**Definition:**

This group of accounts provides for the classification of surcharges and taxes as regulated by the Municipal Fiscal Powers and Functions Act, 2007 (Act No. 12 of 2007) as referred to in section 229 of the Constitution, other than rates on property.

The Act does not list or identify specific taxes which municipalities may enact. Responsibility for initiating a municipal tax proposal rests with municipalities and organised local government and they may propose any tax not prohibited by the Constitution.

At the highest level this group of accounts provides for the following posting level accounts:

##### 

##### Municipal Taxes

**Definition:**

In general, a tax (levies and duties has the same meaning as a tax) may be defined as a government impost which is not in turn for a specific benefit. There is not necessarily a direct relationship between the benefits provided by government to taxpayers and the tax payable. Taxes are taken into general revenue and used for general purposes. The taxpayer receives no specific service in return for his/ her/ its payment, but receives a set of general services normally referred to as public goods, such as municipal roads, street lighting and the like.

Taxes may be contrasted to fees or user charges. Fees or user charges, while it might be compulsory, are generally requited, in the sense that there is a link between the amount paid and the benefit provided.

A municipality, group of municipalities, organised local government and/ or the Minister of Finance on his or her own accord may apply for the introduction of a new municipal tax in terms of section 5 of the Act.

##### 

##### Surcharges

**Definition:**

A surcharge on a municipal service is an additional charge levied by a municipality in addition to the fee or tariff charged for the provision of a municipal service. A surcharge can therefore be viewed as an indirect tax, as it is a payment in addition to the normal charge. Surcharges generated from trading services, such as water and electricity reticulation, are usually used by municipalities for the funding or subsidising of other essential municipal activities where limited or no charges are levied.

A “municipal surcharge” is defined in the Act as a charge in excess of the base tariff that a municipality may impose on fees for a municipal service provided by or on behalf of a municipality in terms of section 229(1)(a) of the Constitution.

Municipalities must comply with any norms and standards prescribed by the Minister of Finance when imposing a surcharge on fees for services.

Every municipality must annually as part of its budget preparation process review any municipal surcharges and comply with section 75A(2), (3) and (4) of the Municipal Systems Act, 2000 relating to the manner in which fees, charges or tariffs are levied and how a resolution in that respect must be made known. Refer in this regard also to the Municipal Fiscal Powers and Functions Act, 2007 (MFPFA) *Circular No. 1: Introduction to the Municipal Fiscal Powers and Functions Act No. 12 of 2007 (*Page 6).

#### 

#### Transfers and Subsidies

**Definition:**

This category provides for of all unrequited, voluntary receipts from other parties. Thus, an entry should be made under this item when the municipality does not provide anything of similar value directly in return for the transfer from the other party and the transfer is voluntary. {GRAP 23: Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.} This group of accounts provide for "operational and capital transfers and subsidies" received "in-kind or in monetary value".

At the highest-level “transfers and subsidies” distinguish between “capital and operational” transfers and subsidies:

1. The Standards on *GRAP 23 - Non-exchange Revenue* provides guidance on the recognition and measurement of Transfers and Subsidies.
2. The high-level categories applied in the mSCOA for capital and operational transfers and subsidies are based on the transfer categories as defined in the Reference Guide to the Economic Reporting Format (September 2009) for National and Provincial Departments being:

“Monetary value and in-kind” transfers are separately provided for under the above categories.

It is however recognised that this information might require periodic updates and provision would be made in the activities of National Treasury for an annual classification circular to advise system vendors and users of these changes.

##### 

##### Departmental Agencies and Accounts: Capital and Operational Transfers and Subsidies

Limited information is available from the Local Government Database as most of the municipalities do not complete the supporting tables specifying “grants” from “departmental agencies and accounts”. These grants are included in “public contributions and donations”.

The mSCOA for Departments contains a detailed list of “departmental agencies and accounts”, initially used to set-up the posting-level accounts in mSCOA. Further detail had been identified and the posting level accounts supplemented with the information provided by municipalities.

An “Unspecified Account” had been added to provide for classification in the following circumstances:

* + once-off not necessary recurring;
  + less material amounts from various sources not provided in mSCOA; and
  + municipality not aware of the allocation in advance of the accounting cycle in order to request National Treasury to provide for these accounts.

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##### District Municipalities: Capital and Operational Transfers and Subsidies

Limited information is available from the Local Government Database as most of the district municipalities do not complete the supporting tables specifying “grants” to municipalities correctly.

The approach taken on setting-up accounts within this category was to provide for the municipalities within the district by province and district municipalities. Categories were set up under the municipalities by function. Posting level detail need to be provided to National Treasury for setting up posting level accounts. Without these levels being defined posting levels will not be available for municipalities to classify transactions within this category.

##### 

##### Foreign Government and International Organisations: Capital and Operational Transfers and Subsidies

Limited information is available from the Local Government Database as most of the municipalities do not complete the supporting tables specifying “grants” from “foreign governments and international organisations”. These grants are included in “public contributions and donations”.

The SCOA for Departments contains a detailed list of “foreign government and international organisations”, initially used to set-up the posting-level accounts in mSCOA. Further detail was identified, and the posting level accounts supplemented with the information provided by municipalities.

An “Unspecified Account” was added to provide for classification in the following circumstances:

* + once-off not necessary recurring;
  + less material amounts from various sources not provided in mSCOA; and
  + municipality not aware of the allocation in advance of the accounting cycle to request National Treasury to provide for these accounts.

##### 

##### Higher Educational Institutions: Capital and Operational Transfers and Subsidies

Limited information is available from the Local Government Database as most of the municipalities do not complete the supporting tables specifying “grants” from “universities and Technikons”. These grants were included in “public contributions and donations”.

The SCOA for Departments contains a detailed list of “higher educational institutions”, initially used to set-up the posting-level accounts in mSCOA. Further detail was identified, and the posting level accounts supplemented with the information provided by municipalities.

An “Unspecified Account” was added to provide for classification in the following circumstances:

* + once-off not necessary recurring;
  + less material amounts from various sources not provided in mSCOA; and
  + municipality not aware of the allocation in advance of the accounting cycle to request National Treasury to provide for these accounts.

##### 

##### Households: Capital and Operational Transfers and Subsidies

Limited information is available from the Local Government Database as most of the municipalities do not complete the supporting tables specifying “grants” from “households”. Prior to mSCOA these grants ware included in “public contributions and donations”.

The SCOA for Departments contains a detailed list of “households”, initially used to set-up the posting-level accounts in mSCOA. Further detail was identified, and the posting level accounts supplemented with the information provided by municipalities.

An “Unspecified Account” was added to provide for classification in the following circumstances:

* + once-off not necessary recurring;
  + less material amounts from various sources not provided in mSCOA; and
  + municipality not aware of the allocation in advance of the accounting cycle to request National Treasury to provide for these accounts.

##### 

##### National Government: Capital and Operational Transfers and Subsidies

The categories applied in setting-up accounts within this group are based on the annual Division of Revenue Act and the allocation tables published in the schedules.

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##### Non-profit Institutions: Capital and Operational Transfers and Subsidies

Limited information is available from the Local Government Database as most of the municipalities do not complete the supporting tables specifying “grants” from “Non-profit Institutions”. These grants are included in “public contributions and donations”.

The SCOA for Departments contains a detailed list of “non-profit institutions”, initially used to set-up the posting-level accounts in mSCOA. Further detail was identified ,and the posting level accounts supplemented with the information provided by municipalities.

An “Unspecified Account” was added to provide for classification in the following circumstances:

* + once-off not necessary recurring;
  + less material amounts from various sources not provided in mSCOA; and
  + municipality not aware of the allocation in advance of the accounting cycle to request National Treasury to provide for these accounts.

##### 

##### Private Enterprises: Capital and Operational Transfers and Subsidies

Limited information is available from the Local Government Database as most of the Municipalities do not complete the supporting tables specifying “grants” from “private enterprises”. These grants were included in “public contributions and donations”.

The SCOA for Departments contains a detailed list of “private enterprises”, initially used to set-up the posting-level accounts in mSCOA. Further detail was identified, and the posting level accounts supplemented with the information provided by municipalities.

An “Unspecified Account” was added to provide for classification in the following circumstances:

* + once-off not necessary recurring;
  + less material amounts from various sources not provided in mSCOA; and
  + municipality not aware of the allocation in advance of the accounting cycle to request National Treasury to provide for these accounts.

##### 

##### Provincial Government: Capital and Operational Transfers and Subsidies

The functional classification provided for in the mSCOA tables is at a non-posting level. Information need to be provided to National Treasury for adding posting level details within the functional classification.

Without these levels being defined posting levels will not be available for municipalities to classify transactions within this category.

##### 

##### Public Corporations: Capital and Operational Transfers and Subsidies

Limited information is available from the Local Government Database as most of the municipalities do not complete the supporting tables specifying “grants” from “public corporations”. These grants were included in “public contributions and donations”.

The SCOA for Departments contains a detailed list of “public corporations”, initially used to set-up the posting-level accounts in mSCOA. Further detail was identified, and the posting level accounts supplemented with the information provided by municipalities.

An “Unspecified Account” was added to provide for classification in the following circumstances:

* + once-off not necessary recurring;
  + less material amounts from various sources not provided in mSCOA; and
  + municipality not aware of the allocation in advance of the accounting cycle to request National Treasury to provide for these accounts.

##### 

##### Parent Municipalities: Capital and Operational Transfers and Subsidies

1. This type of transfers eliminates on consolidation and accordingly this account is limited in use to municipal entities.

## Preparation for mSCOA Implementation

Bringing about effective conversion to an mSCOA compliant chart of accounts from the municipalities’ perspective is vital in achieving success~~;~~ paramount to the “Item Revenue” segment is the municipality’s Revenue and tariff setting policies and methodology, amongst other.

The system developers responsible for applications commonly used by the municipalities are responsible for enhancing their software to be operated by business processes and subject to customisation based on the unique requirements of client municipalities, with one of the primary objectives to assist municipalities in achieving compliance with the mSCOA classification framework. However, National Treasury recognises the complexities inherent to the implementation of the mSCOA requirements.

If the municipality envisage to use “discontinuing operations” this formal decision need to be taken prior to the commencement of the budget planning cycle in order to present a budget providing for the financial impact. The details need to be given to the mSCOA Technical Committee for creating specific posting level accounts within the mSCOA Classification Framework for this purpose.

Municipalities having interest in associates, subsidiaries and joint ventures need to provide the name of the entities to the mSCOA Technical Committee for creating specific posting level accounts within the mSCOA Classification Framework for this purpose.

Municipalities to ensure agency agreements arein place on behalf of national/ provincial departments and district municipalities to provide the agreement details to the mSCOA Technical Committee for adding posting level accounts for this purpose.

Institute processes to distinguish the cost of renting land from structures erected on land**,** to enable the provision of information required by the mSCOA Classification Framework. Refer the discussion above for more information.

Consider the municipality’s system for recording rental agreements to be able to distinguish between firstly**,** market and non-market related agreements and secondly**,** for straight lease, contingent leases and sub-lease payments to enable the provision of information required by the mSCOA Classification Framework. Refer the discussion above for more information.

Comparison is required for the classification detail provided for in mSCOA as informed by the NERSA Regulatory Reporting Requirements and the Department of Water and Sanitation. If the municipality is not yet in a position to comply and provide information on these bases this need to be brought to the attention of the mSCOA Technical Committee to add accounts based on what the municipality is able to provide.

The municipality need to provide the detail of surcharges and taxes to the mSCOA Technical Committee to add posting level accounts to the mSCOA Classification Framework.

Provincial Departments need to provide the allocations to be made to municipalities to the mSCOA Technical Committee to add posting level accounts to the mSCOA Classification Framework.

District Municipalities need to provide the allocations to be made to municipalities to the mSCOA Technical Committee to add posting level accounts to the mSCOA Classification Framework.

In addition to the above specific requirements the next step would be to identify the differences between the chart of accounts currently in use by the municipality compared to the mSCOA classification, and incorporate these requirements into the standard operating procedures and work methods of the municipality.

## 

## Annual Maintenance and Matters Pending

### Annual Maintenance

Update of Transfers and Subsidies posting level accounts.

### Matters Pending

Posting level accounts not populated for district municipalities due to information not forthcoming despite ample requests.

Transfers and Subsidies made to municipal entities are not set-up according to posting-levels.

Agency Services: ASB Comment Letter on PSD – 8 April 2016 has reference. In reading paragraphs 39, 41 and 43, we noted that these requirements (which were assumable extracted from the VAT Guide) are inconsistent with the concepts outlined in *GRAP 109 relating to* *Accounting by Principals and Agents*. In particular, applying these paragraphs may give rise to inconsistent interpretation of when an entity is a principal or an agent when compared to the guidance in GRAP 109. Detailed comments on these paragraphs are noted in the PDF document. The mSCOA project team propose that the paragraphs from the VAT Guide be deleted and only GRAP 109 considered. National Treasury need to investigate the apparent differences and provide guidance to practioners.

Agency Services – Provincial/ National/ District Municipalities: The posting level for these accounts are defined based on information provided to National Treasury. Accordingly, the available posting levels are not sufficient for all municipalities due to a lack of information forthcoming to define accounts.

Municipalities need to request posting levels accounts to be added through logging requests to the mSCOA Technical Committee through the National Treasury mSCOA Frequently Asked Questions (FAQ) Database for consideration.