

29.06.2007

Budget Circular No.132 (II)

All Secretaries of Ministries,  
Heads of the Departments,  
District Secretaries.

**Provision of loans for Public Servants through banks for purchasing of a motor vehicle, a motor bicycle, or a scooter - Instructions for accounting**

In addition to the Accounting Instructions, stipulated in Budget Circulars No.132 dated 16.08.2006 and 132 (1) dated 14.02.2007, on the above matter, the following Accounting Instructions should also be implemented with effect from 15.06.2007.

1. Interest to be recovered from Public Servants.
  - (i) For the loans released by the banks before 15.06.2007, the interest rate to be recovered from the employee, until completion of recovery of the loan, is 4%.
  - (ii) For the loans released by the banks after 15.06.2007, interest should be recovered from the employee, in terms of the section 2.1.1 (a) of Public Administration Circular No.15/2007, issued by the Ministry of Public Administration and Home Affairs. Accordingly, the interest rate to be recovered from the employee from 15.06.2007 is 11%, until further notice by the Treasury.
2. Interest to be paid to the banks.

In terms of section 2.1 of Public Administration Circular No.15/2007, issued by the Ministry of Public Administration and Home Affairs:

- (i) Interest rate to be paid to the relevant banks in respect of loans released by the banks for the purchasing of vehicles before 15.06.2007, will remain unchanged further as 11%.
  - (ii) For loans released by banks after 15.06.2007, an interest rate of 14.5% should be paid to the banks, until further notice by the Treasury.
  
3. Obtaining details regarding installments and relevant interest rates on loans released after 15.06.2007, and Accounting procedure.
  - (i) Details in respect of each year should be obtained from the banks in accordance with the schedule I attached hereto, in order to determine the interest to be recovered from the employee and interest subsidy to be borne by the Government.
  - (ii) The interest subsidy to be paid by the Government is the difference between the annual interest of 14.5% to be paid to the banks in terms of section 2.2 of Public Administration Circular No.15/2007 and the interest of 11% to be recovered from the employee, in terms of section 2.1 of Public Administration Circular. The Officers in the Ministries and Departments in charge of the subject are responsible for the correct calculation of the interest subsidy to be paid by the Government and the interest to be recovered from the employees on the basis of information collected through the schedule I attached hereto.
  - (iii) Accounting should be done in terms of Budget Circular No.132 dated 16.08.2006 and No.132(1) dated 14.02.2007.
  
4. Written instructions from the Director General of National Budget should be obtained, if there is any practical issue, in implementing the instructions of this Circular.

Sgd. Sudharma Karunaratne,  
Director General of National Budget.

- Copy to:
1. Secretary, Ministry of Public Administration and Home Affairs.
  2. Chief Secretaries of all Provincial Councils
  3. Director General, Dept. of Treasury Operations
  4. Director General, Dept. of State Accounts
  5. Auditor General.

**Schedule No. 01**

..... ,  
..... ,  
..... (Address)

**Furnishing Monthly Particulars of Loan Instalment and Interest**

1. Name of the officer :
2. Loan entitlement No. :
3. Address of duty station :
4. Loan amount granted :
5. Outstanding Loan balance as at..... Rs. ....

Year	Month	Monthly Loan installment (interest and the installment deducted from the Loan )	Monthly interest recovery (14.5% per annum )	Installment deducted from the Loan	Loan balance to be paid at the end of the month
	January				
	February				
	March				
	April				
	May				
	June				
	July				
	August				
	September				
	October				
	November				
	December				

Bank Manager :  
Date: