



NATIONAL TREASURY  
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TO ALL HEADS OF NATIONAL DEPARTMENTS AND  
PROVINCIAL TREASURIES

FINANCE BRANCH  
RECEIVED

2000-08-25

ONTVANG  
RE GISTRASIE  
FINANSIES PWV

**SECTION 80 OF THE PUBLIC FINANCE MANAGEMENT ACT:  
INTEREST RATES FOR DEBT OWING TO THE STATE**

1. The Minister of Finance has in terms of section 80 of the Public Finance Management Act (Act 1 of 1999 as amended by Act 29 of 1999) approved a single uniform rate of interest based on the repo-rate plus three additional percentage points.
2. The interest rate, based on the abovementioned calculation, will be 14,75% per annum and is applicable to all cases referred to in sections 80(1)(a) and 80(1)(b) of the PFMA. This interest rate will be effective from 1 September 2000. A notice to that effect will be published in the Government Gazette towards the end of August 2000.
3. Interest is to be calculated on the decreasing balance of the debt and is not to be capitalised. This implies that the simple interest method is to be used. Interest stops accruing as soon as the interest equals the amount of the capital debt. Once a portion of the interest is paid, the interest again accrues until it equals the amount of the capital debt. If the full amount of the interest, plus a portion of the capital debt is paid, the interest will only accrue until it equals the amount of the then outstanding capital debt.
4. It must be noted that interest must be charged on all debts to the State. This includes wrongly granted remuneration which has to be recovered in terms of section 38 of the Public Service Act, 1994 as well as losses and damages caused under circumstances where no *mala fides* or evil intentions were involved.

5. Before interest may start to accrue, the debtor must be placed in *mora*. This means that he must have been informed about the debt and given an opportunity to settle the debt. This *mora* period lasts for 30 days. After an interval of 30 days, during which the debt is not extinguished, interest starts accruing.
  
6. If interest has been arranged for by means of an agreement, such as study contracts, housing guarantees, etc, interest starts accruing on the day that the payment is due. No *mora* period is applicable as the debtor is aware of the debt in terms of the conditions of the agreement.



**ACTING DIRECTOR-GENERAL**

DATE : 2003-08-12