



**NATIONAL TREASURY  
REPUBLIC OF SOUTH AFRICA**

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**ALL ACCOUNTING OFFICERS - NATIONAL DEPARTMENTS  
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ALL HEADS OF CORPORATE SERVICES – NATIONAL DEPARTMENTS  
HEADS OF PROVINCIAL TREASURIES  
PROVINCIAL ACCOUNTANTS-GENERAL**

**OFFICE OF THE ACCOUNTANT-GENERAL PRACTICE NOTE 4 OF  
2003/04:**

**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	401 406	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

Senior managers purchasing motor vehicles (With or Without a guarantee) 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 interest rates (1 April, 1 July and 1 October).

## 2. APPLICATION FOR A GUARANTEE

National Treasury will only authorise guarantees to be issued by Departments 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:

- 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;
- Stannic will provide the manager with the necessary application forms to be completed;
- 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

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**3. 2. APPLICATION FOR A GUARANTEE**

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

#### 4. 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.

#### 5. 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.

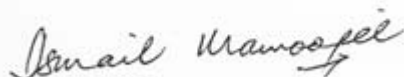
Stannic is prepared to negotiate the rate, for new business, on an individual basis with the senior manager. Should you wish to approach Stannic the contact details are as follows: -

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

#### 6. IMPLEMENTATION DATE

The above limits and procedures will be implemented with effect from 1 April 2003.

Kind Regards



**Ismail Mamoojee**  
**ACCOUNTANT-GENERAL**

Date: 31 March 2003