

## NATIONAL TREASURY

NO. 2114

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### PUBLIC FINANCE MANAGEMENT ACT, 1999 REGULATIONS ON ACCOUNTING STANDARDS – GRAP 25

The Minister of Finance, acting in terms of section 19(1)(b) and (c) of the Public Finance Management Act, 1999 (Act No. 1 of 1999), has made the regulations prescribing the standards of generally recognised accounting practice as set out in the Schedule to be implemented with effect from the 2023/2024 financial year.

## SCHEDULE

### ACCOUNTING STANDARDS BOARD

#### STANDARD OF GENERALLY RECOGNISED ACCOUNTING PRACTICE

#### EMPLOYEE BENEFITS (GRAP 25)

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## Introduction

### Standards of Generally Recognised Accounting Practice (GRAP)

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 (including national, provincial and government components);
- (b) public entities;
- (c) trading entities (as defined in the PFMA);
- (d) constitutional institutions;
- (e) municipalities and boards, commissions, companies, corporations, funds or other entities under the ownership control of a municipality; and
- (f) Parliament and the provincial legislatures.

The above are collectively referred to as "entities" in Standards of GRAP.

The Board has approved the application of International Financial Reporting Standards (IFRS<sup>®</sup> Standards) issued by the International Accounting Standards Board<sup>®</sup> for:

- (a) public entities that meet the criteria outlined in the Directive on *The Selection of an Appropriate Reporting Framework by Public Entities*; and
- (b) entities under the ownership control of any of these entities.

Financial statements should be described as complying with Standards of GRAP only if they comply with all the requirements of each applicable Standard and any related Interpretations of the Standards of GRAP.

Any limitation of the applicability of specific Standards or Interpretations is made clear in those Standards or Interpretations.

This Standard is set out in paragraphs .01 to .184. All paragraphs in this Standard have equal authority. The status and authority of appendices are dealt with in the preamble to each appendix. This Standard should be read in the context of its objective, its basis for conclusions if applicable, the *Preface to Standards of GRAP*, the *Preface to the Interpretations of the Standards of GRAP* and the *Framework for the Preparation and Presentation of Financial Statements*.

Standards of GRAP and Interpretations of the Standards of GRAP should also be read in conjunction with any directives issued by the Board prescribing transitional provisions, as well as any regulations issued by the Minister of Finance regarding the effective dates of the Standards, published in the Government Gazette.

Reference may be made here to a Standard of GRAP that has not been issued at the time of issue of this Standard. This is done to avoid having to change the Standards already issued when a later Standard is subsequently issued. Paragraph .11 of the Standard of GRAP on *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

## Objective

- .01 The objective of this Standard is to prescribe the accounting and disclosure for employee benefits. This Standard requires an entity to recognise:
- (a) a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
  - (b) an expense when the entity consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

## Scope

- .02 ***This Standard shall be applied by an employer in accounting for all employee benefits, except share based payment transactions (see the International Financial Reporting Standard<sup>®</sup> on Share-based Payment), and to the initial recognition and initial measurement of assets and liabilities acquired in a transfer of functions between entities under common control (see the Standard of GRAP on Transfer of Functions Between Entities Under Common Control), a transfer of functions between entities not under common control (see the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control) or a merger (see the Standard of GRAP on Mergers).***

- .03 This Standard does not deal with reporting by employee retirement benefit plans (see the International Accounting Standard® on *Accounting and Reporting by Retirement Benefit Plans*). This Standard does not deal with social benefits that are not consideration in exchange for service rendered by employees or past employees of entities.
- .04 The employee benefits to which this Standard applies include those provided:
- (a) under formal plans or other formal agreements between an entity and individual employees, groups of employees or their representatives;
  - (b) under legislative requirements, or through industry arrangements, whereby entities are required to contribute to national, provincial, local, or other multi-employer plans; or
  - (c) by those informal practices that give rise to a constructive obligation. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.
- .05 Employee benefits include:
- (a) short-term employee benefits, such as the following, if expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related services:
    - (i) wages, salaries and social security contributions;
    - (ii) paid annual leave and paid sick leave;
    - (iii) bonus, incentive and performance related payments; and
    - (iv) non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees;
  - (b) post-employment benefits such as the following:
    - (i) retirement benefits (e.g. pensions and lump sum payments on retirement); and
    - (ii) other post-employment benefits, such as post-employment life insurance and post-employment medical care;
  - (c) other long-term employee benefits, such as the following:
    - (i) long-term paid absences such as long-service leave or sabbatical leave;
    - (ii) other long-service benefits; and
    - (iii) long-term disability benefits; and
  - (d) termination benefits.
- .06 Employee benefits include benefits provided either to employees or to their dependants and may be settled by payments (or the provision of goods or services) made either directly to the employees, to their spouses, children or other dependants or to others, such as insurance companies.
- .07 An employee may provide services to an entity on a full-time, part-time, permanent, casual or temporary basis. For the purpose of this Standard, employees include management as defined in the Standard of GRAP on *Related Party Disclosures* (GRAP 20).

#### Definitions

- .08 **The following terms are used in this Standard with the meanings specified:**

**Definitions of employee benefits**

**Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment.**

**Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service.**

**Post-employment benefits are employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment.**

**Other long-term employee benefits are all employee benefits other than short-term employee benefits, post-employment benefits and termination benefits.**

**Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either:**