



Accounting Standards Board

**DIRECTIVE 6**

**TRANSITIONAL PROVISIONS FOR REVENUE  
COLLECTED BY THE SOUTH AFRICAN REVENUE  
SERVICE (SARS)**

Issued by the  
Accounting Standards Board  
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## Directive 6

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## INTRODUCTION

### Standards of Generally Recognised Accounting Practice

The Accounting Standards Board (the Board) is required in terms of the Public Finance Management Act, Act No. 1 of 1999, as amended (PFMA), to determine generally recognised accounting practice referred to as Standards of Generally Recognised Accounting Practice (GRAP).

The Board must determine GRAP for:

- (a) departments (national and provincial);
- (b) public entities;
- (c) constitutional institutions;
- (d) municipalities and boards, commissions, companies, corporations, funds or other entities under the ownership control of a municipality; and
- (e) Parliament and the provincial legislatures.

The above are collectively referred to as “entities”.

The Board has approved the application of Statements of Generally Accepted Accounting Practice (GAAP), as codified by the Accounting Practices Board and issued by the South African Institute of Chartered Accountants, to be GRAP for:

- (a) government business enterprises (as defined in the PFMA);
- (b) trading entities (as defined in the PFMA);
- (c) any other entity, other than a municipality, whose ordinary shares, potential ordinary shares or debt are publicly tradable on the capital markets; and
- (d) entities under the ownership control of any of these entities.

The Board believes that Statements of GAAP are relevant and applicable to financial statements prepared by all such entities, including those under their ownership control.

Section 89(1)(b) of the PFMA, requires the Board to prepare and publish directives and guidelines concerning the Standards of GRAP as set in paragraph 89(1)(a) of the PFMA. The *Preface to the Standards of GRAP* determines that directives will be used to set transitional provisions and transitional arrangements for the entities required to comply with Standards of GRAP. Directives issued by the Board in terms of section 89(1)(b) of the PFMA therefore have the same authority as the Standards of GRAP.

Directives should be read in conjunction with the relevant Standard(s) of GRAP, as well as the *Preface to the Directives issued by the Accounting Standards Board*.

## **DIRECTIVE ON TRANSITIONAL PROVISIONS FOR REVENUE COLLECTED BY THE SOUTH AFRICAN REVENUE SERVICE (SARS)**

### **Objective**

- .01 The objective of this directive is to set the transitional provisions for revenue collected by the South African Revenue Service (SARS) and entities on whose behalf SARS collects revenue.
- .02 Standards of GRAP set out the recognition, measurement, presentation and disclosure requirements for financial reporting in the public sector in South Africa. This directive should be read in conjunction with the relevant Standard(s) of GRAP.

### **Scope**

- .03 This directive shall be applied by the SARS and entities on whose behalf SARS collects revenue.

### **Effective date**

- .04 This directive shall be applied on or after the effective date of the applicable Standard(s) of GRAP. The Minister of Finance determines the effective dates for Standards of GRAP.

**GRAP 23 Revenue from Non-exchange Transactions (Taxes and Transfers)**

- .05 Entities initially adopting the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers) shall apply the transitional provisions set out in paragraphs .06 to .10 below.**
- .06 Entities are not required to change their accounting policies in respect of the recognition and measurement of taxation revenue for reporting periods beginning on a date within six years following the date of first adoption of the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).**
- .07 When an entity takes advantage of the transitional provisions in paragraph .06, that fact shall be disclosed in the annual financial statements. The entity shall also disclose which classes of taxation revenue are recognised in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), which have been recognised under an accounting policy that is not consistent with the requirements of the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), and the entity's progress towards implementation of accounting policies that are consistent with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers). The entity shall disclose its plan for implementing accounting policies that are consistent with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).**
- .08 When an entity takes advantage of the transitional provisions for a second or subsequent reporting period, details of the classes of taxation revenue previously recognised on another basis, but which are now recognised in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), shall be disclosed.**
- .09 The transitional provisions are intended to allow entities a period to develop reliable models for measuring taxation revenue during the transitional period. Entities may adopt accounting policies for the recognition of taxation revenue that do not comply with the provisions of the Standard of GRAP on *Revenue from Non-exchange Transactions (Taxes and Transfers)*. The transitional provisions allow entities to apply the Standard of GRAP on *Revenue from Non-exchange Transactions (Taxes and Transfers)* incrementally to different classes of taxation revenue. For example, entities may be able to recognise and measure estate duties and company taxes in accordance with the Standard of GRAP on *Revenue from Non-exchange Transactions (Taxes and Transfers)* from the date of application, but may require up to six years to fully develop a reliable model for measuring income tax revenue.
- .10 The disclosure requirements of paragraph .07 assist users to understand the progress of the entity in conforming the accounting policies to the requirements of



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the Standard of GRAP on *Revenue from Non-exchange Transactions (Taxes and Transfers)* during the reporting periods in which the transitional provisions apply.