

SUMMARY OF RECOMMENDED CHANGES TO THE FOREIGN SERVICE DISPENSATION

CURRENT FSD	PROPOSED FSD
<div style="display: flex; align-items: center;"> <div style="border: 1px solid black; padding: 5px; width: 250px; height: 100px; margin-right: 10px;"> <p>RSA Salary</p> </div> <div style="font-size: 3em; margin-right: 10px;">}</div> <div> <p>Paid in Rand in the RSA</p> <ul style="list-style-type: none"> - Plus Home Owner Allowance - Minus general deductions (pensions medical aid, etc.) - Minus tax on overtime remuneration. - Minus tax on Cryptographic Allowance. - Minus tax on service bonus. - Minus tax on salary and Home Owner Allowance. </div> </div>	<p>Paid in terms of the current FSD</p> <p>1.1 Taxable in the same manner as for all RSA public servants.</p> <p>1.2 In the case of senior managers and senior professionals, the relevant existing prescripts in terms of the inclusive flexible remuneration package system (SMS = Senior Management Service) apply w e f 1 January 2001.</p>
<div style="border: 1px solid black; padding: 5px; width: 250px; height: 100px; margin-bottom: 10px;"> <p style="text-align: center;">Station Allowance (SA)</p> <p>RSA norm amount R118 908 converted by IERF to foreign currency (FC) amount for each mission. Amount for each official depends on applicable percentage between 100% of norm amount. In practice 50% is the lowest applied.</p> </div> <ul style="list-style-type: none"> - Paid in FC abroad. - Not taxable. 	<p>2.1 Station Allowance and Representation Allowance to be replaced by COL Allowance (COLA) in the form of a fixed amount in the applicable foreign currency for each country linked to the standard grade levels. The COLA amount for each level will be computed as follows?</p> <p>(a) The net take home pay value applicable to each level in USA \$ in the USA using ECA information.</p>

CURRENT FSD		PROPOSED FSD
<p style="text-align: center;">Representation Allowance (RA)</p> <p>RSA norm amount R28 020 converted by IERF to FC amounts for each country. Differentiating between HOM, officials provided with representation equipment and other officials – also married/single. (Amount depends on applicable percentage between 170% and 70% of norm amount. In practice 180% is applied to heads of the four largest missions.)</p>	<ul style="list-style-type: none"> - Paid in FC abroad. - Not taxable 	<ul style="list-style-type: none"> (b) Calculate the USA \$ value of the RSA net package value for each grade level. (c) Subtract (b) from (a) in the case of each grade level to obtain the COLA key norm amount in USA \$ for each grade level. (d) To determine COLA amounts for all countries, convert the COLA USA \$ key amounts to the applicable foreign currency using IERF based on RSA COLI ratios with Washington, DC = 100 combined with corresponding fixed exchange rates. (e) Determine rates for single officials by subtracting 7,5% from the above USA \$ norm amounts. (f) Maintain COLA amounts by annual recalculation and periodic checking of the effect of factors such as increases in RSA pay and exchange rate fluctuations. <p>2.2 To be subject to tax in terms of the amended Income Tax Act, 1962.</p>
<p style="text-align: center;">Service Bonus</p> <p>93% of monthly salary of SA official.</p>	<ul style="list-style-type: none"> - Paid in FC abroad - Taxable on the normal Service Bonus that an official would have received in South Africa. (Percentage increased from 93% to 100% with effect from 1 July 2000.) 	<p>3.1 Pay in RSA Rand in the same manner as other public servants.</p> <p>3.2 Taxable in the normal manner as for all RSA public servants.</p> <p>3.3 Calculated at 100% of the basic salary (excluding any allowance, whether it is pensionable or not) of the employee for the month in which his/her service bonus pay date falls and in terms of the existing prescripts in this regard.</p>

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<p style="text-align: center;">Cryptographic Allowance</p> <p>Derived by formula from SA</p>	<ul style="list-style-type: none"> - Paid in FC abroad. - Not taxable. 	<p>4.1 Pay in RSA Rand in the same manner as other public servants in terms of Resolution 3/99.</p> <p>4.2 Taxable in the normal manner as for all RSA public servants.</p>
<p style="text-align: center;">Overtime pay</p> <p>Derived by formula from SA,</p>	<ul style="list-style-type: none"> - Paid in FC abroad. - Not taxable. 	<p>5.1 Pay in RSA Rand in the same manner as other public servants.</p> <p>5.2 Taxable in the normal manner as for all RSA public servants.</p>
<p style="text-align: center;">Children's Allowance</p> <p>RSA norm amount R5 400 1st and 2nd child – then 10% less down to 50% for the 7th and further. Converted by IERF to FC amounts for each country.</p>	<ul style="list-style-type: none"> - Paid in Rand for children in the RSA. and in FC abroad for children with parent(s) abroad. - Not taxable. 	<p>6.1 The element to be renamed Child Allowance and the existing basis to be replaced by the payment of the same amount for each eligible child. The Child Allowance amount will be derived from a hard currency amount of \$2 244 per child accompanying the official abroad and applicable foreign currency amounts for each country will be determined by applying the COLA IERF with Washington DC = 100. In the case of an eligible child who remains in the RSA the initial amount will be R6 792 and this will be maintained based on the USA CPI.</p> <p>6.2 To be subject to tax in terms of the amended Income Tax Act, 1962.</p>
<p style="text-align: center;">Assistance to purchase diplomatic equipment</p> <p>RSA norm amounts. Dip. list R6 850. Not Dip. list R4 110. converted by IERF to FC amounts for each country</p>	<ul style="list-style-type: none"> - Paid in Rand in the RSA or in FC abroad - Not taxable 	<p>7.1 This element falls away but a facility is created allowing an official, on first transfer abroad, an advance of COLA up to a maximum limit, to assist her/himself to go abroad (in combination with the transfer lump sum for incidentals)</p> <p>7.2 Advance on the COLA should not be exempt from tax applied to the full COLA amount.</p>

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<div style="border: 1px solid black; padding: 5px; width: fit-content; margin-bottom: 10px;"> <p align="center">Clothing grants</p> <p>RSA norm amount R4 794. Differentiated married /single and for climatic conditions. Converted by IERF to FC amounts for each country</p> </div> <ul style="list-style-type: none"> - Paid in Rand in the RSA or in FC abroad - Not taxable 	<p>8.1 This element falls away but a facility is created allowing an official, on first transfer abroad, an advance of COLA up to a maximum limit, to assist her/himself to go abroad (in combination with the transfer lump sum for incidentals)</p> <p>8.2 Advance on the COLA is not exempt from tax applied to the full COLA amount.</p>
<div style="border: 1px solid black; padding: 5px; width: fit-content; margin-bottom: 10px;"> <p align="center">Special Station Allowance (SSA)</p> <p>Between 3% and 15% of norm SA for mission for hardship factors</p> </div> <ul style="list-style-type: none"> - Paid in FC abroad - Not taxable 	<p>9.1 This allowance is replaced by a Difficult Post Additional Cost Allowance (DPACA) in the form of norm USA \$ amounts derived from an appropriate Rand norm key amount converted to USA \$ using a suitable fixed exchange rate. The USA \$ norm amounts are converted to the applicable foreign currency for each country by using appropriate USA \$/foreign currency fixed exchange rates. On the basis of difficult conditions, missions are classified into four categories with the following percentages of norm amounts linked thereto:</p> <p>I - 0%, II - 100%, III – 150% and IV – 200%. The norm amounts for each mission are differentiated based on the position of the official as follows: Unaccompanied – 100%, accompanied by one dependant – 150% and accompanied by more than one dependant – 180%.</p> <p>9.2 To be subject to tax in terms of the amended Income Tax Act, 1962</p>
<div style="border: 1px solid black; padding: 5px; width: fit-content; margin-bottom: 10px;"> <p>Occupational specific payments or other general payments not dealt with separately</p> </div> <ul style="list-style-type: none"> - Paid in Rand in the RSA - Taxable in the normal manner as for all RSA public servants 	<p>10. Not affected by FSD recommendations</p>

CURRENT FSD	PROPOSED FSD
<div data-bbox="134 244 658 392" style="border: 1px solid black; padding: 5px;"> <p>Reimbursement of schooling expenses</p> <p>Up to 90% of tuition fees where suitable normal schooling is not available</p> </div> <ul style="list-style-type: none"> - Paid in FC abroad - Not taxable 	<p>11.1 As at present but up to 100% of tuition fees based on norm schools and, in lieu thereof, deduction of a norm RSA Rand amount from salary</p> <p>11.2 Payment of boarding school costs limited to a norm maximum if an official chooses to have her/his child educated in the RSA or if there is no suitable school at the mission location, in which case Child Allowance is not payable in respect of the child concerned.</p> <p>11.3 Education expenses would be taxable in terms of the amended Income Tax Act, 1962.</p>
<div data-bbox="134 722 658 903" style="border: 1px solid black; padding: 5px;"> <p>Payment to assist with cost of importing a car</p> <p>Duty and taxes up to prescribed maxima linked to salary bands on return to RSA</p> </div> <ul style="list-style-type: none"> - Paid in Rand in the RSA - Not taxable 	<p>12. Not changed by revision recommendations</p>
<div data-bbox="134 1021 658 1230" style="border: 1px solid black; padding: 5px;"> <p>Transfer costs</p> <p>Actual cost of translocating house-hold is paid plus a lump sum for incidentals of 35% of the monthly amount of the norm SA when transferred abroad</p> </div> <ul style="list-style-type: none"> - Paid in Rand in the RSA or in FC abroad depending upon where the expenditure is incurred - Not taxable 	<p>13.1 Not changed except for the lump sum for incidentals which will be replaced by amounts based on a percentage of the monthly COLA amount linked to grade level 11 and differentiated as follows: single/unaccompanied – 18%, accompanied by one dependant – 30% and accompanied by more than one dependant – 42%</p> <p>13.2 Advance on the COLA is not exempt from tax applied to the full COLA amount.</p>

CURRENT FSD	PROPOSED FSD
<div data-bbox="136 245 658 360" style="border: 1px solid black; padding: 5px;"> <p>Entertainment expenses for approved entertainment are reimbursed</p> </div> <ul style="list-style-type: none"> - Paid in FC abroad - Not taxable 	<p>14. Not changed by revision recommendations</p>
<div data-bbox="136 480 658 627" style="border: 1px solid black; padding: 5px;"> <p>Subsistence Allowance is paid at a prescribed rate when an official performs official duty away from the mission</p> </div> <ul style="list-style-type: none"> - Paid in Rand in the RSA or in FC abroad depending upon where the duty is performed - Not taxable 	<p>15.1 Not changed by revision recommendations except that it is proposed that ECA information should be used to calculate allowance amounts for various countries from a hard currency (USA \$) departure point as in the case of COLA. The matter will have to be dealt with by DPSA as FSD amounts are derived from amounts applicable to the Public Service generally.</p> <p>15.2 Subsistence allowance would be taxable in terms of the amended Income Tax Act, 1962.</p>
<div data-bbox="136 903 658 1050" style="border: 1px solid black; padding: 5px;"> <p>Kilometre tariffs for the use of private vehicles for official purposes are paid in accordance with prescribed rates to reimburse officials</p> </div> <ul style="list-style-type: none"> - Paid in FC abroad - Not taxable 	<p>16. Not changed by revision recommendations except that it is proposed that the amounts laid down by DFA be checked by DFA</p> <p>16.2 Taxable in terms of the latest developments with the Budget for 2002/03 as provided by National Treasury.</p>
<div data-bbox="136 1174 658 1347" style="border: 1px solid black; padding: 5px;"> <p>Provision of accommodation</p> <p>Furnished accommodation, rates and taxes and customary utilities are paid for by the State</p> </div> <ul style="list-style-type: none"> - Provided free of charge to the official - Not taxable 	<p>17. Not changed by revision recommendations except that proposals relating to the efficient management of dwelling accommodation are made by DFA.</p>

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<div data-bbox="134 244 660 453" style="border: 1px solid black; padding: 5px;"> <p>Home Owner allowance</p> <p>Payable as for officials in the RSA and may be continued as long as occupied by dependants or if vacated by them, for six months</p> </div> <ul style="list-style-type: none"> - Paid in Rand in the RSA - Taxable in the normal manner as for all RSA public servants 	<p>18. Not changed by revision recommendations</p>
<div data-bbox="134 571 660 783" style="border: 1px solid black; padding: 5px;"> <p>Car loans may be granted interest-free to officials below the rank of Asst. Director. Maximum loan (and purchase) amounts are determined for each country based on a low-priced car. Repayment is over a maximum of 36 months</p> </div> <ul style="list-style-type: none"> - Loan payments are in FC direct to the dealer - Taxable as a fringe benefit 	<p>19.1 Car loans to be replaced by secured advances of COLA in the case of an official's first transfer abroad limited to a maximum of 23% of COLA payable over the first three years of an official's tour of duty abroad and further limited to an overall maximum of 23% of the COLA amount payable to an official on grade level 8. The advance may only be granted within the first three months after assuming duty abroad and will initially be limited to officials who qualify for car loans in terms of the existing FSD measures</p> <p>19.2 As an alternative it is recommended that consideration be given to the creation of a 'working capital' car loan account based on the Canadian model (financial management system/loan facilitation system)</p> <p>19.3 Advance on the COLA should not be exempt from tax applied to the full COLA amount.</p>
<div data-bbox="134 1265 660 1439" style="border: 1px solid black; padding: 5px;"> <p>Motor Finance Scheme for Senior Officers (MFS)</p> <p>Foreign service officials are excluded from participation in the MFS</p> </div> <ul style="list-style-type: none"> - Taxable in the normal manner as a fringe benefit in the case of RSA officials who participate 	<p>20. Not changed by revision recommendations because the basis of COLA determination makes participation in the MFS impractical</p>

CURRENT FSD	PROPOSED FSD
<div data-bbox="132 304 658 635" style="border: 1px solid black; padding: 5px;"> <p style="text-align: center;">Medical assistance</p> <p>The normal measures apply, but the State, within limits, pays the difference between the actual cost of services and the benefits paid by the official's medical aid scheme. The official is also compensated for expenses necessarily incurred to get medical services elsewhere</p> </div> <ul style="list-style-type: none"> - The currency used for reimbursement depends upon where the expenses were incurred - Normal tax arrangements apply 	<p>21. Not changed by revision recommendations but proposals made to improve administration</p> <p>Note:</p> <p>The medical aid benefits in the Public Service are currently being restructured and the medical provisions applicable in terms of the FSD will be addressed during this process as per the recommendation.</p>
<div data-bbox="132 754 658 1046" style="border: 1px solid black; padding: 5px;"> <p>Special travelling and leave privileges are granted to officials based on a classification of missions into five groups. Travelling privilege frequency and destination and days of special leave are differentiated on geographic and living condition factors. Provision is also made for travel privileges for compassionate purposes</p> </div> <ul style="list-style-type: none"> - Travelling expenses of the official and her/his dependants are reimbursed in the currency in which they were incurred - Not taxable 	<p>22.1 The existing measures are replaced by a rationalised basis with mission being classified into four categories – the same as those determined for purposes of Difficult Post Additional Cost Allowance. The following number of travelling privileges (limited to the cost of air tickets at the most economical rate from the mission to Johannesburg) for the official and her/his eligible dependants are linked to each category during a standard four year duty tour:</p> <p style="padding-left: 20px;">I – one TP, II – two TP, III – four TP and IV – seven TP. Only actual travelling costs are paid for and no subsistence</p> <p>22.2 All special leave linked to travelling privileges falls away and in the place thereof reasonable time off may be granted based on a geographical location and travelling difficulty classification of missions with two days, four days and six days of time linked to these classes.</p> <p>22.3 The special travelling privileges would be taxable in terms of the amended Income Tax Act, 1962 and the leave privileges will be dealt with in line with the existing prescripts.</p>

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<div data-bbox="136 304 660 572" style="border: 1px solid black; padding: 5px;"> <p>Travelling privileges for children are granted i.r.o. dependent, unmarried children who because of education or disability are maintained elsewhere. Basically two privileges per year are granted</p> </div> <ul style="list-style-type: none"> - The travel expenses of children are reimbursed in the currency in which they were incurred - Not taxable 	<p>23. Not changed by revision recommendations but the rules governing granting of travelling privileges will be rationalised with expenditure being limited to the cost of an air ticket.</p> <p>23.1 The special travelling privileges for children would be taxable in terms of the amended Income Tax Act, 1962.</p>
<div data-bbox="136 692 660 842" style="border: 1px solid black; padding: 5px;"> <p>Classes of air travel are prescribed and depend on the rank/diplomatic position of the official and the nature/purpose of travel</p> </div>	<p>24. Not changed by revision recommendations</p>
<div data-bbox="136 962 660 1174" style="border: 1px solid black; padding: 5px;"> <p>Special measures e.g. relating to emergency evacuation and wartime conditions are determined on an ad hoc basis on the recommendation of the PSC/DPSA and Department of State Expenditure</p> </div> <ul style="list-style-type: none"> - The nature of measures determine the currency of payment where payments are involved - Taxability would depend upon the type of measures applied 	<p>26.1 To provide for this need a general authorisation of the DFA to take steps and apply measures to ensure the safety of officials and to, as far as is reasonably possible, secure officials against personal losses is proposed. This measure is subject to reporting to controlling departments and, where necessary, obtaining ex post facto approval</p>

CURRENT FSD		PROPOSED FSD
<p>Conditions of service not dealt with separately are the same as for other officials stationed in the RSA (e.g. career incidents such as merit assessment, promotion and discharge and general service conditions such as pensions and workmen's compensation)</p>	<ul style="list-style-type: none"> - Where any payments are involved they are in Rand in the RSA - The normal tax arrangements apply 	<p>27. Not effected by FSD revision amendments</p>

GENERAL RECOMMENDATIONS OF AN IMPORTANT NATURE

1. That appropriate criteria be applied for purposes of this and future revision of the FSD.
2. That a clear purpose as formulated in the report be approved for the FSD.
3. That the ECA COLI is used.
4. That the DFA should have the power to determine what foreign currencies should be used for FSD payments within a policy framework.
5. That the employer should not involve itself in the purchasing priorities of officials.
6. That dependency be clearly defined for purposes of application of FSD elements.
7. That general measures governing COLA advances be laid down and taxation be dealt with in terms of the amended Income Tax Act, 1962.
8. That appropriate arrangement for the co-ordinated development and application of the FSD be approved.
9. That FSD prescripts be rationalised and set out in a single document issued by the DPSA.
10. That guidelines be established for the development of dispensations for officials other than Foreign Service officials stationed abroad.
11. That the payment of Cryptographic Allowance for Foreign Affairs Assistants serving in the RSA be placed on the basis applicable to those serving abroad.
12. That the SA Reserve Bank open authority be extended taking into account that an official's RSA remuneration forms part of his total FSD package.