

29.06.2007

Budget Circular No.130 (II)

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

Provision of Property Loans through Banks- Instructions for Accounting

In addition to the accounting instructions stipulated in the Budget Circulars No. 130 dated 28/06/2006 and 130 (1) dated 14/02/2007, on the above matter the following instructions should also be implemented with effect from 15/06/2007.

1. Interest to be recovered from public employees .
 - a) Interest to be recovered from the employee on the full amount or the part of the loan released by the banks, before 15/06/2007 , will be 4% until the completion of the recovery.
 - b) In case, part of a loan has been obtained before 15/06/2007, and the balance of the loan is obtained through the bank after 15/06/2007 , the interest on the balance of the loan concerned, shall be recovered in terms of section 1.2.2. of Public Administration Circular No. 15/2007 issued by the Ministry of Public Administration & Home Affairs. When the bank recovers an interest rate of 14.5%, the calculation of interest, is indicated in the following specimen , for your convenience.

	Loan Amount Approved	Amount of Loan Obtained before 15/06/2007 (Interest of 4% is applicable)	Amount of Loan Obtained after 15/06/2007	Tranches of Loans obtained after 15/06/2007	Interest rate to be recovered from the receiver on loans obtained after 15/06/2007	Interest to be incurred by the government on loans obtained after 15/06/2007
	Rs.	Rs.	Rs.	Rs.	%	%
Eg. 01	1,350,000/-	350,000/-	1,000,000/-	(1) First 150,000/- (2) Second 500,000/- (3) Third 350,000/-	4% 8% 11%	10.5% 6.5% 3.5%
Eg. 02	1,400,000/-	650,000/-	750,000/-	(1) First 350,000/- (2) Second 400,000/-	8% 11%	6.5% 3.5%

C.) When releasing money by the bank as a new loan in respect of a loan application after 15/06/2007, interest should be recovered in terms of section 1.2.2. of Public Administration Circular No. 15/2007 dated 12/06/2007 issued by the Ministry of Public Administration & Home Affairs.

d.) When recovering loan instalments, from employees, in respect of money released by the banks after 15/06/2007, the interest to be recovered from the employee should be calculated so as to recover the loan amount pertaining to the minimum interest rate first. A specimens are given below for your convenience.

Eg. 1. If the loan amount obtained by the employee is Rs.750,000/- and the monthly instalment consisting of monthly interest and the amount deducted from the loan amount, is Rs.12,500/- ;

First instalment recovered by the bank is Rs.12,500/- (Bank interest Rs.9,063/- deduction from the loan amount Rs. 3,437 /-)

Interest to be recovered from the employee – Rs.3,333/-

(Interest has been calculated at 4% for the first Rs.500,000/- and 8% for the second Rs.250,000/-)

Interest subsidy to be incurred by the government – Rs.5,730/-

Accordingly, instalment is as follows;

Deductions from the loan amount	-	Rs. 3,437.00
Government interest subsidy	-	Rs. 5,730.00
Interest to be recovered from the employee	-	Rs. 3,333.00
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	Total	Rs.12,500.00
		=====

11. Amount of the loan after the first instalment - Rs.746,563/-
Second instalment recovered by the bank – Rs. 12,500/-
(Bank interest Rs.9.022 deductions from the loan amount Rs. 3,478/-)
Interest to be recovered from the employee Rs. 3323/-
(Interest has been calculated, at 4% for first Rs. 496,563/- and 8% for the balance
Rs. 250,000/-)
Interest subsidy to be incurred by the government -Rs. 5,699/-

Accordingly, instalment is as follows;

Deductions from the loan amount	-	Rs. 3,478.00
Government Interest subsidy	-	Rs. 5,699.00
Interest to be recovered from the employee	-	Rs. 3,323.00
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	Total	Rs 12,500.00
		=====

2. In terms of section 1 of the Public Administration Circular No. 15/2007, issued by the Ministry of Public Administration & Home Affairs;

I.) Annual interest rate of 11% to be paid to the bank in respect of property loans released by banks before 15/06/2007, will remain unchanged.

II.) Interest rate of 14.5% should be paid to the banks, on money released by the banks, in respect of property loans, after 15/06/2007.

III.) In case where, a person has obtained a part of the loan amount before 15/06/2007, and the balance amount of the loan after 15/06/2007, the interest rates to be paid to the relevant bank corresponding to the two time periods are different from each other (11% and 14.5% respectively). There should be considered as two separate loans and the details of loan instalments should be obtained from the bank separately. Settling of these loan amounts should be undertaken in terms of the instructions issued by the bank.

3. Obtaining details of loan instalments and the interest concerned, in respect of loan amounts released after 15/06/2007 and accounting .

I. To determine the rate of interest to be recovered from the employees by each Ministry and Department, and the interest subsidy to be borne by the government, relevant details for each year should be obtained from the bank, in terms of the schedule 1 attached to this circular.

II. The officer in charge of the subject , is responsible for the correct calculation of the interest subsidy to be incurred by the government and the interest to be recovered from the employee, on the basis of details obtained in terms of schedule 1 attached to this circular and in terms of section 1.2.2 of Public Administration Circular No. 15/2007 and sections 1 (b) and (d) of this circular.

III. Accounting shall be done in terms of Budget Circulars No.130 dated 28/06/2006 and No. 130 (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 stipulated in this circular.

Sgd. Sudharma Karunaratna,
Director General of National Budget.

Copies:-

1. Secretary- Ministry of Public Administration & Home Affairs.
2. All Chief Secretaries of Provincial Councils.
3. Director General / Treasury Operation
4. Director General / 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: