

All Secretaries of Ministries
Chief Secretaries of Provincial Councils and
Heads of Departments

Provision of Property Loans through Banks – Instructions on Accounting

Your attention is drawn to the Public Administration Circular No. 15/2007(1) dated 18.11.2009. Accordingly, in addition to the accounting instructions given in the Budget Circulars No. 130 dated 28.06.2006, 130(1) dated 14.03.2007 and 130(11) dated 29.06.2007 issued by this Department for the provision of property loans through banks, the following accounting instructions should also be followed w.e.f. 01.11.2009.

1. Interest recovered from Public Servants.
 - (a) The interest to be recovered from the employee for the total amount of the loan or part of it released by the bank to the public servants prior to 15.06.2007, should conform to the Public Administration Circular No. 8/2005 dated 31st March 2005 and amendments effected to it and National Budget Circular No. 130 dated 28.06.2006 of the Department of National Budget, until the final settlement of the loan.
 - (b) In case a part of the approved loan has been obtained from the Bank prior to 15.06.2007 and the balance has been obtained between 15.06.2007 and 31.10.2009, the loan interest to be recovered from the employee for that part of the loan should conform to Section 1.2.2. of Public Administration Circular No. 15/2007 dated 12.06.2007 issued by the Ministry of Public Administration and Home Affairs and para 1, of the National Budget Circular No. 130(II) of the Department of National Budget.
 - (c) From 01.11.2009 onwards, the interest to be recovered from the employee for the total amount of the loan or part of it released by the bank, should conform to the para on determining the loan interest given at 1.2 of the Public Administration Circular No. 15/2007(1) dated 18th November 2009 issued by the Ministry of Public administration and Home Affairs, until the final settlement of the loan.

2. Under the above Circular, from the commencement of the methodology of issuing property loans to public servants through banks, interest payable by the employee and the interest subsidy payable by the government in respect of all property loans or parts of loans obtained so far and those that will be obtained in the future, will be treated as a single loan. Accordingly, schedule I of this Circular gives some examples of the way in which interest should be calculated in respect of property loans obtained and will be obtained in the future by Public Servants through the banks.
3. Interest payable to banks.

According to paras 1.2 and 02(II) of the Public Administration Circular No. 15/2007(1) dated 18.11.2009,

- (a) 11% annual interest rate payable to banks for the loans released as property loans by the banks prior to 15.06.2007 will remain unchanged.
- (b) Interest rate payable to banks for the property loans released by them from 15.06.2007 to 31.10.2009 will remain as 14.5%.
- (c) If a Public Servant has got or proposes to get his total loan released from the bank in instalments. ;
 - (i) prior to 15.06.2007
 - (ii) from 15.06.2007 to 31.10.2009
 - (iii) 01.11.2009 onwards and

If the total amount of the loan was obtained or proposes to be obtained from the bank in instalments since the interest rates payable to banks for the respective periods differ from one another, (11%, 14.5%, 12% or 14% respectively), particulars regarding loan instalments charged by the bank as a single loan or a number of loans for the respective periods, should be obtained separately. Similarly, instructions given by the bank should be followed in the settlement of loan instalments and the calculation of interests should be done in terms of schedule I of this Circular.

4. The interest to be charged from the Officer, the interest subsidy paid by the government and the interest rates payable to the bank, have been summarized in the following table.

Date of releasing the loan	Extent of the loan	Loan interest rate		Interest rate payable to the government
		Employee	Government	
Prior to 15.06.2007	For the whole amounts of loans	4%	7%	11%
From 15.06.2007 to 31.10.2009	(1) Upto Rs.500,000/-	4%	10.5%	14.5%
	(2) From Rs.500,001/- to Rs.1,000,000/-	8%	6.5%	14.5%
	(3) From Rs.1,000,001/- to Rs.3,000,000/-	11%	3.5%	14.5%
From 01.11.2009	(1) Upto Rs.500,000/-	4%	8%	12%
	(2) From Rs.500,001/- to Rs.1,000,000/-	8%	4%	12%
	(3) From Rs.1,000,001/- to Rs.3,000,000/-	11%	3%	14%

5. Obtaining particulars regarding the instalment and the related interest in respect of loans released so far and will be released in the future and their accounting:

- (a) For the purpose of calculating the interest payable by the employee and the interest subsidy payable by the government, immediately after the bank releases the loan and later before the month of January of each year, particulars should be obtained in terms of schedule II of this Circular for the relevant year.
- (b) For the calculations relating to 5(a) above, the following schedules of this Circular should be used.
 - (i) For the loans released from 01.04.2005 to 14.06.2007, schedule II(a)
 - (ii) For the loans released from 15.06.2007 to 31.10.2009. schedule II(b)
 - (iii) For the loans released from 01.11.2009, onwards, schedule II(c)
 - (iv) If the total property loans obtained by a loan recipient belong to more than one of the above periods, the above particulars should be summarized by the schedule II(d) of this Circular.

- (c) On the basis of information obtained from the bank in accordance with Schedule II of this Circular ascertaining the accuracy of the interest subsidy payable by the government, the interest to be recovered from the employee and the instalment to be remitted to the bank in terms of Sections 1.2.2 and 1.3 of Public Administration Circular No. 15/2007 and Sections (a), (b) and (c) of chapter 1 of this Circular and remitting it to the bank branch concerned before the 05th of the following month is the responsibility of the officers in charge of the subjects in Ministries and Departments.
- (d) If loan instalments and interests are not remitted to the banks within the prescribed period, Banks are likely to recover penalty interests and hence, priority should be given for remitting the instalments and interest to the bank. Cheques should be posted in such a manner that the bank loan instalment recovered from the salary of an employee should reach the bank before the 5th of the following month. In case the bank imposes penalty recoveries on the officers who obtained a loan due to any delay in the loan instalment, action should be taken in terms of para 2.3 of Budget Circular No. 130 dated 28.06.2006.
- (e) Whereas this Circular deals with the issues contained in the Budget Circular No. 130 dated 28.06.2006, Circular No. 130(1) dated 14.02.2007 and Circular No. 130(II) dated 29.06.2007, issued by the Department of National Budget on this subject, it should be noted that only these instructions supersede the instructions given in the above Circulars.
6. In case of any practical issue in the implementation of the instructions given in this Circular, written instructions should be obtained from the Director General of the Department of National Budget.

Sgd./ Sudharma Karunaratne

Director General of National Budget.

- Copies
1. Secretary, Ministry of Public Administration & Home Affairs
 2. Director General, Department of State Accountants
 3. General Manager, Peoples Bank
 4. General Manager, Bank of Ceylon
 5. General Manager, National Savings Bank
 6. General Manager, Housing Development Finance Corporation
 7. General Manager, State Mortgage and Investment Bank
 8. Auditor General

Schedule No.:I

Examples	Total loan approved by the Bank Rs.	Loan released Prior to 15.06.2007 Rs.	Loan released between 15.06.2007 and 31.10.2009 Rs.	Loan released after 01.11.2009 Rs.	Amounts of loans for which loan interest is calculated Rs.	Percentage interest charged for loans obtained before 15.06.2007		Percentage interest charged for loans obtained between 15.06.2007 and 31.10.2009		Percentage interest charged from 01.11.2009	
						Employee	Govt.	Employee	Govt.	Employee	Govt.
1	1,350,000	350,000	1,000,000		(1) For 350,000/- released prior to 15.06.2007	4%	7%				
					(2) For the balance 150,000 from the first 500,000			4%	10.5%		
					(3) For the Second 500,000			8%	6.5%		
					(4) For the balance 350,000			11%	3.5%		
2	1,400,000	650,000	750,000		(1) For the 650,000 released prior to 15.06.2007	4%	7%				
					(2) For the 350,000 from 650,000 to 1,000,000			8%	6.5%		
					(3) for the balance 400,000			11%	3.5%		
3	900,000	300,000	300,000	300,000	(1) For the 300,000 released prior to 15.06.2007	4%	7%				
					(2) For the 200,000 of the second 300,000			4%	10.5%		
					(3) For the balance 100,000			8%	6.5%		
					(4) For the last 300,000					8%	4%
4	1,200,000		500,000	700,000	(1) Up to the first 500,000			4%	10.5%		
					(2) For the second 500,000 up to 1,000,000					8%	4%
					(3) For the balance 200,000 over 1,000,000					11%	3%
5	1,200,000	500,000	500,000	200,000	(1) For the 500,000 released prior to 15.06.2007	4%	7%				
					(2) For second 500,000 up to 1,000,000			8%	6.5%		
					(3) For the balance 200,000 over 1,000,000					11%	3%

Monthly statement of recoveries of loan instalments and interests

Schedule No.: II (a)

(Applicable to loans released form 01.04.2005 to 14.06.2007)

.. (Address)

- | | | | | | |
|--------------------------|---|----|--------------------------------|---|----|
| 1. Name of Officer | : | .. | 05. Loan entitlement No. | : | .. |
| 2. Designation | : | . | 06. Loan awarded Rs. | : | .. |
| 3. N.I.C. No. | : | .. | 07. Date of releasing the loan | : | .. |
| 4. Address of work place | : | .. | | | |

(Rs)

Year	Month	Instalment recovered from the loan	Interest recovered from the employee 4%	Total instalment with interest recovered from the employee (C+ D)	Interest payable by the government 7%	Total interest payable to the bank (D+F)	Total loan instalment payable to the bank (C+G)
A	B	C	D	E	F	G	H
	January						
	February						
	March						
	April						
	May						
	June						
	July						
	August						
	September						
	October						
	November						
	December						

Monthly statement of recoveries of loan instalments and interests

Schedule No.: II (b)
(Applicable to loans released from 15.06.2007 to 31.10.2009)

.. (Address)

- | | | | | | | |
|--------------------------|---|----|-----|-----------------------------|---|-----|
| 1. Name of Officer | : | .. | 05. | Loan entitlement No. | : | .. |
| 2. Designation | : | . | 06. | Loan awarded | : | Rs. |
| 3. N.I.C. No | : | .. | 07. | Date of release of the loan | : | . |
| 4. Address of Work Place | : | | | | : | |

(Rs)

Year	Month	Instalment recovered from the loan	Interest recovered from the employee			Total interest recovered from the employee E (D ₁ +D ₂ +D ₃)	Total instalment with interest recovered from the employee F (C+ E)	Interest payable by the Government			Total interest payable by the Government H (G ₁ +G ₂ +G ₃)	Total interest payable to the bank I (E+H)	Total loan instalment payable to the bank J (C+I)
			D					G					
A	B	C	4% D ₁	8% D ₂	11% D ₃			10.5% G ₁	6.5% G ₂	3.5% G ₃			
	January												
	February												
	March												
	April												
	May												
	June												
	July												
	August												
	September												
	October												
	November												
	December												

Monthly statement of recoveries of loan instalments and interests

Schedule No: II (c)
(Applicable to loans released from 01.11.2009)

.. (Address)

- | | | | |
|----------------------------|----|----------------------------------|-----|
| 1. Officers Name : | .. | 05. Loan entitlement No : | .. |
| 2. Designation : | . | 06. Loan awarded : | Rs. |
| 3. N.I.C. No. : | .. | 07. Date of releasing the loan : | . |
| 4. Address of Work Place : | | | |

(Rs)

Year A	Month B	Instalment recovered from the loan C	Interest recovered from the employee D			Total interest recovered from the employee E (D ₁ +D ₂ +D ₃)	Total instalment with interest recovered from the employee F (C+ E)	Interest payable by the government G			Total interest payable by the government H (G ₁ +G ₂ +G ₃)	Total interest payable to the bank I (E+H)	Total loan instalment payable to the bank J (C+I)
			4%	8%	11%			8%	4%	3%			
			D ₁	D ₂	D ₃			G ₁	G ₂	G ₃			
	January												
	February												
	March												
	April												
	May												
	June												
	July												
	August												
	September												
	October												
	November												
	December												

Monthly statement of recoveries of loan instalments and interests

Schedule No: II (d)

.. (Address)

- | | | |
|---------------------------|----|---|
| 1. Name of Officer : | .. | 05. Loan entitlement No./Nos. : |
| 2. Designation : | . | 06. Total amount awarded : Rs. |
| | | *(Total of schedules II a, b and C as applicable) |
| 3. N.I.C. No. : | .. | 07. Dates on which loans have been released : |
| 4. Address of Work Place: | | |

(Rs)

Year	Month	Instalments recovered from the loan	Interest recovered from the employee (Total of schedules II a, b and c as applicable)	Total instalment with interest recovered from the employee	Total interest payable by the government (Total of schedules II a, b and c as applicable)	Total interest payable to the bank	Total loan instalment payable to the bank
A	B	C	D	E	F	G	H
				(C+ D)		(D+F)	(C+G)
	January						
	February						
	March						
	April						
	May						
	June						
	July						
	August						
	September						
	October						
	November						
	December						