



## CLASSIFICATION CIRCULAR

### ADJUSTMENTS TO CLASSIFICATION OF DEPOSITS

1. The purpose of this communique is to inform affected government departments' financial practitioners of the changes made to Classification of Deposits in the Item segment of the SCOA COR 5.
2. The changes are effective from **1 April 2023**. Therefore, the Chart in the first quarter of the 2023/24 financial year will reflect the changes.
3. Changes were made to the Item segment only. Reasons for the changes are discussed below along with illustrations of the impact thereof.
4. Items shown in **red** indicate that they have been deleted/ removed; **blue** indicates that they have been changed/renamed, and **green** implies that a new item has been created/added in the chart.

### DEPOSITS THAT ARE PREPAYMENTS OR ADVANCES

5. There are instances where deposits meet the definition of a prepayment or an advance as they are part-payments of goods and services to be delivered by a service provider or another entity. In these instances, the deposit should be kept under prepayments and advances.
6. Where these deposits meet the definition of prepayments and advance and are current in nature, they should be allocated to the Prepayments and Advances Current Asset item in the chart as illustrated below.

PREPAYMENTS & ADVANCES:CA (BAS Code 2020)

*The department should choose the posting level Item based on the transaction.*

#### **Example: Prepayment (Current Asset)**

The department paid 50% deposit (part payment) to a sole supplier of a specialised capital asset on 20 February 20X3. This payment is in terms of the agreement between the department and the sole supplier. The supplier will deliver the specialised capital asset within 3 months of the order date. The payment should be classified as a Prepayment under Current Assets.

## Classification Circular: Adjustments to Refundable Deposits

- Where these deposits meet the definition of prepayments and advance and are non-current in nature, they should be allocated to the Prepayments and Advances Non-Current Asset item in the chart subcategory of assets as illustrated below.

PREPAYMENTS & ADVANCES:NCA (BAS Code 760)

*The department should choose an appropriate posting level Item based on the transaction.*

### Example: Prepayment (Non-Current Asset)

The department paid 50% deposit (part payment) to a sole supplier of a specialised capital asset on 20 February 20X3. This payment is in terms of the agreement between the department and the sole supplier. The supplier will deliver the specialised capital asset within 2 years of the order date. The payment should be classified as a Prepayment under Non-Current Assets.

## REFUNDABLE DEPOSITS

- Refundable Deposits are:

*Money deposited by a department to another entity, held by the entity and expected to be refunded to the department at end of the term of the agreement. The entity may use the refundable deposit during or at the end of the term only in accordance with the agreement. For example, where the agreement states that the entity as the landlord may recover damages caused by the department as a tenant, the entity may use the refundable deposit. At the end of the term, the refundable deposit or remainder thereof is paid to the department.*

Whereas,

Prepayments and advances paid are:

*Payments made in advance of goods, services or capital assets that are yet to be delivered to the department, and in the case of transfers and subsidies, cash is yet to be earned by the recipient, in accordance with the agreement under which the payment is made.*

- On review of the Chart, the SCOA Technical Committee identified that Refundable Deposits are erroneously included under Prepayments and Advances sub-category of assets in the Chart. Refundable Deposits do not meet the definition of Prepayments or Advances.

### Example: Refundable Deposit

The department paid the landlord a refundable deposit of R50,000 on 20 February 20X3 to lease a building abroad. This payment is in terms of the agreement between the department and the landlord. The lease term is three years. It will be refunded in full when the lease term ends, and department vacates the building, provided no physical damages were caused by the department. The payment should be classified as a Deposit under Current Assets and

- The Illustrations below indicate the Deposits in the Chart **before** and **after** the change. The BAS Codes will be populated with the first chart of the 2023/24 financial year.

**Classification Circular: Adjustments to Refundable Deposits**

*Illustration 1: Deposits in the Chart **before** the changes*

ITEM DESCRIPTION	SEGMENT NUMBER	REPORTING LEVEL
PREPAYMENTS & ADVANCES:NCA	760992	4
PREPAYMNT&ADV:DOMESTIC:NCA	815992	5
ADVANCES:DOM:NCA	852992	6
ADV:DOM:PRIVATE ENTERPRISES:NCA	886992	7
<b>ADVANCES TO PRIV ENTERPRISES:NCA</b>	<b>1873992</b>	<b>8</b>
PREPAYMENTS:DOM:NCA	853992	6
DEPOSITS:DOM:NCA	887992	7
<b>DEP MUNICIPALITIES:DOM:NCA</b>	<b>1874992</b>	<b>8</b>
<b>DEP PRIVATE ENTERPRISES:DOM:NCA</b>	<b>1875992</b>	<b>8</b>
<b>DEP PUB CORPORATIONS:DOM:NCA</b>	<b>5923992</b>	<b>8</b>
PREPAYMNT&ADV:FOREIGN:NCA	816992	5
PREPAYMENTS:FOREIGN:NCA	854992	6
DEPOSITS:FOREGN:NCA	913992	7
<b>RENTAL ADVANCES:FOREIGN:NCA</b>	<b>1876992</b>	<b>8</b>

The highlighted items were changed (renamed, added or deleted) as shown in the next illustration.

*Illustration 2: Deposits in the Chart **after** the changes*

ITEM DESCRIPTION	SEGMENT NUMBER	LEVEL
PREPAYMENTS & ADVANCES:NCA	760992	4
ADVANCES NCA	815992	5
ADVANCES:DOM:NCA	852992	6
ADV:DOM:PRIVATE ENTERPRISES:NCA	886992	7
<b>ADVANCES TO PRIV ENTERPRISES:NCA</b>	<b>1873992</b>	<b>8</b>
ADV:DOM:MUNICIPALITIES:NCA	<b>6209992</b>	<b>7</b>
<b>ADVANCES TO MUNICIPALITIES::NCA</b>	<b>6210992</b>	<b>8</b>
ADV:DOM: PUB CORPORATIONS:NCA	<b>6211992</b>	<b>7</b>
<b>ADVANCES TO PUB CORPORATIONS:NCA</b>	<b>6212992</b>	
PREPAYMENTS:DOM:NCA	853992	6
DEPOSITS:DOM:NCA	887992	7
<b>DEP MUNICIPALITIES:DOM:NCA</b>	<b>1874992</b>	<b>8</b>
<b>DEP PRIVATE ENTERPRISES:DOM:NCA</b>	<b>1875992</b>	<b>8</b>
<b>DEP PUB CORPORATIONS:DOM:NCA</b>	<b>5923992</b>	<b>8</b>
PREPAYMNT&ADV:FOREIGN:NCA	816992	5
ADVANCES:FOREIGN:NCA	854992	6
RENTAL ADVANCES:FOREIGN:NCA	913992	7
<b>RENTAL ADVANCES:FOREIGN:NCA</b>	<b>1876992</b>	<b>8</b>
DEPOSITS:NCA	6213992	4
DEPOSIT:DOMESTIC:NCA	6214992	5
<b>DEP MUNICIPALITIES:DOM:NCA</b>	<b>6215992</b>	<b>6</b>
<b>DEP PRIVATE ENTERPRISES:DOM:NCA</b>	<b>6216992</b>	<b>6</b>
<b>DEP PUB CORPORATIONS:DOM:NCA</b>	<b>6217992</b>	<b>6</b>
DEPOSIT:FOREIGN:NCA	6218992	5
<b>DEPOSIT:FOREIGN:NCA</b>	<b>6219992</b>	<b>6</b>

Use when paying for rent in advance (not refundable deposit).

Use when paying for refundable deposit.

## Classification Circular: Adjustments to Refundable Deposits

*Illustration 3: Changes on the reporting level 4 and 5*

ITEM DESCRIPTION	SEGMENT DETAIL NUMBER	REPORTING LEVEL
NON CURRENT ASSETS	97992	3
TRAD ENT:CAPITAL ASSETS:NCA	787992	4
TRAD ENT:BUILD&OTH FIX STRUC:NCA	806992	5
TRAD ENT:MACH & EQUIP:NCA	807992	5
TRAD ENT:SOFTW&OTH INTAN ASS:NCA	808992	5
TRAD ENT:ACCUM DEPREC CAPITAL AS	788992	4
T/E:ACCUM DEPR BUILD&OTH FIX STR	809992	5
TRAD ENT:ACCUM DEPREC MACH&EQUIP	810992	5
T/E:ACCUM DEPR SOFTW&OTH INTAN A	811992	5
INVESTMENTS:NCA	758992	4
SECURITY OTHER THAN SHARES:NCA	812992	5
SHARES:NCA	813992	5
LOANS:NCA	759992	4
LOANS:DOMESTIC:NCA	814992	5
PREPAYMENTS & ADVANCES:NCA	760992	4
PREPAYMNT&ADV:DOMESTIC:NCA	815992	5
PREPAYMNT&ADV:FOREIGN:NCA	816992	5
DEPOSITS:NCA	6213992	4
DEPOSITS:DOMESTIC:NCA	6214992	5
DEPOSITS:FOREIGN:NCA	6218992	5
HOUSING DEBTORS:NCA	761992	4
H/DEBT:PROTERTY REG CONTRL:NCA	789992	5
GOVERNMENT MOTOR TRANSPORT:NCA	762992	4
GMT MACHINERY&EQUIPMENT:NCA	790992	5

### Contact information

11. Please contact the SCOA project team via the **SCOA call center at (012) 315 5311**, or by sending a concise mail to [scoa@treasury.gov.za](mailto:scoa@treasury.gov.za) if further clarity or discussion is required regarding the changes highlighted above.
12. For updated versions of the SCOA COR database and classification circulars please visit <https://scoa.treasury.gov.za>.

Regards,

SCOA Technical Committee

Date: 2 April 2023