



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

**Enquiries:** E Labuschagne      **Ref:** SX 3/2/1      **Tel:** 315-5781      **Fax:** 323-8247  
**e-mail:** Lizette.Labuschagne@treasury.gov.za

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

**OFFICE OF THE ACCOUNTANT-GENERAL PRACTICE NOTE 2 OF  
2008/09:**

**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.

Commercial Banks have confirmed that of the amount to be structured as a car allowance, a maximum of 65% be utilized to fund the repayment (i.e. capital and interest) and the remaining 35% 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	CD	DDG	DG
	( R )	( R )	( R )	( R )
Total Package	540,429	635,874	770,823	991,677
Max Annual car allowance-25%	135,107	158,969	192,706	247,919
Monthly car allowance	11,259	13,247	16,059	20,660
65% Capital and Interest	7,318	8,611	10,438	13,429
35% Running costs	3,941	4,637	5,621	7,231
Maximum capital guarantee available @ prime less 1,5% over 48 months	271,261	319,190	386,912	497,782

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 Standard Bank Vehicle and Asset Finance 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, Standard Bank Vehicle and Asset Finance must be approached for financing;
- b. Standard Bank Vehicle and Asset Finance 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 Standard Bank Vehicle and Asset Finance who will in turn submit it to National Treasury for consideration. Standard Bank Vehicle and Asset Finance 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 Standard Bank Vehicle and Asset Finance 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 Standard Bank Vehicle and Asset Finance. 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 Standard Bank Vehicle and Asset Finance. Failure to do so is construed as financial misconduct in terms of the Treasury Regulations;
- i. The National Credit Act (NCA) requires that the credit provider must ensure that the customer can repay the debt and that the customer understands the terms and conditions of his credit agreement. Therefore should an official's not qualify from his Statement of Income and Expenses for the full amount of the guarantee a guarantee for a lesser amount will be issued.
- j. Furthermore the NCA provides that a person under debt review, sequestration or administration order can not secure credit from any financial institution. Therefore no financial institution will accept a guarantee to finance this transaction.
- k. No guarantee will be issued for a senior manager who has been suspended from a department until the suspension has been lifted.

3. **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.

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

<b>Name</b>	<b>Telephone number</b>
Sheree Khan	012 - 351 3187
Winnie Choshi	012 - 351 3269
Paula Mopane	012 - 351 3352
Baby Lotter (Only for SANDF)	012 - 351 3183

6. **IMPLEMENTATION DATE**

The above limits and procedures will be implemented with effect from 1 April 2008.

Kind Regards

**FREEMAN NOMVALO**  
**ACCOUNTANT-GENERAL**  
Date: 1 April 2008