



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

HEADS OF PROVINCIAL TREASURY'S PROVINCIAL ACCOUNTANTS-GENERAL

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

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 an official under the age of 21 years; or
- is an official that was declared medically unfit to drive and who makes use of a chauffeur. A letter from an approved medical practitioner to substantiate this must be provided.

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	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

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 Standard Bank Vehicle and Asset Finance for employees requiring guarantees since they offer the most favourable rates and conditions. The National Treasury will negotiate these terms and conditions on an annual basis.

6. National Credit Act (NCA)

6.1 The 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.

6.2 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.

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

8. 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: -

8.1 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;

8.2 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

8.3 The guarantee will be for a maximum period of 48 months.

9. 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.

10. 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: -

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

11. 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