



**NATIONAL TREASURY
REPUBLIC OF SOUTH AFRICA**

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**HEADS OF PROVINCIAL TREASURY'S
PROVINCIAL ACCOUNTANTS-GENERAL**

**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**

1. Paragraph 7 of Circular 3 of 2000 issued by 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.
2. Paragraph 8.1(6) of the aforementioned circular also 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 a motor vehicle loan.
3. The abovementioned stipulation is, however, in contravention with the PFMA. According to section 66(2)(b) of the PFMA, only the MEC for Finance in a province may issue a guarantee that may bind the respective Provincial Revenue Fund to any future financial commitment.
4. In view of the foregoing, National Treasury ceased to issue such guarantees in respect of provincial personnel since the PFMA vests such authority in the MEC for Finance.
5. At a provincial level, it is suggested that you apply the same conditions as those at National level to ensure uniformity in the

issuing of these motor vehicle guarantees in the public service.
The aforementioned conditions are as follows:

5.1 A guarantee is issued for a period not exceeding 48 months if the applicant:

- has an adverse bank reference;
- is a Non-South African Citizen;
- is a rehabilitated or unrehabilitated insolvent;
- is an official under the age of 21 years;
- is an official without a valid drivers license who makes use of a chauffeur; or
- is an official who does not qualify for comprehensive insurance cover.

5.2 In addition to the foregoing, guarantees are also issued for newly appointed officials on probation, but only where such officials have no adverse credit listings. Such guarantees are issued for a period of 12 months.

5.3 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	401 408	472 809	573 768	738 993
Max Annual car allowance – 25%	100 352	118 202	143 442	184 748
Monthly car allowance	8 363	9 850	11 954	15 396
70% Capital and Interest	5 854	6 895	8 368	10 777
30% Running costs	2 509	2 955	3 586	4 619
Maximum capital guarantee available @ Prime less 1,5% over 48 months	207 419	244 303	296 494	381 850

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, 1 October and 1 January).

5.4 Financial Institution to whom the guarantee are issued

At present there is an arrangement with Stannic for employees requiring guarantees since they offer the most

6. No guarantee should be issued for a senior manager who has been suspended from a department until the suspension has been lifted.

7. **Guarantees for the purchase of second hand motor vehicles**

Although senior managers may purchase a motor vehicle of any age the following additional conditions apply at National level 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.

8. **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 National level at any time.

9. **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.

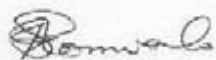
Stannic is prepared to negotiate the rate, for new business, on an individual basis with the senior manager. Should you want to approach Stannic the contact details are as follows: -

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

10. 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