



**NATIONAL TREASURY
REPUBLIC OF SOUTH AFRICA**

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**ALL ACCOUNTING OFFICERS - NATIONAL DEPARTMENTS
ALL CFO'S - NATIONAL DEPARTMENTS
ALL HEADS OF CORPORATE SERVICES**

**OFFICE OF THE ACCOUNTANT-GENERAL PRACTICE NOTE 2 OF
2004/05:**

**MAXIMUM AMOUNTS OF GUARANTEES TO SECURE FINANCING FOR
THE PURCHASE OF A MOTOR VEHICLE**

Paragraph 7 of Circular 3 of 2000 from the Department of Public Service and Administration (DPSA) states that senior managers may structure a maximum amount of 25% of their total package per annum as a motor allowance. 50% of the amount allocated as a motor allowance is taxable at a maximum rate of 40% from 1 March 2003. The remaining after tax funds must be used to fund the monthly installments, short term insurance, running and maintenance costs of the motor vehicle.

Paragraph 8.1(6) of the said circular indicates that should an employee not be able to successfully secure a loan, his or her department may apply for a guarantee from National Treasury in order to secure such a motor vehicle loan.

DPSA and the various Commercial Banks have confirmed that of the amount to be structured as a car allowance, a maximum of 70% be utilized to fund the repayment (i.e. capital and interest) and the remaining 30% be used to fund insurance, maintenance and running costs of the vehicle. These amounts are calculated excluding any income tax payable on the car allowance.

1. DETERMINATION OF MAXIMUM AMOUNTS FOR A GUARANTEE

The maximum amount of the guarantee at the various levels in the SMS calculated at the first notch for each rank has been determined as follows based on the criteria above: -

	Director (R)	CD (R)	DDG (R)	DG (R)
Total Package	427 497	503 541	611 064	787 029
Max Annual car allowance -25%	106 874	125 885	152 766	196 757
Monthly car allowance	8 906	10 490	12 731	16 396
70% Capital and Interest	6 234	7 343	8 911	11 477
30% Running costs	2 672	3 147	3 820	4 919
Maximum capital guarantee available @ Prime less 1,5% over 48 months	299 248	352 479	427 745	550 920

Senior managers purchasing motor vehicles (With or Without a guarantee requirement) in excess of the amounts determined above would be required to negotiate the payments and guarantees of such excesses with the respective financial institution.

The maximum guarantee amount is fixed at the beginning of each calendar year in line with the SMS Package and will be adjusted on a quarterly basis for significant movements in the rates of interest (1 April, 1 July and 1 October).

2. APPLICATION FOR A GUARANTEE

National Treasury will only authorise guarantees to be issued to Stannic to ensure that guarantees are managed, regulated and at the lowest financing rate.

The procedure of obtaining a guarantee would be as follows:

- a. If a manager cannot secure a loan for a motor vehicle for the amounts reflected in the table above without a guarantee, Stannic must be approached for financing;
- b. Stannic will provide the manager with the necessary application forms to be completed;
- c. The formal guarantee application form must be signed by the Chief Financial Officer (CFO) of the respective department which would confirm concurrence with the request and acknowledge the commitment of his/her department;

- d. The application form must then be returned to Stannic who will in turn submit it to National Treasury for consideration. Stannic must furnish satisfactory and acceptable reasons to National Treasury for the guarantee that is required. The value of the guarantee may not under any circumstances exceed the maximum amount and period reflected in the table in 1 above;
- e. National Treasury will consider each application for a guarantee from Stannic on its merit and either approve or reject the request for a guarantee;
- f. If the request for a guarantee is approved a copy of the signed guarantee will be returned to the department;
- g. The guarantee must be administered by the department under the control of the CFO and captured on PERSAL using Function 4.5.18. The guarantee amount must be reduced annually at 31 March such that the guarantee reflects the outstanding capital due to Stannic. This figure must be reported in the annual financial statements;
- h. Upon resignation of a senior manager, the respective department must ensure that the value of the outstanding guarantee is secured from the employee in order to redeem the guarantee from Stannic. Failure to do so is construed as financial misconduct in terms of the Treasury Regulations; and
- i. No guarantee will be issued for a senior manager who has been suspended from a department until the suspension has been lifted.

1. **GUARANTEES FOR THE PURCHASE OF SECOND HAND MOTOR VEHICLES**

Although senior managers may purchase a motor vehicle of any age the following additional conditions will apply, without exception, if a guarantee is required for a second hand motor vehicle: -

- a. The motor vehicle may not be older than 2 years (as determined from the first registration of the motor vehicle) at the time of purchase;
- b. The purchase price and condition of the vehicle must be in accordance with the expected values in the auto dealer's guide applicable at the time of purchase; and
- c. The guarantee will be for a maximum period of 48 months.

The procedure and conditions of obtaining a guarantee is as described in 2 above.

2. **NUMBER OF VEHICLES IN THE SCHEME**

In terms of the SMS an official may purchase any number of vehicles, however, in no case will more than one guarantee or a guarantee for more than one vehicle be issued at any time.

3. **GENERAL**

Senior managers who do not require a guarantee can approach any Financial Institution for financing. Stannic, the current Financial Institution, is offering rates of between Prime less 1,5% and 2,5% for motor vehicle financing in excess of R 100 000. The rate of Prime less 2,5% will apply to Motor vehicle financing in excess of R 300 000.

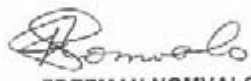
Stannic is prepared to negotiate the rate, for new business, on an individual basis with the senior manager. Should you want to approach Stannic the contact details are as follows: -

Name	Telephone number
Sheree Kahn	012- 351 3187
Jana Vorster	012- 351 3352
Graham Gandy	012- 351 3184
Linda Casteller (Only for SANDF)	083- 307 0059

4. **IMPLEMENTATION DATE**

The above limits and procedures will be implemented with effect from 1 April 2004.

Kind Regards


FREEMAN NOMVALO
ACCOUNTANT-GENERAL
Date: 7 May 2004