national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

GRAP 25 – Employee Benefits

Effective 1 April 2021

DEFINITIONS

Employee benefits are all forms of consideration given by an entity in exchange for services rendered by employees or for termination of employment

SHORT TERM EMPLOYEE BENEFITS

- Short term employee benefits are those expected to be settled wholly within the 12 months after the reporting period, in which the employee has rendered the related services
- If the entity's expectations of the timing of settlement change temporarily, it need not reclassify a short-term employee benefit
- Compensated absences
  - Accumulating – recognise expense when service that increases entitlement is rendered, e.g. leave pay
  - Non-accumulating – recognise expense when absence occurs
- All short-term benefits: recognise the undiscounted amount as an expense / liability e.g. wages, salaries, bonuses etc

OTHER LONG TERM EMPLOYEE BENEFITS

These are employee benefits other than short-term employee benefits, post-employment benefits and termination benefits

- **Statement of financial position**
  - Carrying amount of liability = present value of obligation minus the fair value of any plan assets (if any)
- **Statement of financial performance**
  - Actuarial gain and losses are recognised immediately
  - Recognise current and past service costs, interest cost, expected return on any plan assets and on any reimbursement right recognised as an asset, the effect of any curtailments or settlement as revenue or expense except to the extent that another standard requires or permits the inclusion in the cost of an asset

POST EMPLOYMENT BENEFITS

Employee benefits payable after the completion of employment (excluding termination and short term benefits), such as retirement benefits (e.g. pensions, lump sum payments) and other post-employment benefits (e.g. post employment life insurance, medical care)

DEFINED BENEFIT PLANS

Defined benefit plans are post-employment benefit plans other than defined contribution plans

- **Statement of financial position**
  - Recognise net defined benefit liability (asset), being equal to the deficit (surplus) in the defined benefit plan and the possible effect of the asset ceiling
  - When an entity has a surplus, it measures the net defined benefit asset at the lower of: the surplus in the defined benefit plan and the asset ceiling
- **Statement of financial performance**
  - Recognise the net total of current service costs, interest costs, expected return on any plan assets and on any reimbursement rights, actuarial gains/losses, curtailments and effect of the asset ceiling in surplus for deficit, except to the extent that another standard requires or permits the inclusion in the cost of an asset

OTHER LONG TERM EMPLOYEE BENEFITS

Are provided in exchange for the termination of an employee's employment, as a result of either (a) an entity's decision to terminate or (b) an employee's decision to accept an offer of benefits in exchange for the termination of employment

- Recognise a liability and an expense when, and only when, the entity has demonstrably committed to either (a) terminate the employment of an employee, or (b) provide termination benefits as a result of an offer made in order to encourage voluntary redundancy

DEFINED CONTRIBUTION PLANS

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods

- **Financial statements**
  - Recognise contribution expense / liability when the employee has rendered the service

The accounting treatment of **multi-employer** and **state plans** depends on whether the entity has a legal or constructive obligation to pay future benefits

- Should these plans be recognised as a defined benefit plan then only the entity's proportionate share of the defined benefit obligation, plan assets and post-employment benefit cost associated with the plan should be recognised
- However, if the entity is not able to identify its share of the underlying financial position and performance of the plan with sufficient reliability, then an entity accounts for the plan as if it is a defined contribution plan