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GENERAL NOTICE

NOTICE 227 OF 2014

DEPARTMENT OF JUSTICE AND CONSTITUTIONAL DEVELOPMENT

1. INVITATION FOR PUBLIC COMMENTS ON THE DRAFT NOTICE TO ADJUST THE RATE OF INTEREST UNDER THE PRESCRIBED RATE OF INTEREST ACT, 1975

1.1 The Department of Justice and Constitutional Development invites interested parties to submit written comments on the proposed adjustment of the rate of interest provided for in section 1 of the Prescribed Rate of Interest Act, 1975 (Act 55 of 1975)(the Act), which is attached hereto as Annexure A. The proposed adjustment and a note, explaining the background of the proposed adjustment, are also available on the website of the Department at the following address: <http://www.justice.gov.za>.

1.2 The comments on the proposed adjustment must be submitted not later than 14 April 2014, marked for the attention of Ms Connie van Vuuren, and –

- (i) if they are forwarded by post, be addressed to –
The Director-General: Justice and Constitutional Development
Private Bag X81
Pretoria
0001;
- (ii) if they are delivered by hand, be delivered at –
SALU Building, Room 2330
315 Thabo Sehume Street
Pretoria;
- (iii) if they are delivered by email, be emailed to cvanvuuren@justice.gov.za; or
- (iv) if they are faxed, be faxed to 0866489479.

1.3 For further information, please do not hesitate to contact Ms Connie van Vuuren at 012 406 4762.

2. BACKGROUND NOTE

2.1 Section 1(1) of the Act provides for the calculation of interest at a prescribed rate on an interest-bearing debt where the rate is not governed by any law, agreement or otherwise.

- 2.2 In terms of section 1(2) of the Act, read with subsection (3), the Minister of Justice and Constitutional Development may from time to time, by notice in the *Gazette*, after consultation with the Minister of Finance, prescribe a rate of interest for the purposes of subsection (1).
- 2.3 The current rate of interest was prescribed by Government Notice No. R. 1814 of 1 October 1993 at 15,5 per cent per annum.
- 2.4 The current rate is no longer market-related. The proposed rate of interest is 9,0 per cent per annum. The proposed rate is calculated as follows: The South-African Reserve Bank's repo-rate, which is presently 5,5 per cent per annum, is used as basis for this calculation and a margin of 350 basis points is added to the repo-rate.¹

ANNEXURE A

GOVERNMENT NOTICE

DEPARTMENT OF JUSTICE AND CONSTITUTIONAL DEVELOPMENT

No. R.

2014

PREScribed RATE OF INTEREST: SECTION 1 OF THE PRESCRIBED RATE OF INTEREST ACT, 1975

1. Under section 1(2) of the Prescribed Rate of Interest Act, 1975 (Act No. 55 of 1975), and after consultation with the Minister of Finance, I, Jeffrey Thamsanqa Radebe, Minister of Justice and Constitutional Development hereby prescribe a rate of interest of 9,0 per cent per annum as from 1 May 2014 for the purposes of section 1(1) of the said Act.
2. Government Notice No. R1814 of 1 October 1993 is hereby withdrawn.

J.T RADEBE
Minister of Justice and Constitutional Development

¹ The repo-rate is the rate at which the private (sector) banks borrow rands from the South African Reserve Bank