



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

# STANDARD CHART OF ACCOUNT SPECIFIC TO LOCAL GOVERNMENT

*SCOA for MUNICIPALITIES – mSCOA*

---

## Item Segment – Revenue

*January 2023 (Version 6.7)*

<b>REVENUE</b> .....	<b>4</b>
<b>Background to the Item Revenue segment</b> .....	<b>4</b>
<b>Illustration: High-level Classification</b> .....	<b>4</b>
<b>Design Principles</b> .....	<b>5</b>
<b>Legislative and Regulatory Requirements</b> .....	<b>9</b>
<b>Transactions by Business Process to be allocated in this Segment</b> .....	<b>9</b>
<b>Category Links and Business Rules</b> .....	<b>10</b>
<b>Discussion of the Classification Structure</b> .....	<b>10</b>
Discontinued Operations .....	10
Exchange Revenue.....	11
Agency Services.....	11
District Municipalities.....	13
National.....	13
Provincial .....	14
Interest, Dividend and Rent on Land .....	15
Interest.....	16
Receivables.....	16
Current and Non-Current Assets .....	17
Deemed Interest.....	18
Dividends .....	18
Operational Revenue .....	18
Rental from Fixed Assets.....	19
Sale of Good and Rendering of Services .....	22
Service Charges .....	33
Electricity .....	34
Waste Management.....	36
Waste Water Management.....	37
Water.....	38
Intercompany/Parent-subsidiary Transactions.....	40
Licenses or Permits .....	40
Non-exchange Revenue.....	44
Fines, Penalties and Forfeits .....	45
Fines .....	46
Penalties.....	46
Forfeits .....	47
Licenses or Permits .....	47
Property Rates.....	49
Summary of the changes introduced by the Local Government: Municipal Property Rates Amendment Act.....	<b>Error! Bookmark not defined.</b>
Special Rating Areas .....	77
Surcharges and Taxes .....	78
Municipal Taxes .....	78
Surcharges .....	79
Transfers and Subsidies.....	79
Departmental Agencies and Accounts: Capital and Operational Transfers and Subsidies ..	81
District Municipalities: Capital and Operational Transfers and Subsidies.....	82

Foreign Government and International Organisations: Capital and Operational Transfers and Subsidies .....	82
Higher Educational Institutions: Capital and Operational Transfers and Subsidies .....	82
Households: Capital and Operational Transfers and Subsidies .....	83
National Government: Capital and Operational Transfers and Subsidies.....	83
Non-profit Institutions: Capital and Operational Transfers and Subsidies.....	83
Private Enterprises: Capital and Operational Transfers and Subsidies .....	84
Provincial Government: Capital and Operational Transfers and Subsidies .....	84
Public Corporations: Capital and Operational Transfers and Subsidies.....	85
Parent Municipalities: Capital and Operational Transfers and Subsidies .....	85
<b>mSCOA Implementation.....</b>	<b>85</b>
<b>Annual Maintenance and Matters Pending.....</b>	<b>86</b>
Annual Maintenance .....	86
Matters Pending .....	86

# 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.

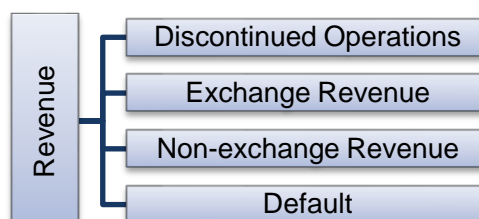
By definition “revenue” includes “gains”. The *m*SCOA Classification provides for “gains” within the component of the Item segment for “Gains and Losses”.

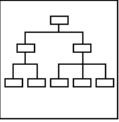
The key question to find the appropriate classification code for this Item Revenue segment is: ***“what is the type and nature of the revenue accrued?”***

## 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:



	<p><b><i>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?</i></b></p> <p>The Funding Segment appears to be a duplication of the content of the Revenue Components from the Item Segment. The use of the funding segment is linked to the balancing of the revenue source grouped per fund sources in the budget</p>
---	--

## 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. In the 6.7 version of the chart the old category for property rates is retired. From 6.7 version municipalities may only record property rates by usage as revenue.

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 – The raising of revenue for special rating areas must be done against surcharges in terms of Section 22 of the Local Government Municipal Property Rates Act of 2014 as amended.

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 (December 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 6.5, 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 requires an annual update based on the allocations published in the annual DoRA for the reporting period.

*Principle 19: Transfers and Subsidies (Provincial Governments)* - Two main categories for Provincial Grants were created under capital and operational transfers and subsidies namely: Infrastructure and Capacity building. Provincial Government should provide guidance on the format of the reporting required from Municipalities using the specify posting levels. To ensure data credibility in reporting, the Item Revenue, Liabilities and Funding segment must be aligned and used consistently.

*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 *m*SCOA 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

For the legislative and regulatory requirements refer to Annexure A of the PSD.

## 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 that were considered in the design principles 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 Liabilities for unspent transfers and subsidies.

Revenue accounts in the Item segment to be linked to the equivalent account in the Funding segment in the creation of data strings.

## 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-sell.

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:

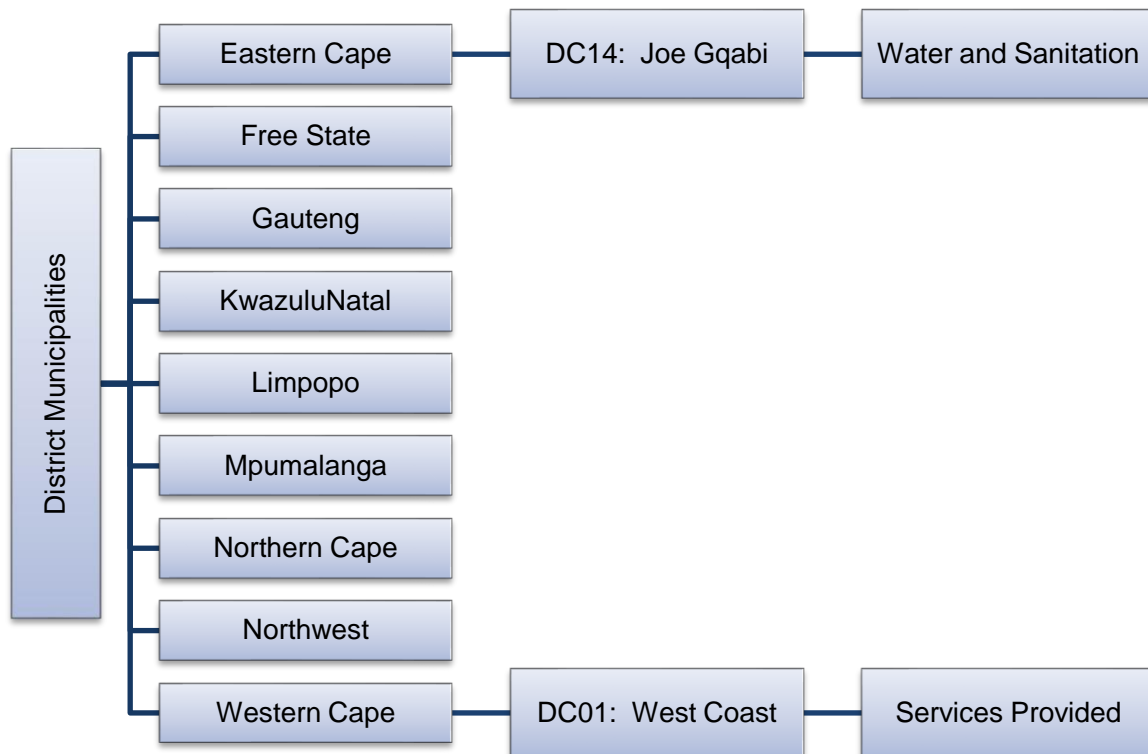
### Agency Services

- National Departments
- Provincial Departments
- District Municipalities

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.

### 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*.

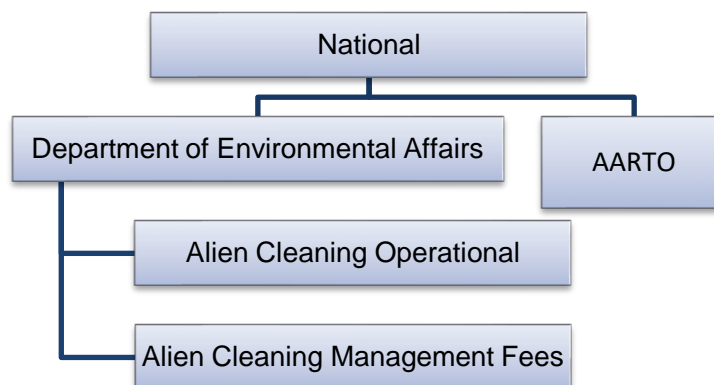
The posting level for these accounts are defined based on information provided to National Treasury. Accordingly, the available posting levels are not sufficient for all municipalities due to a lack of information forthcoming to define accounts. The following accounts are available within the above overall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

AARTO: Administrative Adjudication of Road Traffic Offences: This is an Agency fee that is retained by the municipality receiving the fine for AARTO.

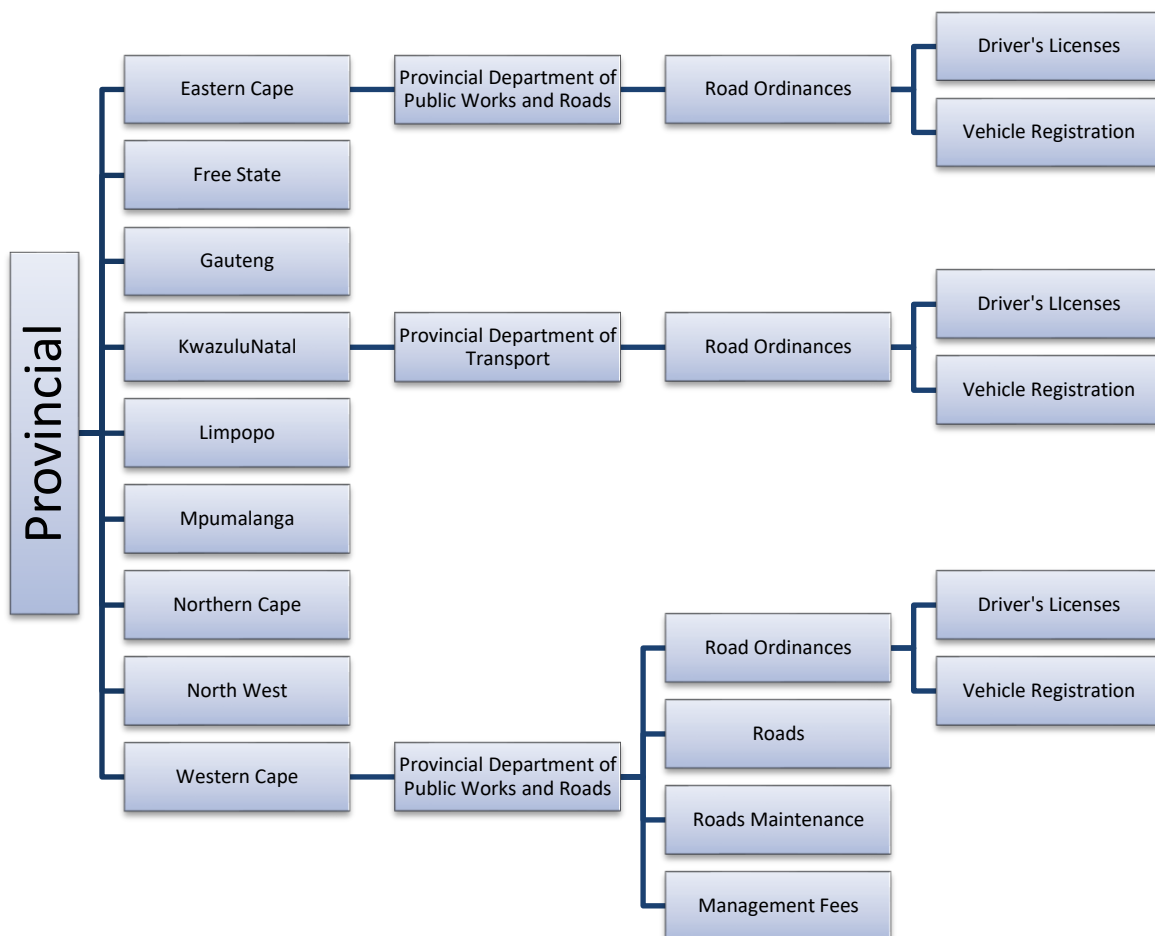
:



## 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

Refer to the Function segment of the project detailed document to refer to VAT implications on agency agreements.

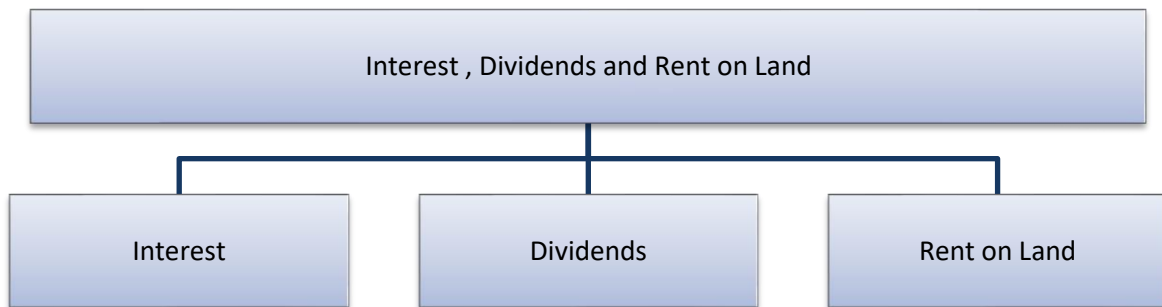
The *Standards of GRAP 109 - on Accounting Principles and Agents* provide further guidance to be considered in classifications within this category.

***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.

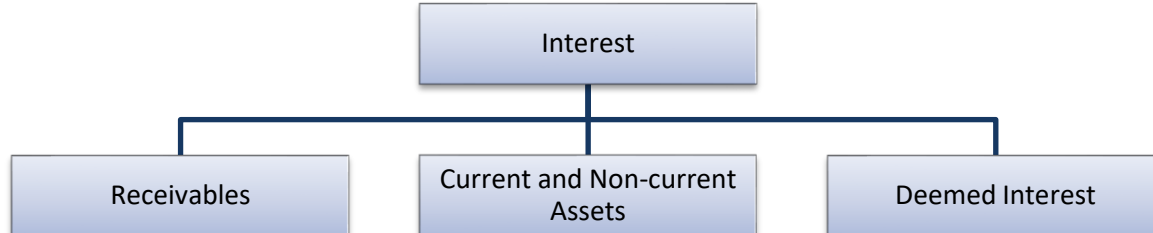
The *Standards of GRAP 13 - Leases* contains a requirement for the separate assessment of a lease if it includes both land and building in accordance with paragraphs 10 and 16 of the Standard. In determining whether the land element is an operating or a finance lease, an important consideration is that 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:



### *Interest on 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:



# Receivable

- Affiliates/ Related Parties/ Associated Companies
- Electricity
- Housing
- Housing Land Sales
- Housing Selling Schemes
- Merchandising, Jobbing and Contracts
- Property Rental Debtors
- SARS
- Services Charges
- Sporting and Other Bodies
- Staff
- Waste Management
- Waste Water Management
- Water

## *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:



### Current and Non-current assets

- Bank Accounts
- Investment
- Short Term Investments and Call 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.

**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:



*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):



## Operational Revenue

- Administrative Handling Fees
- Bad Debts Recovered
- Breakages Recovered
- Collection Charges
- Commission (Further Breakdown Provided) for:
  - *Insurance*
  - *Transaction Handling Fees*
- Discounts and Early Settlements
- Incidental Cash Surpluses
- Inspection Fees (Further Breakdown Provided):
  - *Abattoir*
  - *Agricultural Activities*
  - *Animal Housing*
  - *Facilities*
  - *Statutory Services*
  - *Quarantine Inspection*
- Registration Fees (Further Breakdown Provided):
  - *Inflammable Material*
  - *Landing Fees (Aerodrome)*
  - *Road and Transport*
  - *Copyright/Royalty*
- Staff Recoveries
- Request for Information (Further Breakdown Provided):
  - *Accidental Reports*
  - *Access to Information Act*
  - *Duplicate IRP5 Certificate*
  - *Municipal Information and Statistics*
  - *E -Natis*
  - *Plan Printing and Duplicates*
- Insurance Refund
- Sale of Property
- Merchandising, Jobbing and contracts
- Skills Development Levy Refund
- Bursary Repayment
- Recovery Infrastructure Maintenance
- Arbor City Awards Competition
- Bontle Ke Botho Cleaning and greening Award

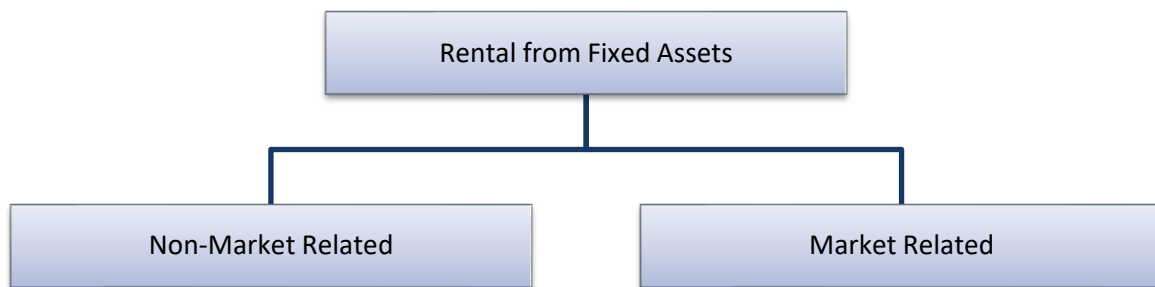
### ***Rental from Fixed Assets***

**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 market-related prices, the transaction should be recorded here.

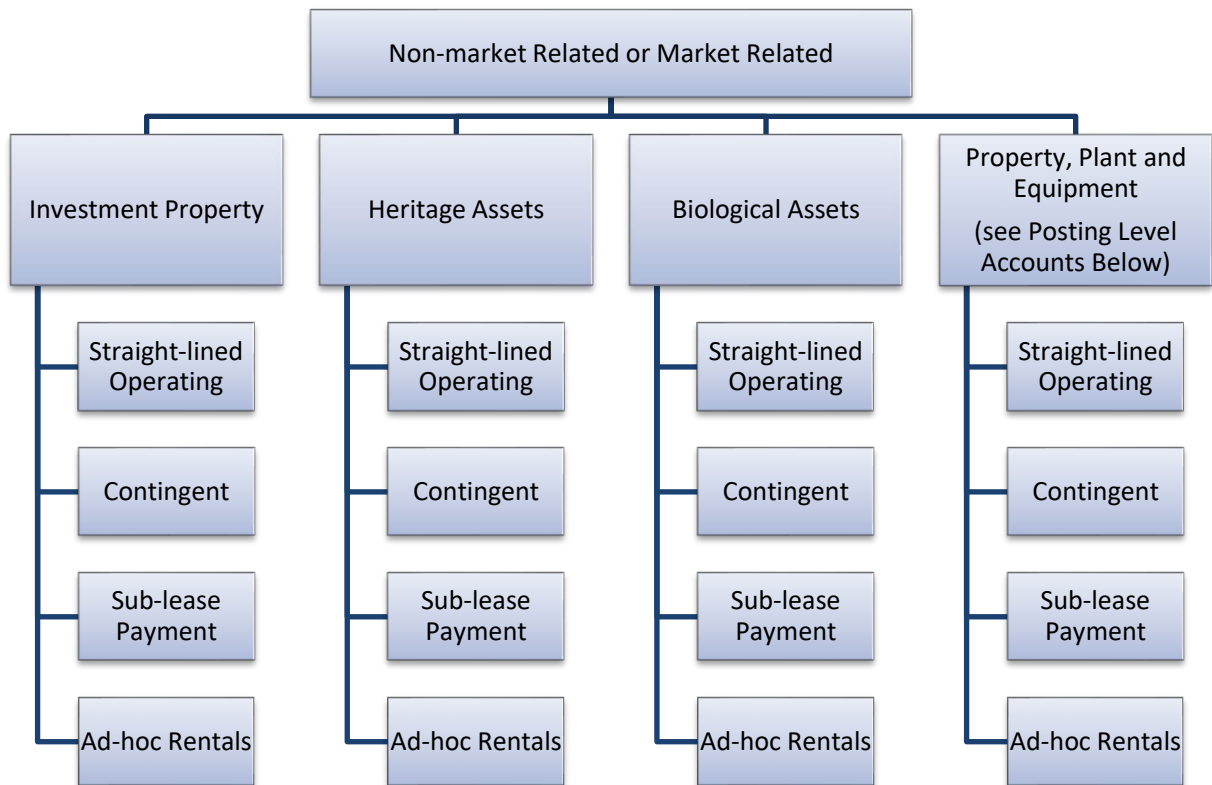
At the highest-level distinction is made between rental income based on market related versus non-market related rates:

**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.

*m*SCOA 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”:

## Property, Plant and Equipment

- *Computer Equipment*
- *Furniture and Office Equipment*
- *Electrical Infrastructure*
- *Roads Infrastructure*
- *Solid Waste Infrastructure*
- *Water Supply Infrastructure*
- *Intangible Assets*
- *Machinery and Equipment*
- *Transport Assets*
- *Libraries*
- *Zoo, Marine and Other Animal*
- *Community Assets*
- *Other Assets*
- *Storm Water Infrastructure*
- *Sanitation Infrastructure*
- *Network and Communication Infrastructure*
- *Coastal Infrastructures*

### *Sale of Good and Rendering of Services*

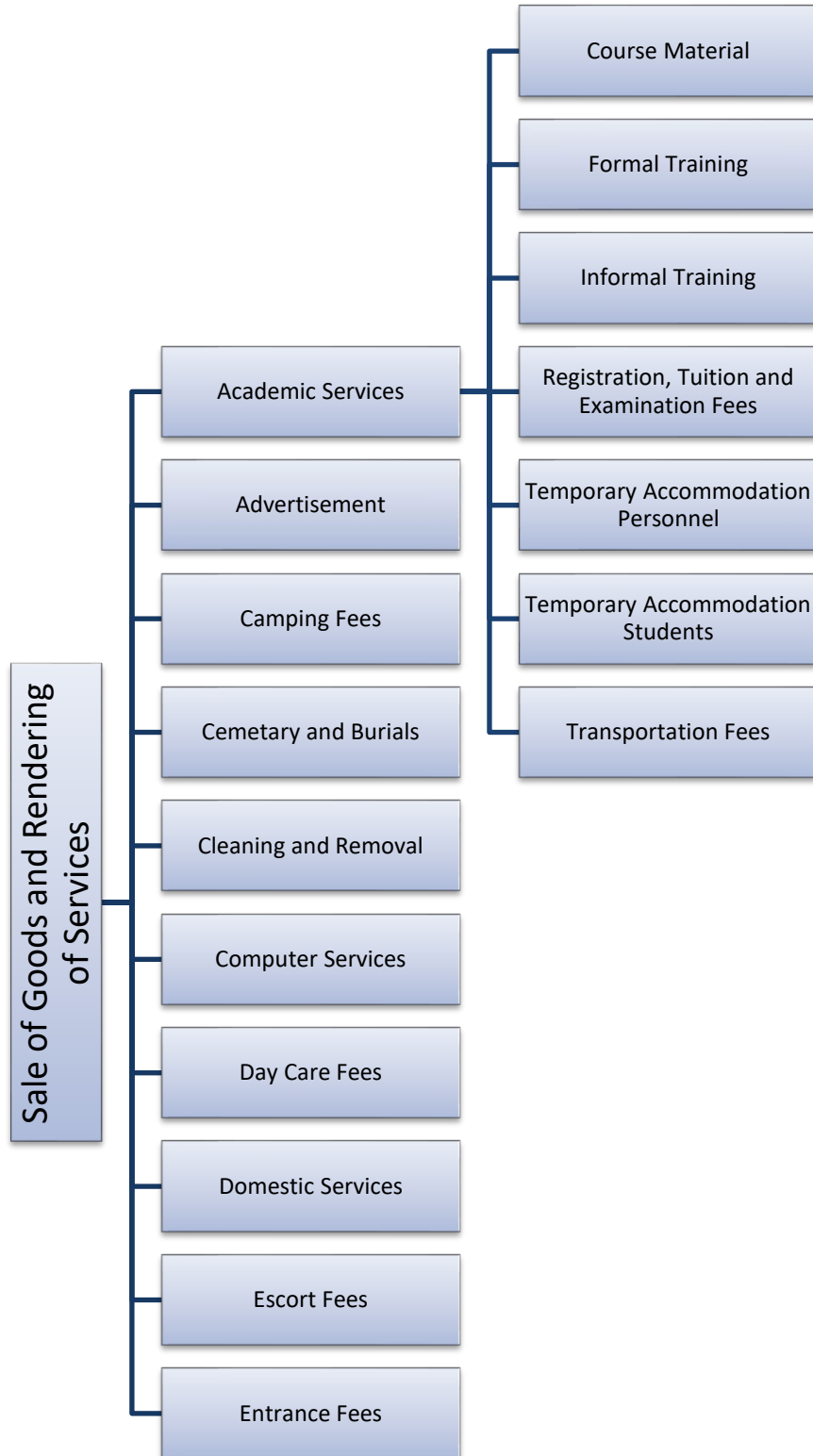
#### **Definition:**

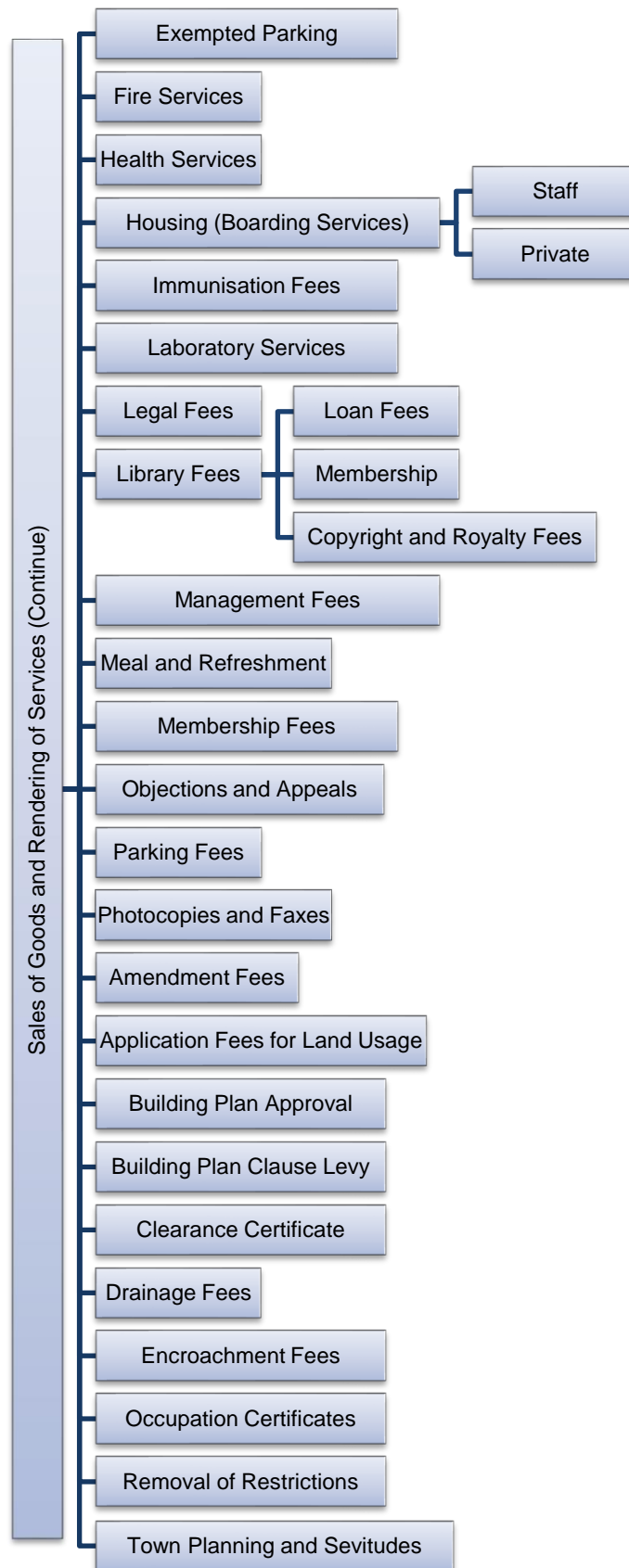
The rendering of services typically involves the performance by the municipality of an agreed task over an agreed period of time. This category consists of sales and services rendered provided that the municipality produced or partially produced the good or service. Detail categories were added according 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.

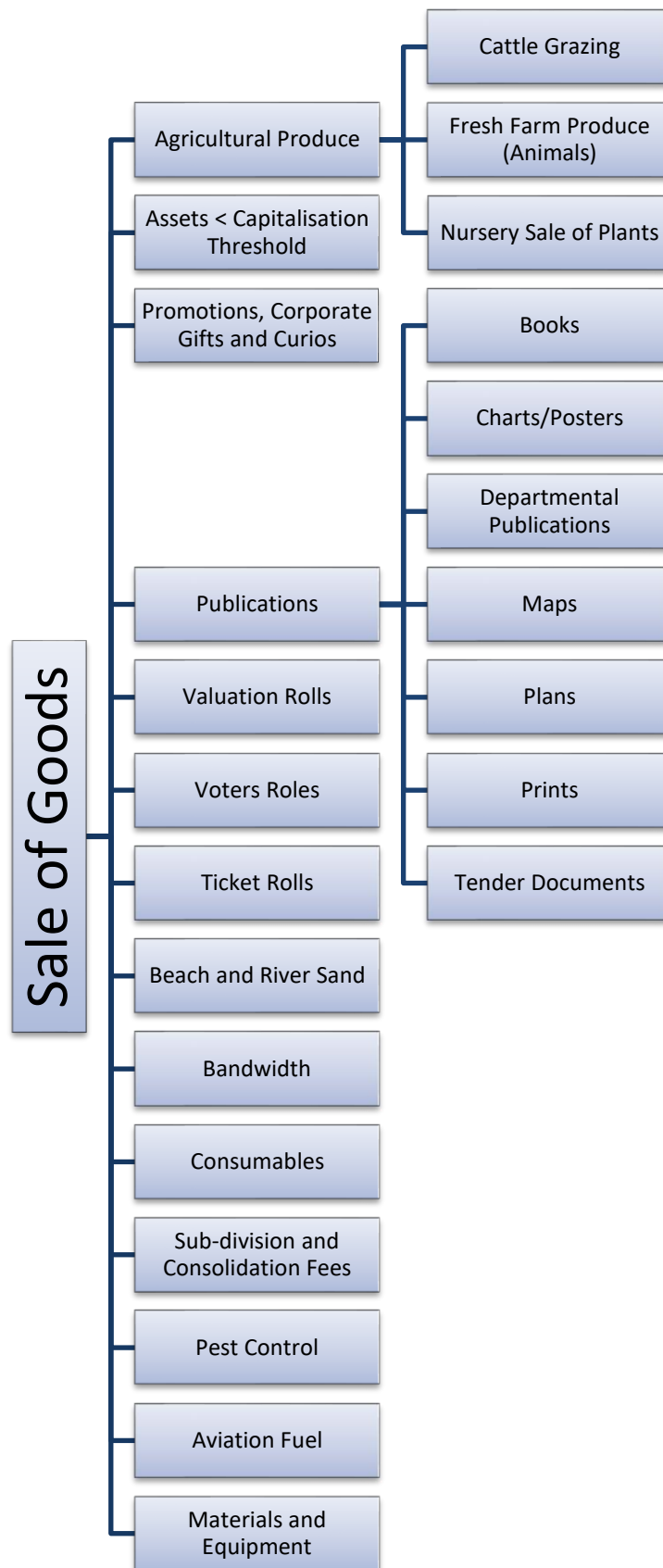
Goods include goods produced by the municipality for the purpose of sale, such as publications, and goods purchased for resale, such as merchandise or land and other property held for resale.

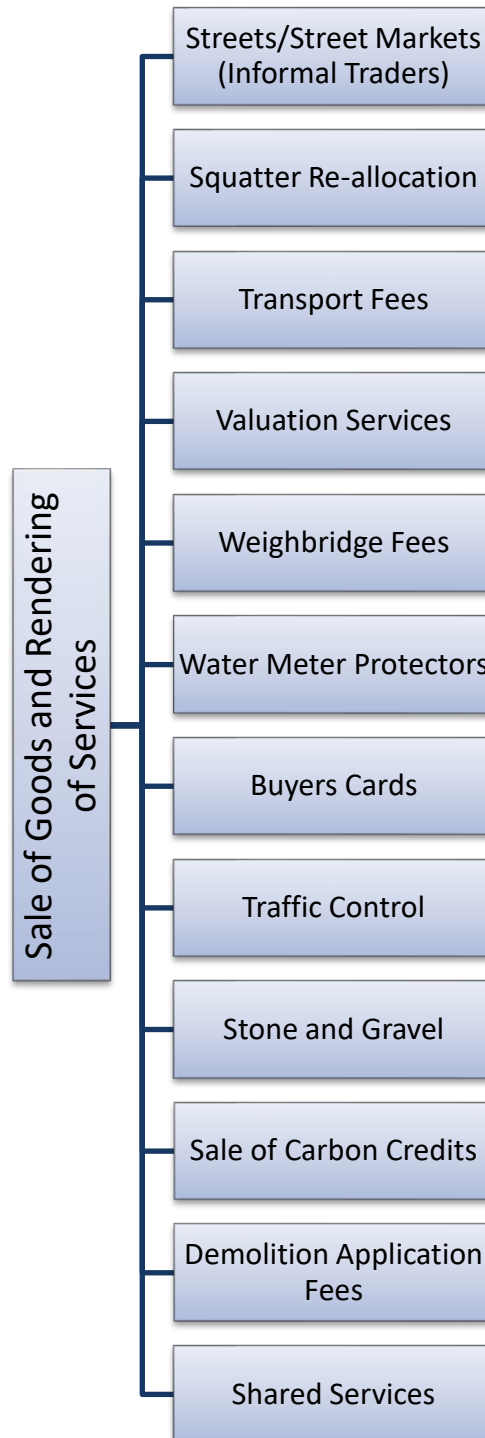
The following posting level accounts have been added within this group of accounts:













#### 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.

**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 be recorded as an agency fee through a control account in the Statement of Financial Position and only the management fees paid to the municipality for administration of these services are 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 Grazing:** 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.

**Construction Contract Revenue:** The initial amount of revenue agreed in the contract; and variations in contract work, claims and incentive payments.

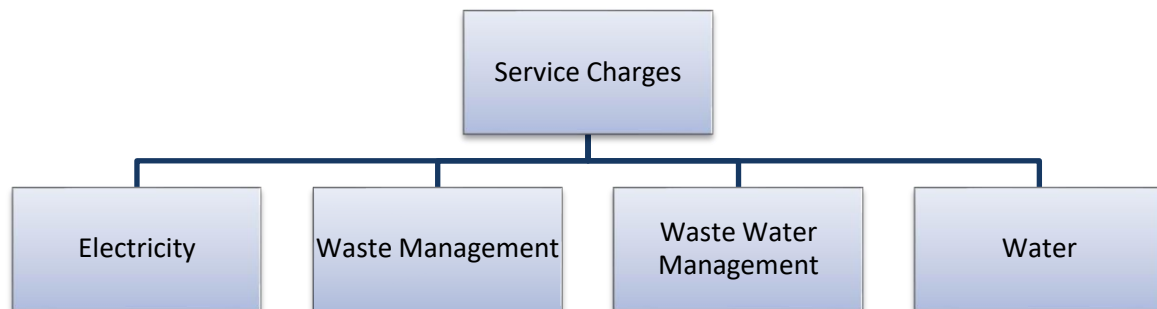
**Shared Services:** The revenue received from another municipality for the reimbursement of shared services.

## ***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 *m*SCOA provides for the following group of accounts for service charges:



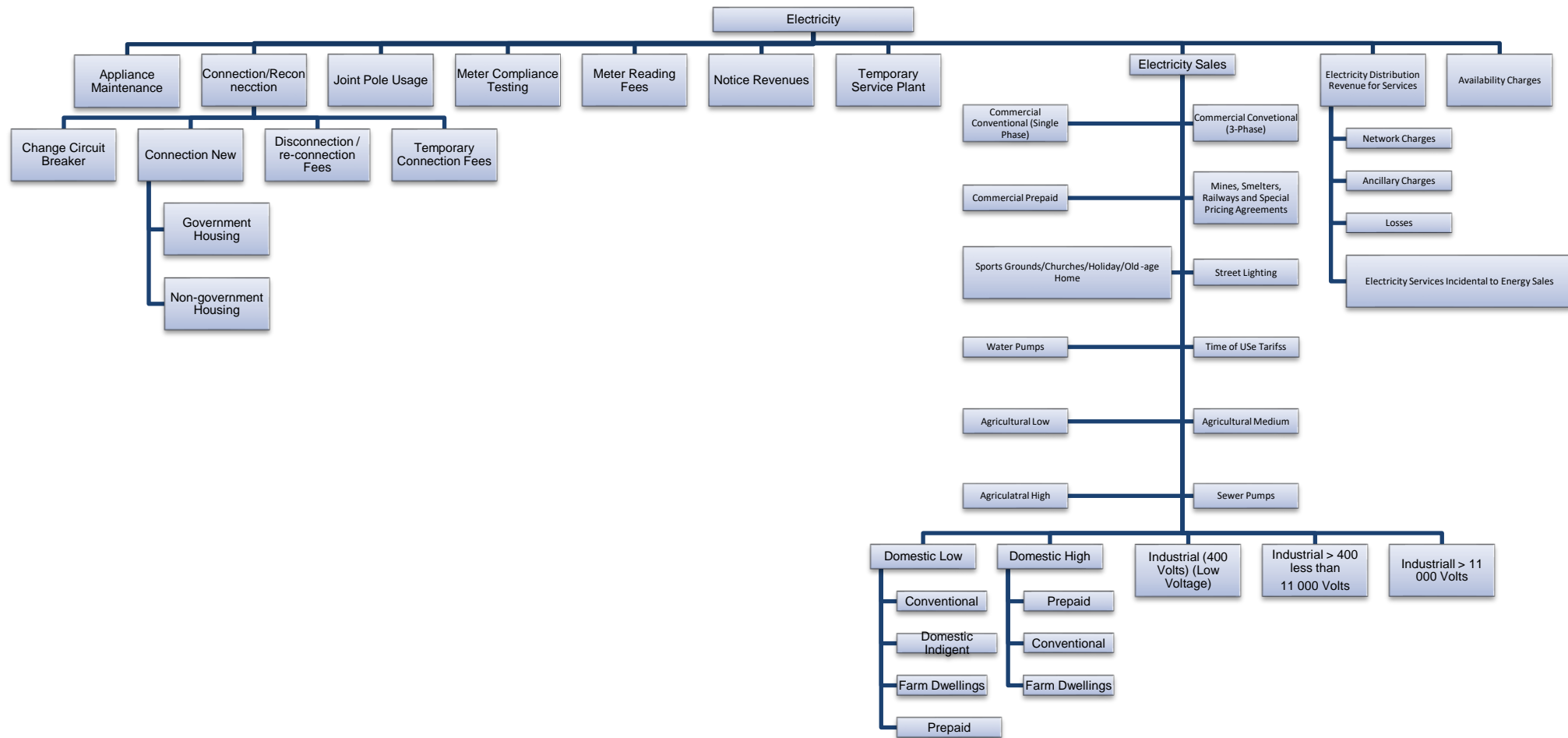
### Electricity

The information included in the *m*SCOA 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.

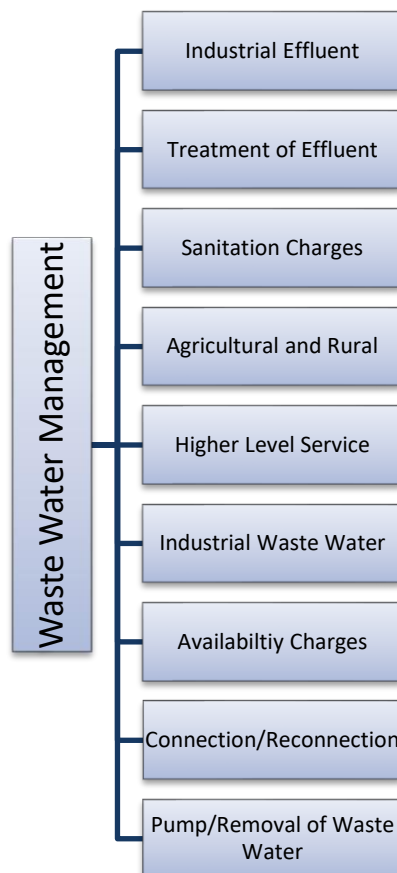
## Waste Water Management

**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]

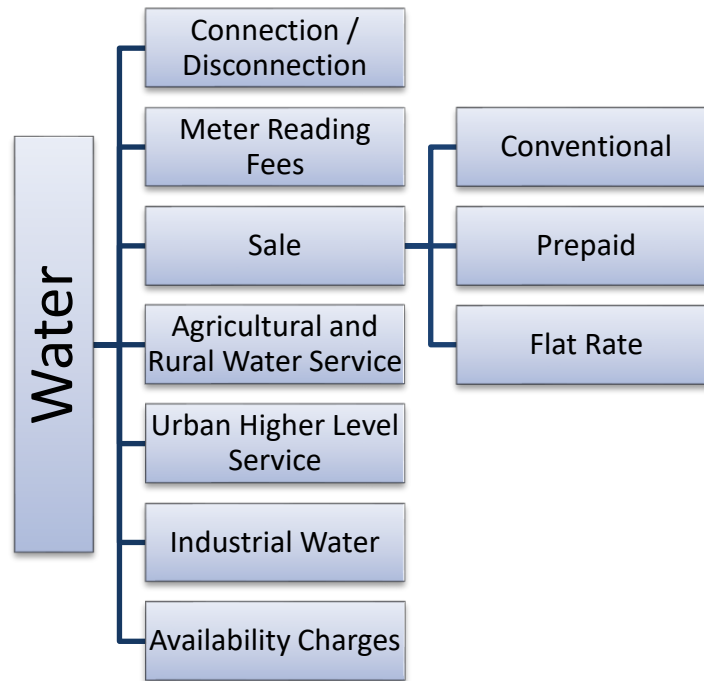
## Water

**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.

**Aggricultural 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.

### *Development charges*

**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.

### *Intercompany/Parent-subsidiary Transactions*

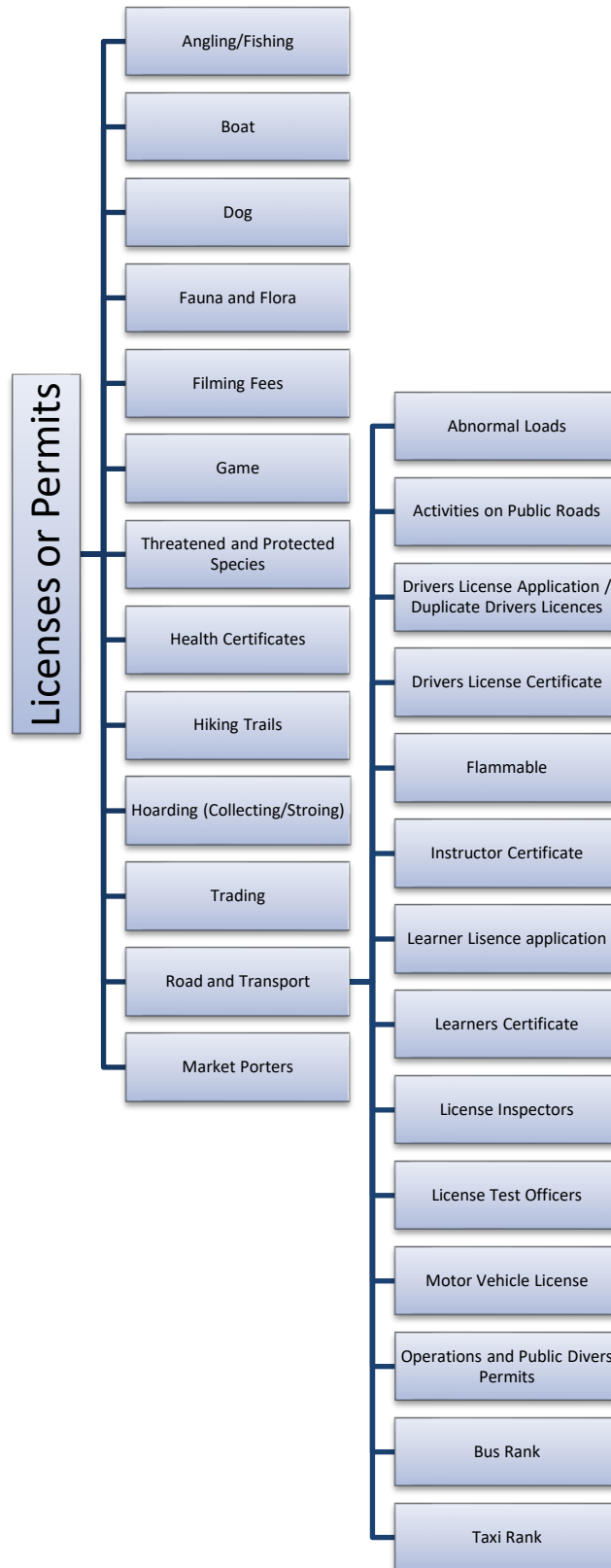
Revenue generated due to exchange transactions between municipalities and their subsidiary municipal entities.

### *Licenses or Permits*

Granting of licenses or permits associated with a regulatory function by government. Fees recognised under this category must result from a principal agreement. If the municipality act as an agent on behalf of provincial or national government, the transaction needs to be treated accordingly. Judgment needs 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;

## 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.

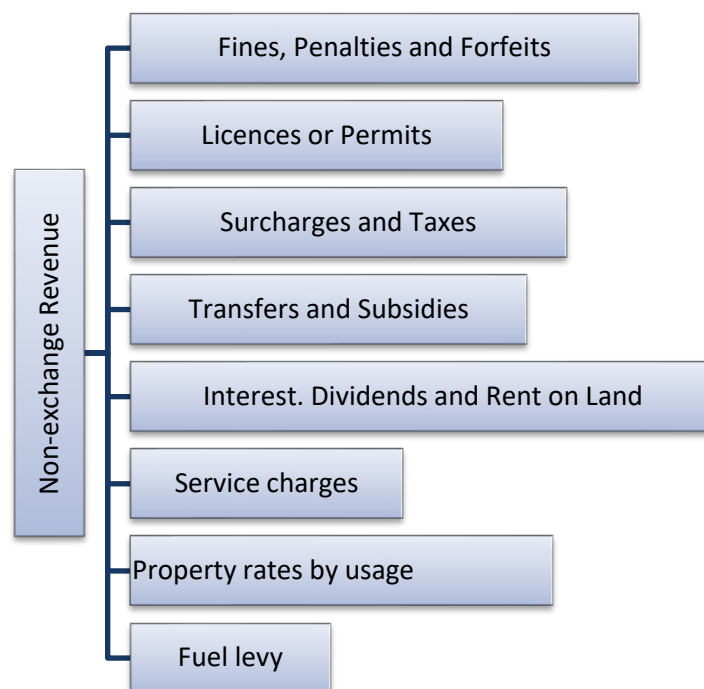
In addition, municipalities may receive trade discounts, quantity discounts, or other reductions in the quoted price of assets for a variety of reasons. These reductions in price do not necessarily mean that the transaction is a non-exchange transaction.

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.

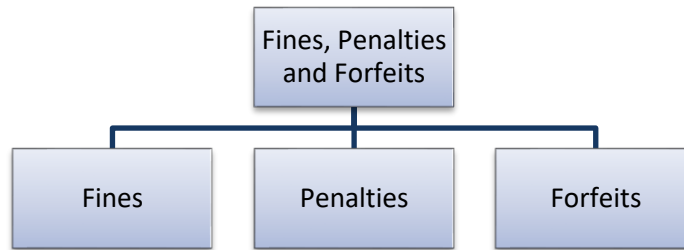
At the highest-level non-exchange revenue consists of:



### ***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:

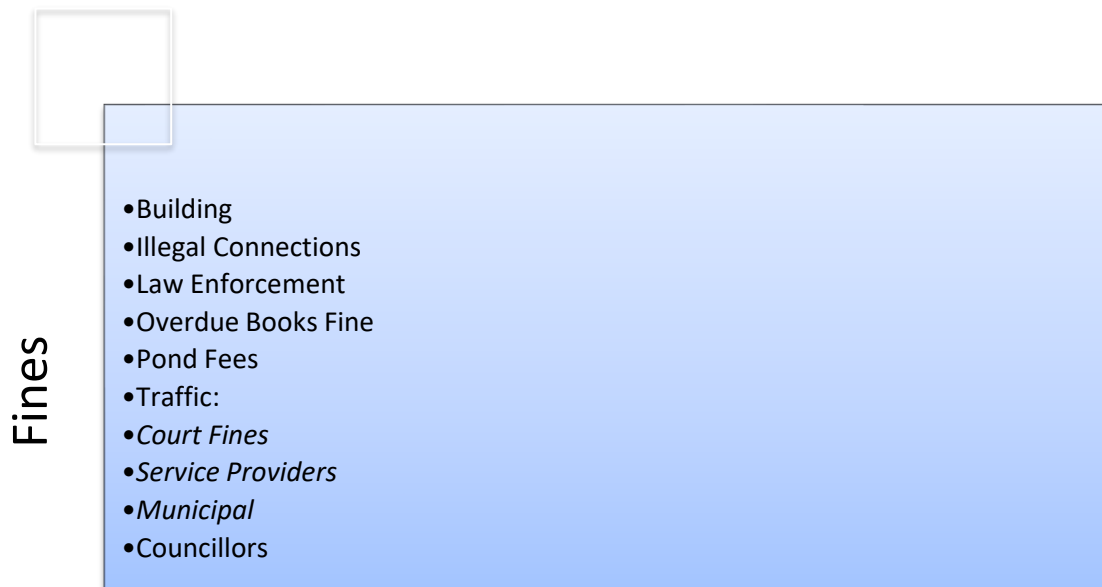


## Fines

**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:

## Penalties

- Property Rates
- Disconnection Fees
- Motor Vehicle Licence
- Tender Withdrawal
- Bus Operator

## Forfeits

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

## Forfeits

- Deposits
- Retentions
- Unclaimed Money

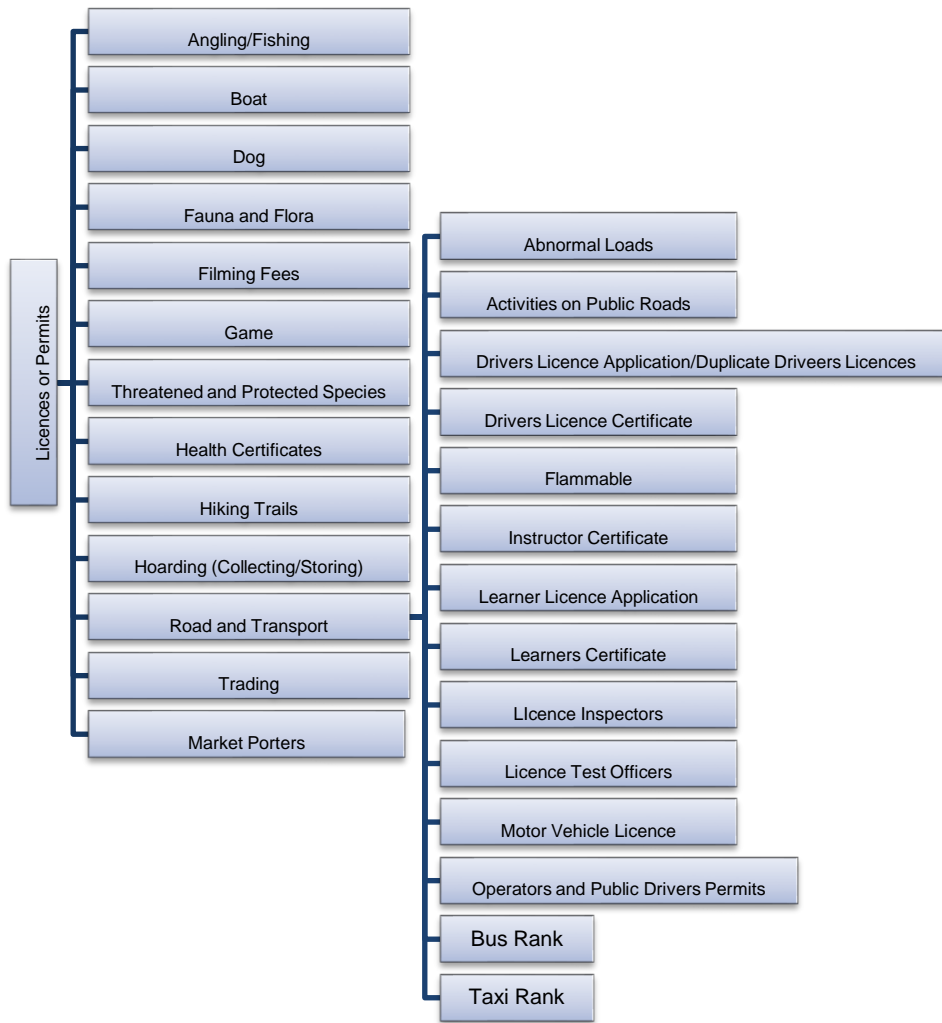
## *Licenses or Permits*

### **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:





### *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”.

**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 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”.

”.

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.

Section 8(4) allows Municipalities to apply for additional categories. The department of Cooperative Governance review these applications and the additions is made to the chart in accordance with the act and its provisions. Where a municipality apply in terms of section 8(4) the category can only be used by the specific Municipality.

Sports fields and clubs was added in version 6.5 for Bitou Municipality and Sectional title garages was added in 6.7 for the use of Drakenstein Municipality.

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. Following this implementation period, the old categories was retired in version 6.7 and Municipalities will only be allowed to use property rates by usage to record revenue.

The summary of comparison in the previous PSD was deleted with the amendment introduced in the Local Government: Municipal Property Rates Amendment Act, 2014. Only the categories per the Amendment of 2014 forms part of the 6.7 version of the chart.

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 *m*SCOA 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 old categories of property rates were retired in v 6.7 of the chart since the implementation period allowed for seven years and thus Municipalities must now value and rate their properties in terms of the 2014 amendment of the MPRA.



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 6.5 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 table below provides the posting level accounts for property rates. The comments column provides an indication on the continuous use of some of the accounts following the implication of the Amendment Act. The Property rates by usage categories have been included in the chart and must be phased in the new valuation roll that will be implemented in July 2021.

In version 6.7 the old categories were retired. The schedule below provides guidance on the categories that will no longer be applicable and how it must be catered for in the new structure. Properties are now classified and charged according to the use of the property.

Account Description	Definition	Comment
<b>Business and Commercial Properties</b>	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.
<b>Communal Land</b>	This classification would not be applicable if the Municipal Property Rates Amendment Act, 2014 has been	<b>Not applicable following the implementation of the Local</b>

Account Description	Definition	Comment
	<p>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 multiple 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</p>	<p><b>Government: Municipal Property Rates Amendment Act, 2014.</b></p>

Account Description	Definition	Comment
	<p>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.</p>	
<b>Business and Commercial</b>	<p>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.</p>	<p><b>Not applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.</b></p>
<b>Farm Property</b>	<p>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</p>	<p><b>Not applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.</b></p>

Account Description	Definition	Comment
	in terms of section 48(20(b) of the same act.	
<b>Other</b>	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.	<b>Not applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.</b>
<b>Residential</b>	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.	<b>Not applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.</b>
<b>Small Holdings</b>	This classification would not be applicable if the Municipal Property Rates Amendment Act, 2014 has been implemented by the	<b>Not applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.</b>



Account Description	Definition	Comment
	<p>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.</p>	
<p><b>Farm Properties</b></p>	<p>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)</p>	<p><b>Not applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.</b></p>

Account Description	Definition	Comment
	<p>any alleviation of any such restrictions. [Municipal Properties Rates Act, 2004] Section 9 of this Act directs that a property used for multiple 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,</p>	

Account Description	Definition	Comment
	residential, industrial, business and commercial and other purposes not specified above.	
<b>Agricultural Purposes</b>	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.	<b>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.</b>
<b>Business and Commercial</b>	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	<b>Not applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.</b>

Account Description	Definition	Comment
	in terms of section 48(20(b) of the same Act.	
<b>Industrial Purposes</b>	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.	<b>Not applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.</b>
<b>Residential Properties</b>	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.	<b>Not applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.</b>
<b>Other purposes than the above</b>	This classification would not be applicable if the Municipal	<b>Not applicable following the implementation of the Local</b>

Account Description	Definition	Comment
	<p>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.</p>	<p><b>Government: Municipal Property Rates Amendment Act, 2014.</b></p>
<p><b>Farm Properties not used for any purpose</b></p>	<p>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.</p>	<p><b>Not applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.</b></p>
<p><b>Formal and Informal Settlements</b></p>	<p>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</p>	<p><b>Not applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.</b></p>

Account Description	Definition	Comment
	<p>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.</p>	
<p><b>Industrial Properties</b></p>	<p>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.</p>	<p>Remains applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.</p>
<p><b>Mining Properties</b></p>	<p>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 in 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</p>	<p>Account added to assist the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.</p>

Account Description	Definition	Comment
	of the Municipal Property Rates Amendment Act, 2014.	
<b>Municipal Properties</b>	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.	<b>Not applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.</b>
<b>National Monument Properties</b>	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.	<b>Not applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.</b>
<b>Privately Owned Towns Serviced by the Owner</b>	This classification would not be applicable if the Municipal Property Rates Amendment Act, 2014 has been implemented by the municipality. Property rates	<b>Not applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.</b>

Account Description	Definition	Comment
	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.	
<b>Protected Areas</b>	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.	<b>Not applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.</b>
<b>Public Organisations</b>	<b>Benefit</b> 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.
<b>Public Infrastructure Properties</b>	<b>Service</b> 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	Remains applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.



Account Description	Definition	Comment
	<p>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</p>	

Account Description	Definition	Comment
	<p>lighthouses, radio navigation 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) 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.</p>	
<p><b>Residential Properties</b></p>	<p>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.</p>	<p>Remains applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.</p>

Account Description	Definition	Comment
<b>Developed</b>	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.
<b>Vacant Land</b>	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	Remains applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.

Account Description	Definition	Comment
	by Section 8(4)a of the Municipal Property Rates Amendment Act, 2014".	
<b>Restitution and Redistribution Properties (Section 8(2)n)</b>	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	<b>Not applicable following the implementation of the Local Government: Municipal Property Rates Amendment 2014.</b>

Account Description	Definition	Comment
	may vary from token amounts to the full value of the land.	
<b>Communal Property Associations Act,1996 (Act No. 28 of 1996)</b>	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.	<b>Not applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.</b>

Account Description	Definition	Comment
<p><b>Land and Assistance Act or Restitution of Land Rights Act, 1994 (Act No. 22 of 1994)</b></p>	<p>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.</p>	<p><b>Not applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.</b></p>
<p><b>Small Holdings</b></p>	<p>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</p>	<p><b>Not applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.</b></p>

Account Description	Definition	Comment
	<p>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].</p> <p>Section 9 of this Act directs that a property used for multiple 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</p>	

Account Description	Definition	Comment
	<p>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.</p>	
<p><b>Agricultural Purposes</b></p>	<p>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.</p>	<p><b>Not applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.</b></p>



Account Description	Definition	Comment
<b>Business and Commercial Purposes</b>	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.	<b>Not applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.</b>
<b>Industrial Purposes</b>	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.	<b>Not applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.</b>
<b>Purposes other than the above (specify)</b>	This classification would not be applicable if the Municipal Property Rates Amendment	<b>Not applicable following the implementation of the Local</b>

Account Description	Definition	Comment
	<p>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.</p>	<p><b>Government: Municipal Property Rates Amendment Act, 2014.</b></p>
<p><b>Residential Purposes</b></p>	<p>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.</p>	<p><b>Not applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.</b></p>
<p><b>Special Rating Area</b></p>	<p>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</p>	<p>Was retired following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014. Properties within a special rating area (SRA) must be categorised based on section 8 of the Act, as residential,</p>

Account Description	Definition	Comment
	<p>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.</p>	<p>business/commercial etc. Where an <b>additional rate is levied</b> within an SRA on residential, business, commercial properties, etc, this rate must be levied as a Surcharge</p>
<b>State-owned Properties</b>	<p>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.</p>	<p>Remains applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.</p>
<b>State Trust Land</b>	<p>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).</p>	<p><b>Not applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.</b></p>

Account Description	Definition	Comment
<b>Agricultural Property</b>	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.
<b>Multiple Purposes</b>	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. Systems must provide for the multiple rating of one property. Rates will be applicable in terms of the values attached to the use of the property.
<b>Other Categories</b>	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	Remains applicable following the implementation of the Local Government: Municipal Property Rates Amendment Act, 2014.

Account Description	Definition	Comment
	of the Municipal Property Rates Amendment Act, 2014.	

### *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.

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, proven 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 retired in version 6.7 and investigations indicated that Special Rating Area revenue is a surcharge per area. The Special rating areas fund source was retained in the Fund Segment and continues to provide the detail on the utilisation of the revenue raised through special rating areas “the additional rate”.

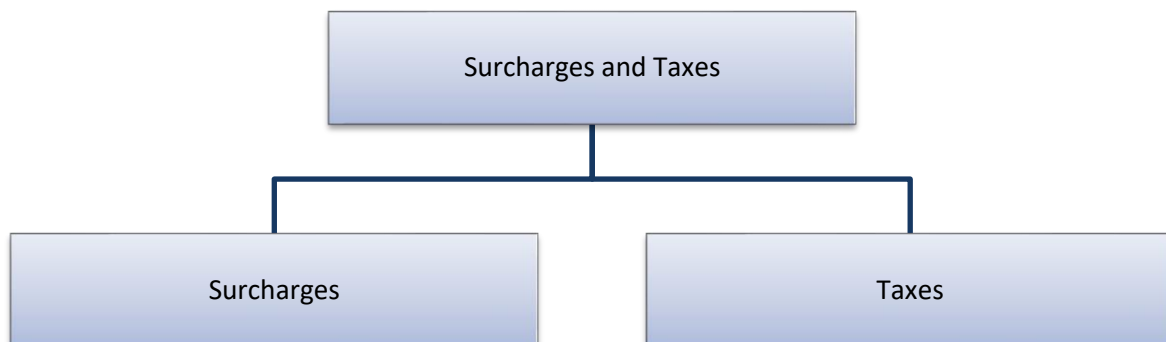
### *Surcharges and Taxes*

**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 required, 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.

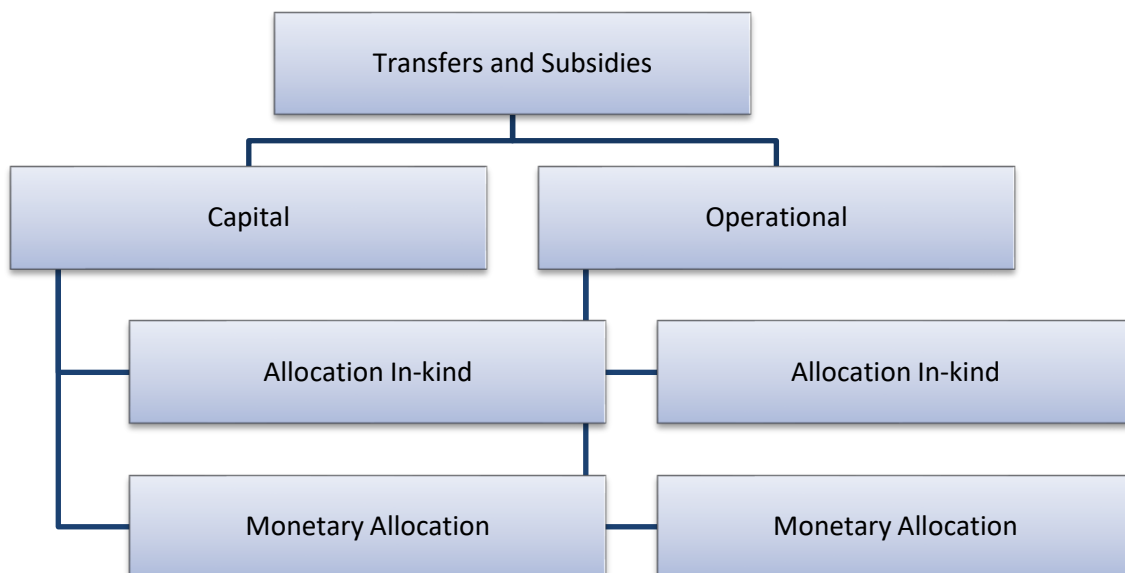
Every municipality must annually as part of its budget preparation process review any municipal surcharges and comply with section 75A(2), (3) and (4) of the Municipal Systems Act, 2000 relating to the manner in which fees, charges or tariffs are levied and how a resolution in that respect must be made 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:



The Standards on *GRAP 23 - Non-exchange Revenue* provides guidance on the recognition and measurement of Transfers and Subsidies.

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 (December 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.

## **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 were 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.

### **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 under Provincial government transfers and subsidies has been amended in *mSCOA* 6.3 version. The original classification was retired and replaced with two main headings: Infrastructure and Capacity building with posting levels that is named

“specify”. Each Provincial Government will have to provide guidance to the Municipalities on how the reporting must be structured on the grants allocated annually. The layout of the grant reporting must correspond between the Item Liabilities Unspent grants, the Item Revenue Transfers and Subsidies and the Fund segment. This will allow for alignment of reporting in terms of GRAP 23 and data string credibility. This is not prescribed by National Treasury.

### **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**

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

### **Fuel Levy (RSC replacement grant)**

The Fuel levy is an operational transfer from the National Revenue fund and does not form part of the annual division of revenue act.

## ***mSCOA* Implementation**

Municipalities by now, have progressively implemented the *mSCOA*.

The system developers responsible for applications commonly used by the municipalities are responsible for enhancing their software to be operated by business processes and are 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.

National Treasury have provided comprehensive guidance in *mSCOA* Circular no.7 to 14 as implementation challenges have been identified.

## Annual Maintenance and Matters Pending

### Annual Maintenance

There were several changes made to the item segment revenue on the version 6.7 of the chart and the detailed changes is available on the National Treasury website at [www.treasury.gov.za](http://www.treasury.gov.za).

### Matters Pending

There were no 'matters pending' identified for the Item Revenue at the time of finalising the Project Summary Document (PSD) for Version 6.7.