

GLOSSARY

The numeric data contained in this Budget Statement 2 has been classified in terms of Government Finance Statistics (GFS).

RECEIPTS

Tax receipts: Is defined as compulsory, unrequited revenue collected by government units. This mainly consists of taxes, for example, casino tax, motor vehicle licences and gambling: wherein the other party is required by statutory provision to pay taxes in certain circumstances and under certain conditions.

Sales of goods and other than capital assets: This category consists of sales by government units provided that the government has produced the goods or services; this item has the following components, discussed below.

- **Sale by market establishments:** This includes instances where government units sell goods or services at market related prices.
- **Administrative fees:** This item consists of revenue collected for sales of regulatory or administrative services. Examples are court and passport fees, drivers' and pilots' license fees, firearm license fees, and radio and television license fees.
- **Other sales of goods and services:** This item includes revenue from the sale of other goods and services produced or partially produced by a government unit. This includes rental of buildings and machinery, as well as hospital, university, park and museum fees, as well as seeds and livestock produced by the government.
- **Sales of scrap, waste, arms and other used goods other than capital assets:** This category includes sales of all used goods that are not considered capital assets, for example used military equipment and scrap material.

Fines, penalties and forfeits: This item consists of compulsory payments imposed by a court or quasi-judicial body. Out-of-court settlements are also included in this category.

Interest, dividends and rent on land: This item has three components:

- **Interest:** This item consists of the revenue associated with ownership of interest-bearing financial instruments, such as bank deposits, loans extended to others, bills and bonds.
- **Dividends:** This item consists of the revenue associated with ownership of the capital or part of the capital of a productive unit, for example a state-owned enterprise. Dividends come in the form of revenue from shares and distribution of profits to the owner. Gains/losses associated with valuation changes should not be included in this amount reported here.
- **Rent on land:** This item consists of the revenue due to ownership of land. If it is not possible to distinguish the revenue due to ownership of land from that due to the fixed structures erected thereupon, the whole amount should be recorded under *sales of goods and services produced by departments*. This item also includes all revenue due to ownership of sub-soil assets and other naturally occurring assets such as virgin forests, game and fisheries that are commercially exploitable.

Transfers Received: This item consists of all unrequited receipts from other parties except fines, penalties, forfeits and compensation for damage. Stated differently, when a department does not pay anything in return for the transfer from the other party (except in connection with fines, penalties, forfeits and compensation for damage), an entry should be made under one of the various transfer categories.

Both current and capital transfers are included in this item. Examples of current transfers are voluntary donations, transfers from other government bodies and grants from foreign governments and international organisations. Examples of capital transfers are cash receipts, which a department is required to use toward the acquisition of a capital asset or transferral of ownership rights of capital assets in favour of the department. Departments are requested to distinguish between the following transfer categories:

- Transfers from other governmental units (but excluding educational institutions);
- Transfers from universities and technikons;
- Transfers from foreign governments;

- Transfers from international organisations;
- Transfers from public corporations and private enterprises;
- Transfers from households and non-profit institutions.

Sales of capital assets: This item has two components:

- Land and subsoil assets: Land excludes fixed structures erected thereupon. If it is not possible to separate the land from the structures that are erected thereupon, the combined value of the sale should be recorded under *buildings or other structures* as the case may be. The category, *subsoil assets*, consists of all assets found subsoil, for example proven reserves of oil, minerals and ores.
- Other capital assets: This item consists of goods that can be used continuously or repeatedly in production for at least one year. Examples are buildings, bridges, roads, machinery, vehicles, software and cultivated assets, such as breeding cattle, dairy cattle, fur- or wool-producing animals as well as trees and shrubs used for production of fruit and nuts.

It deserves notice that sales of goods, such as small tools, worth less than R5,000 are not included under *sales of capital assets*. These sales should be classified under *sales of used goods* other than *capital assets*.

Financial transactions in assets and liabilities: It is necessary to provide for receipts associated with transactions in financial assets and liabilities. This item mainly consists of transactions that reduce a debtor's outstanding account. Examples are repayments of loans and advances to public corporations and to employees, as well as the creation of a liability such as stale cheques.

PAYMENTS

(1) Current Payments

Compensation of employees: Government departments are requested to distinguish between two components:

a) Salaries and wages which are payable regularly, weekly or monthly or at other intervals; and b) Social contributions which includes the government's contribution (but not the employees contribution) to social insurance schemes paid on behalf of employees, example, unemployment insurance funds and pension funds.

Goods and services: This item includes payments for all goods and services, except payments for capital assets and items classified as *capitalised expenditure*. Goods to be included under this category are all goods that cannot be used continuously or repeatedly in production for a year. Examples would be petrol, coal, small tools, etc. except if they are to be used within a capital project in which case they should be classified as under the relevant asset category under capital payments (as part of *capitalised expenditure*). Examples of services are hotels, restaurants, transport, communication, banking, insurance, business services and training, as well as rental of buildings, equipment and vehicles, again except if the service is to be used within a capital project, in which case it should be classified as fixed assets (as part of *capitalised expenditure*). Payments for rent of land is not included in this category unless it is impossible to distinguish between the rent of land and rental of the fixed structures erected thereupon, in which case rent of land is included in goods and services. If it is possible to make this distinction, rent of land and rent of other naturally occurring assets should be recorded under *interest and rent of land*.

Interest and rent on land: This item has two components:

- Interest: This item includes the total value of interest payments associated with debts for example interest on borrowing or overdraft facilities.
- Rent on land: This item includes the total value of payments due to use of land owned by another party, including other government units. If possible, payments associated with the use of land should be distinguished from payments due to use of buildings or other fixed structures which are classified under goods and services.

Financial transactions in assets and liabilities: It is necessary to provide for payments associated with transactions in financial assets and liabilities. This item mainly consists of transactions that create or increase a debtor's outstanding account. Examples are lending to public corporations and to employees.

(2) Transfers and Subsidies

This item includes unrequited payments made by a government unit. Stated differently, when a department does not receive anything in return for the transfer to the other party, an entry should be made under one of the various transfer categories. Both current and capital transfers are included in this item; the main reason for including both

categories is that in practice it is often difficult to differentiate between these two categories. Examples of current transfers are social security benefits paid to households, fines, penalties, compulsory fees and compensation for injuries or damages. Examples of capital transfers are debt forgiveness (to public and private entities) as well as payments to enterprises (publicly and privately owned) or entities.

Departments are requested to distinguish between the following transfer categories:

- Transfers to provinces and municipalities;
- Transfers to departmental agencies and accounts;
- Transfers to universities and technikons;
- Transfers to public corporations and private enterprises;
- Transfers to foreign governments and international organisations;
- Transfers to non-profit institutions;
- Transfers to households.

All these transfer categories are self-explanatory with the exception of transfers to public corporations and private enterprises. Transfers to public corporations and private enterprises consist of all transfers whose purpose is NOT to subsidise production. Because virtually all transfers to public corporations and private enterprises are intended to subsidise production, this category will be very small.

Social benefits are included in current transfers to households. These are the transfers made to households to protect them against events that may adversely affect their social welfare, for example payments for medical and maternity care, home care, pensions and unemployment compensation. Transfers to households included under *other transfers to households* are capital transfers, for example housing transfers.

(3) Payments for Capital payments

This category consists of purchases of, on the one hand, capital assets that can be used repeatedly or continuously in the production process for at least one year, and, on the other, land and subsoil assets. Capital assets should be separated into the following categories:

Buildings and other fixed structures:

- Buildings: These assets can be used continuously or repeatedly in production for at least one year.
- Other fixed structures: This asset category consists of all fixed structures other than buildings. It includes roads, bridges and dams. These assets can be used continuously or repeatedly in production for at least one year.

Machinery and equipment:

- Transport equipment: This asset category includes vehicles, ships, aircraft and any other asset that can be used for transportation of goods or persons. These assets can be used continuously or repeatedly in production for at least one year.
- Other machinery and equipment: This asset category includes machinery, engines, motors, generators and computer hardware. These assets can be used continuously or repeatedly in production for at least one year.

Cultivated assets: Cultivated assets are animals and plants that are used repeatedly or continuously for more than one year to produce other goods or services. Examples of animals to be included in this category are dairy cattle, draft animals, fur- or wool-producing animals, breeding stocks, game and animals used for transportation and entertainment. Examples of plants are trees, vines and shrubs cultivated for production of fruits, nuts, sap, resin, bark and leaf products.

Software and other intangible assets: This asset category includes computer software, artistic originals and mineral exploration, as well as any other intangible asset that can be used continuously or repeatedly in production for at least one year. Research and development, staff training and market research does not constitute capital assets, and payments on such items should be classified under goods and services.

Land and sub-soil assets: This asset category includes all non-produced, non-financial assets, namely land and sub-soil assets.

- Land consists of purchases of land, but excludes structures erected thereupon. It also excludes improvements to land or the cost of ownership transfer of land. Improvements to land and the cost of ownership transfer of land are recorded under buildings or other fixed structures, as the case may be. Furthermore, if it is not possible to

separate the value of the land from the structures that are erected thereupon, the combined value of the acquisition should be recorded under buildings or other fixed structures.

- Sub-soil assets consists of sub-soil assets, such as proven reserves of oil, minerals and ores.

Payments on capital assets that can be used continuously or repeatedly in production for at least one year (i.e. all the above asset categories except land and sub-soil assets) represents the sum of:

- Purchases of new assets;
- The cost of major improvements/extensions to these assets;
- The cost of improvements to land (classified as *buildings or other fixed structures* as the case may be);
- The cost of ownership transfers of land, buildings and other structures (classified as buildings or other structures as the case may be).

Capitalised Compensation

Payments on capital assets also includes capitalised expenditure, i.e. *expenditure on compensation of employees and goods and services* if such payments can be directly associated with a capital project, i.e. a project executed by the department to construct, improve or extend a capital asset. However, payments on maintenance and repair of assets should not be capitalised.

Capitalised expenditure should be classified under the relevant asset category, for example, *buildings, other structures, transport equipment or software and other intangible* assets as the case may be.

Gauteng Department of Education

Budget Statement 2 Erratum

Text	Programme	Financial Year	Page	Corrections
1.Goods and Services	Summary of economic classification Programme 8	2005/06	215	Should read 71,509 and not 41,509
2.Goods and Services	Summary of economic classification Programme 8	2006/07	215	Should read 142,102 and not 42,102
3.Goods and Services	Summary of economic classification Programme 8	2007/08	215	Should read 142,682 and not 42,682