

Annexure

I.0 SCOPE

The scope of the manual is mentioned in the section dealing with the subject-Perspective of the manual. The scope of the manual has been described as follows:

- To govern uniform & consistent practices documented systems & procedures are formed. Wherever found expedient, procedural steps for documentation and accounting have been provided in the manual.
- A reliable environment for preventive control is provided by internal control yardstick. The areas and responsibilities of financial control are prescribed in the manual.
- The manual provides vital information for control and decision making. The nature, purpose, responsibility, periodicity etc. of the MIS reports originated from F&A functions have been discussed.
- The principles and system of classification & codification of account heads are dealt with in the manual. The manual also deals with indicative classified heads of account along with codification logic for general ledger.
- Policies and procedures applicable to treasury operations are covered in the manual.
- The manual also covers planning and control for the budgetary control system.
- Guidelines and parameters are given for making decisions involving financial exposure.

2.0 MAINTENANCE OF THE MANUAL

The manual is considered in the situations of current business scenario, pattern of organizational setup of Finance & Accounts Wing (as made available), current practices of activities performed by F & A personnel (as emerged during discussion and study), pattern of advisory & supportive role performed by the Function in relation to business groups and other service groups of the

organization, the manual in position, existing structure and operating matrix of Delegation of Authority (DOP) and requirements of relevant statutes and statutory guidelines.

The current manual will need to be updated with the changes in any of the above drivers as and when deemed necessary. The competent authority will be required to approve the amended manual.

To perform and manage the activities relating to the manual (e.g. planning, documentation, approvals, updating, implementation & dissemination) a responsibility centre is to be identified and authorized in the organization.

3.0 GENERAL FINANCIAL RULES, 2005

PREFACE

General Financial Rules (GFRs) are a compendium of general provisions to be followed by all offices of Government of India while dealing with matters of a financial nature.

2. General Financial Rules were first issued in 1947 and were in the form of executive instructions. These were subsequently modified and issued as General Financial Rules, 1963. Over the last four decades, these GFRs had to be amplified and supplemented by various decisions of the Government of India. Many of the rules had also become redundant. These developments including a rapid growth of alternative service delivery systems, developments in information technology, outsourcing of services and liberalization of the system of procurement, accounting and disposal of goods in line with the international practices necessitated an overall review of the General Financial Rules, 1963. A Task Force was set up for this purpose. The report submitted by the Task Force was widely circulated to all the Departments and Ministries and their suggestions were duly considered for making appropriate changes.

3. General Financial Rules, 2005 have evolved as a result of the wide consultations and extensive review. The rules have been simplified and put in a logical sequence for easy comprehension. The appendices and forms of General Financial Rules, 1963 have also been comprehensively reviewed but for the sake of convenience and to avoid confusion, the existing form numbers have been retained. Provisions regulating advances to government servants have been excluded from GFRs as these are distinct from direct government expenditure. These provisions have been issued separately as a compendium.

4. It is expected that General Financial Rules, 2005 will provide greater flexibility to officers in transacting government business while ensuring accountability commensurate with responsibility at different levels of Government.

5. Finally, Department of Expenditure would like to place on record the excellent work done by the Task Force on review of GFRs, the CGA, the Office of the C&AG, Budget Division of Department of Economic Affairs and the Ministries and Departments which gave valuable inputs for carrying out the exercise.

(Adarsh Kishore)
Secretary to the Government of India

New Delhi,
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Ministry of Finance
Department of Expenditure

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CHAPTER - 1 INTRODUCTION

Rule 1. Short title and commencement :

- (1) These rules may be called General Financial Rules, 2005.
- (2) They shall come into force at once.

Rule 2. Definitions : In these rules, unless the context otherwise requires –

- (i) **"Accounts Officer"** means the Head of an Office of Accounts or the Head of a Pay and Accounts Office set up under the scheme of departmentalization of accounts;
- (ii) **"Administrator"** means Administrator of a Union Territory;
- (iii) **"Appropriation"** means the assignment, to meet specified expenditure, of funds included in a primary unit of appropriation;
- (iv) **"Audit Officer"** means the Head of an Office of Audit;
- (v) **"Competent Authority"** means, in respect of the power to be exercised under any of these rules, the President or such other authority to which the power is delegated by or under these rules, Delegation of Financial Power Rules, 1978 or any other general or special orders issued by the Government of India;
- (vi) **"Comptroller and Auditor-General"** means the Comptroller and Auditor-General of India;
- (vii) **"Consolidated Fund"** means the Consolidated Fund of India referred to in Article 266 (1) of the Constitution;
- (viii) **"the Constitution"** means the Constitution of India;
- (ix) **"Contingency Fund"** means the Contingency Fund of India established under the Contingency Fund of India Act, 1950, in terms of Article 267 (1) of the Constitution;
- (x) **"Controlling Officer"** means an officer entrusted by a Department of the Central Government with the responsibility of controlling the incurring of expenditure and/or the collection of revenue. The term shall include a Head of Department and also an Administrator;
- (xi) **"Department of the Central Government"** means a Ministry or a Department of the Central Government as notified from time to time and includes the Planning Commission, the Department of Parliamentary Affairs, the President's Secretariat, the Vice-President's Secretariat, the Cabinet Secretariat and the Prime

Minister's Secretariat;

- (xii) **"Disbursing Officer"** means a Head of Office and also any other Gazetted Officer so designated by a Department of the Central Government, a Head of Department or an Administrator, to draw bills and make payments on behalf of the Central Government. The term shall also include a Head of Department or an Administrator where he himself discharges such function;
- (xiii) **"Finance Ministry"** means the Finance Ministry of the Central Government;
- (xiv) **"Financial year"** means the year beginning on the 1st of April and ending on the 31st of March following;
- (xv) **"Government"** means the Central Government;
- (xvi) **"Head of a Department"** in relation to an office or offices under its administrative control means (a) an authority specified in Schedule I of the Delegation of Financial Powers Rules, 1978, and (b) any other authority declared as such under any general or special orders of the competent authority;
- (xvii) **"Head of Office"** means (a) a Gazetted Officer declared as such under Rule 14 of the Delegation of Financial Powers Rules, 1978, and (b) any other authority declared as such under any general or special orders of the competent authority;
- (xviii) **"Local Body"** means an authority legally entitled or specially empowered by Government to administer a local fund;
- (xix) **"Local Fund"** means a local fund as defined in Rule 652 of the Treasury Rules;
- (xx) **"non-recurring expenditure"** means expenditure other than recurring expenditure;
- (xxi) **"President"** means the President of India;
- (xxii) **"Primary unit of appropriation"** means a primary unit of appropriation referred to in Rule 8 of the Delegation of Financial Powers Rules, 1978;
- (xxiii) **"Public Account"** means the Public Account of India referred to in Article 266 (2) of the Constitution;
- (xxiv) **"Public Works"** means civil works and irrigation, navigation, embankment and drainage works;
- (xxv) **"reappropriation"** means the transfer of funds from one primary unit of appropriation to another such unit;
- (xxvi) **"recurring expenditure"** means the expenditure which is incurred at periodic intervals;
- (xxvii) **"Reserve Bank"** means the Reserve Bank of India or any office or agency of the Reserve Bank of India and includes any Bank acting as the agent of the Reserve Bank of India in accordance with the provisions of the Reserve Bank of India Act, 1934 (Act II of 1934);
- (xxviii) **"Subordinate authority"** means a Department of the Central Government or any authority subordinate to the President; and
- (xxix) **"Treasury Rules"** means the Treasury Rules of the

CentralGovernment.

Rule 3. Interdepartmental Consultations : When the subject of a case concerns more than one department, no order should be issued until all such departments have concurred, or, failing such concurrence, a decision has been taken by or under the authority of the Cabinet. In this regard it is clarified that every case in which a decision, if taken in one Department, is likely to affect the transaction of business allotted to another department, shall be deemed to be a case the subject of which concerns more than one department.

Rule 4. Departmental Regulations of financial character : All Departmental regulations, in so far as they embody orders or instructions of a financial character or have important financial bearing, shall be made by, or with the approval of the Finance Ministry.

Rule 5. Removal of doubts : Where a doubt arises as to the interpretation of any of the provisions of these Rules, the matter shall be referred to the Finance Ministry for decision.

Rule 6. Modifications :

- (1) The systems and procedures established by these rules are subject to general or special instructions / orders, which the Ministry of Finance may issue from time to time.
- (2) The systems and procedures established by these rules may be modified by any other authority only with the express approval of the Ministry of Finance.

CHAPTER - 2

General System of Financial Management

Rule 7. General Principles : All moneys received by or on behalf of the Government either as dues of Government or for deposit, remittance or otherwise, shall be brought into Government Account without delay, in accordance with such general or special rules as may be issued under Articles 150 and 283 (1) of the Constitution.

Rule 8.

(1)

- (i) Under Article 284 of the Constitution all moneys received by or deposited with any officer employed in connection with the affairs of the Union in his capacity as such, other than revenues or public moneys raised or received by Government, shall be paid into the Public Account.
- (ii) All moneys received by or deposited with the Supreme Court of India or with any other Court, other than a High Court, within a Union Territory, shall also be dealt with in accordance with **Clause (i) of sub-rule (1)**.

- (2)** The Head of Account to which such moneys shall be credited and the withdrawal of moneys therefrom shall be governed by the relevant provisions of Government Accounting Rules 1990 and the Central Government Account (Receipts and Payments) Rules, 1983 or such other general or special orders as may be issued in this behalf.

Rule 9. It is the duty of the Department of the Central Government concerned to ensure that the receipts and dues of the Government are correctly and promptly assessed, collected and duly credited to the Consolidated Fund or Public Account as the case may be.

Rule 10. The Controlling Officer shall arrange to obtain from his subordinate officers monthly accounts and returns in suitable form claiming credit for the amounts paid into the treasury or bank as the case may be, or otherwise accounted for, and compare them with the statements of credits furnished by the Accounts Officer to see that the amounts reported as collected have been duly credited. For this each Accounts Officer will send an extract from his accounts showing the amounts brought to credit in the accounts in each month to the Controlling Officer concerned.

Rule 11.

- (1) Detailed rules and procedure regarding assessment, collection, allocation, remission and abandonment of revenue and other receipts shall be laid down in the regulations of the department responsible for the same.
- (2) In departments in which officers are required to receive moneys on behalf of Government and issue receipts therefor in Form GAR-6 the departmental regulations should provide for the maintenance of a proper account of the receipt and issue of the receipt books, the number of receipt books to be issued at a time to each officer and a check with the officer's accounts of the used books when returned.

Rule 12. Amounts due to Government shall not be left outstanding without sufficient reasons. Where such amounts appear to be irrecoverable, the orders of the competent authority shall be obtained for their adjustment.

Rule 13. Unless specially authorized by any rule or order made by competent authority, no sums shall be credited as revenue by debit to a suspense head.

The credit must follow and not precede actual realization.

Rule 14. Subject to any general or special orders issued by a Department of the Central Government, an Administrator or a Head of a Department responsible for the collection of revenue shall keep the Finance Ministry fully informed of the progress of collection of revenue under his control and of all important variations in such collections as compared with the Budget Estimates.

Rule 15. Rents of buildings and lands :

- (1) When the maintenance of any rentable building is entrusted to a civil department, other than the Central Public Works Department, the Administrator or the Head of the Department concerned shall be responsible for the due recovery of the rent thereof.
- (2) The procedure for the assessment and recovery of rent of any building hired out will be regulated generally by the rules applicable to residences under the direct charge of the Central Public Works Department.
- (3) The detailed rules and procedure, regarding the demand and recovery of rent of Government buildings and lands, are contained in the departmental regulations of the departments in charge of those buildings.

Rule 16. Fines :

- (1) Every authority having the power to impose and/ or realize a fine shall ensure that the money is realized, duly checked and deposited into a treasury or bank as the case may be.
- (2) Every authority having the power to refund fines shall ensure that the refunds are checked and no double refunds of amounts of fines collected or refunds of fines not actually paid into a treasury or bank as the case may be, are made.

Rule 17. Miscellaneous Demands : The Accounts Officer shall watch therealization of miscellaneous demands of Government, not falling under the ordinary revenue administration, such as contributions from State Governments, Local Funds, contractors and others towards establishment charges.

Rule 18. Remission of Revenue : A claim to revenue shall not be remitted or abandoned save with the sanction of the competent authority.

Rule 19.

- (1) Subject to any general or special orders issued by the Government Departments of the Central Government, Administrators and Heads of Departments, other than those in the Department of Posts, shall submit annually on the 1st of June to the Audit Officer and the Accounts Officer concerned, statements showing the remissions of revenue and abandonment of claims to revenue sanctioned during the preceding year by competent authorities in exercise of the discretionary powers vested in them otherwise than by law or rule having the force of law, provided that individual remissions below Rupees one hundred need not be included in the statements.
- (2) For inclusion in the statements referred to in **Rule 19 (1)** above, remissions and abandonments should be classified broadly with reference to the grounds on which they were sanctioned and a total figure should be given for each class. A brief explanation of the circumstances leading to the remission should be added in the case of each class.

Rule 20. Departments of the Central Government and Administrators may make rules defining remissions and abandonments of revenue for the purpose of **Rule 19** above.

I. GENERAL PRINCIPLES RELATING TO EXPENDITURE AND PAYMENT OF MONEY

Rule 21. Standards of financial propriety : Every officer incurring or authorizing expenditure from public moneys should be guided by high standards

of financial propriety. Every officer should also enforce financial order and strict economy and see that all relevant financial rules and regulations are observed, by his own office and by subordinate disbursing officers. Among the principles on which emphasis is generally laid are the following :-

- (i) Every officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.
- (ii) The expenditure should not be prima facie more than the occasion demands.
- (iii) No authority should exercise its powers of sanctioning expenditure to pass an order which will be directly or indirectly to its own advantage.
- (iv) Expenditure from public moneys should not be incurred for the benefit of a particular person or a section of the people, unless -
 - (a) a claim for the amount could be enforced in a Court of Law, or
 - (c) the expenditure is in pursuance of a recognized policy or custom.
- (v) The amount of allowances granted to meet expenditure of a particular type should be so regulated that the allowances are not on the whole a source of profit to the recipients.

Rule 22. Expenditure from public funds : No authority may incur any expenditure or enter into any liability involving expenditure or transfer of moneys for investment or deposit from Government account unless the same has been sanctioned by a competent authority.

Rule 23. Delegation of Financial Powers : The financial powers of the Government have been delegated to various subordinate authorities vide Delegation of Financial Powers Rules, 1978 as amended from time to time. The financial powers of the Government, which have not been delegated to a subordinate authority, shall vest in the Finance Ministry.

Rule 24. Consultation with Financial Advisers : All draft memoranda for Expenditure Finance Committee or Public Investment Bureau and Cabinet Committee for Economic Affairs or Cabinet shall be circulated by the Ministry or Department concerned after consultation with the concerned Financial Adviser of the Ministry or Department. A confirmation to this effect shall be included in the draft memorandum at the circulation stage.

Rule 25. Provision of funds for sanction :

- (1) All sanctions to the expenditure shall indicate the details of the provisions in the relevant grant or appropriation wherefrom such expenditure is to be met.

- (2) All proposals for sanction to expenditure, shall indicate whether such expenditure can be met by valid appropriation or re-appropriation.
- (3) In cases where it become necessary to issue a sanction to expenditure before funds are communicated, the sanction should specify that such expenditure is subject to funds being communicated in the Budget of the year.

Rule 26. Responsibility of Controlling Officer in respect of Budget

allocation: The duties and responsibilities of a controlling officer in respect offunds placed at his disposal are to ensure :

- (i) that the expenditure does not exceed the budget allocation.
- (ii) that the expenditure is incurred for the purpose for which funds have been provided.
- (iii) that the expenditure is incurred in public interest.
- (iv) that adequate control mechanism is functioning in his department for prevention, detection of errors and irregularities in the financial proceedings of his subordinate offices and to guard against waste and loss of public money, and
- (v) that mechanism or checks contemplated at (iv) above are effectively applied.

Rule 27.

- (1) **Date of effect of sanction :** Subject to fulfillment of the provisionsof Rule 6 of the Delegation of Financial Powers Rules, 1978, all rules, sanctions or orders shall come into force from the date of issue unless any other date from which they shall come into force is specified therein.
- (2) **Date of creation to be indicated in sanctions for temporary posts:** Orders sanctioning the creation of a temporary post should,in addition to the sanctioned duration, invariably specify the date from which it is to be created.

Rule 28. Powers in regard to certain special matters : Except in pursuance ofthe general delegation made by, or with the approval of the President, a subordinate authority shall not, without the previous consent of the Finance Ministry, issue an order which -

- (i) involves any grant of land, or assignment of revenue, or concession, grant, lease or licence of mineral or forest rights, or rights to water power or any easement or privilege of such concessions, or
- (ii) involves relinquishment of revenue in any way.

Rule 29. Procedure for communication of sanctions : All financial sanctions and orders issued by a competent authority shall be communicated to the Audit Officer and the Accounts Officer. The procedure to be followed for communication of financial sanctions and orders will be as under :-

- (i) All financial sanctions issued by a Department of the Central Government which relate to a matter concerning the Department proper and on the basis of which payment is to be made or authorized by the Accounts Officer, should be addressed to him.
- (ii) All other sanctions should be accorded in the form of an Order, which need not be addressed to any authority, but a copy thereof should be endorsed to the Accounts Officer concerned.
- (iii) In the case of non-recurring contingent and miscellaneous expenditure, the sanctioning authority may, where required, accord sanction by signing or countersigning the bill or voucher, whether before or after the money is drawn, instead of by a separate sanction.
- (iv) All financial sanctions and orders issued by a Department of the Central Government with the concurrence of the Internal Finance Wing or Ministry of Finance, as applicable, should be communicated to the Accounts Officer in accordance with the procedure laid down in Rule 25 of the Delegation of Financial Powers Rules, 1978, and orders issued thereunder from time to time.
- (v) All financial sanctions and orders issued by a department with the concurrence of the Ministry of Home Affairs or Comptroller and Auditor General of India or Department of Personnel should specify that the sanction or orders are issued with the concurrence of that Department along with the number and date of relevant communication of that Department wherein the concurrence was conveyed.
- (vi) All orders conveying sanctions to expenditure of a definite amount or up to a specific limit should express both in words and figures the amount of expenditure sanctioned.
- (vii) Sanctions accorded by a Head of Department may be communicated to the Accounts Officer by an authorized Gazetted Officer of his Office duly signed by him for the Head of Department or conveyed in the name of the Head of the Department.
- (viii) All orders conveying sanctions to the grant of additions to pay such as Special Allowance, Personal Pay, etc., should contain a brief summary of the reasons for the grant of such additions to pay so as to enable the Accounts Officer to see that it is correctly termed as Special Allowance, Personal Pay, etc., as the case may be.

- (ix) Orders issued by a Department of a Union Territory Government where Audit and Accounts (a) have not been separated shall be communicated direct to the Audit authority; (b) have been separated, copies shall be endorsed to the Audit authorities.

In case of sanctions in respect of matters, where reference was made to the Central Government under the Rules of Business framed under Section 46 of the Government of Union Territory Act, 1963, the following clause shall be added in the sanction endorsed to Audit:-

- " A reference had been made in this case to the Central Government and the above order/letter conforms to the decision of the Central Government *vide* Government of India, Ministry / Department ofLetter No.....dated.....".
- (x) Copies of all General Financial Orders issued by a Department of the Central Government with the concurrence of the Comptroller and Auditor General of India shall be supplied to the Comptroller and Auditor General of India.
- (xi) Copies of all sanctions or orders other than the following types should be endorsed to the Audit Officers:-
- (a) Sanctions relating to grant to advances to Central Government employees.
 - (b) Sanctions relating to appointment or promotion or transfer of Gazetted and non-Gazetted Officers.
 - (c) All sanctions relating to creation or continuation or abolition of posts.
 - (d) Sanctions for handing over charge and taking over charge, etc.
 - (e) Sanctions relating to payment or withdrawal of General Provident Fund advances to Government servants.
 - (f) Sanctions of contingent expenditure incurred under the powers of Head of Offices.
 - (g) Other sanctions of routine nature issued by Heads of Subordinate Officers (other than those issued by Ministries or Departments proper and under powers of a Head of Department).
- (xii) Sanctions accorded by competent authority to grants of land and alienation of land revenue, other than those in which assignments of land revenue are treated as cash payment, shall be communicated to the Audit and/ or the Accounts

Officer, as the case may be, in a consolidated monthly return giving the necessary details.

Rule 30. Lapse of sanctions : A sanction for any fresh charge shall, unless it is specifically renewed, lapse if no payment in whole or in part has been made during a period of twelve months from the date of issue of such sanction.

Provided that -

- (i) when the period of currency of the sanction is prescribed in the departmental regulations or is specified in the sanction itself, it shall lapse on the expiry of such periods; or
- (ii) when there is a specific provision in a sanction that the expenditure would be met from the Budget provision of a specified financial year, it shall lapse at the close of that financial year; or
- (iii) in the case of purchase of stores, a sanction shall not lapse, if tenders have been accepted (in the case of local or direct purchase of stores) or the indent has been placed (in the case of Central Purchases) on the Central Purchase Organization within the period of one year of the date of issue of that sanction, even if the actual payment in whole or in part has not been made during the said period.

Rule 31. Notwithstanding anything contained in **Rule 30**, a sanction in respect of an addition to a permanent establishment, made from year to year under a general scheme by a competent authority, or in respect of an allowance sanctioned for a post or for a class of Government servants, but not drawn by the officer(s) concerned, shall not lapse.

Rule 32. Remission of disallowance's by Audit and writing off of overpayment made to Government servants : The remission of disallowance's by Audit and writing off of overpayments made to Government servants by competent authorities shall be in accordance with the provisions of the Delegation of Financial Powers Rules, 1978, and instructions issued thereunder.

II. DEFALCATION AND LOSSES

Rule 33. Report of Losses :

- (1) Any loss or shortage of public moneys, departmental revenue or receipts, stamps, opium, stores or other property held by, or on behalf of, Government irrespective of the cause of loss and manner of detection, shall be immediately reported by the subordinate authority concerned to the next higher authority as well as to the Statutory Audit Officer and to the concerned Principal Accounts Officer, even when such loss has been made good by the party responsible for it. However the following losses need not be reported:

- (i) Cases involving losses of revenue due to -
 - (a) mistakes in assessments which are discovered too late to permit of a supplementary claim being made,
 - (b) under assessments which are due to interpretation of the law by the local authority being overruled by higher authority after the expiry of the time-limit prescribed under the law, and
 - (c) refunds allowed on the ground that the claims were time-barred:
 - (ii) Petty losses of value not exceeding Rupees two thousand.
- (2) Cases involving serious irregularities shall be brought to the notice of Financial Adviser or Chief Accounting Authority of the Ministry or Department concerned and the Controller-General of Accounts, Ministry of Finance.
- (3) Report of loss contemplated in **sub-rule (1) & (2)** shall be made at two stages-
 - (i) An initial report should be made as soon as a suspicion arises that a loss has taken place.
 - (ii) The final report should be sent to authorities indicated in **subrule (1) & (2)** after investigation indicating nature and extent of loss, errors or neglect of rules by which the loss has been caused and the prospects of recovery.
- (4) The complete report contemplated in sub-rule 3, shall reach through proper channels to the Head of the Department, who shall finally dispose of the same under the powers delegated to him under the Delegation of Financial Power Rules, 1978. The reports, which he cannot finally dispose of under the delegated powers, shall be submitted to the Government.
- (5) An amount lost through misappropriation, defalcation, embezzlement, etc., may be redrawn on a simple receipt pending investigation, recovery or write-off with the approval of the authority competent to write-off the loss in question.
- (6) In cases of loss to Government on account of culpability of Government servants, the loss should be borne by the Central Government Department or State Government concerned with the transaction. Similarly, if any recoveries are made from the erring Government officials in cash, the receipt will be credited to the Central Government Department or the State Government who sustained the loss.

- (7) All cases involving loss of Government money arising from erroneous or irregular issue of cheques or irregular accounting of receipts will be reported to the Controller-General of Accounts along with the circumstances leading to the loss, so that he can take steps to remedy defects in rules or procedures, if any, connected therewith.

Rule 34. Loss of Government property due to fire, theft, fraud : Departmental Officers shall, in addition to taking action as prescribed in **Rule 33**, follow the provisions indicated below in cases involving material loss or destruction of Government property as a result of fire, theft, fraud, etc. -

All losses above the value of Rupees ten thousand due to suspected fire, theft, fraud, etc., shall be invariably reported to the Police for investigation as early as possible.

Once the matter is reported to the Police Authorities, all concerned should assist the Police in their investigation. A formal investigation report should be obtained from the Police Authorities in all cases, which are referred to them.

Rule 35. Loss of immovable property by fire, flood, etc. : All loss of immovable property exceeding Rupees fifty thousand, such as buildings, communications, or other works, caused by fire, flood, cyclone, earthquake or any other natural cause, shall be reported at once by the subordinate authority concerned to Government through the usual channel. All other losses should be immediately brought to the notice of the next higher authority.

Rule 36. Report to Audit and Accounts Officers : After a full enquiry as to the cause and the extent of the loss has been made, the detailed report should be sent by the subordinate authority concerned to Government through the proper channel; a copy of the report or an abstract thereof being simultaneously forwarded to the Audit or Accounts Officer.

Rule 37. Responsibility for Losses : An officer shall be held personally responsible for any loss sustained by the Government through fraud or negligence on his part. He will also be held personally responsible for any loss arising from fraud or negligence of any other officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence.

The departmental proceedings for assessment of responsibility for the loss shall be conducted according to the instructions contained in Appendix 1 and those issued by the Ministry of Personnel from time to time.

Rule 38. Prompt disposal of cases of loss : Action at each stage of detection, reporting, write off, final disposal, in cases of losses including action against delinquents and remedial measures should be completed promptly with special

attention to action against delinquents and remedial measures, taken to strengthen the control system.

III. SUBMISSION OF RECORDS AND INFORMATION.

Rule 39. Demand for information by Audit or Accounts Officer :

A subordinate authority shall afford all reasonable facilities to the Audit Officer or Accounts Officer for the discharge of his functions, and furnish fullest possible information required by him for the preparation of any official account or report.

Rule 40. A subordinate authority shall not withhold any information, books or other documents required by the Audit Officer or Accounts Officer.

Rule 41. If the contents of any file are categorized as 'Secret' or 'Top Secret' the file may be sent personally to the Head of the Audit Office specifying this fact, who will then deal with it in accordance with the standing instructions for handling and custody of such classified documents.

CHAPTER - 3

BUDGET FORMULATION AND IMPLEMENTATION

Rule 42. Financial Year : Financial year of the Government shall commence on the 1st day of April of each year and end on the 31st day of March of the following year.

Rule 43. Presentation of Budget to Parliament :

(1)

In accordance with the provisions of Article 112 (1) of the Constitution, the Finance Minister shall arrange to lay before both the Houses of Parliament, an Annual Financial Statement also known as the 'Budget' showing the estimated receipts and expenditure of the Central Government in respect of a financial year, before the commencement of that year.

(2) A

separate statement of estimated receipts and expenditure relating to the Railways shall similarly be presented to the Parliament by the Ministry of Railways in advance of the Annual Financial Statement. As the receipts and expenditure of the Railways are the receipts and expenditure of the Government, the figures relating to these are included in lump in the Annual Financial Statement.

(3) The provisions for preparation, formulation and submission of budget to the Parliament are contained in Articles 112 to 116 of the Constitution of India.

(4) The Ministry of Finance, Budget Division, shall issue guidelines for preparation of budget estimates from time to time. All the Ministries / Departments shall comply in full with these guidelines.

Rule 44. The budget shall contain the following :-

- (i) Estimates of all Revenue expected to be raised during the financial year to which the budget relates.
- (ii) Estimates of all Expenditure for each programme and project in that financial year.
- (iii) Estimates of all interest and debt servicing charges and any repayments on loans in that financial year.

- (iv) Any other information as may be prescribed.

Rule 45. Receipt Estimates : The detailed estimates of receipts will be prepared by the estimating authorities separately for each Major Head of Account in the prescribed form. For each Major Head, the estimating authority will give the break up of the Minor / Subhead wise estimate along with actuals of the past three years. Where necessary, itemwise break up should also be furnished so as to highlight individual items of significance. Any major variation in estimates with reference to past actuals or / and Budget Estimates will be supported by cogent reasons.

Rule 46. Expenditure estimates :

- (1) The expenditure estimates shall show separately the sums required to meet the expenditure Charged on the Consolidated Fund under Article 112 (3) of the Constitution and sums required to meet other expenditure for which a vote of the Lok Sabha is required under Article 113(2) of the Constitution.
- (2) The estimates shall also distinguish provisions for expenditure on revenue account from that for other expenditure including expenditure on capital account, on loans by the Government and for repayment of loans, treasury bills and ways and means advances.
- (3) The detailed estimates of expenditure will be prepared by the estimating authorities for each unit of appropriation (Sub or Detailed or Object head) under the prescribed Major and Minor Heads of Accounts separately for Plan and Non-Plan expenditure. Estimates should include suitable provision for liabilities of the previous years left unpaid during the relevant year.
- (5) The estimates of Plan expenditure will be processed in consultation with the Planning Commission in accordance with the instructions issued by them.
- (6) The Revised Estimates of both Plan and Non-Plan expenditure and Budget Estimates for Non-Plan expenditure after being scrutinized by the Financial Advisers and approved by the Secretary of the Administrative Ministry or Department concerned will be forwarded to the Budget Division in the Ministry of Finance in such manner and forms as may be prescribed by them from time to time.

Rule 47. Demands for Grants :

- (1) The estimates for expenditure for which vote of Lok Sabha is required shall be in the form of Demand for Grants.

- (2) Generally, one Demand for Grant is presented in respect of each Ministry or Department. However, in respect of large Ministries or Departments, more than one Demand is presented. Each Demand normally includes provisions required for a service, i.e. provisions on account of revenue expenditure, capital expenditure, grants to the State and Union Territory Governments and also Loans and Advances relating to the service.
- (3) The Demand for Grants shall be presented to Parliament at two levels. The main Demand for Grants are presented to Parliament by the Ministry of Finance, Budget Division along with the Annual Financial Statement while the Detailed Demands for Grants, after consideration by the “Departmentally Related Standing Committee” (DRSC) of the Parliament, are laid on the Table of the Lok Sabha by the concerned Ministries/Departments, a few days in advance of the discussion of the respective Ministry’s/ Departments’ Demands in that House.

Rule 48. Form of Annual Financial Statement and Demands for Grants :

- (1) The form of the Annual Financial Statement and Demands for Grants shall be laid down by the Finance Ministry and no alteration of arrangement or classification shall be made without the approval of that Ministry.
- (2) The sub-heads under which provision for expenditure will be made in the Demands for Grants or Appropriation shall be prescribed by the Finance Ministry in consultation with the Administrative Ministry or Department. The authorised sub-heads for expenditure in a year shall be as shown in the Detailed Demands for Grants passed by Parliament and no change shall be made therein without the formal approval of the Finance Ministry.

NOTE : Detailed instructions for preparation of the budget are available in Appendix 2, 3, 4, and 6.

Rule 49. Acceptance and inclusion of estimates :

- (1) The estimates of receipts and expenditure of each Ministry / Department will be scrutinized in the Budget Division of the Ministry of Finance. Finance Secretary or Secretary (Expenditure) may hold meetings with Secretaries or Financial Advisers of Administrative Ministries or Departments to discuss the totality of the requirements of funds for various programmes and schemes, along with receipts of the Ministries or Departments.
- (2) The estimates initially submitted by the Departments may undergo some changes as a result of scrutiny in the Budget Division,

Ministry of Finance and deliberations in the pre-budget meetings between the Finance Secretary or Secretary (expenditure) and the Secretary or Financial Adviser of the Department concerned. The final estimates arrived at on the basis of scrutiny and pre-budget meetings will be accepted by the Budget Division, Ministry of Finance and incorporated in the Budget documents.

Rule 50. Vote on Account :

- (1) The Budget is normally presented to the Parliament on the last day in the month of February but the corresponding Appropriation Bill seeking authorization of the Parliament to make expenditure in consonance with the Budget proposal is introduced and passed much later i.e. after due deliberation and approval by the Parliament.
- (2) Pending the completion of the procedure prescribed in Article 113 of the Constitution for the passing of the Budget, the Finance Ministry may arrange to obtain a 'Vote on Account' to cover expenditure for one month or such longer period as may be necessary in accordance with the provisions of Article 116 of the Constitution. Funds made available under Vote on Account are not to be utilized for expenditure on a 'New Service'.

Rule 51. Communication and distribution of grants and appropriations :

After the Appropriation Bill relating to Budget is passed, the Ministry of Finance shall communicate Budget provisions to the Ministries / Departments which, in turn, shall distribute the same to their subordinate formations. The distribution so made shall also be communicated to the respective Pay and Accounts Officers who shall exercise check against the allocation to each subordinate authority.

"CONTROL OF EXPENDITURE AGAINST BUDGET"

Rule 52. Responsibility for control of Expenditure :

- (1) Departments of the Central Government shall be responsible for the control of expenditure against the sanctioned grants and appropriations placed at their disposal. The control shall be exercised through the Heads of Departments and other Controlling Officers, if any, and Disbursing Officers subordinate to them.
- (2) A Grant or Appropriation can be utilised only to cover the charges (including liabilities, if any, of the past year) which are to be paid during the financial year of the Grant or Appropriation and adjusted in the account of the year. No charges against a Grant or Appropriation can be authorized after the expiry of the financial year.

- (3) No expenditure shall be incurred which may have the effect of exceeding the total grant or appropriation authorized by Parliament by law for a financial year, except after obtaining a supplementary grant or appropriation or an advance from the Contingency Fund. Since voted and charged portions as also the revenue and capital sections of a Grant / Appropriation are distinct and reappropriation *inter se* is not permissible, an excess in any one portion or section is treated as an excess in the Grant / Appropriation.
- (4) To have effective control over expenditure by the Departments, Controlling and Disbursing Officers subordinate to them shall follow the procedure given below :-
- (i) For drawal of money the Drawing and Disbursing Officer shall :-
 - (a) Prepare and present bills for "charged" and "voted" expenditure separately.
 - (b) Enter on each bill the complete accounts classifications from major head down to the object head of account. When a single bill includes charges falling under two or more object heads, the charges shall be distributed accurately over the respective heads.
 - (c) Enter on each bill the progressive total of expenditure up-to-date under the primary unit of appropriation to which the bill relates, including the amount of the bill on which the entry is made.
 - (ii)
 - (a) All Disbursing Officers shall maintain a separate expenditure register in Form GFR 9, for allocation under each minor or sub-head of account with which they are concerned.
 - (b) On the third day of each month, a copy of the entries made in this register during the preceding month shall be sent by the officer maintaining it, to the Head of the Department or other designated Controlling Officer. This statement shall also include adjustment of an inward claim, etc., communicated by Pay and Accounts Officer directly to the DDO (and not to his Grant Controlling Officer). If there are no entries in the register in any month, a 'nil' statement shall be sent.
 - (iii)
 - (a) The Controlling Officer will maintain a broadsheet in Form GFR 10 to monitor the receipt of the return prescribed in the foregoing sub-clause;

- (b) On receipt of the returns from Disbursing Officers, the Controlling Officer shall examine them and satisfy himself :-
 - (aa) that the accounts classification has been properly given;
 - (bb) that progressive expenditure has been properly noted and the available balances worked out correctly;
 - (cc) that expenditure up-to-date is within the grant or appropriation; and
 - (dd) that the returns have been signed by Disbursing Officers

Where the Controlling Officer finds defects in any of these respects, he shall take steps to rectify the defect.

- (iv) When all the returns from the Disbursing Officers for a particular month have been received and found to be in order, the Controlling Officer shall compile a statement in Form GFR 11, in which he will incorporate -
 - (a) the totals of the figures supplied by Disbursing Officers;
 - (b) the totals taken from his own registers in Form GFR 9;
 - (c) the totals of such adjustments under the various detailed heads as communicated to him by the Accounts Officer on account of transfer entries and expenditure debited to the grant as a result of settlement of inward account claims and not reckoned by his DDOs.
- (v) If any adjustment communicated by the Accounts Officer affects the appropriation at the disposal of a subordinate Disbursing Officer, the fact that the adjustment has been made shall be communicated by the Controlling Officer to the Disbursing Officer concerned.
- (vi) On receipt of all the necessary returns, the Head of the Department shall prepare a consolidated account in Form GFR 12, showing the complete expenditure from the grant or appropriation at his disposal upto the end of the preceding month.
- (5)** The Head of the Department and the Accounts Officer shall be jointly responsible for the monthly reconciliation of the figures given in the accounts maintained by the Head of the Department with those appearing in the Accounts Officer's books. The procedure for reconciliation shall be as follows :-
 - I. DDOs shall maintain a Bill Register in Form TR 28-A, and note all bills presented for payment to the PAO in the register. As soon as cheques for the bills presented for

payment are received, these will be noted in the appropriate column of the Bill Register and the DDOs will ensure that the amounts of cheques tally with the net amount of the bills presented. In case any retrenchment is made by the PAO, a note of such retrenchments should be kept against the bill in the remarks column in TR 28-A.

- II. The PAOs shall furnish to each of the DDOs including Cheque –drawing DDOs, an extract from the expenditure control register or from the Compilation Sheet every month indicating the expenditure relating to grants controlled by him classified under the various major-minor detailed head of accounts. The statements for May to March should also contain Progressive Figures.
- III. On receipt of these extracts from the PAOs, the DDOs should tally the figures received, excluding book adjustments, with the expenditure worked out for the month in the GFR 9 register. Discrepancies, if any, between the two sets of figures should be promptly investigated by the DDO in consultation with the PAO. He will also note in the GFR 9 register particulars of book adjustments advised by the PAO through the monthly statement. Thereafter, the DDO should furnish to the PAO a certificate of agreement of the figures as per his books with those indicated by the PAOs by the last day of the month following the month of accounts.
- IV. The Principal Accounts Officer (or PAO wherever payments, relating to a grant are handled wholly by a PAO) of each Ministry, should send a monthly statement showing the expenditure vis-à-vis the Budget provision under the various heads of accounts, in the prescribed pro forma, to the Heads of Departments responsible for overall control of expenditure against grant of the Ministry as a whole. The figures so communicated by the Principal Accounts Officer (or the PAO concerned) should be compared by the Heads of Departments with those consolidated in Form GFR 12 and differences, if any, should be taken up by the Heads of Departments with the Principal Accounts Officers (or the PAO concerned) for reconciliation. The Head of the Department should furnish a quarterly certificate to the Principal Accounts Officer certifying the correctness of the figures for the quarter by the 15th of the second following month after the end of quarters April-June, July-September, October-December and January-March.

- (6) The Departments of the Central Government should obtain from their Heads of Departments and other offices under them the departmental figures of expenditure in Form GFR 12 by the 15th of the month following the month to which the returns relate. The figures relating to Plan and Non-Plan expenditure should be separately shown in these returns. The information so obtained should be posted in register(s) kept for watching the flow of expenditure against the sanctioned grant or appropriation. Progressive totals of expenditure should be worked out for the purpose. If the departmental figures obtained in Form GFR 12 and posted in the register(s), require correction in a subsequent month, Heads of Departments or other offices should make such corrections by making plus or minus entries in the progressive totals. In case the Accounts Office figures which subsequently become available are found to be higher than departmental figures, the former should be assumed to be the correct figures, as appropriation accounts are prepared on the basis of the figures booked in the accounts.
- (7) The Departments of Central Government should also obtain from the Heads of Departments and other authorities under them, statements showing the details of the physical progress of the schemes for which they are responsible. This statement should show the name of the scheme, the Budget provision for each scheme, the progressive expenditure on each scheme, the progress of the scheme in physical terms and the detailed reasons for any shortfalls or excess, both against physical and financial targets.
- (8) A Broadsheet in Form GFR 13 should be maintained by the Departments of Central Government or each Head of Department and other authorities directly under them, to watch the prompt receipt of the various returns mentioned above from month to month and to take necessary measures for rectifying any defaults noticed.

Rule 53. Maintenance of Liability Register for effecting proper control over expenditure : In order to maintain proper control over expenditure, a Controlling Officer should obtain from the spending authorities liability statements in Form GFR 6-A every month, starting from the month of October in each financial year.

The Controlling Officer should also maintain a Liability Register in Form GFR 6.

Rule 54. Personal attention of the Head of Department / Controlling Officer required to estimate savings or excesses : A Head of Department or Controlling Officer should be in a position to estimate the likelihood of savings or

excesses every month and to regularize them in accordance with the instructions laid down in **Rule 56**.

Rule 55. Control of expenditure against grant/appropriation and ultimate responsibility of the authority administering it : The Accounts Officer should report to the Head of the Department concerned immediately on the first appearance of any disproportionate expenditure, particularly in respect of recurring items of expenditure under any grant or appropriation or a primary unit of appropriation thereof. However, the authority administering a grant/appropriation is ultimately responsible for the control of expenditure against the grant / appropriation and not the Accounts Officer.

Rule 56. Surrender of savings :

- (1) Departments of the Central Government shall surrender to the Finance Ministry, by the dates prescribed by that Ministry before the close of the financial year, all the anticipated savings noticed in the Grants or Appropriations controlled by them. The Finance Ministry shall communicate the acceptance of such surrenders as are accepted by them to the Accounts Officer, before the close of the year. The funds provided during the financial year and not utilized before the close of that financial year shall stand lapsed at the close of the financial year.
- (2) The savings as well as provisions that cannot be profitably utilised should be surrendered to Government immediately they are foreseen without waiting till the end of the year. No savings should be held in reserve for possible future excesses.
- (3) Rush of expenditure, particularly in the closing months of the Financial year, shall be regarded as a breach of financial propriety and shall be avoided.

Rule 57. Expenditure on New Service : No expenditure shall be incurred during a financial year on a "New Service" not contemplated in the Annual Budget for the year except after obtaining a supplementary grant or appropriation or an advance from the Contingency Fund during that year. The guidelines to determine cases of "New Service"/"New Instrument of Service" are contained in Annexure-1 to Appendix -3.

Rule 58. Additional Allotment for excess expenditure :

- (1) A subordinate authority incurring the expenditure will be responsible for seeing that the allotment placed at its disposal is not exceeded. Where any excess over the allotment is apprehended, the subordinate authority should obtain additional allotment before incurring the excess expenditure. For this purpose, the authorities

incurring expenditure should maintain a 'Liability Register' in Form GFR 6.

- (2) A Disbursing Officer may not, on his own authority, authorize any payment in excess of the funds placed at his disposal. If the Disbursing Officer is called upon to honour a claim, which is certain to produce an excess over the allotment or appropriation at his disposal, he should take the orders of the administrative authority to which he is subordinate before authorizing payment of the claim in question. The administrative authority will then arrange to provide funds either by reappropriation or by obtaining a Supplementary Grant or Appropriation or an advance from the Contingency Fund.

Rule 59. Reappropriation of Funds :

- (1) Subject to the provisions of Rule 10 of the Delegation of Financial Powers Rules, 1978, and also subject to such other general or specific restrictions as may be imposed by the Finance Ministry in this behalf, reappropriation of funds from one primary unit of appropriation to another such unit within a grant or appropriation, may be sanctioned by a competent authority at any time before the close of the financial year to which such grant or appropriation relates.
- (2) Reappropriation of funds shall be made only when it is known or anticipated that the appropriation for the unit from which funds are to be transferred will not be utilized in full or that savings can be effected in the appropriation for the said unit.
- (3) Funds shall not be reappropriated from a unit with the intention of restoring the diverted appropriation to that unit when savings become available under other units later in the year.
- (4) An application for reappropriation of funds should ordinarily be supported by a statement in Form GFR 4 or any other special form authorized by departmental regulations showing how the excess is proposed to be met. In all orders, sanctioning reappropriation, the reasons for saving and excess of Rupees 1 lakh or over and the primary units (secondary units, wherever necessary), affected should be invariably stated. The authority sanctioning the reappropriation should endorse a copy of the order to the Accounts Officer.

Rule 60. Supplementary Grants : If savings are not available within the Grant to which the payment is required to be debited, or if the expenditure is on "New Service" or "New Instrument of Service" not provided in the budget, necessary

Supplementary Grant or Appropriation in accordance with Article 115 (1) of the Constitution should be obtained before payment is authorized.

Rule 61.

- (1) **Advance from Contingency Fund :** When a need arises to incur unforeseen expenditure in excess of the sanctioned grant or appropriation or on a new service not provided in Budget and there is not sufficient time for the voting of the Supplementary Demand and the passing of the connected appropriation bill before close of the financial year, an advance from the Contingency Fund set up under Article 267 (1) of the Constitution shall be obtained before incurring the expenditure.
- (2) An advance from the Contingency Fund shall also be obtained to meet expenditure in excess of the provisions for the service included in an Appropriation (Vote on Account) Act.
- (3) The application for an advance from the Contingency Fund should indicate *inter alia* the particulars of the additional expenditure involved and the sanction to the advance has also to indicate the sub-head and the primary unit of the Grant to which the expenditure appropriately relates. In case, however, any difficulty is felt, the matter should be referred to the Finance Ministry for clarification.
- (4) The procedure for obtaining an advance from the Contingency Fund and recoupment of the Fund shall be as laid down in the Contingency Fund of India Rules, 1952, as amended from time to time. For ready reference, rules have been placed at Appendix - 7 to this volume.

Rule 62. Inevitable Payments : (i) Subject to the provisions of Article 114 (3) of the Constitution, money indisputably payable by Government shall not ordinarily be left unpaid.

(ii) Suitable provision for anticipated liabilities should invariably be made in Demands for Grants to be placed before Parliament.

Rule 63. For easy reference an extract relating to procedures followed in the Accounts Office for check against provision of funds as a part of pre-check of bills has been placed at Appendix 14.

Rule 64. Duties and Responsibilities of the Chief Accounting Authority : The Secretary of a Ministry / Department who is the Chief Accounting Authority of the Ministry / Department shall

- (i) be responsible and accountable for financial management of his Ministry or Department.

- (ii) ensure that the public funds appropriated to the Ministry or Department are used for the purpose for which they were meant.
- (iii) be responsible for the effective, efficient, economical and transparent use of the resources of the Ministry or Department in achieving the stated project objectives of that Ministry or Department, whilst complying with performance standards.
- (iv) appear before the Committee on Public Accounts and any other Parliamentary Committee for examination.
- (v) review and monitor regularly the performance of the programmes and projects assigned to his Ministry to determine whether stated objectives are achieved.
- (vi) be responsible for preparation of expenditure and other statements relating to his Ministry or Department as required by regulations, guidelines or directives issued by Ministry of Finance.
- (vii) shall ensure that his Ministry or Department maintains full and proper records of financial transactions and adopts systems and procedures that will at all times afford internal controls.
- (viii) shall ensure that his Ministry or Department follows the Government procurement procedure for execution of works, as well as for procurement of services and supplies, and implements it in a fair, equitable, transparent, competitive and cost-effective manner;
- (ix) shall take effective and appropriate steps to ensure his Ministry or Department : -
 - (a) collects all moneys due to the Government and
 - (b) avoids unauthorized, irregular and wasteful expenditure

CHAPTER - 4

GOVERNMENT ACCOUNTS

Rule 65. Preparation and presentation of Accounts : Accounts of the Union Government shall be prepared every year showing the receipts and disbursements for the year, surplus or deficit generated during the year and changes in Government liabilities and assets. The accounts so prepared shall be certified by the Comptroller and Auditor General of India. The report of the Comptroller and Auditor-General of India relating to these accounts shall be submitted to the President of India, who shall cause them to be laid before each House of Parliament.

Rule 66. Form of Accounts : By virtue of the provisions of Article 150 of the Constitution, the Accounts of the Union Government shall be kept in such form as the President may, on the advice of the Comptroller and Auditor General of India, prescribe.

The Controller General of Accounts in the Ministry of Finance (Department of Expenditure) is responsible for prescribing the form of accounts of the Union and States, and to frame, or revise, rules and manuals relating thereto on behalf of the President of India in terms of Article 150 of the Constitution of India, on the advice of the Comptroller and Auditor General of India.

Rule 67. Principles of Accounting : The main principles according to which the accounts of the Government of India shall be maintained are contained in Government Accounting Rules, 1990; Accounting Rules for Treasuries; and Account Code Volume-III. Detailed rules and instructions relating to the forms of the initial and subsidiary accounts to be kept and rendered by officers of the Department of Posts and other technical departments are laid down in the respective Accounts Manuals or in the departmental regulations relating to the department concerned.

Rule 68. Cash based Accounting : Government accounts shall be prepared on cash basis. With the exception of such book adjustments as may be authorised by Government Accounting Rules, 1990 or by any general or special order issued by the Central Government on the advice of the Comptroller and Auditor General of India, the transactions in Government accounts shall represent the actual cash receipts and disbursements during a financial year as distinguished from amounts due to or by Government during the same period.

Rule 69. Period of Accounts : The annual accounts of the Central Government shall record transactions which take place during a financial year running from the 1st April to the 31st March thereof.

Rule 70. Currency in which Accounts are kept : The accounts of Government shall be maintained in Indian rupees. All foreign currency transactions and foreign aid shall be brought into account after conversion into Indian rupees.

Rule 71. Main Divisions and structure of Accounts : The accounts of Government shall be kept in three parts, namely Consolidated Fund (Part-I), Contingency Fund (Part-II) and Public Account (Part-III).

Part-I, -Consolidated Fund is divided into two Divisions, namely, 'Revenue' and 'Capital' divisions. The Revenue Division comprises of the sections 'Receipt Heads (Revenue Account)' dealing with the proceeds of taxation and other receipts classified as revenue and the section 'Expenditure Heads (Revenue Account)' dealing with the expenditure met therefrom. The Capital Division comprises of three sections, viz., 'Receipt Heads (Capital Account)', 'Expenditure Heads (Capital Account)' and 'Public Debt, Loans and Advances, etc.'. These sections are in turn divided into sectors such as 'General Services', 'Social and Community Services', 'Economic Services', etc., under which specific functions or services are grouped corresponding to the sectors of Plan classification and which are represented by Major Heads (comprising Sub-Major Heads wherever necessary).

In Part-II, -Contingency Fund, are recorded transactions connected with the Contingency Fund set up by the Government of India under Article 267 of the Constitution or Section 48 of Government of Union Territories Act, 1963. There shall be a single Major Head to record the transactions thereunder, which will be followed by Minor, Sub and/or Detailed Heads.

In Part-III, -Public Account, transactions relating to debt (other than those included in Part-I), reserve funds, deposits, advances, suspense, remittances and cash balances shall be recorded.

Rule 72. Classification of transactions in Government Accounts : As a general rule, classification of transactions in Government Accounts, shall have closer reference to functions, programmes and activities of the Government and the object of revenue or expenditure, rather than the department in which the revenue or expenditure occurs.

Major Heads (comprising Sub-Major Heads wherever necessary) are divided into Minor Heads. Minor Heads may have a number of subordinate heads, generally known as Sub Heads. The Sub Heads are further divided into Detailed Heads followed by Object Heads.

The Major Heads of account, falling within the sectors for expenditure heads, generally correspond to functions of Government, while the Minor Heads identify the programmes undertaken to achieve the objectives of the functions represented by the Major Head. The Sub Head represents schemes, the Detailed Head denotes sub scheme and Object Head represent the primary unit of appropriation showing the economic nature of expenditure such as salaries and wages, office expenses, travel expenses, professional services, grants-in-aid, etc. The above six tiers are represented by a unique 15 digit numeric code.

Rule 73. Authority to open a new Head of Account : The List of Major and Minor Heads of Accounts of Union and States is maintained by the Ministry of Finance (Department of Expenditure – Controller General of Accounts) which is

authorised to open a new head of account on the advice of the Comptroller and Auditor General of India under the powers flowing from Article 150 of the Constitution. It contains General Directions for opening Heads of Accounts and a complete list of the Sectors, Major, Sub-Major and Minor Heads of Accounts (and also some Sub / Detailed Heads under some of them authorised to be so opened).

Ministries/ Departments may open Sub-Heads and Detailed Heads as required by them in consultation with the Budget Division of the Ministry of Finance. Their Principal Accounts Offices may open Sub/Detailed Heads required under the Minor Heads falling within the Public Account of India subject to the above stipulations.

The Object Heads have been prescribed under Government of India's Orders below Rule 8 of Delegation of Financial Power Rules. The power to amend or modify these object heads and to open new Object Heads rest with Department of Expenditure of Ministry of Finance on the advice of the Comptroller and Auditor General of India.

Rule 74. Conformity of budget heads with rules of classification :

Budget Heads exhibited in estimates of receipts and expenditure framed by the Government or in any appropriation order shall conform to the prescribed rules of classification.

Rule 75. Responsibility of Departmental officers : Every officer responsible for the collection of Government dues or expenditure of Government money shall see that proper accounts of the receipts and expenditure, as the case may be, are maintained in such form as may have been prescribed for the financial transactions of Government with which he is concerned and tender accurately and promptly all such accounts and returns relating to them as may be required by Government, Controlling Officer or Accounts Officer, as the case may be.

Rule 76. Classification should be recorded in all the bills and challans by Drawing Officers : Suitable classification shall be recorded by Drawing Officers on all bills drawn by them. Similarly, classification on challans crediting Government money into the Bank shall be indicated or recorded by Departmental Officers responsible for the collection of Government dues, etc. In cases of doubt regarding the Head under which a transaction should be accounted, however, the matter shall be referred to the Principal Accounts Officer of the Ministry/Department concerned for clarification of the Ministry of Finance and the Controller General of Accounts, wherever necessary.

Rule 77. Charged or Voted Expenditure : The expenditure covered under Article 112 (3) of the Constitution of India is charged on the Consolidated Fund of India and is not subject to vote by the legislature. All other expenditure met out of the Consolidated Fund of India is treated as Voted expenditure. Charged or Voted Expenditure shall be shown separately in the accounts as well as in the Budget documents.

Rule 78. Plan or Non plan Expenditure : Plan expenditure representing expenditure on Plan outlays approved for each scheme or organisation by the Planning Commission and indicating the extent to which such outlays are met out of budgetary provisions shall be shown distinctly from the other (Non-Plan) expenditure in the accounts as well as in the Budget documents.

Rule 79. Capital or Revenue Expenditure : Significant expenditure incurred with the object of acquiring tangible assets of a permanent nature (for use in the organisation and not for sale in the ordinary course of business) or enhancing the utility of existing assets, shall broadly be defined as Capital expenditure. Subsequent charges on maintenance, repair, upkeep and working expenses, which are required to maintain the assets in a running order as also all other expenses incurred for the day to day running of the organisation, including establishment and administrative expenses shall be classified as Revenue expenditure. Capital and Revenue expenditure shall be shown separately in the Accounts.

Rule 80. Banking Arrangements : The Reserve Bank of India (RBI) shall be the banker to the Government. It shall maintain cash balance of the Government and provide banking facilities to the Ministries and subordinate or attached offices either directly through its own offices or through its agent banks. For this purpose, RBI shall, in consultation with the Controller General of Accounts, nominate a bank to function as Accredited Bank of a Ministry or Department. Pay & Accounts offices and Cheque Drawing and Disbursing Officer shall have assignment accounts with the identified branches of the Accredited Bank of the ministry. All payments shall be made through these identified bank branches. These branches shall also collect departmental and other receipts. Tax revenues of the Government shall be collected by the RBI through its own offices or through the nominated branches of its agent banks.

Note: Detailed procedure to be followed for remittance of Government receipts into Government cash balance and reimbursement of payments made on behalf of Government by the banks are laid down in the Memoranda of Instructions issued by the Reserve Bank of India.

ANNUAL ACCOUNTS

Rule 81. Appropriation Accounts : Appropriation Accounts of Central Ministries (other than Ministry of Railways) and of Central Civil Departments (excluding Department of Posts and Defence Services) shall be prepared by the Principal Accounts Officers of the respective Ministries and Departments (under the guidance and supervision of the Controller General of Accounts) and signed by their respective Chief Accounting Authorities i.e., the Secretaries in the

concerned Ministries or Departments. Union Government Appropriation Accounts (Civil) required to be submitted to Parliament, shall be prepared annually by the

Controller General of Accounts by consolidating the aforesaid Appropriation Accounts.

Appropriation Accounts pertaining to Departments of Posts and Defence Services shall be prepared and signed by the Secretaries to the Government of India in the Department of Posts and Ministry of Defence respectively and that of Ministry of Railways by the Chairman, Railway Board.

Rule 82. Finance Accounts : Annual accounts of the Government of India (including transactions of Department of Posts and Ministries of Defence and

Railways and transactions under Public Account of India of Union Territory Governments), showing under the respective Heads the annual receipts and disbursements for the purpose of the Union, called Finance Accounts, shall be prepared by the Controller-General of Accounts.

Rule 83. Presentation of Annual accounts : The Appropriation and Finance accounts mentioned above, shall be prepared by the respective authorities on the dates mutually agreed upon with the Comptroller and Auditor-General of

India, in the forms prescribed by the President on the advice of the Comptroller and Auditor-General of India and sent to the latter for recording his certificate. The certified annual accounts and the Reports relating to the accounts shall be submitted by the Comptroller and Auditor-General of India to the President in accordance with the provisions of Section 11 of the Comptroller and Auditor-General's (Duties, Powers and Conditions of Service) Act, 1971 and Clause (1) of Article 151 of the Constitution of India.

PROFORMA ACCOUNTS

Rule 84. Subsidiary Accounts of Government Departments undertaking commercial activities : Where the operations of certain government departments working on a commercial or quasi-commercial basis e.g., an industrial factory or a store cannot be suitably brought within the cash based Government accounting system, the Head of the units shall be required to maintain such subsidiary proforma accounts in commercial form as may be agreed between Government and Comptroller and Auditor-General. This includes the maintenance of suitable Manufacturing, Trading, Profit & Loss Accounts and Balance Sheet.

Rule 85. Methods and principles on which subsidiary accounts in commercial form are to be kept : The methods and principles in accordance with which subsidiary and proforma accounts in commercial form are to be kept shall be regulated by orders and instructions issued by Government in each case.

Note 1. Proforma accounts of regular Government Workshops and Factories shall be kept in accordance with the detailed rules and procedure prescribed in the departmental regulations. Proforma accounts relating to Public Works shall be prepared by the Accounts Officers in accordance with the

instructions contained in Account Code for Accountants General.

Note 2. The Heads of Account (which should, as far as possible, be common to the Government accounts and the General Ledger maintained by a Commercial Undertaking) shall be selected with due regard to the principles of Governmental and Commercial accounting so that the monthly classified account of income and expenditure of the undertaking may be prepared readily from the General Ledger maintained by it.

Rule 86. Adequate regulations to be framed to ensure cost deduced is accurate and true : Where commercial accounts are maintained for the purpose of assessment of the cost of an article or service, the Head of the unit shall ensure that adequate regulations are framed with the approval of Government in order to ensure that the cost deduced from the accounts is accurate and true.

Rule 87. Maintenance and submission of subsidiary accounts and statements by department units : The Head of the unit shall arrange to obtain the orders of Government regarding the nature and form of subsidiary accounts and statements, if any. Such accounts and statements shall be submitted to the Accounts Officer on such date as may be required by him. The same shall be appended to the Appropriation Accounts of each year.

PERSONAL DEPOSIT ACCOUNT

Rule 88. Personal Deposit Account : Personal Deposit Account is a device intended to facilitate the Designated Officer thereof to credit receipts into and effect withdrawals directly from the account, subject to an overall check being exercised by the bank in which the account is authorised to be opened. The Designated Officer shall ensure (with the help of a personal ledger account to be maintained by the bank for the purpose) that no withdrawal will result in a minus balance therein. Only Government officers acting in their official or any other capacity shall be the Designated Officer thereof.

Rule 89. Authority to open Personal Deposit Account :

- (1) The Personal Deposit Account shall be authorised to be opened by a special order by the concerned Ministry or Department in consultation with the Controller General of Accounts. Such special order or permission shall be issued or granted by the Ministry or Department concerned after it is satisfied that the initial accounts of the moneys to be held in a personal deposit account and disbursed, shall be arranged to be maintained properly and shall be subject to audit. Every personal deposit account so authorised to be opened, shall form part of the Government Account and be located in the Public Account thereof. The provisions relating to "Personal Deposit Account" are contained in para 16.7 of Civil Accounts Manual and

Rule 191 to 194 of Central Government Account (Receipts and Payments) Rules.

- (2) Personal Deposit accounts shall generally be authorised to be opened in the following types of cases:
- (a) in favour of a Designated Officer appointed for the purpose of administering monies tendered by or on behalf of wards and attached estates under Government management. It shall also be ensured that proper arrangements are made for the maintenance and audit of connected initial accounts;
 - (b) in relation to Civil and Criminal Courts' deposits, in favour of the Chief Judicial authority concerned;
 - (c) where, under certain regulatory activities of the Government, receipts are realised and credited to a Fund or Account under the provisions of an Act to be utilised towards expenditure thereunder and no outgo from the Consolidated Fund is involved.
 - (d) where a personal deposit account is required to be created by a law or rules having the force of law and certain liabilities devolve on the Government out of the special enactments;
 - (e) officers commanding units and others concerned in the administration of public funds in the Defence Departments can be authorised to open personal deposit accounts for such funds.

CAPITAL AND REVENUE ACCOUNTS

Rule 90. Capital Expenditure : Significant expenditure incurred with the object of acquiring tangible assets of a permanent nature (for use in the organisation and not for sale in the ordinary course of business) or enhancing the utility of existing assets, shall broadly be defined as Capital expenditure. Subsequent, charges on maintenance, repair, upkeep and working expenses, which are required to maintain the assets in a running order as also all other expenses incurred for the day to day running of the organisation, including establishment and administrative expenses, shall be classified as Revenue expenditure. Capital and Revenue expenditure shall be shown separately in the Accounts.

Expenditure on a temporary asset or on grants-in-aid cannot ordinarily be considered as a capital expenditure and shall not, except in cases specifically authorised by the President on the advice of the Comptroller and Auditor-General of India, be debited to a Capital Head.

Capital expenditure is generally met from receipts of capital nature, as distinguished from ordinary revenues derived from taxes, duties, fees, fines and

similar items of current income including extraordinary receipts. It is open to the Government to meet capital expenditure from ordinary revenues, provided there are sufficient revenue resources to cover this liability.

Expenditure of a capital nature, as defined above, shall not be classed as Capital expenditure in the Government Accounts unless the classification has been expressly authorised by general or special orders of Government.

Expenditure of a Capital nature shall be distinguished from Revenue expenditure both in the Budget estimates and in Government Accounts.

Rule 91. Principles for allocation of expenditure between Capital and Revenue : The following are the main principles governing the allocation of expenditure between Revenue and Capital:-

- (a) Capital shall bear all charges for the first construction and equipment of a project as well as charges for intermediate maintenance of the work while not yet opened for service. It shall also bear charges for such further additions and improvements, which enhance the useful life of the asset, as may be sanctioned under rules made by competent authority.
- (b) Subject to Clause (c) below, revenue shall bear subsequent charges for maintenance and all working expenses. These embrace all expenditure on the working and upkeep of the project and also on renewals and replacements and additions, improvements or extensions that are revenue in nature as per rules made by Government.
- (c) In the case of works of renewal and replacement, which partake expenditure both of a capital and revenue nature, the allocation of expenditure shall be regulated by the broad principle that Revenue should pay or provide a fund for the adequate re- placement of all wastage or depreciation of property originally provided out of capital grants. Only the cost of genuine improvements, which enhance the useful life of the asset whether determined by prescribed rules or formulae, or under special orders of Government, may be debited to Capital. Where under special orders of Government, a Depreciation or Renewals Reserve Fund is established for renewing assets of any commercial department or undertaking, the distribution of expenditure on renewals and replacements between Capital and the Fund shall be so regulated as to guard against overcapitalisation on the one hand and excessive withdrawals from the Fund on the other.
- (d) Expenditure on account of reparation of damage caused by extraordinary calamities such as flood, fire, earthquake, enemy action, etc., shall be charged to Capital, or to Revenue, or divided between them, depending upon whether such expenditure results in creation/acquisition of new assets or whether it is only for restoring the condition of the existing assets, as may be determined by Government according to the circumstance of each case.

Rule 92. Allocation between capital and revenue expenditure : The allocation between capital and revenue expenditure on a Capital Scheme for which separate Capital and Revenue Accounts are to be kept, shall be determined in accordance with such general or special orders as may be prescribed by the Government after consultation with the Comptroller and Auditor-General

Rule 93. Capital receipts during construction mainly to be utilised in reduction of capital expenditure : Capital receipts in so far they relate to expenditure previously debited to Capital accruing during the process of construction of a project, shall be utilised in reduction of capital expenditure. Thereafter their treatment in the accounts will depend on circumstances, but except under special rule or order of Government, they shall not be credited to the revenue account of the department or undertaking.

Rule 94. Receipts and recoveries representing recoveries of expenditure previously debited to Capital Major Head : Receipts and recoveries on Capital Account in so far as they represent recoveries of expenditure previously debited to a Capital Major Head shall be taken in reduction of expenditure under the Major Head concerned except where, under the rules of allocation applicable to a particular department, such receipts have to be taken to Revenue.

Rule 95. Capital cost of non-productive work to be met from ordinary revenues : As a general rule, capital cost of works which are non productive in nature is met from ordinary revenues. Borrowed moneys and other resources outside the Revenue Account shall not ordinarily be spent for non productive purposes unless the following conditions are fulfilled:-

- (a) The objects for which the money is wanted are so urgent and vital that the expenditure can neither be avoided, postponed or distributed over a series of years; and
- (b) The amount is too large to be met from current revenues.

Rule 96. Conversion of outstanding loans into equity investments or grants-in-aid : Government takes from time to time, suitable measures to strengthen/restructure the Capital base of public sector enterprises so that these enterprises can improve their performance and productivity. As a part of the package scheme, financial relief in the form of conversion of outstanding loans into equity investments or grants-in-aid are also agreed to.

Where loans outstanding against Public Sector Undertakings are proposed to be converted into equity investments in or as grants-in-aid to the Public Sector Undertakings, the approval of the Parliament to such proposals, shall be obtained by including a token provision in the relevant Demands for Grants or Supplementary Demands for Grants as may be found expedient. The details of such conversion of loans may be explained in the relevant

Budget/Supplementary Demand documents. After obtaining the approval of the Parliament, the balances under loans and the progressive expenditure of the Capital Heads of Accounts shall be corrected pro forma through "Prior Period Adjustment Account" in the relevant Finance Accounts of the Union Government without affecting the current transactions of the year, under the Loan/Capital Major Heads concerned.

INTEREST ON CAPITAL

Rule 97. Interest rate : Except in special cases regulated by special orders of Government, interest at such rates as may be specified from time to time shall be charged in the accounts of all Commercial departments or units for which separate capital and revenue accounts are maintained within the Government accounts.

Rule 98. Charging of interest on capital outlay met out of specific loans raised by Government :

- (1) For capital outlay met out of specific loans raised by Government, the interest shall be charged at such rate as may be prescribed by Government, having regard to the rate of interest actually paid on such loans and the incidental charges incurred in raising and managing them.
By specific loans are meant loans that are raised in the open market for one specific purpose which is clearly specified in the prospectus and in regard to which definite information is given at the time of raising of the loans.
- (2) For capital outlay provided otherwise, interest shall be charged at the average rate of interest to be determined each year by the Department of Economic Affairs, Ministry of Finance.
- (3) In the case of Capital Outlay of the Railways, dividend is payable to the general revenues on the capital-at-charge at the rate prescribed in the Railway Convention Resolution from time to time.

Rule 99. Method of calculation of interest : The interest shall be calculated on the direct capital outlay at the end of the previous year *plus* half the outlay of the year itself, irrespective of whether such outlay has been met from current revenues or from other sources.

Rule 100. How interest charged to capital is to be written back : When under any special orders of Government, charges for interest during the process of construction of a project are temporarily met from capital, the writing back of capitalised interest shall form the first charge on any capital receipts or surplus revenue derived from the project when opened for working.

ADJUSTMENTS WITH OTHER GOVERNMENTS' DEPARTMENTS, ETC.

Rule 101. Adjustments with State Governments : Subject to the relevant provision of the Constitution or of law made by Parliament or any orders issued thereunder, adjustments in respect of financial transactions with State Governments shall, unless otherwise provided for, be made in such manner, and to such extent as may be mutually agreed upon between the Central Government and the State Government concerned. However, adjustments with State Government in respect of the matters mentioned below shall be regulated by the rules contained in Appendix-5 to the Government Accounting Rules, 1990. The rules are based on reciprocal arrangements made with the State Governments and are, therefore, binding on all of them:-

- (i) Pay and Allowances, other than Leave Salaries.
- (ii) Leave Salaries.
- (iii) Pensions.
- (iv) Expenditure involved in Audit and Keeping Accounts.
- (v) Cost of Police functions on Railways including the cost of protecting Railway Bridges.
- (vi) Cost of (a) Forest Surveys carried out by the Survey of India, and (b) Forest maps prepared by that Department.
- (vii) Leave Salary and Pension Contributions recovered in respect of Government servants lent on Foreign Service.

Rule 102. Reaudit : As a convention, a period of three years has been accepted by the Central and State Governments for the reaudit of past transactions involving errors in classification.

Rule 103. When adjustment necessary : Adjustment shall always be made unless otherwise agreed upon-

- (a) If a commercial department or undertaking or a regularly organised store department or store section of a department is concerned, or
- (b) If under the operation of any rule or order, an adjustment would have been made if the particular transaction with State Government were a transaction between two departments of the Central Government.

Rule 104. Petty and isolated claims for services rendered not to be preferred: The Central Government (which includes Union Territories) and the State Governments have agreed under reciprocal arrangements not to prefer petty and isolated claims for an amount not exceeding Rupees two thousand five hundred against one another.

Rule 105. Criteria in determining whether a particular claim is covered by the reciprocal arrangement : The significant criterion in determining whether a particular claim is covered by the reciprocal arrangement mentioned above, will be that the claim shall be both petty and of an occasional character and shall cover services rendered and not supplies made unless the latter forms part of service. The term "service rendered" will be taken to mean an individual act of

service, like providing police escort to a high dignitary and will not apply to supply of stores etc. Claims relating to Commercial undertakings under the Government of India or the State Governments such as those of the Railways, the Department of Post, the Electrical undertakings, etc., shall fall outside the purview of the proposed reciprocal arrangements and shall continue to be settled as hitherto.

If a doubt arises as to whether a particular claim would fall within or outside the purview of the proposed arrangement, it shall be decided by mutual consultation. The above arrangements will remain in force without any time limit in respect of all State Governments.

Rule 106. Projects jointly executed by several State Governments : In the case of Projects, jointly executed by several Governments, where the expenditure is to be shared by the participating Governments in agreed proportions, but the expenditure is *ab-initio* incurred by one Government and shares of other participating Governments recovered subsequently; such recoveries from other Governments shall be exhibited as abatement of charges under the relevant expenditure Head of Account in the books of the Governments incurring the expenditure initially.

Rule 107. Claims of State Governments, on account of the extra cost of agency functions : Claims of State Governments, on account of the extra cost of agency functions entrusted to them under Article 258 of the Constitution shall be dealt with and settled in accordance with such directions as may be issued by the President in this regard from time to time.

Rule 108. Principles to be observed in dealing with State Government claims : The following principles shall be generally observed in dealing with claims preferred by State Governments under Clause (3) of Article 258 of the Constitution:-

- (a) If the agency work involves the employment of a State Commercial Department, it would be open to that department to charge its normal commercial costs.
- (b) Public Works Department agency costs shall be represented by such percentage charges on the cost of Central Works executed by the State as may be agreed between the Central and the State Government concerned, works outlay being treated as an amount placed at the disposal of the State Government for actual expenditure on the execution of the work.
- (c) The cost of regular joint establishment shall be shared as far as practicable on the basis of fixed annual sums settled in agreement with the State Government concerned.
- (d) In other cases, the following procedure shall be adopted unless there are special orders to the contrary:-
 - (i) Details of claims preferred by State Governments shall be ascertained.

- (ii) If the work has been performed by the State Government in the past, the charges shall be compared with those charged in the past but it is not necessary to be meticulous in the matter.
- (iii) If the charges are found to be reasonable and do not exceed Rupees twenty thousand per annum for any individual item (or connected group of items), a five years' contract shall be offered to the State Government during which the Central Government would pay the fixed sum per annum for the work. The amount will be subjected to review at the end of each period of five years.
- (iv) If the amount agreed upon exceeds Rupees twenty thousand, it shall be necessary to have an annual statement of proposed charges from the State Government at the time of preparation of the Budget. However, if in any individual case, the charges are obviously static, then the contract system may be adopted in these cases also.
- (e) In exceptional cases in which arbitration has to be resorted to, the Finance Ministry will make the requisite arrangement in the matter.
- (f) The Finance Ministry shall be consulted on all matters arising under Article 258 (3) of the Constitution.

Rule 109. Principles governing transactions in connection with the agency functions entrusted to State Government : The following procedure shall

be followed in regard to transactions arising in connection with the agency functions entrusted to the State Governments under Article 258 of the Constitution:

(a) *The expenditure on extra staff or contingencies which the State Government have to incur.* -The extra cost to the State Government arising mainly in respect of the additional staff employed or contingent and other expenditure, as in the case of work devolving on the State Governments in connection with the administration of the Census Act, is reimbursable under Article 258 (3) of the Constitution. Expenditure in this regard shall be provided in the State Budget in the first instance and adjusted in the accounts of the State Governments under the normal Heads of Accounts. These will be reimbursed in lump to the State Governments, necessary provision being made under a distinct sub-head "Amounts paid to other Governments, Departments, etc.", under the concerned Demand of the Ministry administratively concerned with the subject. In computing the extra cost, the element of leave and pensionary charges can also be included, provided the relevant service and financial rules of the State Governments provide for this.

(b) *The expenditure on work entrusted to the State Government, such as expenditure on construction and maintenance of National Highways, expenditure on Defence Works, Aviation Works, etc.* -The expenditure directly connected with the execution of the scheme or work entrusted to the State Government such as expenditure on the construction or maintenance of National Highways, etc., will be adjusted direct in the accounts of the Central Government under the relevant

Head of Account. The question of including the estimates in this regard in the

Budget of the State Governments and subjecting them to the vote of the State

Legislature will not arise. The expenditure will be adjusted under the Head "8658 – Suspense Accounts –PAO Suspense" in the Remittance Section of the State Accounts in the first instance pending their eventual clearance in accordance with the prescribed procedure.

Note: In the converse case relating to the entrustment of a State function to the Central Government under Article 258-A of the Constitution, a procedure similar to that indicated in the **Rule 109** above shall be followed. The extra cost on staff and other contingent expenditure, etc., will accordingly have to be provided in the Budget of the Central Government in the usual manner and recovery made in lump from the State Government concerned. The other expenditure on execution of the work proper should be debited to the State Government concerned direct and the question of obtaining a vote of the Parliament for the same will not arise.

Rule 110. Crucial date for closure of inter-Government adjustments : Inter-Governmental adjustments can be carried out upto the 15th of April on which date the books of the Reserve Bank are closed for the month of March. Every endeavour must, therefore, be made to settle as far as possible all transactions with State Governments before the close of the year.

Rule 111. Adjustments with foreign Governments, outside bodies, etc. : Unless exempted by Government by general or special orders, services shall not be rendered to any foreign Government or non-Government body or institution or to a separate fund constituted as such except on payment.

Rule 112. Recoveries of expenditure for services rendered to non-Government parties : Recoveries of expenditure for services rendered or supplies made to non-Government parties or other Governments (including local funds and Governments outside India), shall in all cases, be classified as receipts of the Government rendering such services.

Rule 113. Recoveries of expenditure for services rendered as an agent : When a Government undertakes a service merely as an agent of a private body, the entire cost of the service shall be recovered from that body so that the net cost to Government is nil. The recoveries shall be taken as reduction of expenditure.

Explanation: The term 'recovery' is used in these rules to denote repayment of, or payment by non-Government parties or other Governments towards charges initially incurred and classified by a Central Government Department in the account, as final expenditure by debit to a Revenue or Capital Head of Account.

Recoveries towards establishment charges, tools and plants, fees for procurement of inspection of stores or both etc., effected at percentage rates or otherwise, are some examples.

Rule 114. Payments to outside body or fund to be through grant-in-aid : Any

relief in respect of payment for services rendered or supplies made to any outside body or fund shall ordinarily be given through a grant-in-aid rather than by remission of dues.

Rule 115. Charges relating to the maintenance and demarcations and disputes over boundaries : The incidence of charges relating to the maintenance and demarcations and disputes over boundaries between India and a foreign country is regulated by the following principles;-

- (a) Maintenance – Half the maintenance charges will be borne by the Central Government, the other half being recovered, as far as practicable, from the foreign country, failing which the foreign country's share will also be borne by the Central Government.
- (b) Demarcation and Disputes – Charges relating to demarcation of boundaries and boundary disputes will be borne by the Central Government under Entry 10 of the Union List, subject to such recovery as shall be made from the Foreign Country.
- (c) Where streams or other watercourses form the boundaries and where the ordinary principle of median line applies, the Government concerned (i.e., Foreign Country or India) will bear the cost of maintenance of the boundary line on its side. Where a separate set of survey marks is maintained by each of the two Governments on its side, the cost of maintenance of the survey marks shall be borne by the Government concerned.

Exception:

- (i) The arrangement in (a) above in its application to Nepal will be subject to special arrangements worked out in consultation with the Nepal Government.
- (ii) The share of the Bhutan Government for maintenance and demarcation of and disputes over boundaries will be borne by the Central Government for the present.

INTER-DEPARTMENTAL ADJUSTMENTS

Rule 116. Inter-Departmental Adjustments : Save as expressly provided by any general or special orders, a Service Department shall not charge other departments for services rendered or supplies made which falls within the class of duties for which the former department is constituted. However, a commercial department or undertaking shall ordinarily charge and be charged for any supplies made and services rendered to, or by, other departments of Government.

Rule 117. Principles for division of Departments for purposes of inter-departmental payments : For purposes of inter-departmental payments, the departments of a Government shall be divided into service departments and commercial departments according to the following principles:-

- (a) *Service Departments.* -These are constituted for the discharge of those functions which either-
- (i) Are inseparable from and form part of the idea of Government e.g. Departments of Administration of Justice, Jails, Police, Education, Medical, Public Health, Forest, Defence; or
 - (ii) Are necessary to and form part of, the general conduct of the business of Government e.g. Departments of Survey, Government Printing, Stationery, Public Works (Building and Roads Branch), Central Purchase Organisation (Director-General of Supplies and Disposals, New Delhi).
- (b) *Commercial Departments or Undertakings.* -These are established mainly for the purposes of rendering services or providing supplies, of certain special kinds, on payment for the services rendered or for the articles supplied. They perform functions, which are not necessarily governmental functions. They are required to work to a financial result determined through accounts maintained on commercial principles.

Rule 118. Period for preferment of claims : All claims shall ordinarily be preferred between Departments, both commercial and non-commercial of the Central Government, within the same financial year and not beyond three years from the date of transaction. This limitation, however, may be waived in specific cases by mutual agreement between the departments concerned.

Rule 119. Procedure for settlement of inter-departmental adjustments : The settlement of inter-departmental adjustments shall be regulated by the directions contained in Chapter 4 of Government Accounting Rules, 1990.

Rule 120. Inter-departmental and other adjustments to be made in the account year : Under the directions contained in the Account Code for Accountants General, inter-departmental and other adjustments are not to be made in the accounts of the past year, if they could not have been reasonably anticipated in time for funds being obtained from the proper authority. In all cases, where the adjustment could have reasonably been anticipated as, for example, recurring payments to another Government or department and payments which, though not of fixed amount, are of a fixed character, etc., the Accounts Officer will automatically make the adjustment in the accounts before they are finally closed. The onus of proving that the adjustments could not have been reasonably anticipated should lie with the Controlling Officer.

As between different Departments of the same Government, the recoveries effected for services rendered shall be classified as deductions from the gross expenditure. However, recoveries made by a Commercial Department, e.g., Railways, Posts or a departmental commercial undertaking in respect of services rendered in pursuance of the functions for which the Commercial Department is constituted shall be treated as receipts of the Department but where it acts as an agent for the discharge of functions not germane to the essential purpose of the Department, the recoveries shall be taken as reduction of expenditure.

Exception.-Recoveries of fees for purchase, inspection, etc., effected by the Central Purchase Organizations of Government of India, are treated as receipts of the Department concerned.

NOTE 1 .-The term 'recovery' is used in this rule to denote repayment of / or payment by one Department of the same Government towards charges initially incurred and classified by another Department in its accounts as final expenditure by debit to a Revenue or Capital Head of Account. Recoveries towards establishment charges, tools and plants, fees for procurement or inspection of stores or both, etc., effected at percentage rates or otherwise, are some examples.

NOTE 2.-Recoveries effected from another Department of the same Government which are to be classified as deduction from the gross expenditure, shall be shown in the relevant Demand for Grant as "below the line" recovery under the appropriate major, etc., Head of Account. Recovery actually effected, irrespective of the year to which it relates shall be adjusted in accounts in the schedule of recovery to be attached to the Appropriation Account of the year in which the recovery is effected.

Rule 121. Adjustment of Pensionary Charges of certain Commercial Departments : Except as otherwise provided, the pensionary liability of commercial departments and undertakings, for which pro forma commercial accounts are maintained, shall be assessed on a contribution basis at such rates as may be fixed by Government from time to time. In the case of departments and undertakings, for which no regular commercial accounts are maintained either within or outside the regular Government accounts but which are allowed to charge for their products or services rendered, the pensionary liability shall be taken into account in the estimate of overhead charges and manufacturing costs for the purpose of calculating the issue price of goods manufactured or fees for services rendered. The calculation shall be made at rates prescribed for the purpose by Government.

NOTE: The Railways, Posts and Defence Departments are regarded as separate Governments for the purpose of adjustment of pensionary charges.

Rule 122. Pensionary liability in the case of Government Departments/Undertakings declared as commercial : In the case of Government Departments and Undertakings declared as commercial,

adjustment of Pensionary liability shall be made in the regular accounts by charging the average of the percentage for 15th year of service stipulated in Appendix-II-A to the P & T Compilation of Fundamental and Supplementary Rules, Volume-II, duly rounded to the nearest whole number. The average of the rates for Groups 'A' to 'D' employees prescribed in O.M. No. F. 8 (9)-E. 111/81, dated the 29th July, 1982, issued by the Ministry of Finance (Department of Expenditure), works out to twelve per cent.

CHAPTER - 5

WORKS

Rule 123. Original works means all new constructions, additions and alterations to existing works, special repairs to newly purchased or previously abandoned buildings or structures, including remodeling or replacement.

Repair works means works undertaken to maintain building and fixtures.

Rule 124. Administrative control of works includes:

- (i) assumption of full responsibility for construction, maintenance and upkeep;
- (ii) proper utilization of buildings and allied works;
- (iii) provision of funds for execution of these functions.

Rule 125. Powers to sanction works : The powers delegated to various subordinate authorities to accord administrative approval, sanction expenditure and re-appropriate funds for works are regulated by the Delegation of Financial Powers Rules, 1978, and other orders contained in the respective departmental regulations.

Rule 126.

- (1) A Ministry or Department at its discretion may directly execute repair works estimated to cost upto Rupees ten Lakhs after following due procedure indicated in **Rule 132**.
- (2) A Ministry or Department may, at its discretion, assign repair works estimated to cost above Rupees ten Lakhs and upto Rupees thirty Lakhs to any Public Works Organisation, which includes State Public Works Divisions, other Central Government organisations authorised to carry out civil or electrical works such as Central Public Works Department (CPWD), Military Engineering Service (MES), Border Roads Organisation etc. or Public Sector Undertakings set up by the Central or State Government to carry out civil or electrical works.
- (3) All original works costing upto Rupees ten Lakhs may be assigned by the Ministry or Department concerned to a Public Works Organisations as defined in **Rule 126(2)**.
- (4) All original works estimated to cost above Rupees ten Lakhs and repair works estimated to cost above Rupees thirty Lakhs may be got executed through a Public Works Organisations as defined in **Rule 126(2)** after consultation with the Ministry of Urban Development.

Rule 127. Work under the administrative control of the Public Works

Departments : Works not specifically allotted to any Ministry or Department shall be included in the Grants for Civil Works to be administered by Central Public

Works Department. No such work may be financed partly from funds provided in departmental budget and partly from the budget for Civil works as mentioned above.

Rule 128. General Rules : Subject to the observance of these general rules, the initiation, authorization and execution of works allotted to a particular Ministry or Department shall be regulated by detailed rules and orders contained in the respective departmental regulations and by other special orders applicable to them.

Rule 129.

- (1) No works shall be commenced or liability incurred in connection with it until, -
 - (i) administrative approval has been obtained from the appropriate authority in each case;
 - (ii) sanction to incur expenditure has been obtained from the competent authority;
 - (iii) a properly detailed design has been sanctioned;
 - (iv) estimates containing the detailed specifications and quantities of various items have been prepared on the basis of the Schedule of Rates maintained by CPWD or other Public Works Organisations and sanctioned;
 - (v) funds to cover the charge during the year have been provided by competent authority;
 - (vi) tenders invited and processed in accordance with rules;
 - (vii) a Work Order issued.
- (2) On grounds of urgency or otherwise, if it becomes necessary to carry out a work or incur a liability under circumstances when the provisions set out under sub rule 1 of rule 129 cannot be complied with, the concerned executive officer may do so on his own judgement and responsibility. Simultaneously, he should initiate action to obtain approval from the competent authority and also to intimate the concerned Accounts Officer.
- (3) Any development of a project considered necessary while a work is in progress, which is not contingent on the execution of work as first sanctioned, shall have to be covered by a supplementary estimate.

Rule 130. For purpose of approval and sanctions, a group of works which forms one project, shall be considered as one work. The necessity for obtaining approval or sanction of higher authority to a project which consists of such a group of work should not be avoided because of the fact that the cost of each particular work in the project is within the powers of such approval or sanction of

a lower authority. This provision, however, shall not apply in case of works of similar nature which are independent of each other.

Rule 131. Any anticipated or actual savings from a sanctioned estimate for a definite project, shall not, without special authority, be applied to carry out additional work not contemplated in the original project.

Rule 132. Procedure for Execution of Works : The broad procedure to be followed by a Ministry or Department for execution of works under its own arrangements shall be as under :-

- (i) the detailed procedure relating to expenditure on such works shall be prescribed by departmental regulations framed in consultation with the Accounts Officer, generally based on the procedures and the principles underlying the financial and accounting rules prescribed for similar works carried out by the Central Public Works Department (CPWD);
- (ii) preparation of detailed design and estimates shall precede any sanction for works;
- (iii) no work shall be undertaken before Issue of Administrative Approval and Expenditure Sanction by the competent Authority on the basis of estimates framed;
- (iv) open tenders will be called for works costing Rupees five lakhs to Rupees ten lakhs;
- (v) limited tenders will be called for works costing less than Rupees five lakhs;
- (vi) execution of Contract Agreement or Award of work should be done before commencement of the work;
- (vii) final payment for work shall be made only on the personal certificate of the officer-in-charge of execution of the work in the format given below:

“ I , Executing Officer of (Name of the Work), am personally satisfied that the work has been executed as per the specifications laid down in the Contract Agreement and the workmanship is upto the standards followed in the Industry.”

Rule 133. For original works and repair works entrusted to a 'Public Works Organisation' as defined in **Rule 126(2)**, the administrative approval and expenditure sanction shall be accorded and funds allotted by the concerned authority under these rules and in accordance with the Delegation of Financial Power Rules 1978. The Public Works Organisation shall then execute the work entrusted to it in accordance with the rules and procedures prescribed in that organisation.

Rule 134. Review of Projects : After a project costing Rupees ten crores or above is approved, the Administrative Ministry or Department will set up a

Review Committee consisting of a representative each from the Administrative Ministry, Finance (Internal Finance Wing) and the Executing Agency to review the progress of the work. The Review Committee shall have the powers to accept variation within 10% of the approved estimates. For works costing less than Rupees ten crores, it will be at the discretion of the Administrative Ministry / Department to set up a Review Committee on the above lines.

CHAPTER - 6

PROCUREMENT OF GOODS AND SERVICES

I. PROCUREMENT OF GOODS

Rule 135. This chapter contains the general rules applicable to all Ministries or Departments, regarding procurement of goods required for use in the public service. Detailed instructions relating to procurement of goods may be issued by the procuring departments broadly in conformity with the general rules contained in this Chapter.

Rule 136. Definition of Goods : The term 'goods' used in this chapter includes all articles, material, commodities, livestock, furniture, fixtures, raw material, spares, instruments, machinery, equipment, industrial plant etc. purchased or otherwise acquired for the use of Government but excludes books, publications, periodicals, etc. for a library.

Rule 137. Fundamental principles of public buying : Every authority delegated with the financial powers of procuring goods in public interest shall have the responsibility and accountability to bring efficiency, economy, transparency in matters relating to public procurement and for fair and equitable treatment of suppliers and promotion of competition in public procurement.

The procedure to be followed in making public procurement must conform to the following yardsticks :-

- (i) the specifications in terms of quality, type etc., as also quantity of goods to be procured, should be clearly spelt out keeping in view the specific needs of the procuring organisations. The specifications so worked out should meet the basic needs of the organisation without including superfluous and non-essential features, which may result in unwarranted expenditure. Care should also be taken to avoid purchasing quantities in excess of requirement to avoid inventory carrying costs;
- (ii) offers should be invited following a fair, transparent and reasonable procedure;
- (iii) the procuring authority should be satisfied that the selected offer adequately meets the requirement in all respects;
- (iv) the procuring authority should satisfy itself that the price of the selected offer is reasonable and consistent with the quality required;
- (v) at each stage of procurement the concerned procuring authority must place on record, in precise terms, the considerations which weighed with it while taking the procurement decision.

Rule 138. Authorities competent to purchase goods : An authority which is incompetent to incur contingent expenditure may sanction the purchase of goods required for use in public service in accordance with Schedule V of the Delegation of Financial Powers Rules, 1978, following the general procedure contained in the following rules.

Rule 139. Procurement of goods required on mobilisation : Procurement of goods required on mobilisation and/or during the continuance of Military operations shall be regulated by special rules and orders issued by the Government on this behalf from time to time.

Rule 140. Powers for procurement of goods : The Ministries or Departments have been delegated full powers to make their own arrangements for procurement of goods. In case however, a Ministry or Department does not have the required expertise, it may project its indent to the Central Purchase Organisation (e.g. DGS&D) with the approval of competent authority. The indent form to be utilised for this purpose will be as per the standard form evolved by the Central Purchase Organisation.

Rule 141. Rate Contract : The Central Purchase Organisation (e.g. DGS&D) shall conclude rate contracts with the registered suppliers, for goods and items of standard types, which are identified as common user items and are needed on recurring basis by various Central Government Ministries or Departments. Definition of Registered suppliers is given in **Rule 142 below**. The Central Purchase Organisation will furnish and update all the relevant details of the rate contracts in its web site. The Ministries or Departments shall follow those rate contracts to the maximum extent possible.

Rule 142. Registration of Suppliers :

- (i) With a view to establishing reliable sources for procurement of goods commonly required for Government use, the Central Purchase Organisation (e.g. DGS&D) will prepare and maintain item-wise lists of eligible and capable suppliers. Such approved suppliers will be known as "Registered Suppliers". All Ministries or Departments may utilise these lists as and when necessary. Such registered suppliers are prima facie eligible for consideration for procurement of goods through Limited Tender Enquiry. They are also ordinarily exempted from furnishing bid security along with their bids. A Head of Department may also register suppliers of goods which are specifically required by that Department or Office.
- (ii) Credentials, manufacturing capability, quality control systems, past performance, after-sales service, financial background etc. of the supplier(s) should be carefully verified before registration.
- (iii) The supplier(s) will be registered for a fixed period (between 1 to 3 years) depending on the nature of the goods. At the end of this period, the registered supplier(s) willing to continue with registration are to apply

afresh for renewal of registration. New supplier(s) may also be considered for registration at any time, provided they fulfil all the required conditions.

- (iv) Performance and conduct of every registered supplier is to be watched by the concerned Ministry or Department. The registered supplier(s) are liable to be removed from the list of approved suppliers if they fail to abide by the terms and conditions of the registration or fail to supply the goods on time or supply substandard goods or make any false declaration to any Government agency or for any ground which, in the opinion of the Government, is not in public interest.

Rule 143. Enlistment of Indian Agents : As per the Compulsory Enlistment Scheme of the Department of Expenditure, Ministry of Finance, it is compulsory for Indian agents, who desire to quote directly on behalf of their foreign principals, to get themselves enlisted with the Central Purchase Organisation (eg. DGS&D). However, such enlistment is not equivalent to registration of suppliers as mentioned under **Rule 142 above**.

Rule 144. Reserved Items : The Central Government, through administrative instructions, has reserved all items of handspun and handwoven textiles (khadi goods) for exclusive purchase from Khadi Village Industries Commission (KVIC). It has also reserved all items of handloom textiles required by Central Government departments for exclusive purchase from KVIC and/or the notified handloom units of ACASH (Association of Corporations and Apex Societies of Handlooms). The Central Government has also reserved some items for purchase from registered Small Scale Industrial Units. The Central Departments or Ministries are to make their purchases for such reserved goods and items from such units as per the instructions issued by the Central Government in this regard.

Rule 145. Purchase of goods without quotation : Purchase of goods upto the value of Rs. 15,000/- (Rupees Fifteen Thousand) only on each occasion may be made without inviting quotations or bids on the basis of a certificate to be recorded by the competent authority in the following format.

"I, _____, am personally satisfied that these goods purchased are of the requisite quality and specification and have been purchased from a reliable supplier at a reasonable price."

Rule 146. Purchase of goods by purchase committee : Purchase of goods costing above Rs. 15,000/- (Rupees Fifteen Thousand) only and upto Rs. 1,00,000/- (Rupees One lakh) only on each occasion may be made on the recommendations of a duly constituted Local Purchase Committee consisting of three members of an appropriate level as decided by the Head of the Department. The committee will survey the market to ascertain the reasonableness of rate, quality and specifications and identify the appropriate

supplier. Before recommending placement of the purchase order, the members of the committee will jointly record a certificate as under.

"Certified that we _____, members of the purchase committee are jointly and individually satisfied that the goods recommended for purchase are of the requisite specification and quality, priced at the prevailing market rate and the supplier recommended is reliable and competent to supply the goods in question. "

Rule 147. Purchase of goods directly under rate contract :

- (1) In case a Ministry or Department directly procures Central Purchase Organisation (e.g. DGS&D) rate contracted goods from suppliers, the prices to be paid for such goods shall not exceed those stipulated in the rate contract and the other salient terms and conditions of the purchase should be in line with those specified in the rate contract. The Ministry or Department shall make its own arrangement for inspection and testing of such goods where required.
- (2) The Central Purchase Organisation (e.g. DGS&D) should host the specifications, prices and other salient details of different rate contracted items, appropriately updated, on the web site for use by the procuring Ministry or Department.

Rule 148. A demand for goods should not be divided into small quantities to make piecemeal purchases to avoid the necessity of obtaining the sanction of higher authority required with reference to the estimated value of the total demand.

Rule 149. Purchase of goods by obtaining bids: Except in cases covered under **Rule 145, 146 and 147(1)**, Ministries or Departments shall procure goods under the powers referred to in **Rule 140** above by following the standard method of obtaining bids in :

- (i) Advertised Tender Enquiry;
- (ii) Limited Tender Enquiry;
- (iii) Single Tender Enquiry.

Rule 150. Advertised Tender Enquiry.

- (i) Subject to exceptions incorporated under **Rules 151 and 154**, invitation to tenders by advertisement should be used for procurement of goods of estimated value Rs. 25 lakh (Rupees Twenty Five Lakh) and above. Advertisement in such case should be given in the Indian Trade Journal (ITJ), published by the Director General of Commercial Intelligence and Statistics, Kolkata and at least in one national daily having wide circulation.
- (ii) An organisation having its own web site should also publish all its advertised tender enquiries on the web site and provide a link with NIC

web site. It should also give its web site address in the advertisements in ITJ and newspapers.

- (iii) The organisation should also post the complete bidding document in its web site and permit prospective bidders to make use of the document downloaded from the web site. If such a downloaded bidding document is priced, there should be clear instructions for the bidder to pay the amount by demand draft etc. along with the bid.
- (iv) Where the Ministry or Department feels that the goods of the required quality, specifications etc., may not be available in the country and it is necessary to also look for suitable competitive offers from abroad, the Ministry or Department may send copies of the tender notice to the Indian embassies abroad as well as to the foreign embassies in India. The selection of the embassies will depend on the possibility of availability of the required goods in such countries.
- (v) Ordinarily, the minimum time to be allowed for submission of bids should be three weeks from the date of publication of the tender notice or availability of the bidding document for sale, whichever is later. Where the department also contemplates obtaining bids from abroad, the minimum period should be kept as four weeks for both domestic and foreign bidders.

Rule 151. Limited Tender Enquiry.

- (i) This method may be adopted when estimated value of the goods to be procured is up to Rupees Twenty-five Lakhs. Copies of the bidding document should be sent directly by speed post/registered post/courier/e-mail to firms which are borne on the list of registered suppliers for the goods in question as referred under **Rule 142 above**. The number of supplier firms in Limited Tender Enquiry should be more than three. Further, web based publicity should be given for limited tenders. Efforts should be made to identify a higher number of approved suppliers to obtain more responsive bids on competitive basis.
- (ii) Purchase through Limited Tender Enquiry may be adopted even where the estimated value of the procurement is more than Rupees twenty-five Lakhs, in the following circumstances.
 - (a) The competent authority in the Ministry or Department certifies that the demand is urgent and any additional expenditure involved by not procuring through advertised tender enquiry is justified in view of urgency. The Ministry or Department should also put on record the nature of the urgency and reasons why the procurement could not be anticipated.
 - (b) There are sufficient reasons, to be recorded in writing by the competent authority, indicating that it will not be in public interest to procure the goods through advertised tender enquiry.
 - (c) The sources of supply are definitely known and possibility of fresh source(s) beyond those being tapped, is remote.

- (iii) Sufficient time should be allowed for submission of bids in Limited Tender Enquiry cases.

Rule 152. Two bid system : For purchasing high value plant, machinery etc. of a complex and technical nature, bids may be obtained in two parts as under :-

- (a) Technical bid consisting of all technical details alongwith commercial terms and conditions ; and
- (b) Financial bid indicating item-wise price for the items mentioned in the technical bid.

The technical bid and the financial bid should be sealed by the bidder in separate covers duly superscribed and both these sealed covers are to be put in a bigger cover which should also be sealed and duly superscribed. The technical bids are to be opened by the purchasing Ministry or Department at the first instance and evaluated by a competent committee or authority. At the second stage financial bids of only the technically acceptable offers should be opened for further evaluation and ranking before awarding the contract.

Rule 153. Late Bids : In the case of advertised tender enquiry or limited tender enquiry, late bids (i.e. bids received after the specified date and time for receipt of bids) should not be considered.

Rule 154. Single Tender Enquiry.

Procurement from a single source may be resorted to in the following circumstances :

- (i) It is in the knowledge of the user department that only a particular firm is the manufacturer of the required goods.
- (ii) In a case of emergency, the required goods are necessarily to be purchased from a particular source and the reason for such decision is to be recorded and approval of competent authority obtained.
- (iii) For standardisation of machinery or spare parts to be compatible to the existing sets of equipment (on the advice of a competent technical expert and approved by the competent authority), the required item is to be purchased only from a selected firm.

Note : Proprietary Article Certificate in the following form is to be provided by the Ministry / Department before procuring the goods from a single source under the provision of sub **Rule 154 (i) and 154 (iii)** as applicable.

'(i) The indented goods are manufactured by
M/s.....

(ii) No other make or model is acceptable for the following reasons :

.....
.....
.....

(iii) Concurrence of finance wing to the proposal vide :

.....

(iv) Approval of the competent authority vide :.....

(Signature with date and designation
of the procuring officer)'

Rule 155. Contents of Bidding Document : All the terms, conditions, stipulations and information to be incorporated in the bidding document are to be shown in the appropriate chapters as below :-

Chapter – 1 : Instructions to Bidders.

Chapter – 2 : Conditions of Contract.

Chapter – 3 : Schedule of Requirements.

Chapter – 4 : Specifications and allied Technical Details.

Chapter – 5 : Price Schedule (to be utilised by the bidders for quoting their prices).

Chapter – 6 : Contract Form.

Chapter – 7 : Other Standard Forms, if any, to be utilised by the purchaser and the bidders.

Rule 156. Maintenance Contract : Depending on the cost and nature of the goods to be purchased, it may also be necessary to enter into maintenance contract(s) of suitable period either with the supplier of the goods or with any other competent firm, not necessarily the supplier of the subject goods. Such maintenance contracts are especially needed for sophisticated and costly equipment and machinery. It may however be kept in mind that the equipment or machinery is maintained free of charge by the supplier during its warranty period or such other extended periods as the contract terms may provide and the paid maintenance should commence only thereafter.

Rule 157. Bid Security :

- (i) To safeguard against a bidder's withdrawing or altering its bid during the bid validity period in the case of advertised or limited tender enquiry, Bid Security (also known as Earnest Money) is to be obtained from the bidders except those who are registered with the Central Purchase Organisation, National Small Industries Corporation (NSIC) or the concerned Ministry or Department. The bidders should be asked to furnish bid security along with their bids. Amount of bid security should ordinarily range between two percent to five percent of the estimated value of the goods to be procured. The exact amount of bid security, should be determined accordingly by the Ministry or Department and indicated in the bidding documents. The bid security may be accepted in the form of Account Payee Demand Draft, Fixed Deposit Receipt, Banker's Cheque or Bank Guarantee from any of the commercial banks in an acceptable form, safeguarding the purchaser's interest in all

respects. The bid security is normally to remain valid for a period of forty-five days beyond the final bid validity period.

- (ii) Bid securities of the unsuccessful bidders should be returned to them at the earliest after expiry of the final bid validity and latest on or before the 30th day after the award of the contract.

Rule 158. Performance Security :

- (i) To ensure due performance of the contract, Performance Security is to be obtained from the successful bidder awarded the contract. Performance Security is to be obtained from every successful bidder irrespective of its registration status etc. Performance Security should be for an amount of five to ten per cent. of the value of the contract. Performance Security may be furnished in the form of an Account payee Demand Draft, Fixed Deposit Receipt from a Commercial bank, Bank Guarantee from a Commercial bank in an acceptable form safeguarding the purchasers interest in all respects.
- (ii) Performance Security should remain valid for a period of sixty days beyond the date of completion of all contractual obligations of the supplier including warranty obligations.
- (iii) Bid security should be refunded to the successful bidder on receipt of Performance Security.

Rule 159.

- (1) **Advance payment to supplier :** Ordinarily, payments for services rendered or supplies made should be released only after the services have been rendered or supplies made. However, it may become necessary to make advance payments in the following types of cases :-
 - (i) Advance payment demanded by firms holding maintenance contracts for servicing of Air-conditioners, computers, other costly equipment, etc.
 - (ii) Advance payment demanded by firms against fabrication contracts, turn-key contracts etc.

Such advance payments should not exceed the following limits :

- (i) Thirty per cent. of the contract value to private firms;
- (ii) Forty per cent. of the contract value to a State or Central Government agency or a Public Sector Undertaking; or
- (iii) in case of maintenance contract, the amount should not exceed the amount payable for six months under the contract.

Ministries or Departments of the Central Government may relax, in consultation with their Financial Advisers concerned, the ceilings (including percentage laid down for advance payment for private

firms) mentioned above. While making any advance payment as above, adequate safeguards in the form of bank guarantee etc. should be obtained from the firm.

- (2) **Part payment to suppliers** : Depending on the terms of delivery incorporated in a contract, part payment to the supplier may be released after it despatches the goods from its premises in terms of the contract.

Rule 160. Transparency, competition, fairness and elimination of arbitrariness in the procurement process : All government purchases should be made in a transparent, competitive and fair manner, to secure best value for money. This will also enable the prospective bidders to formulate and send their competitive bids with confidence. Some of the measures for ensuring the above are as follows:-

- (i) the text of the bidding document should be self-contained and comprehensive without any ambiguities. All essential information, which a bidder needs for sending responsive bid, should be clearly spelt out in the bidding document in simple language. The bidding document should contain, inter alia;
 - (a) the criteria for eligibility and qualifications to be met by the bidders such as minimum level of experience, past performance, technical capability, manufacturing facilities and financial position etc.;
 - (b) eligibility criteria for goods indicating any legal restrictions or conditions about the origin of goods etc which may be required to be met by the successful bidder;
 - (c) the procedure as well as date, time and place for sending the bids;
 - (d) date, time and place of opening of the bid;
 - (e) terms of delivery;
 - (f) special terms affecting performance, if any.
- (ii) Suitable provision should be kept in the bidding document to enable a bidder to question the bidding conditions, bidding process and/ or rejection of its bid.
- (iii) Suitable provision for settlement of disputes, if any, emanating from the resultant contract, should be kept in the bidding document.
- (iv) The bidding document should indicate clearly that the resultant contract will be interpreted under Indian Laws.
- (v) The bidders should be given reasonable time to send their bids.
- (vi) The bids should be opened in public and authorised representatives of the bidders should be permitted to attend the bid opening.
- (vii) The specifications of the required goods should be clearly stated without any ambiguity so that the prospective bidders can send meaningful bids. In order to attract sufficient number of bidders, the

specification should be broad based to the extent feasible. Efforts should also be made to use standard specifications which are widely known to the industry.

- (viii) Pre-bid conference : In case of turn-key contract(s) or contract(s) of special nature for procurement of sophisticated and costly equipment, a suitable provision is to be kept in the bidding documents for a pre-bid conference for clarifying issues and clearing doubts, if any, about the specifications and other allied technical details of the plant, equipment and machinery projected in the bidding document. The date, time and place of pre-bid conference should be indicated in the bidding document. This date should be sufficiently ahead of bid opening date.
- (ix) Criteria for determining responsiveness of bids, criteria as well as factors to be taken into account for evaluating the bids on a common platform and the criteria for awarding the contract to the responsive lowest bidder should be clearly indicated in the bidding documents.
- (x) Bids received should be evaluated in terms of the conditions already incorporated in the bidding documents; no new condition which was not incorporated in the bidding documents should be brought in for evaluation of the bids. Determination of a bid's responsiveness should be based on the contents of the bid itself without recourse to extrinsic evidence.
- (xi) Bidders should not be permitted to alter or modify their bids after expiry of the deadline for receipt of bids.
- (xii) Negotiation with bidders after bid opening must be severely discouraged. However, in exceptional circumstances where price negotiation against an ad-hoc procurement is necessary due to some unavoidable circumstances, the same may be resorted to only with the lowest evaluated responsive bidder.
- (xiii) In the rate contract system, where a number of firms are brought on rate contract for the same item, negotiation as well as counter offering of rates are permitted with the bidders in view and for this purpose special permission has been given to the Directorate General of Supplies and Disposals (DGS&D).
- (xiv) Contract should ordinarily be awarded to the lowest evaluated bidder whose bid has been found to be responsive and who is eligible and qualified to perform the contract satisfactorily as per the terms and conditions incorporated in the corresponding bidding document. However, where the lowest acceptable bidder against ad-hoc requirement is not in a position to supply the full quantity required, the remaining quantity, as far as possible, be ordered from the next higher responsive bidder at the rates offered by the lowest responsive bidder.
- (xv) The name of the successful bidder awarded the contract should be mentioned in the Ministries or Departments notice board or bulletin or web site

Rule 161. Efficiency, Economy and Accountability in Public Procurement

System : Public procurement procedure is also to ensure efficiency, economy and accountability in the system. To achieve the same, the following key areas should be addressed :-

- (i) To reduce delay, appropriate time frame for each stage of procurement should be prescribed by the Ministry or Department. Such a time frame will also make the concerned purchase officials more alert.
- (ii) To minimise the time needed for decision making and placement of contract, every Ministry / Department, with the approval of the competent authority, may delegate, wherever necessary, appropriate purchasing powers to the lower functionaries.
- (iii) The Ministries or Departments should ensure placement of contract within the original validity of the bids. Extension of bid validity must be discouraged and resorted to only in exceptional circumstances.
- (iv) The Central Purchase Organisation (e.g. DGS&D) should bring into the rate contract system more and more common user items which are frequently needed in bulk by various Central Government departments. The Central Purchase Organisation (e.g. DGS&D) should also ensure that the rate contracts remain available without any break.

Rule 162. Buy-Back Offer : When it is decided with the approval of the competent authority to replace an existing old item(s) with a new and better version, the department may trade the existing old item while purchasing the new one. For this purpose, a suitable clause is to be incorporated in the bidding document so that the prospective and interested bidders formulate their bids accordingly. Depending on the value and condition of the old item to be traded, the time as well as the mode of handing over the old item to the successful bidder should be decided and relevant details in this regard suitably incorporated in the bidding document. Further, suitable provision should also be kept in the bidding document to enable the purchaser either to trade or not to trade the item while purchasing the new one.

II. PROCUREMENT OF SERVICES

Rule 163. The Ministries or Departments may hire external professionals, consultancy firms or consultants (referred to as consultant hereinafter) for a specific job, which is well defined in terms of content and time frame for its completion or outsource certain services.

Rule 164. This chapter contains the fundamental principles applicable to all Ministries or Departments regarding engagement of consultant(s) and outsourcing of services.

NON PLAN ASSET

DISCREPANCIES IN THE BOOKS MAINTAINED BY THE TEA BOARD (FORMING PART OF ANNEXURE)

- Tax Deducted at source by the vendors and service providers for assets purchased and services taken are debited to "Income Tax A/c" instead of "TDS A/c".
- Purchase of assets is routed through "Repairs & Maintenance A/c".
- For advances transferred to other plan directorates, "Cash/Bank Deposit/Withdrawal A/c" is debited instead of "Particular Scheme A/c".

NON PLAN REVENUE

DISCREPANCIES IN THE BOOKS MAINTAINED BY TEA BOARD (FORMING PART OF ANNEXURE)-

- The Profit on sale of assets is recorded under the ledger head "Miscellaneous receipt" which is to be recorded under the head "Profit on Sale of Assets".

NON PLAN LIABILITY

DISCREPANCIES IN THE BOOKS MAINTAINED BY TEA BOARD (FORMING PART OF ANNEXURE)

- For advances taken by Non-Plan Department from Plan Directorates "Cash/Bank Deposit/Withdrawal A/c" is credited instead of respective scheme A/c.
- Deduction of Tax at source is credited to "Income Tax A/c" instead of "TDS A/c".
- Amount payable to Government is credited to "Money Received under Section 26" instead of "Fund Received from Government A/c".
- For the deductions made from the salary of the employees, "Cash A/c" is debited instead of which "Salary A/c" should be debited.

NON PLAN EXPENDITURE

DISCREPANCIES IN THE BOOKS MAINTAINED BY THE TEA BOARD (FORMING PART OF ANNEXURE)

- Bank charges incurred are routed through “Caretaking Expenses A/c” instead of “Bank Charges A/c”.
- Telephone charges incurred are routed through “Postage and Telegram A/c” instead of “Telephone Charges A/c”.
- The following expenses are recorded under the head “Caretaking Expense A/c” and each requires a separate Account to be opened with the names similar to the type of expense:
 - ✓ Photocopy Charges- “Printing & Stationery A/c”
 - ✓ Repairing Expense- “Repairs & Maintenance A/c”
 - ✓ Water Purchased- “Water Charges”
 - ✓ Printing Expense- “Printing & Stationery A/c”
 - ✓ Purchase of Telephone- “Telephone Charges”
 - ✓ Conveyance- “Travelling Expense”
- For AMC of Lift Maintenance “Miscellaneous Expenses A/c” has been debited instead of “Repairs & Maintenance A/c”

PLAN EXPENDITURE

DISCREPANCIES IN THE BOOKS MAINTAINED BY THE TEA BOARD (FORMING PART OF ANNEXURE)

- For Advertisement expense “party A/c” has been shown directly under the group administrative expenses instead of debiting to “Advertising expenses”. (HRD)
- It was found that no entry for TDS deduction (liability) has been made but the payment entry of such TDS deduction has been passed showing as expense in spite of writing off the liability. (HRD)
- Drinking water expense is recorded under the wrong head and in some places advertising expenses are also recorded under the same head which needs to be rectified. (HRD)
- Printing and Stationery expense is recorded under the head “General Payment” instead of “Printing & Stationery A/c”. (HRD)
- In “media campaign A/c”, salary, annual maintenance charges on buildings etc are recorded which seems to be wrong. (MPS)
- Income from sale of posters is recorded under the ledger head “Printing Materials/Publications A/c”. (MPS)
- Purchase of desktops in numbers are treated as revenue expenditure and booked under the head “IT Expenditure A/c” instead of capitalizing the same. (R&D)

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concerned Ministries or Departments. However, the Ministries or Departments shall ensure that they do not contravene the basic rules contained in this chapter.

Rule 165. Identification of Work / Services required to be performed by

Consultants : Engagement of consultants may be resorted to in situations requiring high quality services for which the concerned Ministry/ Department does not have requisite expertise. Approval of the competent authority should be obtained before engaging consultant(s).

Rule 166. Preparation of scope of the required work / service : The Ministries/ Departments should prepare in simple and concise language the requirement, objectives and the scope of the assignment. The eligibility and pre-qualification criteria to be met by the consultants should also be clearly identified at this stage.

Rule 167. Estimating reasonable expenditure : Ministry or Department proposing to engage consultant(s) should estimate reasonable expenditure for the same by ascertaining the prevalent market conditions and consulting other organisations engaged in similar activities.

Rule 168. Identification of likely sources :

- (i) Where the estimated cost of the work or service is upto Rupees twenty-five lakhs, preparation of a long list of potential consultants may be done on the basis of formal or informal enquiries from other Ministries or Departments or Organisations involved in similar activities, Chambers of Commerce & Industry, Association of consultancy firms etc.
- (ii) Where the estimated cost of the work or service is above Rupees twenty-five lakhs, in addition to (i) above, an enquiry for seeking 'Expression of Interest' from consultants should be published in at least one national daily and the Ministry's web site. The web site address should also be given in the advertisements. Enquiry for seeking Expression of Interest should include in brief, the broad scope of work or service, inputs to be provided by the Ministry or Department, eligibility and the pre-qualification criteria to be met by the consultant(s) and consultant's past experience in similar work or service. The consultants may also be asked to send their comments on the objectives and scope of the work or service projected in the enquiry. Adequate time should be allowed for getting responses from interested consultants

Rule 169. Short listing of consultants : On the basis of responses received from the interested parties as per **Rule 168 above**, consultants meeting the requirements should be short listed for further consideration. The number of short listed consultants should not be less than three.

4.0 COMMON FORMAT

❖ FORM OF FINANCIAL STATEMENTS(NON-PROFIT ORGANIZATION)

Name of
Entity.....

BALANCE SHEET AS AT.....

(Amount- Rs.)

CORPUS/CAPITAL FUND AND LIABILITIES:	Schedule	C
CORPUS/CAPITAL FUND		Y
RESERVES AND SURPLUS	1	..
EARMARKED/ENDOWMENT FUNDS	2	..
SECURED LOANS AND BORROWINGS	3	..
UNSECURED LOANS AND BORROWINGS	4	..
DEFERRED CREDIT LIABILITIES	5	..
CURRENT LIABILITIES AND PROVISIONS	6	..
	7	..
TOTAL		..
ASSETS:		
FIXED ASSETS	8	..
INVESTMENTS-FROM EARMARKED/ENDOWMENT FUNDS	9	..
	10	..
INVESTMENTS-OTHERS	11	..

CURRENT ASSETS, LOANS AND ADVANCES		...
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)		...
TOTAL		...
SIGNIFICANT ACCOUNTING POLICIES	24	
CONTINGENT LIABILITIES AND NOTES ON ACCOUNTS	25	

Name of Entity.....

INCOME AND EXPENDITURE ACCOUNT FOR THE PERIOD
ENDED.....

INCOME:	Schedule	C Y
Income from sales/services	12	..
Grants/Subsidies	13	..
Fees/Subscriptions	14	..
Income from investments	15	..
Income from royalty, publication etc.	16	..
Interest earned	17	..
Other income	18	..
Increase/(Decrease) in stock of Finished goods and Work-in-progress	19	..
TOTAL(A)		..
EXPENDITURE:		
Establishment expenses	20	..
	21	

Other Administrative expenses	22	..
Expenditure on Grants, Subsudies etc.	23	..
Interest		..
Depreciation(Net Total at the year end)		..
TOTAL(B)		..
Balance being excess of income over expenditure:(A-B)		..
Transfer to Special Reserve(Specify each)		..
Transfer to/from General Reserve		..
BALANCE BEING SURPLUS/(DEFICIT) CARRIED TO CORPUS/CAPITAL FUND	24	..
SIGNIFICANT ACCOUNTING POLICIES	25	
CONTINGENT LIABILITIES AND NOTES ON ACCOUNTS		

Name of Entity.....

SCHEDULES FORMING PART OF BALANCE SHEET AS
AT.....

(Amount-Rs.)

SCHEDULE-3	FUND WISE BREAKUP				T
EARMARKED/ENDOWMENT FUNDS:	WW	XX	YY	ZZ	C y
a) Opening balance of the funds					
b) Additions to the funds:					
i. Donations/Grants					
ii. Income from investments made on account of funds					
iii. Other additions(specify nature)					

TOTAL (a+b)					
c. Utilization/Expenditure towards objectives of funds					
i. Capital Expenditure					
Fixed assets	....	....	....	....	....
Others	....	....	....	....	....
TOTAL					
ii. Revenue Expenditure	....	....	....	....	....
Salaries, wages and allowances etc					
Rent					
Other Administrative expenses	....	....	....	....	....
TOTAL	....	....	....	....	....
					
TOTAL (C)	....	....	....	....	....
NET BALANCE AS AT THE YEAR END(a+b-c)	....	....	....	....	....
Notes: 1) Disclosures shall be made under relevant heads based on cond grants 2) Plan funds received from the Central/State Governments are to Funds and not to be mixed up with any other Funds.					

SCHEDULE-4: SECURED LOANS AND BORROWINGS	Current year	
1. Central Government		
2. State Government(specify)		
3. Financial Institutions		
a) Term loans		
b) Interest accrued and due		
4. Banks:		
a) Term loans		
-interest accrued and due		
b) Other loans(specify)		
-interest accrued and due		
5. Other institutions and agencies		
6. Debentures and Bonds		
7. Others(specify)		
TOTAL		
NOTE: Amounts due within the year		

SCHEDULE-5: UNSECURED LOANS AND BORROWINGS	Current year	
1. Central Government		
2. State Government(specify)		
3. Financial Institutions		
4. Banks:		
a.Term loans		
-interest accrued and due		
		

b. Other loans(specify)			
-interest accrued and due		....	
8. Other institutions and agencies		....	
9. Debentures and Bonds			
10. Others(specify)			
TOTAL		....	
NOTE: Amounts due within the year			

SCHEDULE-6: DEFERRED CREDIT LIABILITIES	Current year
a.Acceptances secured by hypothecation of capital equipment and other assets	
b.Others	
TOTAL	
NOTE: Amounts due within the year	

SCHEDULE-8: FIXED ASSETS	Gross Block				Depreciation		
	Cost/valuation at the beginning of the year	Additions during the year	Deductions during the year	Cost/valuation at the year-end	As at the beginning of the year	On additions during the year	On deductions during the year
Fixed assets							
Land:							
Freehold							
Leasehold			(....)				
Buildings:			(....)				
On freehold land			(....)				
On leasehold land							
Ownership			(....)				
Buildings/premises			(....)				
Superstructures on land not belonging to the entity			(....)				
Plant Machinery & Equipment			(....)				
Vehicles							
Furniture, fixtures			(....)				
Office equipment			(....)				
Computer/peripherals			(....)				
Electric installations			(....)				
Library books			(....)				
Hand pumps/Tubewells & well supply			(....)				
Other Fixed assets			(....)				

			(....)				
total of current year	....	....	(....)	....	....	....	....
previous year	....	....	(....)	....	....	....	....

CAPITAL WORK-IN-PROGRESS

TOTAL

s to be given as to assets on hire purchase basis included above

SCHEDULE-9: INVESTMENTS FROM EARMARKED/ENDOWMENT FUNDS	Current
--	---------

1. In Government Securities	
2. Other approved Securities	
3. Shares	....
4. Debentures and Bonds	....
5. Subsidies and Joint Ventures	
6. Others(to be specifies)	....
	
TOTAL	....

SCHEDULE-10: INVESTMENTS-OTHERS	Current year	Previous year
1. In Government Securities		
2. Other approved Securities		
3. Shares		
4. Debentures and Bonds		
5. Subsidies and Joint ventures		
6. Others(to be specified)		
TOTAL		

SCHEDULE-11: CURRENT ASSETS, LOANS AND ADVANCES	Current year	
A. Current assets:		
1. Inventories		
a.Stores and spares		
b.Loose tools		
c.Stock-in-trade		
Finished goods		
Work-in-progress		
Raw materials		
2. Sundry Debtors		
a.Debts outstanding for a period exceeding six months		
b.Others		
3. Cash balances in hand (including cheques/drafts and imprest)		
4. Bank balances		
a.With scheduled banks-		
-on current income		
-on deposit accounts(includes margin money)		
-on savings account		
b.With non-scheduled banks-		
-on current accounts		
-on deposit accounts		
-on savings accounts		
5. Post office-savings accounts		
TOTAL		

SCHEDULE-12: INCOME FROM SALES/SERVICES	Current year
1. Income from sales	
a.sale of finished goods	
b.sale of raw material	
c.sale of scrap	
2. Income from services	
a.labour and processing charges	
b.professional/consultancy services	
c.agency commission and brokerage	
d.maintenance services	
e.others(specify)	
TOTAL	

SCHEDULE-13: GRANTS/SUBSIDIES(irrevocable grants and subsidies received)	Current year
	
1. Central Government	
2. State Government	
3. Government Agencies	
4. Institutions/Welfare bodies	
5. International Organizations	
6. Others(specify)	
TOTAL	

SCHEDULE-14: FEES/SUBSCRIPTIONS	Current year	Previous year
1. Entrance fees		
2. Annual fees/subscriptions		
3. Seminar/Program fees		
4. Consultancy fees		
5. Others(specify)		
TOTAL		

SCHEDULE-15: INCOME FROM INVESTMENTS (income on investment from earmarked/endowmen t funds transferred to funds)	Investment from Earmarked fund		Investment- others	
	Curre nt year	Previo us year	Curre nt year	Previo us year
1. Interest				
a.on				
Government				
securities				
b.Other				
Bonds/Debentu				
res				
2. Dividends				
a.on shares				
b.on mutual				
fund securities				
3. Rents				
4. Others(specify)				

TOTAL	....	....	....	....
TRANSFERRED TO EARMARKED/ENDOW MENT FUNDS	....	....		

SCHEDULE-16: INCOME FROM ROYALTY,PUBLICATION ETC.	Current year	Previous year
1. Income from Royalty		
2. Income from Publications		
3. Others(specify)		
TOTAL		

SCHEDULE-17: INTEREST EARNED	Current year	Previous year
1. On Term deposits		
a.with scheduled banks		
b.with non-scheduled banks		
c.with institutions		
d.others		
2. On Savings accounts		
a.with scheduled banks		
b.with non-scheduled banks		
c.post office savings account		
d.others		
3. On Loans		
a.employees/staffs		
b.others		
4. Interest on Debtors and other Receivables		

TOTAL	....	....
Note: Tax deducted at source to be indicated		

SCHEDULE-21: OTHER ADMINISTRATIVE EXPENSES	Current year
1. Purchases	
2. Labour and processing expenses	
3. Cartage and carriage inwards	
4. Electricity and power	
5. Water charges	
6. Insurance	
7. Repairs and maintenance	
8. Excise duty	
9. Rent, rates and taxes	
10. Vehicles running and maintenance	
11. Postage, telephone and communication charges	
12. Printing and stationery	
13. Travelling and conveyance charges	
14. Expenses on seminars/workshops	
15. Subscription expenses	
16. Auditor's remuneration	
17. Hospitality expenses	
18. Professional charges	
19. Provision for bad debt and doubtful debts/advances	
20. Irrecoverable balances written off	
21. Packing charges	
22. Freight and forwarding expenses	
23. Distribution expenses	
24. Advertisement and publicity	
25. Others(specify)	
	
	
	
	
	
TOTAL	

SCHEDULE-22: EXPENDITURE ON GRANTS,SUBSIDIES ETC.	Current year
1. Grants given to Institutions/Organizations	
2. Subsidies given to Institutions/Organizations	
	
TOTAL	
Note: Name of entities, their activities along with the amount of grants/sub disclosed	

SCHEDULE-23: INTEREST	Current year
1. On Fixed Assets	
2. On Other Loans(including bank charges)	
3. Others(specify)	
TOTAL	

SCHEDULE-4: SECURED LOANS AND BORROWINGS	Current year	
11. Central Government		
12. State Government(specify)		
13. Financial Institutions		
c) Term loans		
d) Interest accrued and due		

14. Banks:	....		
c) Term loans			
-interest accrued and due	....	....	
d) Other loans(specify)			
-interest accrued and due			
15. Other institutions and agencies		....	
16. Debentures and Bonds		....	
17. Others(specify)			
TOTAL		....	
NOTE: Amounts due within the year			

SCHEDULE-5: UNSECURED LOANS AND BORROWINGS	Current year		
5. Central Government			
6. State Government(specify)			
7. Financial Institutions			
8. Banks:			
a.Term loans			
-interest accrued and due			
			
b. Other loans(specify)			
-interest accrued and due			
18. Other institutions and agencies			
19. Debentures and Bonds			
20. Others(specify)			
TOTAL			
NOTE: Amounts due within the year			

SCHEDULE-6: DEFERRED CREDIT LIABILITIES	Current year
a. Acceptances secured by hypothecation of capital equipment and other assets	....
b. Others	....
TOTAL	....
NOTE: Amounts due within the year	

SCHEDULE-8: FIXED ASSETS	Gross Block				Depreciation		
	Cost/valuation at the beginning of the year	Additions during the year	Deductions during the year	Cost/valuation at the year-end	As at the beginning of the year	On additions during the year	On deduction during the year
A.Fixed assets							
1.Land:							
a.Freehold							
b.leasehold			(....)				
2.Buildings:			(....)				
a.On freehold land			(....)				
b.On leasehold land							
c.Ownership flats/premises			(....)				
d.superstructures on land not belonging to the entity			(....)				
3.Plant Machinery& equipment			(....)				
4.Vehicles							
5.Furniture,fixtures			(....)				
6.Office equipment			(....)				
7.Computer/peripherals			(....)				
8.Electric installations			(....)				
9.Library books			(....)				
10.Tubewells & w supply			(....)				
11.Other Fixed assets			(....)				

			(....)				
Total of current year	....	....	(....)	....	....	....	....
Previous year	....	....	(....)	....	....	....	....
CAPITAL WORK-IN-PROGRESS							
TOTAL							
It is to be given as to assets on hire purchase basis included above							

SCHEDULE-9: INVESTMENTS FROM EARMARKED/ENDOWMENT FUNDS	Current
--	---------

7. In Government Securities	
8. Other approved Securities	....
9. Shares	....
10. Debentures and Bonds	....
11. Subsidies and Joint Ventures	....
12. Others(to be specifies)	....
	
TOTAL	....

SCHEDULE-10: INVESTMENTS-OTHERS	Current year	Previous year
7. In Government Securities		
8. Other approved Securities		
9. Shares		
10. Debentures and Bonds		
11. Subsidies and Joint ventures		
12. Others(to be specified)		
TOTAL		

SCHEDULE-11: CURRENT ASSETS, LOANS AND ADVANCES	Current year	
B. Current assets:		
3. Inventories		
a.Stores and spares		
b.Loose tools		
c.Stock-in-trade		
Finished goods		
Work-in-progress		
Raw materials		
4. Sundry Debtors		
a.Debts outstanding for a period exceeding six months		
b.Others		
3. Cash balances in hand (including cheques/drafts and imprest)		
4. Bank balances		
a.With scheduled banks-		
-on current income		
-on deposit accounts(includes margin money)		
-on savings account		
b.With non-scheduled banks-		
-on current accounts		
-on deposit accounts		
-on savings accounts		
5. Post office-savings accounts		
TOTAL		

SCHEDULE-12: INCOME FROM SALES/SERVICES	Current year
3. Income from sales	
a.sale of finished goods	
b.sale of raw material	
c.sale of scrap	
4. Income from services	
a.labour and processing charges	
b.professional/consultancy services	
c.agency commission and brokerage	
d.maintenance services	
e.others(specify)	
TOTAL	

SCHEDULE-13: GRANTS/SUBSIDIES(irrevocable grants and subsidies received)	Current year
	
7. Central Government	
8. State Government	
9. Government Agencies	
10. Institutions/Welfare bodies	
11. International Organizations	
12. Others(specify)	
TOTAL	

SCHEDULE-14: FEES/SUBSCRIPTIONS	Current year	Previous year
6. Entrance fees		
7. Annual fees/subscriptions		
8. Seminar/Program fees		
9. Consultancy fees		
10. Others(specify)		
TOTAL		

SCHEDULE-15: INCOME FROM INVESTMENTS (income on investment from earmarked/endowmen t funds transferred to funds)	Investment from Earmarked fund		Investment- others	
	Curre nt year	Previo us year	Curre nt year	Previo us year
2. Interest				
a.on				
Government				
securities				
b.Other				
Bonds/Debentu				
res				
2. Dividends				
a.on shares				
b.on mutual				
fund securities				
3. Rents				
4. Others(specify)				

TOTAL	....	....	....	....
TRANSFERRED TO EARMARKED/ENDOW MENT FUNDS	....	....		

SCHEDULE-16: INCOME FROM ROYALTY,PUBLICATION ETC.	Current year	Previous year
4. Income from Royalty		
5. Income from Publications		
6. Others(specify)		
TOTAL		

SCHEDULE-17: INTEREST EARNED	Current year	Previous year
2. On Term deposits		
a.with scheduled banks		
b.with non-scheduled banks		
c.with institutions		
d.others		
2. On Savings accounts		
a.with scheduled banks		
b.with non-scheduled banks		
c.post office savings account		
d.others		
3. On Loans		
a.employees/staffs		
b.others		
4. Interest on Debtors and other Receivables		

TOTAL	....	....
Note: Tax deducted at source to be indicated		

SCHEDULE-21: OTHER ADMINISTRATIVE EXPENSES	Current year
26. Purchases	
27. Labour and processing expenses	
28. Cartage and carriage inwards	
29. Electricity and power	
30. Water charges	
31. Insurance	
32. Repairs and maintenance	
33. Excise duty	
34. Rent, rates and taxes	
35. Vehicles running and maintenance	
36. Postage, telephone and communication charges	
37. Printing and stationery	
38. Travelling and conveyance charges	
39. Expenses on seminars/workshops	
40. Subscription expenses	
41. Auditor's remuneration	
42. Hospitality expenses	
43. Professional charges	
44. Provision for bad debt and doubtful debts/advances	
45. Irrecoverable balances written off	
46. Packing charges	
47. Freight and forwarding expenses	
48. Distribution expenses	
49. Advertisement and publicity	
50. Others(specify)	
	
	
	
	
	
TOTAL	

SCHEDULE-22: EXPENDITURE ON GRANTS,SUBSIDIES ETC.	Current year
3. Grants given to Institutions/Organizations	
4. Subsidies given to Institutions/Organizations	....
	
TOTAL	....
Note: Name of entities, their activities along with the amount of grants/sub disclosed	

SCHEDULE-23: INTEREST	Current year
4. On Fixed Assets	....
5. On Other Loans(including bank charges)	....
6. Others(specify)	....
TOTAL	....

❖ INSTRUCTIONS AND ACCOUNTING PRINCIPLES:

- The financial statements of nonprofit and other similar organizations shall be prepared on accrual

basis shall be in the form suggested or as near thereto as possible.

- If the information required to be given under any of the items or sub-items in this form cannot be conveniently included in the Balance Sheet or the Income & Expenditure A/C itself, as the case maybe, it can be furnished in a separate Schedule or Schedules to be annexed to and forming part of the Balance Sheet or the Income & Expenditure A/C. This is recommended where items are numerous.
- A statement of all significant accounting policies adopted in the preparation of the Balance Sheet and the Income & Expenditure A/C shall be included in the financial statements, and the significant Accounting Policies should be disclosed at one place. Accounting Policies refer to the specific accounting principles and the method of applying those principles adopted by the entity in the preparation of the financial statements. Where any of the accounting policies is not in conformity with accounting standards, and the effect of departures from accounting standards is material, the particulars of the departure shall be disclosed, together with the reasons there for and the financial effect thereof, except where such effect is not ascertainable.
- Accounting policies shall be applied consistently from one financial year to the next. Any change in the accounting policies which has a material effect in the current period or which is reasonably expected to have a material effect in later periods, shall be disclosed. In case of a change in accounting policies which has a material effect in the current period, the amount by which any item in the financial statements is affected by such change shall also be disclosed to the extent ascertainable. Where such amount is not

ascertainable, wholly or in part, the fact shall be disclosed.

- The accounting treatment and presentation in the Balance Sheet and Income & Expenditure A/C, of transactions and events shall be governed by their substance and on merely the legal form.
- In determining the accounting treatment and manner of disclosures of an item in the Balance Sheet and/or the Income & Expenditure A/C, due consideration shall be given to the concept of materiality.
- Provision shall be made for all known liabilities and losses even though the amount cannot be determined with substantial accuracy (and the amount of provision represents only a best estimate in the light of available information)

Provision shall be made for contingent loss if:-

- a. It is probable that future events will confirm that, after taking into account any related probable recovery, an asset has been impaired or a liability has been incurred at the Balance Sheet date, and
- b. A reasonable estimate of the amount of the resulting loss can be made.

❖ **NOTES AND INSTRUCTIONS FOR COMPILATION OF FINANCIAL STATEMENTS OF NON PROFIT ORGANISATIONS AND OTHER SIMILAR INSTITUTIONS:**

CORPUS/CAPITAL FUND:

- ❖ Corpus/Capital Fund is akin to Capital, Share Capital or Owners' Funds. It comprises amounts received by way of contributions specifically to the Corpus, as increased/decreased by the net operating results shown in the Income & Expenditure A/C (other than surplus, if any, transferred to any Reserves or Earmarked Funds).
- ❖ The opening balance, additions to, deductions from and the closing balance of the Corpus/Capital Fund shall be shown under this head.
- ❖ Additions to the Corpus Fund shall be net of transfers, if any, to any Reserves or Earmarked Fund required under statute or as per applicable regulations.

RESERVES & SURPLUS:

- ❖ **Capital Reserves:-**The expression 'Capital Reserves' shall not include any amount regarded as free for distribution through the Income & Expenditure A/C. Surplus on revaluation should be treated as Capital Reserves and shown separately. Surplus on translation of financial statements of foreign branches, if any, is not a Revaluation Reserve.
- ❖ **Revaluation Reserve:-**To reflect effects of changing prices, fixed assets otherwise stated at historical costs, are revalued and the historical cost substituted by a revaluation, normally done by competent valuers. Such substitution resulting in an upward revaluation is required to be shown as a 'Revaluation Reserve'. This reserve is an unrealized gain and

should not be credited as income in the Income & Expenditure A/C.

- ❖ **Special Reserves:-**These would comprise Special Reserves to be created pursuant to any statutory or regulatory requirement applicable to the entity, and if so, should be clarified in the Notes on Accounts.
- ❖ **General Reserve:-**The expression 'General Reserve' shall mean any reserve other than Capital Reserve and Revaluation Reserve. This item will include all reserves other than those separately classified.

EARMARKED/ENDOWMENT FUNDS:

- ❖ Amounts received as grants or assistance, or retained by the entity to be utilized for specific or earmarked purposes and remaining to be expended/utilized for the specific purpose for which these are intended, are required to be disclosed under this head. Such funds may be received in cash or kind from Government, Government agencies, institutions and other agencies etc and are subject to the compliance by the entity, of certain stipulated terms and conditions. For this reason, the balances available and their utilization should be disclosed in the manner suggested in the Schedule. The Plan Funds received from the Central and/or State Governments are to be shown as distinct category of funds.
- ❖ The following shall not be reckoned as part of Earmarked Funds:-
 - a) Grants/Funds which have the characteristics of promoters' contribution which are of the nature of the additions/accretions to the Corpus Fund.
 - b) Funds/Grants received by the entity as compensation for expenditure/losses incurred in the earlier years, as these

would be reckoned only in the Income & Expenditure A/C for the year

- c) Non-monetary grants by way of capital assets or other resources, corresponding credit of which is of the nature of Capital Reserve, unless such grants are specified as irrevocable contribution to the corpus.

UNSECURED LOAN & BORROWINGS:

- ❖ **Central Government:** indicate the terms of repayment.
- ❖ **State Government:** indicate name of the State Government and the terms of repayment.
- ❖ **Financial Institutions:** includes borrowings obtained from Industrial Bank of India. Export-Import Bank of India, National Bank for Agriculture and Rural Development.
- ❖ **Banks:** includes borrowings obtained from Commercial Banks (including Co-operative Banks).
- ❖ **Other Institutions & Agencies:** includes loans from institutions/agencies other than those mentioned above.
- ❖ **Debentures & Bonds:** The terms of redemption of debenture and bonds should be stated with the earliest date of their redemption.
- ❖ **Fixed Deposits:** These comprise of deposits received from public or otherwise for fixed periods and against no security.

DEFERRED CREDIT LIABILITIES:

- ❖ Acceptances and other similar long-term obligations contracted in respect of acquisition of assets, the liability for payment of which falls in periods longer than 12 months as at the date of the Balance Sheet should be included here.
- ❖ If the assets are charged as security or encumbered corresponding to the liability, this fact should be stated.
- ❖ If the acceptances are also guaranteed for repayment by the Government, any Government agency, bank, institutions or other body/entity, this fact should also be stated.
- ❖ Amounts due within 1 year of the date of the Balance Sheet need to be separately disclosed.

CURRENT LIABILITIES & PROVISIONS:

- ❖ **Acceptances:** included under this sub-head would be the drawer's assent on bills of exchange to the order of the drawer.
- ❖ **Sundry creditors:** the amounts to be shown against this sub-head shall comprise amounts owed by the entity in favour of others on account of goods purchased or services rendered or in respect of contractual obligations. These need to be segregated for goods and shown separately.
- ❖ **Advances received:-** the liability against this sub-head shall comprise of accounts received in respect of which goods and services have yet to be supplied/rendered or for which value has yet to be given, and includes advance subscriptions.
- ❖ **Interest accrued but not due:** includes interest accrued upto the year end but not due on secured/unsecured loans and borrowings.

- ❖ **Statutory liabilities:** these comprise of liabilities in terms of the Central/State laws governing the entity and includes unpaid liability for TDS under IT Act, 1961, statutory bonus, provident fund, pension, gratuity, ESI, sales tax, excise, custom duty and other statutory levies.
- ❖ **Other current liabilities:** these would include amounts not covered by the other sub-heads. Any material amount included under this sub-head may be separately shown indicating the nature thereof.

FIXED ASSETS:

- ❖ **Lands:-**
 - a) Freehold- where immovable properties are purchased/acquired by paying a composite cost, a reasonable/reliable estimate should be made of the land cost and shown separately.
 - b) Leasehold- leasehold land should be amortized over the period of lease unless the lease is in perpetuity.
- ❖ **Buildings:-**
 - a) On freehold land- as far as practicable distinction may be made between factory and office buildings for the purpose of provision of depreciation at different rates.
 - b) On leasehold land- buildings/premises shall be those which are intended to be wholly/partly used for the purpose of the activities of the entity and would not be investment properties.
 - c) Ownership flats/premises- superstructures on leasehold lands should be depreciated to co-terminus with the amortization of land, unless the superstructures have a shorter life.
 - d) Superstructures on land not belonging to the entity- buildings shall include roads, bridges and culverts.
- ❖ **Plants, machinery and equipment:-** included under this sub-head would be items like:

- a) Earth moving machinery.
- b) Boilers.
- c) Furnaces.
- d) Generators.
- e) Dyes/mould.
- f) Machinery used for specific industry/services like building contractors, processing units, hydraulic works, tool rooms.
- g) Other items used for manufacture/processing
- ❖ **Vehicles:-** included under this sub-head are items like:
 - a) Tractors/trailers.
 - b) Trucks, jeeps and vans.
 - c) Motor cars.
 - d) Motor cycles, scooters, three wheelers, mopeds.
 - e) Rickshaws.
- ❖ **Furnitures, fixtures:-** included under the above sub-head would be items like:
 - a) Cabinets/almirahs/filing racks.
 - b) Air conditioners/air-conditioning plant.
 - c) Air coolers.
 - d) Water coolers.
 - e) Tables/chairs/sofas/carpets.
 - f) Wooden partitions/temporary structures.
 - g) Voted stabilizers, UPS systems.
- ❖ **Office equipments:-** included under this sub-head would be items like:
 - a) Typewriters.
 - b) Photocopies/duplicators.
 - c) Fax machines.
- ❖ **Computer/peripherals:** computers, printers and their peripherals like the floppies, CDs and other software.

- ❖ **Electrical installations:** included under this sub-head would be items like:
 - a) Electrical machinery
 - b) Electric lights/fans
 - c) Switch gear instruments
 - d) Transformers
 - e) Electric wiring and fittings
- ❖ **Library books:** in some cases the number of library books would be very large or there may be an established library. In such cases these books may be disclosed as a separate category of assets. Library books will include books/journals/information stored in CD-Rom.

INVESTMENT FROM EARMARKED/ENDOWMENT FUND:

- ❖ **Government Securities:** Includes Central and State Government securities and Government Treasury Bills. These securities should be shown at cost/book value. However, the difference between such value and market value should be given in the notes to the Balance Sheet.
- ❖ **Other Approved Securities:-** Securities other than government securities, treated as approved securities, should be included here.
- ❖ **Shares:-**Investments in shares of companies and corporations not included in item above should be included here.
- ❖ **Debentures & Bonds:-**Investments in debentures & bonds of companies and corporations not included in second point should be included here.
- ❖ **Subsidiaries and/or Joint Ventures:-**Investments in subsidiaries/associate entities should be included here.
- ❖ **Others:-**Includes residual investments, if any , like commercial paper, investments in Mutual Funds

and other instruments not being in the nature of shares/debentures/bonds.

INVESTMENT-FROM OTHERS:

- ❖ **Government Securities:** includes Central and State Government securities and Government Treasury Bills. These securities should be shown at cost/book value. However, the difference between such value and market value should be given in the notes to the Balance Sheet.
- ❖ **Other Approved Securities:**-Securities other than government securities, treated as approved securities, should be included here.
- ❖ **Shares:**-Investments in shares of companies and corporations not included in item above should be included here.
- ❖ **Debentures & Bonds:**-Investments in debentures & bonds of companies and corporations not included in second point should be included here.
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- ❖ **Others:**-Includes residual investments, if any, like commercial paper, investments in Mutual Funds and other instruments not being in the nature of shares/debentures/bonds.

CURRENT ASSETS, LOANS & ADVANCES:

❖ CURRENTS ASSETS:-

1.Inventories:-Inventories comprise of tangible property held for sale in the ordinary course of business or in the process of production for such sales, or for consumption in the production of goods or services for sale, including maintenance supplies and consumables other than machinery parts. Basis of valuation of inventories should be disclosed.

2.Sundry Debtors:-Debtors comprise of persons from whom amounts are due for goods sold or services rendered or in respect of contractual obligations.

3.Cash in hand

4.Bank Balance:Amounts held as bank balances against Earmarked/Endowment Funds should be separately disclosed. Where any deposit accounts are pledged or charged as securities or are encumbered, the facts should be disclosed.

❖ LOANS,ADVANCES AND OTHER ASSETS:-

1. Loans:Loans and advances as are considered good and recoverable should be disclosed. Doubtful amounts, if any should be stated under each sub-head, and provision, if made should be shown as a reduction there from. Interest accrued on interest bearing staff loans should be accounted notwithstanding those actual recoveries of interest might commence after repayment of principal. Irrevocable grants/subsidies/donations to such entities shall not be included here. If interest bearing, the amount of interest

earned up to the yearend should be adjusted.

2. Advances and Other Amounts

Recoverable:-Advances to suppliers/contractors for capital works should be shown against this sub-head.

3. Income Accrued:-Both 'Income Accrued & Due' and 'Income Accrued but Not Due' up to the year end should be included under this head. Income on investment from Earmarked/Endowment Funds and that on other investment should be shown separately.

4. Claims Receivable:-Only claims which are considered good and realizable should be included.

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4. **Claims Receivable:-**Only claims which are considered good and realizable should be included

INCOME FROM SALE/ SERVICES:

- ❖ **Income from sales:** sales comprise of the aggregate amount for which sales are affected. These would be shown net of trade discounts, rebate and returns. Sales are complete when significant risks and rewards of ownership get transferred from the seller to the buyer, irrespective of the time of payment or delivery of the goods. Disclosure of export sales should be made separately.
- ❖ **Income from services:** income must be shown at gross figures and TDS should be indicated separately. Labour and processing charges realizable for processing/fabrication should be disclosed against this sub-head. Consultancy charges and fees for rendition of professional services by the entity should be included under this sub-head where the entity acts as a broker or agent for arranging supply of goods/services i.e. without acting on principal to principal basis, the commission and brokerage income earned should be shown against this sub-head where the entity undertakes maintenance contracts for equipment or property the income earned up to the year end from this source should be included under this sub-head

GRANTS/SUBSIDIES:

- ❖ Grants, Subsidies or other similar assistance received for general purpose and objectives of the entity on an irrevocable basis to cover expenditure incurred in prior periods.
- ❖ These grants are without any conditions attached as to their utilization and are of the nature of nonrefundable amounts which are to be appropriated to income.

- ❖ The gross receipts shall be shown against each sub-head and Grants/Subsidies which are given in turn to other institutions/organizations as expenditure.
- ❖ Some of the sources of Grants are as follows:
 1. Central Government
 2. State Government
 3. Government Agencies
 4. Institutional/Welfare bodies
 5. International Organizations
 6. Others

FEES/SUBSCRIPTIONS:

- ❖ Accounting policies on each item will have to be disclosed
- ❖ In case of fees like entrance fees, subscriptions are in the nature of capital receipts such amount should go to Corpus/Corpus fund. Otherwise such fees will be incorporated in this schedule.
- ❖ Some of the major types of fees received are:
 1. Entrance Fees
 2. Annual Fees/Subscriptions
 3. Seminar/Programme Fees
 4. Consultancy Fees
 5. Other

INCOME FROM INVESTMENTS:

- ❖ **Interest:** Income from investments shall be disclosed at gross figures and tax deducted at source is to be stated separately.

There are two types of interest income:

- a) **Interest on Government Securities:** Interest on Government securities shall comprise interest earned at coupon rate up to the last applicable date of interest i.e. interest accrued thereafter up to the year end at the coupon rate
- b) **Interest on Bonds/Debentures:** Interest income on bonds & debentures would include discount accrued up to the year end on bonds issued at a discount, to be redeemed at par or on premium, based on the terms of their issue
- ❖ **Dividends:** Dividends shall be accrued, based on the dates of declaration thereof i.e. when the entity has a right to receive the same.
- ❖ **Rents:** Rents shall be shown as a income on investments on properties if any.
- ❖ **Others:** Interest claimed on overdue/matured investments shall not be recognized unless pre-conditions for such recognition are satisfied.
- ❖ At the year end total of the income on investment from Earmarked/Endowment Funds should be transferred to the funds through schedule 3.

INCOME FROM ROYALTY,PUBLICATIONS ETC:

- ❖ **Income from Royalty:**-Accounting policies on each item will have to be disclosed
- ❖ **Income from Publications:**-In case the major activities of the entity are to publish books, journals, documents etc such income should form part of the schedule 12
- ❖ **Others:**The gross receipts should be shown here. Expenditure incurred on publication etc should be shown as 'Other Administrative Expenses' in the schedule 21

INTEREST EARNED:

- ❖ **On Term Deposits:**Interest income earned should be shown at gross figures and TDS is to be stated separately
- ❖ **On Savings Accounts:**Distinction should be made in respect of income:
 - a) On assets owned by the Entity
 - b) Those held against Earmarked/Endowment Funds
- ❖ **On Loans**
- ❖ **Interest on Debtors and Other Receivable**

OTHER INCOME:

- ❖ **Profit on Sale/Disposal of Assets:**-Sales proceeds/realization, net of the book value of the assets shall, if a surplus, be included under this sub-head
- ❖ **Export Incentives Realized:**Export Incentives claimed and not realized up to the yearend shall not be included in income
- ❖ **Fees for Miscellaneous Services:**-Items of material amounts included in miscellaneous income should be separately disclosed
- ❖ **Miscellaneous income**

INCREASE/DECREASE IN STOCK OF FINISHED GOODS/WIP:

- ❖ Accounting policies regarding valuation of stock should be disclosed

ESTABLISHMENT EXPENSES:

- ❖ The gross expenditure against each head including in respect of staff on deputation should be disclosed
- ❖ Statutory obligations of the entity towards Provident Fund, ESI, Retirement benefits etc should be disclosed clearly and item-wise
- ❖ In case of recoveries like fines, penalties etc the same should not be deducted from the expense heads but included under 'Other Income' in the schedule 18
- ❖ The different types of establishment cases are as follows:-
 - a) Salaries & Wages
 - b) Allowances & Bonus
 - c) Contribution to PF
 - d) Contribution to Other Fund
 - e) Staff Welfare Expenses
 - f) Expenses on Employees' Retirement & Terminal Benefits
 - g) Others (specified)

OTHER ADMINISTRATIVE EXPENSES:

- ❖ The gross expenditure against each head should be disclosed.
- ❖ In case of recoveries, freight charges recovered, fines, penalties, damages from suppliers etc the amount of such recoveries should not be deducted from the expense heads but included under schedule 16-‘Other Income’.
- ❖ Prior period and extraordinary items shall be separately disclosed so that the effect thereof on the net expenditure for the year is known.
- ❖ The list of heads under administrative expenses are as follows:-
 - a) Purchases.
 - b) Labour & Processing Expenses
 - c) Cartage and Carriage Inward
 - d) Electricity & Power
 - e) Water Charges
 - f) Insurance
 - g) Repairs & Maintenance
 - h) Excise Duty
 - i) Rent, Rates & Taxes
 - j) Vehicles Running and Maintenance
 - k) Postage, Telephone and Communication Charges
 - l) Printing & Stationery
 - m) Travelling & Conveyance Expenses.
 - n) Expenses on Seminar/Workshops.
 - o) Subscription Expenses.
 - p) Expenses on Fees.
 - q) Auditors’ Remuneration.
 - r) Hospitality Expenses.
 - s) Professional Charges.
 - t) Provision for Bad & Doubtful Debts/Advances.
 - u) Irrecoverable Balances written off.
 - v) Packing Charges.
 - w) Freight & Forwarding Expenses.
 - x) Distribution Expenses.
 - y) Advertisement & Publicity.

z) Others.

EXPENDITURE ON GRANTS,SUBSIDIES ETC:

- ❖ Grants, subsidies or other similar assistance given to the institutions/organizations for general purposes and objectives of the entity on an irrevocable basis.
- ❖ Name of the institutions, their activities along with the amounts in each case should be disclosed.
- ❖ These grants with or without any conditions attached as to the utilization and are of the nature of non-refundable amounts which are appropriated as expenditure.
- ❖ The gross receipts shown against each sub-head in schedule 13 should be the sources of these grants/subsidies.

INTEREST:

- ❖ Interest would include commitment charges.
- ❖ Fixed loans are loans which are for fixed periods like term loans.

5.0 TEA ACT

THE TEA ACT, 1953

No. 29 of 1953

(28th May, 1953)

AN ACT to provide for the control by the Union of the tea industry, including the control, in pursuance of the International Agreement now in force, of the cultivation of tea in, and of the

export of tea from, India and for that purpose to establish a Tea Board and Levy a duty of excise on tea produced in India.

Be it enacted by Parliament as follows:-

CHAPTER –I

PRELIMINARY

1. Short title, extent and commencement:- (1) This Act may be called the Tea Act, 1953.

*(2) It extends to the whole of India: Provided that it shall not apply to the State of Jammu and Kashmir except to the extent to which the provisions of this Act relate to the control of the export of tea from, and the cultivation of tea in India.

** (3) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.

6. Declaration as to expediency of control by the Union :- It is hereby declared that it is expedient in public interest that the Union should take under its control the tea industry.

7. Definitions :- In this Act, unless the context otherwise requires-

(3) “Board” means the Tea Board constituted under section 4;

(4) “Broker” means a broker of tea;

+(c) “cess” means the duty of excise imposed by section 25 ;

(xii) “Customs-collector” means a Customs-collector as defined in clause (c) of section 3 of the Sea Customs Act, 1878 (VIII of 1878) for the purposes of that Act, or of that Act as applied to the import and export of goods by air, or a Collector of Land Customs as defined in clause (c) of section 2 of the Land Customs Act, 1924 (XIX of 1924), as the case may be;

(xiii) “dealer” means a dealer in tea ;

(xiv) “export” means to take out of India by land, sea or air to any place outside India other than *Bhutan and Nepal* and any other country or territory notified in this behalf by the Central Government by notification in the Official Gazette ;

(xxx) “export allotment” means the total quantity of tea which may be exported during any one financial year ;

(xxxi) “Fund” means the Tea Fund referred to in section 27 ;

(xxxii) “manufacturer” means a manufacturer of tea ;

(xxxiii) “member” means a member of the Board:

(xxxiv) “owner”-

with reference to a tea estate or garden or a sub-division thereof the possession of which has been transferred by lease, mortgage or otherwise, means the transferee so long as his right to possession subsists; and

with reference to a tea estate or a garden or a sub division for which an agent is employed, means the agent if, and in so far as, he has been duly authorised by the owner in that behalf;

(xxxv) “prescribed” means prescribed by rules made under this Act ;

(xxxvi) “standard export figure” means such quantity as the Central Government may, by notification in the Official Gazette, specify pursuant to any international agreement in this behalf ;

(xxxvii) “tea” means the plant *Camellia Sinensis* (L) O. Kuntze as well as all varieties of the product known commercially as tea made from the leaves of the plant *Camellia Sinesis*

(L) O. Kuntze including green tea ;

(xxxviii) “Tea seed” includes seeds, roots stumps, cuttings, buds, and any living portion of the plant *Camellia Sinensis* (L) O. Kuntze which may be used to propagate that plant.

**** 1st April, 1954 vide Notification No. S.R.O. 943 dated 17th March, 1954 Gazette of India Extraordinary, Part II Section 3, page 1. + Vide Tea (Amendment) Act 1967 (No. 21 of 1967) published in the Gazette of India Extraordinary, PartII Section 1 dated 14-8-1967.**

*** Extended to the state of Sikim by G.O.I. notification No. S.O. 57(E) dated 29-1-1983.**

@ Inserted vide Notification No. K.11012(2)/79 Plant(A) dated 26th October, 1979.

CHAPTER II

THE TEA BOARD

4. Establishment and constitution of

Tea Board:-*(1)* With effect from such date as the Central Government may, by notification in the Official Gazette, specify in this behalf, there shall be established for the purposes of this Act a Board to be called the Tea Board.

(2) The Board shall be a body corporate by the name aforesaid, having perpetual succession and a common seal, with power to acquire, hold and dispose of property, both

movable and immovable, and to contract, and shall by the said name sue and be sued.

(3) The Board shall consist of a Chairman and such number or other members not exceeding forty as the Central Government may think expedient, to be appointed by that Government by notification in the Official Gazette from among persons who are in its opinion capable of representing :-

be entitled to such salary and allowances and such conditions of service in respect of leave, pension, provident fund and

- (3) owners of tea estates and gardens and growers of tea;
- (4) persons employed in tea estates and gardens ;
- (5) manufacturers of tea ;
- (6) dealers including both exporters and internal traders of tea ;
- (7) consumers ;
- (8) Parliament ;
- (9) the Government of the principal tea growing States ;
- (10) such other persons or class of persons, who, in the opinion of the Central Govt., ought to be represented on the Board.

*(3A) It is hereby declared that the office of member of the Board shall not disqualify its holder for being chosen as or for being a member of either House of Parliament.

(4) The number of persons to be appointed as members from each of the categories specified in sub-section (3), the term of office of the procedure to be followed in the discharge of their functions by, and the manner of filling vacancies among the members of the Board shall be such as may be prescribed.

(5) Any officer of the Central Government when deputed by that Government in this behalf shall have the right to attend meeting of the Board and take part in the proceedings thereof but shall not be entitled to vote.

5. Vacancies, etc. not to invalidate acts and proceedings :- No act done or proceeding taken by the Board under this Act shall be questioned on the ground merely of the existence of any vacancy in, or defect in the contribution of the Board.

6. Salary and allowances of Chairman: - The Chairman shall

who shall exercise such power and perform such duties as may

other matters as may from time to time be fixed by the Central Government.

7. Vice-Chairman :- The Board shall elect from among its members a Vice-Chairman who shall exercise such of the powers and discharge such of the duties of the Chairman as may be delegated to him by the Chairman.

8. Executive and other Committees:-

- (1) There shall be an Executive Committee of the Board constituted in the manner prescribed.
- (2) The Executive Committee shall exercise such of the powers and perform such of the duties of the Board as may be prescribed or as the Board may delegate to it.
- (3) Subject to such control and restrictions as may be prescribed the Board may constitute other Standing Committees or ad hoc Committees for exercising any power or discharging any duty of the Board or for enquiring into or reporting and advising on any matter which the Board may refer to them.
- (4) A Standing Committee shall consist exclusively of members of the Board.
- (5) An *ad hoc* Committee may include persons who are not members of the Board, but their number shall not exceed one-half of its strength.

9. Secretary and Staff :- (1) The Central Government shall appoint :-

- ☐ *(a) “a Deputy Chairman of the Board who shall assist the Chairman in the performance of his duties and exercise such of the powers and perform such of the duties as may be prescribed or as may be delegated to him by the Board or by a Committee constituted by the Board under section 8 or by the Chairman”.
- ☐ (aa) “a secretary to the Board

insects and other pests and diseases affecting tea ; (f)

be prescribed or as may be delegated to him by the Board or the Chairman” ;

(b) all other officers of the Board drawing *a salary exceeding rupees one thousand seven hundred per month.

(3) Subject to such Control and restriction as may be prescribed, the Board may appoint such other officers and employees as may be necessary for the efficient performance of its functions and pay them such salaries and allowances as it may determine from time to time.

(4) The Chairman, *Deputy Chairman, Secretary and other employees of the Board shall not undertake any work unconnected with their duties under this Act except with the permission of the Central Government.

10. Functions of the Board :-

(1) It shall be the duty of the Board to promote, by such measures as it thinks fit, the development under the control of the Central Govt. of the tea industry.

(2) Without prejudice to the generality of the provisions of sub section (1), the measures referred to therein may provide for –

(a) regulating the production and extent of cultivation of tea ;

(b) improving the quality of tea ;

(c) promoting cooperative efforts among growers and manufacturers of tea ;

(d) undertaking assisting or encouraging scientific, technological and economic research and maintaining or assisting in the maintenance of demonstration farms and manufacturing stations ;

(e) assisting in the control of

regulating the sale and export of tea ; (g) training in tea testing and fixing grade standards of tea :

(h) increasing the consumption in India and elsewhere of tea and carrying on propaganda for that purpose;

(i) registering and licensing of manufacturers, brokers, tea waste dealers and persons engaged in the business of blending tea;

(j) improving the marketing of tea in India and elsewhere;

*(jj) Subscribing to the share Capital of or entering into any arrangement or other arrangement (whether by way of Partnership Joint venture or any other manner) with any other body Corporate for the purpose of Promoting the development of Tea industry or for promotion and marketing of tea in India or elsewhere :

(k) collecting statistics from growers, manufacturers, dealers and such other persons as may be prescribed on any matter relating to the tea industry ; the publication of statistics so collected or portions thereof or extracts therefrom ;

securing better working conditions and the provisions and improvement of amenities and incentives for workers ;

such other matters as may be prescribed.

(3) The Board shall perform its functions under this section in accordance with and subject to such rules as may be made by the Central Government.

11. Dissolution of the Board :- (1)

direct that the Board shall be dissolved from such date and for such period as may be specified in the notification. (2) When the Board is dissolved under the provisions of sub-section (1)- (a) All members shall, from the date of dissolution, vacate their offices as such members ; (b) all powers and duties of the Board shall, during the period of dissolution, be exercised and performed

by such person or persons as the Central Government may appoint in this behalf ; (c) all funds and other property vested in the Board shall, during the period of dissolution, vest in the Central Government ; and (d) as soon as the period of dissolution expires, the Board shall be reconstituted in accordance with the provisions of this Act.

* Inserted by the Tea (Second Amendment) Act, 1954 No. 52 of 1964.

** Inserted as per Notification in the Gazette of India, Extraordinary, Part II Section I, dated August 16, 1977 (No. 32 of 1977).

*Inserted as per the Gazette of India Notification No.79 dated 17-12-80.

CHAPTER III

CONTROL OVER THE EXTENSION OF TEA CULTIVATION

been uprooted.

12. Method of control of extension of tea cultivation :-

(iv) No one shall plant tea on any land not planted with tea on the date commencement of this Act unless permission has been granted to him in writing by or on behalf of the Board.

(v) No tea area shall be replaced by planting tea on area not planted with tea unless permission has been granted in writing by or on behalf of the Board.

(vi) Nothing in this section shall prohibit the in filling or supplying of vacancies on land planted with tea on the date of commencement of this Act or the replanting of tea upon –

land planted with tea on the 31st day of March, 1950, from which the original bushes have been uprooted, or

land planted with tea on the 31st day of March, 1948, from which the original bushes have

13. Limitation to the extension of tea cultivation:- (1) Subject to

the provisions contained in sections 15 and 16, the total area of land in respect of which the permission referred to in section 12 may be granted, shall not exceed such area as may be determined by the Board under the general instructions of the Central Government.

*(2) The total area of land in any State in respect of which such permission may be granted shall be such as may be determined by the Board, Provided that the Board may vary the total area so determined for any State in order to increase or diminish for another State the area in respect of which such permission may be granted by an amount corresponding to the extent to which the area in the first mentioned State has been diminished or increased

*(3) The Board shall Publish the total area determined for India as well as the total areas determined for the various

States notification in the Official Gazette of the Central Government as soon as may be after the commencement of this Act and shall in like manner publish any subsequent variation of such total areas.

14. Grant of permission to plant tea :

(1) Applications for permission to plant tea on any land not planted with tea on the date of commencement of this Act shall be made to the Board and shall contain a clear statement of all special circumstances justifying the application.

(2) The Board may require an applicant to supply such information as it thinks necessary to enable the Board to deal with the application.

(3) Subject to such conditions and restrictions as may be prescribed, the Board may by order grant or refuse the permission applied for, or may in like manner grant it in part only or may call for further information from the applicant.

(4) No order by the Board under subsection (3) shall be called in question by any court.

15. Grant of permission to plant tea in special circumstances :-

(1) Where any land which was on the 31st day of March, 1933 planted with tea (including land planted with tea on the 31st day of March, 1931 from which the original bushes had been uprooted and which had not been replanted with tea on the said 31st day of March, 1933), or where any land planted with tea after the 31st day of March, 1933-

(a) has since become wholly incapable of carrying tea through circumstances due to war or through subsidence flood, erosion, earthquake or other irresistible superhuman cause, or

(b) has since been compulsorily acquired under the provisions of the Land

subsequently restored to the tea estate from which it was subtracted, the owner of the estate shall either uproot the tea

any other law for the time being in force and no longer carried tea, or

(c) has since been transferred to the Central or a State Government or to a local authority and no longer carries tea, or

(d) has since been resumed by the lessor under the terms of any lease and no longer carries tea ;

(e) the owner of the tea estate in which such land is situated may apply to the Board for permission to plant tea on land not planted with tea. *Explanation --* Land taken for purposes connected with prosecution of war on which tea bushes have been allowed to remain for protective purposes though no longer cultivated shall be deemed for the purposes of this section to be incapable of caring or no longer to carry tea.

(2) Upon such application being made and upon proof to the satisfaction of the Board that the applicant is entitled to the benefit of sub-section (1) the Board may by order grant permission to plant tea on land not planted with tea ; Provided that the area of land in respect of which such permission is granted shall be within the same or an adjacent district and shall belong to the same or an adjacent tea estate and shall not exceed in extent the area of the land incapable of carrying tea or compulsorily acquired, transferred or resumed, as the case may be.

(3) All areas of land in respect of which permission to plant tea is granted under this section shall be excluded when computing for the purpose of section 13 the total area of land in respect of which the permission referred to in section 12 may be granted.

(4) If any land falling within the Explanation to sub-section (1) is

planted therein or uproot any tea planted by him in pursuance of a permission granted under sub-section (2).

16. Tea nurseries :- (1) The owner of atea estate may establish nurseries on land not previously planted with tea for the growing of plants intended for in filling or supplying vacancies or for replanting land planted with tea within the area of

the estate or for any other purpose approved by the Board. (2) All areas land utilised for nurseries in accordance with this section shall be excluded when computing for the purpose of section 13 the total area of land in respect of which the permissions referred to in section 12 may be granted.

***Operation of sub-section 2 and 3 which also corresponds to Section 27 of the previous Act has been suspended until further orders by Government of India, Ministry of Commerce Notification No.201(4)-Law (tea)/50 dated 28-10-1950.**

CHAPTER IIIA

MANAGEMENT OR CONTROL OF TEA UNDER-TAKING OR TEA UNITS BY THE CENTRAL GOVERNMENT IN CERTAIN CIRCUMSTANCES.

16A. (1) In this Chapter, unless the context **Definitions.** Otherwise requires.

(a) “authorised persons” means the person or body of persons authorised or appointed, by the Central Government under this Act to take over the management of any tea undertaking or tea unit ;

(b)“ Company” means a company within the meaning of section 3 of the Companies Act, 1956;

(c) “district average yield” means the average yield of tea in the district in which one or more tea units are located, as published by the Board.

(d) “notified order” means an order notified in the Official Gazette ;

(e) “tea undertaking” means as undertaking engaged in the production or manufacture, or

thereof, which has a distinct entity for which accounts are kept and has a factory of its own for the production and manufacture of tea.

(2) Reference to an industrial undertaking in such of the provisions of the Industries (Development and Regulation) Act, 1951, as apply to a tea undertaking or tea unit by virtue of the provisions of this Chapter, shall be construed as references to a tea undertaking or tea unit, as the case may be, and references in the Act aforesaid to any provision of that Act, as applicable to a tea undertaking or tea unit, in relation to which a corresponding provision has been made in this Act, shall be construed as references to such corresponding provision.

16B.(1)Where the Central Government is of opinion in respect of a tea undertaking or a tea unit that-

(a) the tea undertaking or, as the

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Power to cause investigation to be made in relation to a tea undertaking or tea unit.

possibility of running or restarting the tea undertaking, make and application to

year in which such opinion as formed ; or

(b) the average yield of the tea undertaking, or, as the case may be, the tea unit, during three years out of five years immediately preceding the year in which such opinion is formed, has been lower than the district average yield by twenty-five per cent or; or more or

(c) the persons owning the tea undertaking, or as the case may be, the tea unit, have habitually made default in the payment of wages, or provident fund dues of workers and other employees, or rent of the land, or duties of exercise or such other dues as they are under an obligation to pay under any law for the time being in force : or

(d) the tea undertaking, or, as the case may be, the tea unit, is being managed in a manner highly detrimental to the tea industry or to public interest. the Central Government may make, or cause to be made, a full and complete investigation into the affairs of the tea undertaking or, as the case may be, tea unit, by such person or body of persons as it may appoint for the purpose.

(5) Where a company owning a tea undertaking is being wound up by or under the supervision of the Court and the business of such company is not being continued, the Central Government may, if it is of opinion that it is necessary, in the interest of the general public, and, in particular, in the interest of production, supply or distribution of tea to investigate into the

the Court praying for permission to make or cause to be made, an investigation into such possibility by such person or body of persons as that Government may appoint for the purpose ; and, where such an application is made, the Court shall, notwithstanding anything contained in the Companies Act, 1956, or in any other law for the time being in force, grant the permission prayed for. (3) The person or body of

persons appointed to make any investigation under sub-section (1) or, as the case may be, sub -section (2) shall have the same powers as are specified in section 18 of the industries (Development and Regulation) Act, 1951. [18.(1) The person or body or persons appointed to make any investigation under section 15 (or section 15A)* may choose one or more persons possessing special knowledge of any matter relating to the investigation to assist him or it in holding the investigation. (2) The person or body of persons so appointed shall have all the power of a civil court under the Code of Civil Procedure, 1908, for the purpose of taking evidence on oath (which he or it is hereby empowered to administer) and of enforcing the attendance of witnesses and compelling the production of documents and material objects, and the person or body of persons shall be deemed to be a civil court for all the purposes of section 195 and Chapter XXXV of the Code of Criminal Procedure 1898] *Inserted by Act No. 72 of 1971.

16C (1) if after making or causing to be made such investigation as is referred to in sub-section (1) of section 16B, the Central Government is satisfied that action under this section is desirable, it may issue such directions to the tea undertaking or tea unit concerned, as

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Power of
Central Government completion of investigation

immediately preceding the year

may be appropriate in the circumstances for all or any of tea following purposes namely:-

- (a) regulating the production of tea by the tea undertaking or, as the case may be, tea unit and fixing the standards of production;
- (b) requiring the tea undertaking or, as the case may be, tea unit to take such steps as the Central Government considers necessary to stimulate the production, manufacture or plantation, of tea;
- (c) prohibiting the tea undertaking or, as the case may be, tea unit from resorting to any act or practice which might reduce its production, capacity or economic value;
- (d) controlling the prices, or regulating the distribution of tea produced or manufactured by the tea undertaking or, as the case may be, tea unit .

(2) Where a case relating to any tea undertaking or tea unit is under investigation, the Central Government may issue, at any time, any direction of the nature referred to in sub-section (1) to the undertaking or the tea unit concerned and any such direction shall have effect until it is varied or revoked by the Central Government.

16D.(1) If the Central Government is of opinion that:-

- (4) a tea undertaking or tea unit, to which directions have been issued in pursuance of section 16C, has failed to comply with such directions, or the tea undertaking, or as the case may be, the tea unit, has made losses in three out of five years

Power of
Central
Government
to Assume
management
or control of
tea
undertaking
or tea unit in
certain cases.

that any such notified order should continue to have effect after the expiry

in which such opinion is formed ;
or

(b) the average yield of the tea undertaking, or ,as the case may be ; the tea unit, during three years out of five years immediately preceding the year in which such opinion is formed, has been lower than the district average yield by twenty five percent or more ; or

(c) the persons owning the tea undertaking, or as the case may be, the unit, have habitually made default in the payment of wages, or provident funds dues, of workers and other employees, or rent of the land, or duties of excise, or in the payment of such other dues as are obligatory under any law for the time being in force ; or

(d) the undertaking, or as the case may be, the tea unit, is being managed in a manner highly detrimental to the tea industry or to public interest, the Central Government may, by notified order, authorise any person or body of persons to take over the management of the whole or any part of the tea undertaking or tea unit, as the case may be or to exercise in respect of the whole or any part of the tea undertaking or, as the case may be, tea unit, such function of control as may be specified in the order.

(4) Any notified order issued under subsection (1) shall have effect for such period , not exceeding five years, as may be specified in the order. Provided that if the Central Government is of opinion that it is expedient in the public interest

person, who cease to hold
any office by

of the period of five years aforesaid, it may from time to time issue directions for such continuance for such period, not exceeding one year at a time, as may be specified in the direction, so, however, that the total period such continuance (after the expiry of the said period of five years) does not exceed six years; and where any such direction is issued, a copy thereof shall be laid, as soon as may be, before both Houses of Parliament.

(3) Any notified order issued under sub-section (1) have the same effect as if it were an order made under sub-section (1) of section 18- A of the Industries (Development and Regulation) Act, 1951, and the provisions of Section 18B of that Act shall apply accordingly. [18A. (1) If the Central Government is of opinion that

(a) an industrial undertaking to which directions have been issued in pursuance, of section 16 has failed to comply with such directions ; or

(b) an industrial undertaking in respect of which an investigation has been made under section 15 (whether or not any directions have been issued to the undertaking in pursuance of section (16) is being managed in a manner highly detrimental to the scheduled industry concerned or to public interest. the Central Government may, be notified order, authorise any person or body of persons to take over the management of the whole or any part of the undertaking or to exercise in respect of control as may be specified in the order.

(4) Notwithstanding anything contained in any law for the time being in force, no

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reason of the provisions contained in clause (a), or whose contract of management is terminated by reason of the provisions contained in clause (b), of section 18B of the Industries (Development and Regulation) Act, 1951, as applicable to a tea undertaking or tea unit by virtue of the provisions of sub-section (3), shall be entitled to any compensation for the loss of office or for the premature termination of his contract of management : 18B. (1) On the issue of a notified order under section 18A authorising the taking over of the management of a industrial undertaking:-

(a) all persons in charge of the management including persons holding office as managers or directors of the industrial undertaking immediately before the issue of the notified order, shall be deemed to have vacated their offices as such ;

(b) any contract of management between the

industrial undertaking and any managing agent or any director thereof holding office as such immediately before the issue of the notified order, shall be deemed to have been terminated; (c) the managing agent, if any, appointed under section 18A shall be deemed to have been duly appointed as the managing agent in pursuance of the Indian Companies Act, 1913, and the memorandum and articles of association of the industrial undertaking and the provisions of the said Act and of the memorandum and articles shall, subject to the other provisions contained in this Act, apply accordingly, but no such

efficiently managing the business of the industrial undertaking and shall exercise

managing agent shall be removed from office except with the previous consent of the Central Government;

(d) the person or body of persons authorised under section 18A to take over the management shall take all such steps as may be necessary to take into his or their custody or control all the property, effects and actionable claims to which the industrial undertaking is or appear to be entitled, and all the property and affects of the industrial undertaking shall be deemed to be in the custody of the person or, as the case may be, the body of persons as from the date of the notified order ; and

(e) the person, if any, authorised under section 18A to take over the management of an industrial undertaking which is a company shall be for all purposes the directors of the industrials undertaking duly constituted under the Indian Companies Act, 1913 and shall alone be entitled to exercise all the powers of the directors of the industrials undertaking, whether such powers are derived from the said Act or from the memorandum or articles of association of the industrials undertaking from any other source.

(2) Subject to the other provisions contained in this Act and to the control of the Central Government, the person or body of persons authorized to take over the management of an industrial undertaking shall take such steps as may be necessary for the purpose of

such other powers and have such other duties as may be prescribed.

(3) Where any person or body of persons has been authorised to exercise any functions of control in relation to an industrial undertaking, the undertaking shall be carried on pursuant to any directions given by the authorised person in accordance with the provisions of the notified order and any person having any functions of management in relation to the undertaking or part thereof shall comply with

all such directions.

(4) The person or body of persons authorised under section 2(18A) shall, notwithstanding anything contained in the memorandum or articles of association of the industrial undertaking, exercise his or their functions in accordance with such directions as may be given by the Central Government so, however, that he or they shall not have any power to give any other person any directions under this section inconsistent with the provisions of any Act or instrument determining the functions of the authority carrying on the undertaking except in so far as may be specifically provided by the notified order. Contracts in bad faith etc. may be cancelled or varied. Provided that nothing contained in this section shall affect the right of any such person to recover from the tea undertaking or the tea unit, as the case may be, moneys recoverable otherwise than by way of such compensation]

16E.(1) Without prejudice to any other provision of this Act, if, from the documentary or other evidence in its possession, the Central Government is satisfied in relation to a tea undertaking or tea unit, that –

(a) the persons in charge of such tea undertaking or tea unit have, by reckless investments or by

Power to take over the undertaking or tea unit without investigation under certain circumstances

creation of encumbrances on the assets of the tea undertaking or tea unit, or by diversion of funds, brought about a situation which is likely to affect the production of tea, manufactured or produced by the tea undertaking or tea unit, and that immediate action is necessary to prevent such a situation ; or

(b) it has been closed for a period of not less than three months (whether by reason of the voluntary winding up of the company owning the tea undertaking or tea unit or for any other reason) and such closure is prejudicial to the concerned tea undertaking or tea unit and that the financial condition of the company owing the tea undertaking or tea unit and the plant and machinery of such tea undertaking or tea unit are such that it is possible to restart the tea undertaking or tea unit and such restarting is necessary in the interests of the general public, it may, by notified order, authorise any person or body of persons to take over the management of the whole or any part of the tea undertaking or tea unit or to exercise in respect of the whole or any part of the tea undertaking or tea unit such functions of control as may be specified in the order.

** Explanation - For the purposes of this sub-section, "in cumbrances" includes any liability which may be recovered or satisfied from the assets of the tea undertaking or, as the case may be tea unit or the person owing the tea undertaking of tea unit.*

(2) On the issue of a notified order sub-section (1) in respect of a tea undertaking or tea unit—

(a) the provisions of sub-section (2) (3) & (4) of section 16D, and the provisions of section 16G, shall apply to a notified order made under sub-section (1) as they apply to a notified order made under ; sub-section (1) of section 16D ; and

(b) the provisions of subsections (3) and (4) of section 18AA of the Industries (Development and Regulation) Act, 1951, shall supply to the tea undertaking or tea unit, as the case may be to the same extent as they apply an industrial undertaking.

[18AA (3) Nothing contained in subsection (2) shall apply to an industrial undertaking owned by a company which is being wound up by or under the supervision of the Court.

(4) Where any notified order has been made under sub-section (1) the person or body of persons having, for the time being, charge of the management or control of the industrial undertaking, whether by or under the orders of any court, or any contract, instrument of otherwise, shall notwithstanding anything contained in such order, contract, instrument or other arrangement, forthwith make over the charge of management or control, as the case may be, of the industrial undertaking to the authorised person.]

16F. Without prejudice to the provisions of section 18B of the Industries (Development & Regulation) Act, 1961, as applicable to tea undertaking or tea unit, as the case may be, the person or body of persons

Contract in bad faith, etc may be cancelled or varied

court except with the consent of the Central Government.

to take over the management of a tea undertaking or tea unit may, with the previous approval of the Central

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Government, make an application to any court having jurisdiction in this behalf for the purpose of cancelling or varying any contract or agreement entered into, at any time before the issue of the notified order under section 16D or section 16E, between the tea undertaking or the tea unit and any other persons; and the court may, if satisfied after due inquiry that such contract or agreement had been entered into in bad faith or is detrimental to the interests of the tea undertaking or tea unit, make an order cancelling or varying (either unconditionally or subject to such conditions as it may think fit to impose) that contract or agreement shall have effect accordingly.

16G. (1) Where the management or a teaundertaking or tea unit owned by a company has been taken over by any person or body of persons authorised by the Central Government under this Act, then not withstanding anything contained in the said Act or in the memorandum or articles of association of such company-

- (a) it shall not be lawful for the shareholders of such company or any other person to nominate or appoint any person to be a director of the company;
- (b) no resolution passed in a meeting of the shareholders of such company shall be given effect to unless approved by the Central Government ;
- (c) no proceeding for the winding up of such company or for the appointment of receiver in respect thereof shall lie in any

by notification in the Official Gazette, specify in this behalf, the Companies Act, 1956, shall continue to apply to such company in the same manner as it applied thereto before the issue of the notified order. 16H. If, at any time, it appears to the Central Government on the application of the owner of a tea undertaking or tea unit or otherwise that the purpose of the order made under section 16D or section 16E, has been fulfilled or that for any other reason it is not necessary that the order should remain in force, the Central Government may by notified order, cancel such order and, on cancellation of any such order the management or control as the case may be, of the tea undertaking or tea unit, shall vest in the owner of that undertaking or unit, 16-I. (1) If the Central Government is of opinion that there are possibilities of running or restarting a tea undertaking or tea unit in relation to which an investigation has been made under subsection (2) of section 16B, and that such tea undertaking or tea unit should be be run or restarted for maintaining or increasing the production supply or distribution of tea that Government may make an application to the court by which the company owing such tea undertaking or tea unit has been ordered to be wound up, praying for permission to appoint any person or body of persons to take over the management of the tea undertaking or, as the case may be, tea unit, or to exercise in respect of the whole or any part of the tea undertaking

(2)
Subject to the provisions contained in subsection (1), and to the other provisions contained in this Act. and subject to such other exceptions, restrictions and limitations, if any, as the Central Government may,

permitting the authorised persons to continue to manage the industrial

or tea unit, such functions of control as may be specified in application.

(2) Where an application is made under sub-section (1), --

(a) the provisions of section (2) of section 18FA of the Industries (Development and Regulation) Act 1951 shall apply to the undertaking or tea unit, as the case may be, subject to the

modification that for the words "twelve years" occurring in the second proviso thereto, the words "six years" shall be substituted ;

[18FA (2) Where an application is made under sub-section (1) the High Court shall make an order empowering the Central Government to authorise any person or body of persons (hereinafter referred to as the "authorised persons") to take over the management of the industrial undertaking or to exercise functions of control in relation to the whole or any part of the industrial undertaking (hereinafter referred to as the "concerned part") for a period not exceeding five years;

Provided that if the Central Government is of opinion that it is expedient in the interest of the general public that the authorised person should continue to manage the industrial undertaking or continue to exercise functions of control in relation to the concerned part, as the case may be, after the expiry of the period of five years aforesaid, it may make an application to the High Court for the continuance of such management of functions of control, for such period, not exceeding two years at a time, as may be specified in the application and thereupon the High Court may make an order

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undertaking or to exercise functions of control in relation to the concerned part :

Provided further that, the total period of such continuance (after the expiry of the initial period of five years) shall not, in any case, be permitted to exceed ten years. (Twelve years-Act No. 32 of 1974)]

(b) the provisions of sub-sections (3) to (10) both inclusive of section 18FA of the Industries (Development and Regulation) Act, 1951 shall apply to the tea undertaking or tea unit referred to in sub-section (1) to the same extent as they apply to an industrial undertaking.

[18FA. (3) Whereas an order has been made by the High Court under sub-section (2), the High Court has direct the Official Liquidator or any other person having, for the time being, charge of the management of control of the industrial undertaking, whether by or under the orders of any court, or any contract or instrument or otherwise, to make over the management of such undertaking or the concerned part, as the case may be to the authorised person and thereupon the authorised persons shall be deemed to be the Official Liquidator in respect of the industrial undertaking or the concerned part, as the case may be.

(4) Before making over the possession of the industrial undertaking or the concerned part to the authorised person the Official Liquidator, shall make a complete inventory of all the assets and liabilities of the industrial undertaking or the concerned part, as the case may be, in the manner specified in section 18FG and deliver a copy of such inventory to the authorised person, who shall, after verifying the correctness thereof, sign on the duplicate copy

reason of the winding up of the company
owning such undertaking and every such

thereof as evidence of the receipt of the
inventory by him.

(5) On taking over the
management of the industrial
undertaking or on the commencement of
the exercise of functions of control in
relation to the concerned part, the
authorised person shall take immediate
steps so as to run the industrial
undertaking or the concerned part as to
ensure the maintenance of production.

(6) The authorised person may,
on such terms and conditions and subject
to such limitations or restrictions as may
be prescribed, raise any loan for the
purpose of running the industrial
undertaking of the concerned part, and
may for that purpose, create a floating
charge on the current assets of the
industrial undertaking or the concerned
part, as the case may be.

(7) Where the authorised person
is of opinion that the replacement or
repair of any machinery of the industrial
undertaking of the concerned part is
necessary for the purpose of efficient
running of the industrial undertaking and
subject to such limitations of restriction
as may be prescribed, make such
replacement or repair, as the case may
be.

(8) The loan obtained by the
authorized person, shall be recovered
from the assets of the industrial
undertaking of the concerned part, in
such manner and subject to such
conditions as may be prescribed.

(9) For the purpose of running
the industrial undertaking or exercising
functions of control in relation to the
concerned part, the authorised person
may employ such of the former
employees of the industrial undertaking
whose services become discharged by

Schedule referred to therein shall apply to a tea undertaking or the unit accordingly.

person employed by the authorized person shall be deemed to have entered into a fresh contract of service with the company.

(10) The proceedings in the winding up of the company in so far as they relate to :-

- (a) the industrial undertaking, the management of which has been taken over by the authorized person under this section. or
- (b) the concerned part in relation to which any function of control is exercised by the authorised person under this section.

[shall during the period of such management or control, remain stayed, and, in computing the period of limitation for the enforcement of any right, privileges, obligation or liability in relation to such undertaking or the concerned part, the period during which such proceedings remained stayed shall be excluded].

16J. The Central

Government may, if it is satisfied in relation to a tea undertaking, tea unit or any part thereof, the management or control of which has been taken over under section 16D or under section 16E or under section 16-1, that it is **Power of Central** necessary so as to do in the **Government to** interests of the general public **make certain** with a view to preventing fall **declaration in** in the volume of the production **in relation to** of tea, exercise in relation to such **tea undertaking** tea undertakings or tea unit or **tea units** part thereof the same powers as are exercise able by it in relation to an industrial undertaking under section 18-FB of the Industries (Development and Regulation) Act, 1951, and the said section and the Third

be enforceable with such adaptations and in such manner

[18FB. (1) The Central Government may, if it is satisfied, in relation to an industrial undertaking or any part thereof, the management or control of which has been taken over under section 18A, whether before or after the commencement of the Industries (Development and Regulation) Amendment Act, 1971, or under Section 18AA or section 18FA, that it is necessary so as to do in the interest or the general public with a view to preventing fall in the volume of production of any scheduled industry, it may, be notified order declare that—

(a) all or any of the enactments specified in the Third Schedule shall not apply or shall apply with such adaptations, whether by way of modification, addition or omission (which does not, however, affect the policy of the said enactments) to such industrial undertakings, as may be specified such notified order, or

(b) the operation of all or any of the contracts, assurances of property agreements, settlements, awards, standing orders or other instruments in force (to which such industrial undertaking or the company owing such undertaking is a party of which may be applicable to such industrial undertaking or company) immediately before the date of issue of such notified order shall remain suspended or that all or any of the rights, privileges, obligations and liabilities according or arising there under before the said date, shall remain suspended or shall

as may be specified in the notified order.

(2) The notified order made under sub-section (1) shall remain in force, in the first instance, for a period of one year, but the duration of such notified order may be extended from time to time by a further notified order by a period not exceeding one year at a time :

Provided that no such notified order shall in any case, remain in force—

- (a) after the expiry of the period for which the management of the industrial undertaking was taken over under section 18A, section 18AA of section 18FA, or
 - (b) for more than five years in the aggregate from the date of issue of the first notified order.
- Whichever is earlier.

(3) any notified order made under sub-section (1) shall have effect notwithstanding anything to the contrary contained in any other law, agreement or instrument or any a decree or order of a court tribunal officer of other authority of any submission, settlement or standing order.

(4) Any remedy for the enforcement of any right privilege, obligation or liability referred to in clause (b) of sub-section (1) and suspended or modified order made under that sub-section shall in accordance with the terms of the notified order, remain suspended or modified, and all proceedings relating there to pending before any court, tribunal, officer or other authority shall accordingly remain stayed or be continued subject to such adaptations, so however, that on the

the said sections shall become applicable

- (a) any right, privilege, obligation or liability so remaining suspended or modified shall become revived and enforceable as if the notified order had never been made;
- (b) any proceeding so remaining stayed shall be proceeded with, subject to the provisions of any law which may then be in force, from the stage which had been reached when the proceedings became stayed.

(5) In computing the period of limitation for the enforcement of any right, privileges, obligation or liability referred to in case (b) of subsection (1), the period during which it or the remedy enforcement thereof remained suspended shall be excluded]

16K. (1) Where the management or control of a tea undertaking or tea unit, as the case may be, has been taken over under section 16D or under section 16E or under section 16-1, the Central Govt may , at any time during the continuance of such management or control, call for a report from the authorised person on the affairs and working of - the tea undertaking or tea unit, and in submitting the report the authorised person shall take into account the inventory and list of members and creditors prepared under section 16L.

(2) On receipt of the report submitted by the authorised person, the Central Government may exercise all or any of the powers conferred on it by sections 18FD, 18FE and 18FF of the industries (Development and Regulation) Act, 1951 to the same extent and subject to the same conditions, limitations or restrictions as are specified in the said sections, and the provisions of

Power of central Government to call for report on the affairs and working of a manager tea under taking or tea unit

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the industrial undertaking, which
is not being wound up by the
High Court, that the financial
condition and other
circumstances of the company
are such that it is not in a position
to meet its current liabilities out
of its current assets, that
Government may, if it considers
necessary or expedient in the
interest of the general public so
as to do, by order, decide that the
industrial undertaking should be
sold as a running concern as
provided in section 18FE and
proceedings should
simultaneously be started for the
winding up, by the High Court,
of the company;

(b) in relation to the company,
owning the industrial
undertaking, which is being
wound up by the High Court that
its assets and liabilities are such
that in the interest of its creditors
and contributors the industrial
undertaking should be sold as a
running concern as provided in
section 18FE, it may, by order,
decide accordingly.

(2) Notwithstanding anything
contained in sub-section (1) if, on receipt
of the report submitted by the authorised
person, the Central Government is
satisfied that—

(a) in the interests of the general
public, or
(b) in the interest of the
shareholders, or

wound up by the High Court ;

(c) to secure the proper management of the company owning the industrial undertaking it is necessary so as to do, that Government may by order, decide to prepare a scheme for the reconstruction of the company owning the industrial undertaking; Provided that no such scheme shall be prepared in relation to a company which is being wound up by or under the supervision of the High Court except with the previous permission of that Court.

(3) The powers exercisable by the Central Govt. under section 18F, in relation to an undertaking taken over section 18A, shall also be exercisable in relation to an undertaking taken over under section 18AA or section 18FA, but such powers shall not be exercised after the making of an order sub-section (i) or, as the case may be, under sub-section (2) of this section.

Provisions where Govt. decides to follow the course of action specified in section 18FD(1).

18FE. (1) The provision hereinafter laid down shall apply where Central Govt. decides that the course of action specified in sub section (1) of section 18FD should be followed, namely-

(a) the decision of the Central Govt. that the course of action specified in clause (a) of sub-section(1) of section 18FD should be followed in relation to a company owning an industrial undertaking shall be deemed to be a ground specified in section 433 of the Companies Act, 1956, on which the company may be

(b) the authorised person shall, as soon as may be, after the decision specified in clause (a) of sub-section (1) of section 18FD has been taken by the Central Government present an application to the High Court for the winding up of the company owning the industrial undertaking ;

(c) when an application is made by the authorised person, under clause (b) for the winding up, by the High court, of the company owning the industrial undertaking, the High Court shall order the winding up of the company and shall notwithstanding any thing contained in the Companies Act, 1956, appoint the authorised person as the official Liquidator in relation to such undertaking ;

(d) whenever the Central Govt. decided under clause (b) of sub-section (1) of section 18FD that the industrial undertaking should be sold as a running concern it shall cause a copy of its decision on to be laid before High Court;

(e) until the industrial undertaking referred to in clause

(a) or clause (b) of sub-section(1) of section 18FD is sold or purchased in pursuance of this section, the authorised person shall continue to function as the Official Liquidator in relation to the said undertaking in the winding up proceedings of the company, and, thereafter the Official Liquidator appointed by the Central Govt. under section 448 of the Companies Act, 1956,

shall take over and function as the Official Liquidator in the said proceedings.

(2) The authorised person shall make a report to the Central Govt. as to what should be the reserve price for the sale of the industrial undertaking as a running concern.

(3) In making a report under sub-section (2) the authorised person shall have regard to-

(a) the financial condition of the company owning the industrial undertaking on the date on which the order under section 18FD is made –

- (i) as disclosed in its books of account,
- (ii) as disclosed in its balance sheet and profit and loss a/c during a period of five years immediately preceding the said date ;

(b) the condition and nature of the plant, machinery, instruments and other equipment from the point of view of their suitability for profitable use in the running of the industrial undertaking ;

(c) the total amount of liability on account of secured and unsecured debts including overdrafts, if any, drawn on banks, liabilities on account of terminal benefits to the employees and other borrowings and other liabilities of the company ; and

(d) other relevant factors including the factor that the industrial undertaking will be sold free from all encumbrances.

(4) **Notice of the reserve price** determined by the authorised person shall be given in such manner as may be prescribed to the members and creditors of the company owning such industrial undertaking to make representations within a specified time to the Central Govt. through the authorised person and the Central Govt. shall, after considering the representations received and the report of the authorised person, determine the reserve price.

(5) The authorised person shall thereafter, with permission of the High Court, invite tenders from the public in such manner as may be determined by the High Court for the sale of the industrial undertaking as a running concern subject to the conditions that it will be sold to the person offering the highest price which shall not be less than the reserve price determined under sub-section (4) ;

Provided that the High Court shall not refuse to grant such permission if it is satisfied that the company is not in a position to meet its current liabilities out of its current assets.

(6) The Industrial undertaking shall be sold to the highest bidder, as a running concern, only if the price offered by him therefore is not less than the reserve price.

(7) Where no offer of price, is equal to, or more than, the reserve price, the industrial undertaking shall be purchased by the Central Govt. as the reserve price.

(8) (a) The amount realised from the sale of the industrial undertaking as a running concern together with any other sum which may be realised from any contributory, purchaser or any

other person from whom
any money is due to the
company

registered office, the
capital assets, powers,
rights, interests,

shall be utilised in accordance
with the provisions of the
Companies Act. 1956, in
discharging the liabilities of the
company and distributing the
balance, if any, amongst the
members of the company ;

(b) In other respects the
provisions of the Companies Act.
1956, relating to the winding up
of a company by the High Court
shall, as far as may be apply.

(9) When an industrial undertaking is
sold to any person under sub-section (6),
or purchased by the Central Govt. under
sub-section (7), there shall be transferred
to and vested in the purchaser, free from
all encumbrances, all such assets relating
to the industrial undertaking as are
referred to in sub-clause (i) of clause (a)
of section 18FG and existing at time of
the sale of purchase.

Provisions where Government
decides to follow the course of action
specified in section 18FD (2).

18FF (1) Where in any case the
Central Govt. decides that the course of
action specified in sub-section (2) of
section 18FD should be followed, it
shall, subject to the provisions of that
sub-section cause to be prepared by the
authorised person, a scheme for the
reconstruction of the company, owning
the industrial undertaking in accordance
with the provisions hereinafter contained
and the authorised person shall submit
the same for the approval of that
Government.

(2) the scheme for the
reconstruction of the company owing the
industrial undertaking may contain
provisions for all or any of the following
matters namely ;

(a) the constitution, name and

authorities and privileges, the liabilities duties and obligations of the company on its reconstruction ;

(b) any change in the Board of Directors, of the appointment of a new Board of Directors, of the company on its reconstruction and the authority by whom, the manner in which and the other terms and conditions on which, such change or appointment shall be made and in the case of appointment of a new Board of Directors or of any Director, the period for which such appointment shall be made ;

(c) the vesting of controlling interest in the reconstructed company, in the Central Govt. either by the appointment of additional directors or by the allotment of additional sharer ;

(d) the alteration of the memorandum and articles of association of the company, on its reconstruction, to give effect to such reconstruction ;

(e) subject to the provisions of the scheme, the continuation by or against the company, on its reconstruction, of any action or proceedings pending against the company immediately before the date of its reconstruction ;

(f) the reduction of the interest or rights which the members and creditors have in or against the company before its reconstruction to such extent as the Central Government may consider necessary in the interest of the general public or in the interest of the members and creditors or for the maintenance of the business of the company ;

to acquire by negotiations
with the members of the
company

Provided that nothing contained
in this clause shall be deemed to
authorise the reduction of the interest or
right of any creditor (including Govt.) in
respect of any loan or advance made by
that creditor to the company after the
date management of the industrial
undertaking of the company has been
taken over under section 18A, section
18AA, or section 18FA.

(g) the payment in cash or
otherwise to the creditors in full
satisfaction of their claim : - (i)
in respect of their interest or
rights in or against the company
before the reconstruction ; or
(ii) where their interest or
rights in or against the
company has or have been
reduced under clause
(f) in respect of such interest,
or rights as so reduced ;

(h) all allotment to the members
of the company for shares held
by them therein before its
reconstruction (whether their
interest in such share has been
reduced under clause (f) or not),
of shares in the company on its
reconstruction and where it is not
possible to allot shares to any
members the payment in cash to
those members in full satisfaction
of their claim –

(i) in respect of their interest
in shares in the company
before its reconstruction ; or
(ii) where such interest has
been reduced under clause (f)
in respect of their interests in
shares as so reduced ;
(4) the offer by the Central Govt.

their respective shares on payment in cash to those members who may volunteer to sell their shares to the Central Govt. in full satisfaction of their claim –

- (i) in respect of their interest in shares in the company before its reconstruction ; or
- (ii) where such interest has been reduced under clause
- (f) in respect of their interests in shares as so reduced ;
- (j) the conversion of any debentures issued by the company after the taking over of the management of the company under section 18A or section 18AA or section 18FA or of any loans obtained by the company after that date or of any part of such debentures or loans, into shares in the company and the allotment of those shares to such debenture holders or creditors, as the case may be ;
- (k) the increase of the capital of the company by the issue of new shares and the allotment of such new shares to the Central Government ;
- (l) the continuance of the services of such of the employees, of the company as the Central Govt. may specify in the scheme in the company itself, on its reconstruction, on such terms and conditions as the Central Govt. thinks fits;
- (m) notwithstanding anything contained in clause (1) where any employee of the company whose services have been continued under clause (1) have, by notice

(b) The Central Govt. may make such modifications, if any, in the

in writing given to the company at any time before the expiry of one month next following the date on which the scheme is sanctioned by the High Court, intimate their intention of not becoming employees of the company, on its reconstruction the payment to such employees and to other employees whose services have not been continued on the reconstruction of the company of compensation, if any, to which they are entitled under the Industrial Disputes Act, 1947 and such pension, gratuity, Provident fund and other retirement benefits ordinarily admissible to them under the rules or authorisations of the company immediately before the date of its reconstruction;

(n) any other terms and conditions for the reconstruction of the company;

(o) such incidental consequential and supplemental matters as are necessary to secure that the reconstruction of the company shall be fully and effectively carried out.

(3)(a) A copy of the scheme, as approved by the Central Govt. shall be sent in draft to the company, to the registered trade unions, if any, of which the employees of the company are members and to creditors thereof for suggestions and objections, if any, within such period as the Central Govt. may specify for this purpose.

coming into operation of the scheme or any provision thereof, the scheme or

draft scheme as if may consider necessary in the right of the suggestions and objections received from the company, from the registered trade unions of which the employees of the company are members and from any members or creditors of the company.

(4) The scheme shall thereafter be placed before the High Court for the sanction and the High Court if, satisfied that the scheme is in the interests of the shareholders or for securing the proper management of the company and that scheme is designed to be fair and reasonable to the members and the creditors of the company, may after giving a reasonable opportunity to the company and to its members and creditors of showing cause, sanction the scheme without any modification or its such modifications as it may consider necessary.

(5) The scheme, as so sanctioned by the High Court, shall come into force on such date as that Court may specify in this behalf. Provided that different dates may be specified for different provisions of the scheme.

(6) The sanctioned accorded by the High Court under sub-section (4) shall be conclusive evidence that all the requirements of this section relating to the reconstruction of the company have been complied with and a copy of the sanctioned scheme certified by the High court to be a true copy there of, shall, in all legal proceeding, (whether original or in appeal or otherwise), be admitted as evidence to the same extent as the original scheme.

(7) On and from the date of the

investment s made by the authorised person to have priority

such provision shall be binding on the company and also on all the members and other creditors and employees of company and on any other person having any right or liability in relation to the company.

(8) On the coming into operation of the scheme or any provision, thereof, the authorised person shall cease to function and the management of the reconstructed company shall be assumed by the Board of Directors as provided in the scheme.

(9) Copies of the scheme shall be laid before each House of Parliament, as soon as may be after the scheme has been sanctioned by the Court.

(10) The provisions of this section and of any scheme made there under shall have effect notwithstanding anything contained in section 391 to 394A (both inclusive) of the Companies Act, 1956.

Preparation of inventory of assets and liabilities and list of members and creditors of managed company.

16L. For the purposes of this Act the authorised person shall as soon as may be after taking over the management of a tea undertaking or tea unit, prepare a complete inventory of the properties, belongings, liabilities and obligations of such tea undertaking or tea unit, as the case may be, and a list of members and creditors of such tea undertaking or tea unit, in accordance with the provision of section 18FG of the Industries (Development and Regulation) Act, 1951, and the said section shall apply to a tea undertaking or tea unit accordingly.

*16LL. Every debt arising out of any loan or any other financial accommodation obtain by the authorised

Preparation of an inventory of the assets and liabilities and list of members and creditors of managed tea undertakin

Debts incurred and

person
for
carrying
on the
Manage
ment of,
or
existing
functions
of control
in
relation
to the
whole or
any part
of a tea
undertaki
ng or tea
unit, the
managem
ent or
which
has been
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over or in
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to have
been
taken
over
under
section
16D or
section
16E or
section
16-I,

e priority over all other debts,
whether secured or unsecured,
incurred before the management
of such tea undertaking or tea
unit was taken over ;

c shall be a preferential debt
within the meaning of section
530 of companies Act, 1956 and
all such debts shall rank equally
among themselves and be paid in
full out of the assets of the tea
undertaking or tea unit, unless
such assets are in sufficient to
meet them, in which case they
shall be recoverable from the
owner of the tea undertaking that
the period of management or
control has ended due to expiry
of the period for which it was
taken over or due to cancellation
of the order under section 16FH
or pursuance of the order of any
Court.

16M. No suit or other legal
proceedings shall be instituted or
continued against a tea undertaking or
tea unit in respect of which an order has
been made under section 16D or section
16E, except with the previous
permission of the Central Government or
of any officer authorised by the
Government in this behalf.

16N. Until any rule is made in
relation to any matter referred to in this
Chapter, the rules made by the Central
Government under the Industries
(Development and Regulation Act,

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1951), in relation to such matter shall, as far as may be, apply, to the extent they are not repugnant to any provision of this Act or any rule made there under and references in such rules to the provisions of that Act shall be construed accordingly.

18FG. For the purpose of this Act, the authorised persons shall as soon as may be, after taking over the management of the industrial undertaking of a company under section 18A or section 18AA or section 18FA.

(a) prepare a complete inventory
of –

(i) all properties, movable, and immovable including lands, buildings, works, workshops, stores, instruments, plant, machinery, automobiles and other vehicles, stocks of materials, cash balances cash production in the course of production, storage or transit, raw materials, cash in hand deposit in bank or with any other person or body or on loan, reserve funds, investments and book debts and all other rights and interests arising out of such property as were immediately before the date of taking over of the industrial undertaking in the ownership, possession, power or

control of the company, whether within or without India; and all books of account, registers, maps, plans, sections, drawings, records, documents or titles of ownership of property and all other documents of whatever nature relating thereto; and
 (ii) all borrowings liabilities and obligations of whatever kind of the company including liabilities on account of terminal benefits to its employees subsisting immediately before the said date;

*** Inserted as per the Gazette of India notification dt. 27-12-80.**

(3) Prepare separately a list of members and a list of creditors of such company as on the date of taking over of the management of the industrial undertaking showing separately in the list of creditors, the secured creditors and the unsecured creditors ; Provided that where the management of the industrial undertaking of a company has been taken over under the said section 18A before the commencement of the Industrials (Development & Regulation) Amendment Act, 1971, the aforesaid function shall be performed by the authorised person within six months from such commencement.

CHAPTER – IV

CONTROL OVER THE EXPORT OF TEA AND TEA SEED

17. Control of Export of tea and tea

seed -- (1) No tea shall be exported unless covered by a licence issued by or on behalf of the Board.

(2) No tea seed shall be exported unless covered by a permit issued by or on behalf of the Central Government.

(3) No tea or tea seed shall be taken by land, sea or air of any State to any of the *(French or) Portuguese Settlements bounded by India, unless covered by a permit issued by or on behalf of the Board.

**+ 20. Export quotas and
licences --(1) Subject to such conditions**

18. Tea or tea seed for export to be covered by licence or permit -- (1)

Noconsignment of tea or tea seed shall be shipped or water-borne to be shipped for export or shall be exported until the owner has delivered to the Customs-Collector a valid export licence or a valid permit issued by or on behalf of the Board or the Central Government, as the case may be, covering the quantity to be shipped.

(2) No consignment of tea or tea seed shall be shipped or water-borne to be shipped for carriage (or shall be taken by land or air) to any of the *(French or) Portuguese settlements bounded by India until the owner has delivered to the Customs-Collector a permit issued by or on behalf of the Board covering the quantity to be shipped.

(3) No permit for the passage of any tea or tea seed by land into any of the *(French or) Portuguese Settlements bounded by India shall be granted under sub-section (1) of sections 5 of the Land Customs Act, 1924 (XIX of 1924), unless the application for such permit is accompanied by a permit granted in this behalf by the Board covering the quantity to be passed.

+19. Export allotment --

TheCentral Government shall, after consulting the Board and paying due regard to all interests concerned and to the standard export figure, declare, by notification in the Official Gazette, the export allotment to each financial year;

Provided that the Central Govt. may by subsequent notification at any time during the financial year after the export allotment and thereupon the export allotment as so altered shall be the export allotment for that year.

as may be prescribed, any tea estate or any sub-division of a tea estate shall have the right to receive under this Act an export quota for each financial year.

(2) The export quota of a tea estate, or a sub-division of a tea estate, that, is, the total quantity of tea which may be exported by the owner of a tea estate or a sub-division of a tea estate during the financial year, shall be an amount determined by the Board in accordance with such principles as may be prescribed. Provided that when an export allotment is altered under the provisions of sections 19, the export quota shall be liable to be altered accordingly.

(3) The total export quotas allotment to tea estate and to sub-divisions thereof at any time during any financial year shall not exceed the export allotment for the time being for that year.

21.Right in export licences --

+(1) The owner of a tea estate or a sub-division of a tea estate to which an export quota has been allotted for any financial year shall have the right to obtain at any time export licences during that year to cover the export of tea up to the amount of the quota less the amount for which the export licences have already been issued against it.

+(2) The right of the owner of a tea estate or a sub-division of a tea estate under this section may be transferred subject to such conditions as may be prescribed, and the transferee of any such right may again transfer the whole or any part of his right to the owner of a tea estate, or a sub-division of a tea estate but not to any other person ;
Provided that nothing in this sub-section shall operate to restrict the issue of

sub-section (1) may transfer the special export licence with all the rights

licences for the export of tea expressed to be sold with export rights.

+ (3) The owner of any tea estate or any sub-division of a tea estate to which an export quota has been allotted or any person to whom he has transferred his rights may at any time before the 21st day of March of the financial year to which the quota relates apply in writing to the Board for an export licence to cover the export of tea up to the amount of the unexhausted balance of the quota.

(4) Every licence shall be in duplicate in the prescribed form, shall bear the date of its issue and shall be valid up to the end of the financial year in which it is issued.

Provided that, save as provided in section 22, the Board shall not issue any export licence after the end of the financial year in which the application for licence was made.

+22. Special export licences :--

(1) Where tea in respect of which an export licence has been or could have been granted under this Act has not been exported before the end of the financial year in which the licence was or could have been issued, the person to whom license was could have been granted may, before the 14th day of April of the following financial year forward an application to the Board for a special export license covering the same quantity of tea, and the Board shall, on receipt of the prescribed fee, if any, issue a special export licence accordingly.

(2) A person to whom a special export license has been issued under

been imported into India from any port outside India ; or

conferred thereby to a person or persons nominated by him, but a licence once so transferred shall not be further transferable.

(3) A special export licence shall be in duplicate in the prescribed form, shall bear the date of its issue and shall be valid up to the 31st day of May of the financial year in which it was issued.

(4) The quantity to tea covered by a special export licence shall be accounted for against the export quota of the year in which the original licence was or could have been issued under this Act.

(5) Notwithstanding anything contained in the foregoing subsection the Board may, with the general or special previous sanction of the Central Govt. refuse to issue a special export licence or postpone for so long as the Central Govt. may require the issue of any special export licence.

+23. Board to maintain account of quotas –

(1) The Board shall maintain an account of every export quota showing, in addition to such other particulars as the Board may think fit, the licences issued against it and the unexhausted balance.

(2) Any owner of a tea estate or a sub-division of a tea estate shall be entitled on payment of the requisite fee, to a copy of the account relating to his quota, certified in the manner laid down in the by-laws made by the Board.

##24.. Limitation of application of Chapter -- Nothing in this Chapter shall apply to tea :--

(a) proved to the satisfaction of the Customs collector to have

(b) shipped as stores on board any vessel or aircraft in such quantity as the Customs collector considers reasonable having regard to the number of the crew and passengers and length of the voyage on which the vessel or aircraft is about to depart ; or

(c) exported by post in packages not exceeding *(Five Kilograms) in weight ; or

(iv) exported with the previous sanction of the Central Govt. within limits prescribed in this behalf, by a Red Cross Society or by any organisation for providing amenities for troops overseas ; or

(v) taken as part of the personal luggage of a passenger.

*** Omitted vide French Establishments (Application of Laws) Order, 1954 Published in Govt. of India. Notification No. S.R.O. 3315 dated 1-11-54.**

(2) Suspended as per Notification No. SO.[12(2) Plant (A)/61 dt. 14-11-61] issued by the Govt. of India, Ministry of Commerce and Industry, New Delhi.

(3) Suspended as per Notification No. SO.[12(2) Plant (A)/61 dated 14-11-61] issued by the Govt. of India, Ministry of Commerce and Industry, New Delhi.

Suspended as per Notification No. SO.[452(E) dated 30.03.2005] issued by the Govt. of India, Ministry of Commerce and Industry, New Delhi.

+ Suspended as per Notification No. SO.[12(2) Plant (A)/61 dated 14-11-61] issued by the Govt. of India Ministry of Commerce and Industry, New Delhi.

*** Amended under the Customs Duties and Cesses (Conversion to Metric Units) Act 1960 (No.40)of 1960) published in the Gazette of India Extraordinary dated 22- 9-60 and enforced with effect from 1-10-60 as per Notification, Extraordinary of the Govt. of India in the=Ministry of Commerce & Industry No. 2348 dated 23-9-1960.**

CHAPTER V

FINANCE, ACCOUNTS AND AUDIT

**** @ 25. Imposition of cess on tea produced in India –**

(1) There shall be levied and collected as a cess for the purposes of this Act a duty of excise on all tea produced in India at such rate not exceeding fifty paise per kilogram as the Central Govt. may, by notification in the

Official Gazette fix. Provided that different rates may be fixed for different varieties or grades of tea having regard

to the location of, and the climatic conditions prevailing in the tea estates or gardens producing such varieties or grades of tea any other circumstances applicable to such production.

(2) The duty of excise levied under sub-section (1) shall be in addition to the duty of excise leviable on tea under the Central Excises and Salt Act, 1944, or any other law for the time being in force, (1 of 1944).

permission issued under this Act;
and

(3) The provision of the Central Excises and Salt Act, 1944 and the rules made there under, including those relating to refund and (1 of 1944) exemption from duty, shall, so far as may be, apply in relation to the levy and collection of the duty of excise under this section as they apply in relation to the levy and collection of the duty of excise on tea under the said Act.

26. Payment of proceeds of cess to the Board - proceeds of the cess levied under sub-section (1) of section 25 shall first be credited to the Consolidated Fund of India and the Central Govt. may thereafter, from time to time pay to the Board from an out of such proceeds such sums of money as it may think fit after deducting the expenses of collection.

***26A. Grants and loans by the Central Govt. to the Board** - The Central Govt., may after due appropriation by Parliament by law in this behalf pay to the Board by way of grants or loans such sums of money as Central Govt. may consider necessary.

27. Constitution of Fund –

(1) There shall be formed a fund to be called the Tea Fund, and there shall be credited thereto –

(a) the proceeds of the cess made over to the Board by the Central Government:

*** (ab) any sum of money including dividend, if any, realised by the Board in carrying out any measure referred to in clause (ii) of sub-section (2) of section 10;

(b) all fees levied and collected in respect of licences, permits and

(c) any other fee that may be levied and collected under this Act or the rules made there under.

(2) The Fund shall be applied towards meeting the expenses of the Board and the cost of the measures referred to in section 10.

28. Borrowing Powers of Board - Subject to such rules as may be made in this behalf, the Board shall have power to borrow on the security of the fund or any other asset for any purposes for which the fund may be applied.

@ 28A. Writing off losses - Subject to such conditions as may be specified by the Central Govt., where the Board is of opinion that an amount due to, or any loss, whether of money or of property incurred by the Board is irrecoverable, the Board may, with the previous approval of the Central Govt., sanction the writing off finally of the said amount or loss; Provided that no such approval of the Central Govt., shall be necessary where such irrecoverable amount of loss does not exceed in any individual case and in the aggregate in any year such amounts as may be prescribed.

29. Account and Audit - (1) The Board shall cause accounts to be kept of all moneys received and expended by it. (2) The account shall be audited every year by auditors appointed in this behalf by the Central Govt. and such auditors shall disallow every item, which in their opinion is not authorised by this Act or any rule made or direction issued there under. (3) The Board may, within three months from the date of communication to it of the disallowance of any item as aforesaid, appeal against such

@Substituted-Vide the Tea (Amendment) Act, 1967 (No.21 of 1967). Published in Gazette of India Extraordinary, Part-II Section I dated 14-8-1967.

* Inserted as passed by Parliament and published in the Extraordinary Gazette of India Part II Section I on 25.5.1970.

** Amended as per the Tea (Amendment) Act, 1986 Published in the Gazette of India Extraordinary Part II section I. New Delhi, dated 14.05.1986.

*** Inserted as per the gazette of India Notification No.79 dt. 27.12.80.

@Inserted as per Tea (Amendment) Act, 1986 Published in the Gazette of India, extraordinary Part IISection 1 dt. 14-5-86

CHAPTER VI

CONTROL BY THE CENTRAL GOVERNMENT

30. Power to control price and distribution of tea or tea waste -

(1)The Central Govt. may, by order notified in the Official Gazette, fix in respect of tea of any description specified therein –

- (a) the maximum price or the minimum price or maximum and minimum prices which may be charged by a grower of tea, manufacturer or dealer, wholesale or retail, whether for the Indian market or for export;
- (b) the maximum quantity which may in one transaction be sold to any person.

(2) Any such order may for reasons to be specified therein –

- (a) fix prices for such tea differently in different localities or for different classes of dealers, or for growers of tea or manufacturers;
- (b) instead of specifying the price or prices to be charged, direct the price or prices shall be computed

in such manner and by reference to such matters as may be provided by the order;

(3) The Central Govt. may, by general or special order –

(a) prohibit the disposal of tea or tea waste except in such circumstances and under such conditions as may be specified in the order;

(b) direct any person growing, manufacturing or holding in stock, tea or tea waste, sell the whole or a part of such tea waste so grown or manufactured during any specified period, or to sell the whole or a part of the tea or tea waste so held in stock, to such person or class of persons and in such circumstances as may be specified in the order;

(c) regulate by licences, permits or otherwise the production, storage, transport or distribution of tea or tea waste.

(4) Where in pursuance of any order made with reference to clause (b) of subsection (3), any person sells the whole or a part of any quantity of tea or tea waste, there shall be paid to him as price there for –

(4) where the price can be fixed by agreement consistently with the order, if any, relating to the fixation of price issued under sub-section (1) the price so agreed upon;

(5) where no such agreement can be reached, the price calculated with reference to any such order as is referred to in clause (a);

(6) where neither clause (a) nor clause (b) applies, the price calculated at the market rate prevailing in the locality at the date of sale.

(5) Without prejudice to the generality of the powers conferred by sub-sections (1) and (3), any order made there under may provide –

(a) for requiring persons engaged in the production, supply or distribution of, or trade and commerce in, tea or tea waste to maintain and produce for inspection such books, accounts and records relating to their business and to furnish such information relating thereto as may be specified in the order ;

(b) for such other matters, including in particular the entering and search of premises, vehicles, vessels and aircraft, the seizure by a person authorised to

make such search, of tea or tea waste in respect of which such person has reason to believe that a contravention of the order has been, is being or is about to be committed, the grant or issue of licences, permits or other documents and the charging of fees therefore.

31. General Control over acts and proceeding of the Board—

(1) All acts and proceedings of the Board shall be subject to the control of Central Government which may cancel, suspend or modify as it thinks fit any action taken by the Board.

(2) The Board shall carry out such directions as may be issued to it from time to time by the Central Government for the efficient administration of this Act.

(3) The records of the Board shall be open inspection at all reasonable times by any officer authorised in this behalf by the Central Government

32. Appeal to Central Government --

Any person aggrieved by an order of the Board under section 14 section 15 or section 20 may appeal to the Central Government within sixty days from the date thereof and the Central Govt. may cancel, modify or suspend any such order.

CHAPTER VII

MISCELLANEOUS

33. Licensing of brokers, tea manufacturers etc.- The Central Govt. may whenever it thinks it necessary so to do, by notification in the

Official Gazette require that no person shall on and from such date as may be specified

in notification engage himself as a broker, manufacture or dealer in tea waste or engage, himself in the business of blending tea except under and in accordance with the provision of a licence issued by the Board in

export quota has already been allotted
may cancel the unexhausted balance of

accordance with the rules made under
this Act : and any person who on and
after such date so engages himself
without obtaining a licence issued by the
Board shall be deemed to have
contravened the provisions of the
section.

34. Power of inspection -- Any
person authorised in this behalf by the
Central Govt. or by the Board or any
member so authorized by the Chairman
in writing or any officer of the Board
may enter at all reasonable times any tea
estate or any place or premises where tea
or tea waste is stored, kept or exposed
for sale and may require the production
for his inspection of any book, register,
record or other paper kept therein and
ask for any information relating to the
production, storage or keeping for sale
of tea or tea waste.

35. Power of Board to call for returns-

(1) The Board may serve by
registered post a notice upon the owner
of any tea estate or any subdivision of a
tea estate or upon his manager, requiring
him to furnish, within such period as it
may specify in the notice, such returns
relating to the production, sale and
export of tea produced on the estate or to
any other matter as it may deem
necessary.

(2) Where the owner of any tea
estate or any sub-division of any tea
estate or his manager being required
under sub-section (1) to furnish any
return fails to furnish such return within
the period specified in the notice or
furnishes a return containing any
particular which is false and which he
knows to be false or does not believe to
be true the Board may refuse to allot an
export quota to that estate or sub-
division under section 20 or where an

that quota and refuse to issue any further export licences against that quota or recognise or give effect to any transfer of quota under section 21.

(3) The Board may serve by registered post a notice upon any manufacturer, broker, dealer or dealer in tea waste, requiring him to furnish, within such period as it may specify in the notice, such returns relating to the manufacture, stock, purchase, sale or export of tea or tea waste as it may deem necessary.

36. Penalty for illicit export -- A breach of the provisions of sub-section (1) or sub-section (2) of section 18 shall be punishable as if it were an offence under item No. 8 of section 167 of the Sea Customs Act, 1878 (VIII of 1878), and the provisions of section 168 and of Chapter XVII of that Act shall apply accordingly.

37. Penalty for making false return – Any person who being required by or under this Act to furnish any return fails to furnish such return or furnishes a return containing any particular which is false and which he knows to be false or does not believe to be true shall be punishable with fine which may extend to one thousand rupees.

38. Penalty for obstructing an officer or member of the Board in the discharge of his duties and for failure to produce books and record-- Any person who—

- (a) obstructs a member authorised by the Chairman in writing or an officer of the Board or a person authorised in this behalf by the Central Government or by the Board in the exercise of any power conferred, or in the discharge of

respect of which the order has been contravened or such part thereof as the

(b) having the control or custody of any account book or other record, fails to produce such book or record where required to do so by or under this Act, shall be punished with imprisonment which may extend to one year, or with fine which may extend to one year, or with fine extend to one thousand rupees, or with both.

(v) Penalty for illicit cultivation --

Whoever knowingly plants tea or causes tea to be planted on any land in contravention of section 12 shall be punishable with fine which may extend to one thousand rupees for the first offence, and with fine which may extend to five thousand rupees for any subsequent offence.

(vi) Removal of tea planted without permission -- Where any person has been convicted of any offence under section 39, the convicting court may direct that the tea in respect of which the offence was committed shall be removed from the land within a specified time, and in the event of the order not being duly complied with, may cause the tea to be removed and may recover the cost from the person convicted as if it were an arrear of land revenue due on the tea estate on which the offence was committed.

(vii) Penalty for contravention of order relating to control of price and distribution—

If any person contravenes any order made under sub-section(1) or sub-section (3) of section 30, he shall be punishable with imprisonment for a term which may extend to six months, or with fine which may extend to five thousand rupees, or with both; and the property in

exercised all due diligence to prevent the commission of such offence.

court may deem fit, shall be forfeited to the Central Government.

(2) Any person who attempts to contravention or abets the contravention of, any order under sub-section (1) or sub-section (3) of section 30 shall be deemed to have contravened that order.

42. Other penalties --

Whoever contravenes or attempts to contravene or abets the contravention of the provisions of this Act or of any rules made there under other than the provisions, punishment for the contravention whereof has been provided for in section 36, 37, 38, 39 and 41 shall be punishable with imprisonment which may extend to six months, or with fine which may extend to five thousand rupees, or with both, and in the case of a continuing contravention with an additional fine which may extend to five hundred rupees for every day during which such contravention continues after conviction for the first such contravention.

43. Offences by companies –

(1) If the person committing an offence under this Act, or the rules there under is a company, every person, who at the time the contravention was committed, was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the contravention and shall be liable to be proceeded against and punished accordingly :

Provided that nothing contained in this sub-section shall render any such person liable to any punishment if he proves that the offence was committed without his knowledge or that he

(2) Notwithstanding anything contained in sub-section (1) where an offence under this Act or the rules there under has been committed by a company and it is proved that the offence has been committed with the consent or connivance of, or is attributable to any neglect on the part of any director or manager, secretary or manager, secretary or other officer of the company such director, manager, secretary or other officer shall also be deemed to be guilty of that offence and shall be liable to be proceeded against and punished accordingly.

Explanation -- For the purposes of this section. (a) “company” means any body corporate and includes a firm or other association of individuals; and
(b) “director” in relation to a firm means a partner in the firm.

44. Jurisdiction of courts-- No court inferior to that of a Presidency Magistrate or a Magistrate of the First Class shall try any offence punishable under this Act.

45. Previous sanction of Central Government for prosecution-

(1) No prosecution for any offence punishable under this Act shall be instituted except with the previous sanction of the Central Government.

(2) ** Notwithstanding above, Chairman, Tea Board shall exercise the powers of the Central Government under the provisions of this Section in respect of following Statutory Orders issued under the provisions of the Act :-

(i) Tea Warehouses Licensing

(iii) *Tea (Marketing)*
Control Order, 1984

46. Protection of action taken in good faith—

(1) No suit prosecution or other legal proceeding shall lie against any person for anything which is in good faith done or intended to be done under this Act or any rule or order made there under.

* “(2) No suit or other legal proceeding shall lie against the Central Govt. for any damage caused or likely to be caused by anything which is in good faith done or intended to be done under this Act or any rule or order made there under.”

47. Power to delegate -- The Central Govt. may, by order notify in the Official Gazette, direct that any power exercisable by it under this Act may also be exercised in such cases and subject to such conditions, if any, as may be specified in the order by such officer or authority as may be specified therein.

48. Suspension of operation of Act –

(1) If the Central Govt. is satisfied that circumstance have arisen rendering it necessary that certain of the restrictions imposed by this Act should cease to be imposed or if it considers it necessary or expedient so do in the public interest, the Central Government may, by notification in the Official Gazette, suspend or relax to a specified extent either indefinitely or for such period as may be specified in the notification the operation of all or any of the provisions of this Act.

(2) Where the operation of any provisions of this Act has under subsection (1) been suspended or relaxed indefinitely, such suspension of relaxation may at any time while this Act remains in force be removed by the

which, and the mode in which,

49. Power of Central Government to make rule –

(1) The Central Government may, subject to the condition of previous publication, make rules for carrying out the purposes of this Act.

(2) In particular, and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters namely :--

(a) the constitution of the Board, the number of persons to be appointed as members from each of the categories specified in sub-section (3) of section 4, the term of office and the other conditions of service of the procedure to be followed by, and the manner of filling vacancies among, the members of the Board ;

(b) the circumstances in which, and the authority by which, members may be removed;

(c) the holding of a minimum number of meetings of the Board every year;

(d) the pay, allowances and other conditions of service of the Secretary and other officers appointed by the Central Government ;

(e) the maintenance of records of all business transacted at meetings of the Board and the submission of copies of such records to the Central Govt.;

(f) the conditions subject to

contracts may be made by or on behalf of the Board;

(g) the preparation of budget estimate of the receipts and expenditure of the Board and the authority by which such estimates shall be sanctioned ;

(h) the powers of the Board and the Executive Committee and the Chairman, in regard to the incurring of expenditure, and the re-appropriation of estimated savings in any budget head to another such head ;

(i) the conditions subject to which the Board may incur expenditure ;

(j) the conditions subject to which the Board may borrow ;

* (ja) the amounts for the purposes of the provide to section 28A ;

(k) the form and the manner in which accounts whould be kept by the Board ;

(l) the basis on which the export quota of a tea estate or a sub-division of a tea estate shall be determined ;

(m) the conditions subject to which export quota, export licences and special export licences shall be transferable ;

(n) the conditions subject to which permits for the planting of tea on land not carrying tea shall be granted ;

or permission ;

(o) the collection of any information or statistics in respect of the tea industry and the tea trade ;

(p) the fees to be levied in respect of licences, permits and permissions issued under this Act ;

(q) the procedure for the grant or issue of licences, permits and permission under this Act, the time within which such licences, permits or permissions shall be granted or issued including, in particular, the publication of notices calling for applications and the holding of such inquiry in regard thereto as may be necessary in the circumstances ;

(r) the form of application for licences, permits or permissions under this Act ;

(s) the manner in which a broker or a dealer in tea waste or a manufacturer shall be licensed under this Act and the levy of fees in respect of such licence ;

(t) the matters which may be taken into account in the granting or issuing of any licence, permit or permission under this Act including in particular the previous consultation with the Central Govt. by the Board in regard to the grant or issue of any such licences, permits or permission ;

(u) the conditions which may be included in any licences, permits

(v) the returns to be furnished by owners of tea estates, or subdivisions thereof, manufacturers, dealers and brokers relating to the production, manufacture, stock, sale and export of tea and tea waste and the form and manner in which such returns are to be furnished ;

(w) the fees to be charged for granting certified copies of accounts of quotas ;

(x) any other fee that may be necessary for the Board to levy in order to determine or redetermine the basis on which export quota may be fixed ;

(y) any other matter which is to be or may be prescribed.

***(3)** Every rule made under this Act shall be laid as soon as may be after it is made before each House of Parliament while it is in session for a total period of thirty days which may be comprised in one session or in two successive sessions, and if, before the expiry of the session in which it is so laid or the session immediately following both Houses agree in making any modification in the rule or both Houses agree that the rule should not be made, the rule

3 shall thereafter have effect only in much
6 modified form or be of no effect, as the case may be, so however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule.

50.Powers of Board to make by laws--

(1) The Board may make by-laws

required for its current

consistent with this Act and the rules made there under, to provide for—

(a) the dates, times and places of its meetings and of the meetings of the Executive and other committees and quorum for such meetings, and procedure thereat ;

(b) the delegation of powers and duties to the Executive or any other Committee, or to its Chairman, Vice-Chairman, Secretary or any other of its officers ;

(c) the travelling allowances of members and of members of Committee ;

(d) the appointment, promotion and dismissal of its officers and other than those appointed by the Central Government and the creation and abolition of their posts;

(e) the conditions of service of its officers and other employees other than those appointed by the Central Government, including their pay, leave, leave allowances, pensions, gratuities compassionate allowances and travelling allowances and the establishment and maintenance of a provident fund for them;

(f) the maintenance of its accounts ;

(g) the persons by whom, and the manner in which payments, deposits and investments may be made on its behalf ;

(h) the custody of moneys

expenditure and the investment of moneys not so required ;

(i) the preparation of statements showing the sums allotted to Departments of the Central and State Governments and other institutions.

(2) No by-law shall take effect until it has been confirmed by the Central Govt. and published in the Official Gazette, and the Central Govt. in confirming a by-law may make any change therein which appears to be necessary.

(3) The Central Govt. may, by notification in the Official Gazette, cancel any by-law which it has confirmed and thereupon by-law shall cease to have effect.

*(4) “Every by-law made under this section shall be laid, as soon as may be after it is made, before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session, or in two or more successive sessions, and if before the expiry of the session immediately following the session or the successive session aforesaid, both Houses agree in making any modification in the by -law or both Houses agree that the bylaw should not be made, only in such modified form or be of no effect, as the case may be ; so, however, that any such modification or annulment shall be without prejudice to the validity of any thing previously done under that by-law ”.

51. Repeals and savings –

(1) The Indian Tea Control Act, 1938 (VII of 1938) and the Central Tea Board Act, 1949 (XIII of 1949) are hereby repealed.

(2) All moneys and other property

possessed by, or held in trust by or for, the Indian Tea Licensing Committee constituted under the Indian Tea Control Act, 1938, and the Central Tea Board constituted under the Central Tea Board Act, 1949, as well as liabilities legally subsisting against the Committee or that Board shall pass to the Board with effect from the commencement of this Act.

(3) All Officers and other employees of the Indian Tea licensing Committee and the Central Tea Board who hold office as such immediately before the commencement of this Act shall be deemed to have been appointed as officers or other employees of the Board with effect from the commencement of this Act and, notwithstanding anything contained in any contract of service entered into by any such officer or other employees with the Indian Tea Licensing Committee or the Central Tea Board, shall be entitled to such pay and allowances and to such conditions of service in respect of other matters as may be determined by the Board with the approval of the Central Government.

(iv) Any proceedings taken by the Indian Tea Licensing Committee or the Central Tea Board before the commencement of this Act may be continued by the Board after such commencement.

(v) Unit action in that behalf is otherwise taken under the corresponding provisions of this Act or the rules made

there under, all licences, permits, and permission issued or granted, all export quotas allotted and all fees fixed under the provisions or the Indian Tea Control Act, 1938, shall unless inconsistent with the provisions of this Act, be deemed to have been issued, granted allotted or fixed under the corresponding provisions of this Act and the rules made there under.

(6) Any offence punishable under the Indian Tea Control Act, 1938 or the Central Tea Board Act, 1949, shall be punishable and may be dealt with as if it were and offence punishable under the corresponding provisions of this Act.

(3) Any other thing or action done or taken before the commencement of this Act by the Indian Tea Licensing Committee or the Central Tea Board shall so long as it is not inconsistent with any of the provisions of this Act, be as valid and effectual as if it has been done or taken by the Board after the commencement of this Act.

(4) For the removal of doubts, it is hereby declared the provisions contained in sub-sections (2) to (7) inclusive shall be without prejudice to the general application of section 6 of the General Clauses Act, 1897 (X of 1897).

(5) If any difficulty arises in giving effect to any of the provisions of this Act, the Central Govt. may as occasion may arise, by order, do anything which appears to be necessary for the purpose of removing the difficulty.

*** Inserted as per the Gezzette of India Notification No. 79 dated 27-12-80.**

****Inserted vide Order No. S.O. 394(E) Dated 30th June, 1986 of Govt of India, Ministry of**

Commerce * Amende as per the Tea (Amendment) Act, 1986 published in the extraordinary Gazette Notification, Ministry of Law & Justice, New Delhi, dt. 14-5-86.
*Inserted as passed by Parliament and published in the Extraordinary Gazette of India Part II Section I on

25-5-70.

*Insured by the delegated legislation provision (Amendment) Act, 1985 (Act 4 of 1986) and came into force w.e.f. 15-5-86 vide Central Govt. Notification No. G.S.R. 764(E) dated 15-5-86.

THE TEA RULES, 1954

ARRANGEMENT OF RULES

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- 22. Export of Tea.
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27. Inspectors and assessors to assist in the determination of crop.
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29. Copy of accounts of quota to be furnished to tea estates.
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32. Forms to be used.
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36. Power to incur expenditure.
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38. Contracts
39. Payments from the Tea Funds.
40. Sending persons abroad.

THE TEA RULES, 1954*

1. Short Title.-- These rules may be called the Tea Rules, 1954.

“Vice-Chairman” means the Vice Chairman of the Board. (ix) “year”

2. Definition.—In these Rules, unless the context otherwise requires—

(i) “Board” means the Tea Board, constituted under section 4 of the Act.

(ii) “Chairman” means the Chairman of the Board.

(iii) “Committee” means any Committee constituted by the Board under section 8 of the Act.

**(iiia) “Deputy Chairman” means the Deputy Chairman of the Board.

(v) “Member” member a member of the Board.

(vi) “Secretary” means the Secretary of the Board.

(vii) “the Act” means the Act, 1953 (29 of 1953).

***(viia) “Tea estate” means the whole of the area of land commonly known as tea estate which is owned or held under any grant or lease, by any person. (viii)

means the year commencing on the first day of April.

3. Office of the Board -- The Office of the Board shall be located at Calcutta.

4. Constitution of the Board and Manner of filling vacancies –

(1) The Board shall consist of a Chairman and the following other members who, in the opinion of the Central Govt. are capable of representing the various categories mentioned in clauses (a) to (h) of sub-section (3) of Section 4 of the Act :-

(a) (i) One person representing the Government of Assam ;

(ii) one person representing the Government of West Bengal ;

(iii) one person representing the Tripura Administration ;

(iv) one person representing the Government of Tamil Nadu ;

@(v) one person representing the Government of Himachal Pradesh ;

****(vi) one person representing the Government of Kerala ;

@ clause (b) of sub-rule (1) of Rule 4
shall cease to be a member of the Board

****(b) three persons representing
Parliament (two of the Lok Sabha and
one for the Rajya Sabha) ;
++ (c) eight persons representing
owners of tea estates and gardens and
growers of tea ;
++ (d) five persons representing
persons employed on tea estates and
gardens ;
++ (e) two persons representing dealers
including both exporters and internal
traders of tea ;
(f) two persons representing
manufacturers, who manufacture and
pack tea in containers up to 6 kilograms*
;
*(g) two persons representing
consumers;
+++ (h) Two persons representing such
of other persons or class of persons, who
in the opinion of the Central Govt. ought
to be presented on the Board.

(2) The Central Govt. may make such
consultations as may be necessary before
appointing members of the Board.

(3) When a member of the Board dies or
resigns or is deemed to have resigned or
is removed from office or becomes
incapable of acting, the Central Govt.
may by notification in the official
gazette appoint a person to fill the
vacancy.

5. Term of Office -- +(1) A member
of the Board shall hold office for the such
period not exceeding three years from
the date of his appointment as may be
specified by the Central Govt. while
notifying his appointment.

Provided that a Member of Parliament
appointed to the Board in pursuance of

if he ceases to be member of the House from which he was appointed ;

@ Provided further that a member appointed to the Board in pursuance of clause (a) of sub-rule (1) of rule 4 shall cease to be a member :-

(i) if the Govt. which he represents, ceases to be a Govt. enumerated in the said clause, or

(ii) if appointed by virtue of office, ceases to hold such office.

Provided further that subject to the provisions of the preceding provisions, the term of office of any member holding office immediately before the 1st January, 1958 shall be three years from the date of his appointment.

(2) A person appointed to fill a casual vacancy under sub-rule

(3) or Rule 4 shall hold office so long as the member whose place he fills would have been entitled to hold office, if the vacancy had not occurred.

6. Resignation -- (1) A member of the Board may resign his office by writing under his hand addressed to the Chairman.

(2) A member of Committee may resign his office by writing under his hand addressed to the Secretary :

*(3) The Office of a member of the Board or the Committee shall fall vacant from the date on which his resignation is accepted or on the expiry of thirty days from the date of receipt of intimation of resignation, whichever is earlier.

** (4) The power to accept the resignation of a member of the Board or of a member of a Committee shall vest

1st meeting held after the 31st March.

resignation, shall report that fact to the Board at its next meeting.

]

7. Removal from the Board --

The Central Govt. may remove any member from his office –

(a) if he is unsound mind and stands so declared by a competent court, or

(b) if he is an undercharged insolvent, or

(c) if he is convicted of a criminal offence involving moral turpitude, or

(d) if without leave of the Chairman, he fails to attend more than three successive meetings of the Board.

8. Absence from India--(1)
Before a member of the Board leaves India :

(a) he shall intimate the Secretary the date of his departure from and the date of his expected return to India, and

(b) if he intends to be absent from India for a longer period than six months, he shall tender his resignation.

(2) If a member leaves India without observing the provisions of sub-rule (1), he shall be deemed to have resigned with effect from the date of his departure from India .

***9. Vice-Chairman –**

(1) The Board shall, at the last meeting held before the 31st March every year elect, from amongst its own members a person to be the Vice- Chairman who shall hold office from the 1st April of the year up to the 31st March of the following year. Provided that in any year in which the term of office of all the members expires on the 31st March, the Vice- Chairman shall be elected at the

from among themselves, in such manner as may be laid down by the Board.

(2) If any casual vacancy arises on account of the Vice-Chairman resigning his office as such or ceasing to be a member of the Board or otherwise, the Board shall forth-with elect a member to be Vice-Chairman up to the 31st March immediately following.

10. Minimum number of meetings of the Board-- The Board shall hold a meeting at least once in every quarter.

11. Power to call meetings --(1) The Central Government may at any time call a meeting of the Board.

(2) The Chairman may at any time call a meeting of the Board and shall do so, if a requisition for a meeting is presented to him in writing by at least ten members.

12. Appointment of Committees--

******(1) The Board shall, at the first meeting held after the 31st March every three years, appoint the following Standing Committees namely :

(a) an Executive committee.

(b) two Licensing Committees, one for North India and one for South India.

(c) an Export Promotion Committee, and

(d) a Labour Welfare Committee.

*******(e) Development Committee.

and each such Committee shall function up to 31st March of the third financial year beginning from the year in which it is appointed.

(2) The Executive Committee shall consist of :

(a) the Chairman who shall be the ex-officio Chairman thereof ;

(b) the Vice-Chairman : and *

(c) seven other members to be elected by the members of the Board

as may be laid down by the Board.

(3) The Licensing Committee for North India shall consist of ;

(i) the Chairman who shall be ex-officio the Chairman thereof ; and

(ii) six other members to be elected by the members of the Board from among themselves, in such manner as may be laid down by the Board.

(4) Licensing Committee for South India shall consist of four members to be elected by the members of the Board from among themselves in such manner as may be laid down the Board. The Committee shall elect a Chairman from among themselves.

*(4A) The Export Promotion Committee shall consist of ;

(i) The Chairman who shall be the ex-officio Chairman thereof ; and

(ii) six other members to be elected by the members of the Board from among themselves, in such manner as may be laid down by the Board.

(4B)** The Labour Welfare Committee shall consist of;

(i) The Chairman who shall be the ex-officio Chairman thereof ; and

(ii) eight other members to be elected by the members of the Board from among themselves, in such manner as may be laid down by the Board.

*** (4C) The Development Committee shall consist of ;

(a) The Chairman, who shall be the ex-officio Chairman thereof ; and

(b) six other members to be elected by the members of the Board from among themselves, in such manner

14. Absence from Meetings of a Committee-- Any member of a

@(4D) Election of the Board Members to the various Committee, in case there is a contest shall be made through the usual procedure of several ballot.

(5)* Nothing in this rule shall derogate from the power of the Board to constitute with the previous approval of the Central Govt. and for such period as may be specified by that Government in each individual case, any other Standing Committee or any ad-hoc Committee for any of the purposes mentioned in sub-section (3) of section 8 of the Act.

****13. Function of committees--**

The Executive Committee, the Licensing Committees and the Labour Welfare Committee and *** the Development Committee, shall discharged such functions and exercise such powers, not being those mentioned in Rule 18 as may be delegated to them by the Board.

+ Provided that all decisions taken by the aforesaid committees in the exercise of the delegated powers shall be placed before the Board for information within a period of fifteen days from the date on which the decision was taken.

13A. Powers of the Export Promotion Committee---The Export Promotion Committee shall exercise all the executive and financial powers of the Board in respect of matters relating to Tea Promotion subject to the overall control of the Board.

+ Provided that all decisions taken by the aforesaid committees in the exercise of the delegated powers shall be placed before the Board for information within a period of fifteen days from the date on which the decision was taken.

members of the Board or a majority of the members of Committee at the case

Committee absents himself from three consecutive meetings without leave of the Chairman shall be deemed to have vacated his seat on the committee.

***14A. Term of Office of members of Committee who are members of Board--** A member of the Board who is a member of a committee shall on his ceasing to be member of the Board cease to be a member of the Committee.

**** 15. Filling of vacancies on Executive and Standing Committees --** Any vacancy of the Executive Committee or a Standing Committee shall be filled by election and the next meeting of the Board or the meeting subsequent thereto, and the person so elected shall hold office so long as the member whose place he fills would have been entitled to hold office, if the vacancy had not occurred ; Provided that where a vacancy in the office of member of the Executive Committee is caused by reason of the election of a member of that Committee to be Vice- Chairman, any person elected in such vacancy shall hold office only so long as the Vice-Chairman continues in office.

16. Business by Circulation ---

(1) Any Business which the Board or Committee is required to transact may, if the Chairman of the Board or of the Committee so directs, be referred to by circulation of papers to members, and any resolution or proposal so circulated and approved by the majority of members who have recorded their views in writing shall be as effectual and binding as if such resolution or proposal were decided by a majority of votes at a meeting; Provided that at least ten

may be, have recorded their views on the resolution or proposal. Provided further that when a resolution or proposal is referred to by circulation of papers, any five members of the Board or three members of the Committee, as the case may be, may require that the resolution or proposal be referred to a meeting and thereupon such reference shall be made to a meeting of the Board or the Committee.

(2) When any business is so referred to members by circulation, a period of not less than 14 clear days in the case of Board and 10 clear days in the case of a Committee shall be allowed for receipt of replies from members. Such period is to be reckoned from the date on which notice of business is issued,

(3) If a resolution or proposal is circulated, the result of the circulation shall be communicated to all the members.

17. Record of Business --(1) A

record shall be maintained of all business transacted by the Board or its Committees, and copies of such record shall be submitted to the Central Government; Provided that the records of business of routine nature transacted by the Licensing Committees by circulation need not be submitted to the Central Government.

(2) The record of business transacted at the meetings of the Board and of the Committees shall be signed by the Chairman presiding over such meetings.

(3) When business is transacted by circulation of papers, a record of business so transacted shall be signed by the Chairman of the Board or the Committee, as the case may be, directing the circulation.

posts carrying a maximum salary not exceeding Rs. 1700/- per month and

***18. Restriction on Delegation of**

Powers -- (1) The Board shall not delegate any administrative power to any Committee other than the Executive Committee or the Export Promotion Committees.

*(2) The Board shall not delegate any of the following powers to any of the standing committee :

- (a) the power to sanction expenditure in excess of Rs. 2,00,000/- in respect of any one item ;
- (b) the power to adopt the Budget Estimates of the Board on its behalf ;
- (c) the power to sanction expenditure to be incurred outside India in excess of ** Rs. 50,000/- in respect of any one item ;
- (d) to power to re-appropriate the estimated savings in excess of Rs. 5,000/- in respect of any one item ;
- (e) the power to write of losses in excess of Rs. 2500/- in respect of any one item.

25. Appointments -- Save as provided for in section 9 of the Act, appointments to posts of officers and employees under the Board shall be made by the Board ; + * provided that no appointment to any post of which the maximum salary exceeds Rs. 1700/- per month shall be made without the previous sanction of the Central Government.

26. Creation and abolition of Posts--

@ The Board may, on its own authority and subject to the availability of funds in the approved Budget of the Board, create

may, with the previous sanction of the Central Govt., create other posts.

***20A. Grant of advances for building etc. of houses** -- An advance for building a new house (including purchase of land for the purpose) or for the purchase of a ready - built house or for enlarging leaving accommodation of an existing house own by an officer of the Board appointed by the Central Govt. may be granted to such officer at such rates and conditions as may be admissible to officers holding comparable posts under the Central Government in accordance with the Rules of the Central Government for the time being in force. The Grant of advance is subject to the availability of funds under the head 'Advances recoverable bearing interest'. The Board, the Executive Committee and the Chairman shall have power to grant advances up to the amounts specified below :-

Board Up to the maximum limits of such amounts of advance as are admissible to Central Government servants under or orders issued from time to time.

Executive Committee Up to Rs. 25,000.00

Chairman Up to Rs. 20,000.00

21. Allowances and remuneration -- Save with the previous sanction of the Central Govt. no remuneration other than travelling allowance and halting allowance shall be paid to any member of the Board on account of his service as such.

has no crop basis under this rule, the

22. Export of Tea-- Any tea estate or sub-division of a tea estate shall, on application made in this behalf in accordance with Rule 23 to the Board for allotment of an export quota, have the right to receive and export quota :

Provided that no tea estate or a sub-division of a tea estate, which ceased production for three or more consecutive seasons since the commencement of the Act, shall be eligible to get an export quota in the financial year following such three or more consecutive seasons, unless it has resumed production during to seasons, corresponding to the financial year.

23. Application for export quota --

(1) Application for export quota for any financial year shall be made in such form, as may be specified by the Board, and shall reach the Board not later than the 1st day of February of the preceding financial year.

(2) An export quota shall not be granted, without the previous sanction of the Central Government, if the application in respect thereof is not received by the Board on/or before the date specified above.

24. Crop basis -- (1) The crop basis of a tea estate or a sub -division of a tea estate for any financial year shall be the best crop * (in any of the four calendar years preceding the financial year) due allowance being made for low producing areas *(as provided in rule 25A).

Provided when a tea estate in production

assessed crop of the estate for that year may be taken as its crop basis.

****Explanation**-In this sub-rule and in rule 25A, the expression “low producing area” means a tea estate or sub-division of a tea estate having and actual crop basis, as determined with reference to the area planted therein with tea on the first day of the financial year immediately preceding the financial year to which any application by the owner of such estate or sub-division under rule 23 relates, of less than + 510 kilograms per hectare

(2) When the area of a tea estate or a sub-division of a tea estate is reduced or increased by the transfer to or acquisition from another tea estate of land planted with tea, the crop basis of the estate or sub-division of the tea estate shall be reduced or increased by an amount representing as nearly as possible the contribution made by the area transferred or acquired to the crop basis of the estate of which it previously formed a part.

(3) Where a tea estate for which a crop basis has been determined becomes two or more separate estates, the crop of each such separate estate shall be determined so as to represent as nearly as possible the contribution made by the area comprised in it to the total crop basis of the original estate.

27. Meaning of crop --(1) Crop in the preceding rule shall after the commencement of the Act, be construed as meaning the yield or production of manufactured tea i.e. tea either black or green produced in the usual manner for sale in the market and as shown in the return in form R.T.3, submitted to the

Committee may reduce the amount of allowance admissible under this sub-rule

the Board may determine the crop of a tea estate or subdivision of a tea estate in such manner as it thinks best.

(2) Where tea is not manufactured by tea estate concerned or where evidence of the amount manufactured is not available, the production shall be assumed to be by weight one fourth of the weight of green tea leaf produced.

25A. Application for allowance for low producing area --(1) An application formaking in the calculation of the crop basis allowance on account of the area being a low producing area may be made to the Board along with the application for export quota under rule 23.

(2) No such application shall be granted unless the application proves to the satisfaction of Licensing Committee that had such allowance been granted in the previous year, the crop of the low producing area to which the application relates would nevertheless have not been less than the amount of the enhanced export quota which be admissible to it by reason of the grant of the allowance.

Provided that the Licensing Committee may reduce the allowance to be granted under this rule by an amount equal to the amount by which the crop of such low producing area appears to be likely to fall below such enhanced export quota in consequence of the grant of the allowance.

(3) If such application is granted, the amount specified in column 2 of Sechedule-1 against the entry in column-1 of that Schedule corresponding to such crop basis shall be added to the actual ** per hectare crop basis of the low producing area to which the application relates.

Provided that the Licensing

by the amount determined under the proviso to sub-rule (2).

26. Export quota and crop basis

---Export quota of a tea estate or sub-division of tea estate that is, the total quantity of tea which may be exported by the owner of the tea estate or sub-division in any financial year shall be an amount bearing to the crop basis of that estate the same proportion as the export allotment in the financial year in question bears to the total of the crop basis of all the tea estates and sub-division of tea estates in India for that year and when the export allotment is altered under proviso to section 19 of the Act, the export quota shall be deemed to the altered accordingly. Provided that when an export quota of a tea estate or a sub-division of a tea estate has been reduced in consequence of an alterations during the financial year of the export allotment any tea exported by the owner of a tea estate or sub-division of a tea estate in accordance with the export quota, as subsisting for the time, being, which is in excess of the amount permitted to be exported in accordance with the export quota as finally revised for the year, shall be excluded from the computation of the total quantity of tea which may be exported by that owner during the financial year.

27. Inspectors and assessors to assist in the determination of crop basis

-- The Board may appoint Inspectors or Assessors for the purpose of assisting in the determination of the crop basis, and in the discharge of its other duties. The Board may pay to them such fees as it may decide as well as actual travelling expenses.

28. Licence fees-- The Board shall charged and collect the Licence fee for every export licence, special export licence, or permit issued by it at the rate of *Rupees two and

+ (2) The Board may grant permission upon application to any

that the owner of a tea estate or a sub-division of a tea estate to which a quota has been allotted under section 20 of the Act may make, or the Board may required him to make, a consolidate payment of export licence fees at the rate fixed under the rules to cover the whole of the quota.

29. Copy of accounts of quota to be furnished to tea estates--A copy of the accounts of export quotas maintained by the Board under sub-section (1) of section 23 of the Act shall be furnished, on application, to the owner of a tea estate or sub-division of a tea estate who shall be required to pay fee Re. 1 in respect of each copy required.

***30. Planting of tea -- (1)** Any person desirous of planting tea on land not planted with tea shall apply to the Board in writing within such date as may from time to time be notified by the Board in this behalf and shall furnish such survey maps and other particulars as may be required.

(2) Subject to the limitations set out in section 13 of the Act, the Board may grant or refuse the permission applied for or may grant it in part only or may call for further information from the application.

***30A. Grant of permission by the Board--**(1) The Board may inspect or cause to be inspected any land in respect of which an application for permission to plant tea has been made and the records relating thereto for the purpose of satisfying itself as to the accuracy of any survey map and generally for the purpose of enabling it to dispose of the application.

person to plant tea on land not planted with tea :

(i) Where such person is the owner, grantee or lessee of an existing tea estate and where the permission applied for is in respect of land forming part of that tea estate, for the whole of the area with respect to which such permission is applied for or part thereof, as the Board may think fit, provided that such person furnishes to the satisfaction of the Board such particulars as may be required by it ;

(ii) Where the permission applied for is in respect of land not forming part of an existing tea estate, for the whole of the area with respect to which such permission is applied for or part thereof as the Board may think fit, provided that such person proves of the satisfaction of the Board that :

(a) he owns or holds, under a grant or lease, the land in respect of which such permission is applied for ;

(b) he is able to finance the undertaking including erection of a factory, where necessary;

(c) the land in respect of which such permission is applied for is suitable for tea plantation as regards the nature of the soil and climatic conditions ; and

(d) the area of the land in respect of which such permission is applied for is not too small for economic plantation.

the permission applied for or may grant it in part only, as it may think fit.

(4) Every permit to plant tea shall specify the area of land in respect of which it has been granted and shall be in force for such period as may be specified by the Board in the permit.

Provided that any permit issued under these rules may be renewed from time to time as the Board thinks fit:

Provided further that notwithstanding anything contained in sub-rule (2) the Board may, if it thinks fit, cancel any permit issued to tea estate, or any part of such permit remaining unutilised after a period of not less than three years from the date of issue.

(5) No permit granted by the Board shall be transferable ;

Provided that a permit granted to a tea estate may, with the previous permission of the Board be transferred to another tea estates if both the estate are held under the same ownership.

(6) The owner of a tea estate to which permit is issued shall submit to the Tea Board on the 31st March of the each year, a return showing the area planted upto that date in pursuance of the permit the reasons for non-utilisation of any area that may not have been planted and the programme for planting tea for the next two years.

(7) The Indian Tea Licensing Committee (Tea new planting) Rules, 1951 are hereby repealed but such repeal shall not effect the validity of any permit issued or any action taken under those rules.

@30B. Establishment and extension of tea seed Baris--

Notwithstanding anything contained in Rules 30 and 30A, any person desirous of establishment or extending tea seed baris shall apply separately to the Board in writing and the Board may grant or refuse

Explanation -- In this rule, “teaseed bari” means an area planted with the plant *Camellia Sinoensis (L) O Kuntze* for the sole purpose of growing seeds used for propagating the plant and not used for any other purpose, save with permission of the Board.

****31. Permission to plant tea --**

(1) Any person being the owner, grantee or leases of a tea estate, desirous of replacing tea areas by planting tea on areas not planted with tea, shall apply of the Board in writing for permission to do so and shall furnish, to the satisfaction of the Board, such particulars as may be required by it. (2) The Board may, in its discretion, grant such permission and prescribe such time-limit, not exceeding ten years, in regard to uprooting of bushes from areas replaced, as it deems appropriate.

32. Form to be used -- The forms set out in +[Schedule II] shall be used for the purpose of provisions of the Act, referred to in each form. The Board may either generally or in any particular case require such additions as it may consider necessary to be made to any such form.

@@ 33. Omitted.

34. Budget Estimates : *(1)**

The Board shall in each year prepare Budget estimates for the ensuing year and revised estimates for the current year and shall submit them for the sanction of the Central Govt. on or before such dates as may be fixed by the Govt.. The revised budget when sanctioned shall supersede the original budget and shall be deemed to be sanctioned budget for the year.

(2) No expenditure shall be incurred until the budget is sanctioned by the Central Govt. and the expenditure

(3) The Budget shall be in such form as the Central Govt. may direct and shall include a statement of

(a) the estimated opening balance;

(b) the estimated receipts by way of grant from the Central Govt. under section 26 of the Act and from other sources;

******(c) The proposed expenditure classified under the following heads or such other heads as the Central Govt. may direct.

(i) Administration including library,

(ii) Tea Promotion in India,

(iii) Advances to employees ,

(iv) Pension,

(v) Works,

(vi) Tea Promotion outside India,

(vii) Labour Welfare,

(viii) Research Grants,

(ix) Developments (grants),

(x) Others,

******(4) The proposed expenditure under the heads 'administrative expenses', 'tea promotion in India' and tea promotion outside India and such other heads as the Central Govt. may direct shall be further classified under the following sub-heads, namely .

(i) Pay of Officers,

(ii) Pay of Establishment,

(iii) Allowances, Honoraria etc.,

(iv) Other charges, Contingencies, etc.

(5) Supplementary estimates of expenditure shall be submitted for the sanction of the Central Government in such form and on such dates as may directed by them.

35. Account of the Board --

(1) The Board shall maintain accounts of all receipt and expenditure relating to each year.

(2) *+(a) The audited accounts and annual report duly adopted by the Board shall be submitted to the Government within a period of six months from the date of close of the financial year to which the accounts and report pertain. (b) In case any delay is anticipated in finalisation of the Accounts Report, the Board may approach the Government at least a month in advance for extension of time not exceeding three months.*

(3) An abstract of receipts shall be published in the Gazette of India.

(4) The accounts of receipts shall be shown under the following heads.

(a) moneys received under Section 26 of the Act ;

(b) fees realised on account of licenses, permits etc. issued ;

(c) any other moneys received by the Board ;

(d) interest received from investment of such moneys as aforesaid.

(5) The total receipts only shall be shown under each of the heads specified in sub-rule (4) and the opening balance if any, shall also be stated.

(6) expenditure incurred in the year shall be shown under separate heads and sub-heads.

(7) The closing balance of the year shall be shown at the foot of the accounts on the expenditure side :

Provided an annual *proforma* account on accrual basis shall also be prepared for bringing out assets and liabilities as well as the details of reserves and investments.

@36. Power to**
incurexpenditure--(1) “Subject to the

particular scheme cannot be implemented in full or where the need

provisions of the Act and these rules, the Board may incur any expenditure within the budget allotment under any head and write off losses up to Rs. 5,000/- in respect of any one item and in this regard may delegate to the Standing Committees or to the Chairman, @ Deputy Chairman, * Secretary or any other officer of the Board specially authorised in this behalf by the Chairman, such financial powers as it may consider expedient;

Provided that, save with the sanction of the Central Govt. no expenditure shall be incurred which is in excess of the sanction budget allotment under any head”.

(2) “Re appropriations between the heads of expenditure specified in sub-clauses (i), (ii), (viii) and (ix) of clause (c) of sub-rule (3) of rule 34 and between sub-heads within a head may be made by the Board. In respect of the reappropriations between sub-heads within the same head, the Board may, subject to clause (d) of sub-rule (2) of rule 18, delegate its power to the Standing Committee within whose area the related function falls”.

(3) “The Board shall not incur expenditure outside India in excess of Rs. 1,00,000/- on any one item without the previous sanction of the Central Govt. and may subject to clause (c) of sub-rule (2) of rule 18 delegate its power in this behalf to the Export Promotion Committee”.

(4) “The Board may transfer funds, up to a limit of Rs. 25,000/- from one sanctioned development scheme to another in contingencies where may

contracts shall be discharged from the moneys at the disposal of the Board.

has ceased or arisen unexpectedly while implementing them if the overall budget provisions has been approved to and the transferee and the transferor schemes are both in the approved budget”.

37. Borrowing Powers--

The Board may with the previous sanction of the Central Govt. borrow on the security of the Tea Fund or any other of its assets for meeting its expenses or for any other purpose referred to in Section 10 of the Act. Provided that no loan shall be taken which is repayable later six months from the date of the loan.

*****38. Contracts -- (1)**

The Board may enter into contracts provided that every contract which extends over a period of more than five years or involves expenditure in excess of Rs. 3,00,000 shall require the previous sanction of the Central Govt. and every such sanction shall be subject to the condition that the power to execute such contracts in pursuance of the sanction shall be vested with the Board.

(2) The Board may delegate to the Executive Committee, Chairman or Secretary such power for entering into contracts on its behalf as it may think fit.

(3) Contracts shall not be binding on the Board unless they are executed by the Chairman or Vice-Chairman and by the Secretary with the previous approval of the appropriate authority concerned and the common seal of the Board is affixed thereto.

(4) Neither the Chairman nor Secretary nor any member of the Board shall be liable for any assurances or contracts made by the Board but any liability arising under such assurances

***39. Payments from the Tea**

Funds -- (1) All payments made by the Central Govt. to the Board under Section 26 of the Act out of the proceeds of the cess levied under sub-section

(1) of the section 23 of the Act shall be debited to the Major Head 43 Industries and Supplies.

(2) Payments by or on behalf of the Board shall be made in cash or by cheque drawn against a current account of the Board.

****40. Sending persons abroad -**

- The Board shall not send any member of the Board or any of its officers to places outside India without the previous sanction of the Central Govt., Provided that no such sanction shall be necessary for the appointment of officials to the sanctioned posts in foreign countries for which the Board or the Chairman is the competent authority to make such appointment.

Provided further that the terms and conditions of deputation of such officials shall conform to the terms and conditions laid down from time to time by the Govt. of India for deputations abroad.

***Provided also, that in cases where the Board has to depute its officers to participate in exhibitions and fairs abroad, it shall be competent for the Board to depute the officers if :-

(a) the exhibition or fair in which participation is sought has already been approved by the Central Govt.;

(b) the budget provision exists for incurring expenditure thereto ; and

(c) the Board makes every year a consolidated list of exhibitions and fairs in which it would like to participate for tea promotion and also be number of persons to be deputed from the headquarters and gets the prior approval of the Central Government for the programme

***Issued as per Government of India, Ministry of Commerce & Industry Notification No. SRO 1026 dt. the 25-3-54.**

**** Inserted as per Notification of Govt. of India in the Ministry of Commerce G.S.R. 674 dt. 25-4-79.**

***** Inserted as per Notification of Govt. of India in the Ministry of Commerce G.S.R. 639 dt. 22-4 65. @ Inserted as per Notification of Govt. of India in the Ministry of Commerce G.S.R. No. 1394 dt. 9-9-67.**

****** Amended as per Notification of Govt. of India in the Ministry of Commerce & Industry No. S.R.O. 1686 dt. 25-5-57.**

++ Substituted as per Notification of Govt. of India in the Ministry of Commerce No. G.S.R. 154 (E)[12012(1) / 74 Plant (A)] dated 20-3-75.

*** Substituted as per Notification of Govt. of India in the Ministry of Commerce & Industry No.G.S.R.433dt. 25-3-61.**

+++ Inserted as per Notification of Govt. of India in the Ministry of Commerce No. G.S.R.....dt.24-6-77.

+ Inserted as per Notification of Govt. of India in the Ministry of Commerce & Industry No. S.R.G. 153 dt. 11-1-58.

@ Inserted as per Notification of Govt. of India in the Ministry of Commerce No. G.S.R.1394 dt.9-9-67.

*** Amended as per Notification of Govt. of India in the Ministry of Commerce & Industry No. S.R.O.1476 dt.30-6-56.**

**** Inserted as per Notification of Govt. of India in the Ministry of Commerce & Industry No.**

G.S.R.....8(3) Plant (A)/58 dt. 24-6-58.

Inserted as per Notification of Government of India in the Ministry of Commerce and Industry No.G.S.R. 7138(9) Plant (A)/59 dated 15-6-60. ** Amended as per Notification of Govt. of India Ministry of Commerce & Industry No. S.R.O. 153 dated 11-1-58 read with Notification No. G.S.R. 452 dated 23-3-61 and G.S.R.No.207 dated 8-2-62.

***substituted as per Notification of Government of India in the Ministry of Commerce(G.S.R. No.1162) dt. 21-7-76.

*Inserted as per Notification of Govt.of India in the Ministry of Commerce and Industry G.S.R. No. 452 dt.23-3-61.

**Inserted as per Notification of Govt. of India in the Min. of Commerce and Industry G.S.R.No.207 dt. 8-2-62.

***Substituted as per Notification of Govt. of India in the Min. of Commerce (G.S.R.No.1162) dt. 21-7-76.

@Inserted as per Notification of Govt.of India in the Min. of Com. G.S.R.No.1081 dt. 4-12-86. *Amended as per Notification of Govt. of India in the Ministry of Commerce & Industry No. S.R.O. 2974 dt. 21-9-57, read with G.S.R. 207 dated 8-2-62.

+Inserted vide Govt of India, Ministry of Commerce Notification No. S.O. 382(E) dated 30th May, 1991

**Inserted as per Notification of Govt. of India in the Min. of Commerce and Industry No.GSR 749 dt. 18-8-59

***Substituted as per Notification of Govt. of India in the Min. of Commerce (G.S.R.No.1162) dt. 21-7-76.

*Inserted as per Notification of the Govt. of India in the Ministry of Commerce and Industry No.GSR. 749 dt.18-8-59.

** Inserted as per Notification of Govt. of India in the Ministry of Commerce and Industry No.GSR 518 dt.7-5-60.

+Inserted vide Govt of India, Ministry of Commerce Notification No. S.O. 382(E) dated 30th May, 1991.

* Substituted as per Notification of Ministry of Commerce Civil Supply and Co-operation GSR. 674 dt. 25-4-79.

** Amended as per the Notification, of Govt. of India in the Ministry of Commerce & Industry No. SRO. 3630 dt. 16-11-57.

+* Amended as per Notification of Govt. of India Ministry of International Trade No. GSR. 1636/8(10) Plant(A)/62 dt. 27/28-9-53 & GSR. No. 799 dt. 23-4-68.

@ Inserted as per Notification of the Govt. of India in the Ministry of Commerce No.GSR. 799 dt. 23-4- 68.

* Inserted as per Notification of Govt. of India in the Ministry of Commerce and Industry SRO. dt 30- 7-57 read with No. GSR. 799 dt. 4-9-58 and GSR. 253 dt. 10-2-65.

*Substituted as per Notification of Govt. of India in the Ministry of Commerce and Industry No. SRO 746 dt. 23-3-56.

**Inserted as per Notification of Govt. of India in the Ministry of Commerce and Industry No. SRO. 229 dt. 19-1-55.

+ Substituted as per Notification of Govt. of India in the Ministry of Commerce and Industry No. GRS 453 dt. 25-3-61.

* Inserted as per Notification of the Govt. of India, Ministry of Commerce and Industry No. SRO 229 dt. 19-1-55.

**Substitute as per Notification of the Govt. of India, Ministry of Commerce and Industry No. GSR 453 dt. 25-3-61.

* Substituted as Notification of Govt. of India in the Ministry of Commerce & Industry No.SRO. 2791

dt.24-11-56. read with SRO. 301 dt. 25-1-58. GSR.453 dt. 25-3-61 GSR.1027 dt.7-8-61.

and GSR. 1558 dt. 15-11-62.

**+ Substituted as per Notification of Govt. of India in the Ministry of Commerce
No.GSR.639 dt. 22-4-65.**

*** Omitted as per Notification of the Govt. of India in the Ministry of Commerce No. G.S.R.
639 dt. 22-4- 1965.**

**@ Inserted as per Notification of the Govt. of India in the Ministry of Commerce & Industry No. GSR.
353dt. 20-3-59.**

**** Substituted as per Notification of the Govt. of India in the Ministry of Commerce No. GSR. 639 dt. 22-4-65 read with GSR. 8(1) Plant (A)/60 dt. 27-10-60.**

@@ Omitted as per Notification of the Govt. of India in the Ministry of Commerce GSR. No. 1081 dt. 4- 12-86.

+ Inserted as per Notification of the Govt. of India in the Ministry of Commerce & Industry No. SRO. 229 dt. 19-1-55

**** Substituted as per Notification of the Govt. of India in the Ministry of International Trade No. GSR. 1936-8(4) Plant (A)/63 dt. 12-12-63 and GSR.799 dt. 23-4-68.**

**** Substituted as per Modification of Govt. of India Ministry of International Trade No.GSR 1936-8(4) Plant(A)/63 dt. 12-12-63 and GSR. 799 dt. 23-4-68.**

+ Inserted vide Govt of India, Ministry of Commerce, Notification No. G.S.R.301(E) Dated 20th May, 1995

**** Substituted as per Notification of Govt. of India Ministry of Commerce Civil supply and Cooperation GSR. 674 dt. 25-4-79.**

@ Amended as per Notification in the Ministry of Commerce No. GSR.-799 dt. 23-4-1968.

*** Substituted as per Notification of Govt. of India Ministry of Commerce & Industry No. SRO. 1262 of 17-1-54 and GSR. 799 dt. 23-4-68.**

***** Substituted as per Notification of Govt. of India Ministry of Commerce Civil supply and Cooperation No. GSR. 674 dt. 25-4-79.**

*** Amended as per Notification of Govt. of India in the Ministry of Commerce & Industry No.SRO. 1477 dt. 30-6-56.**

**** Amended as per Notification of Govt. of India Ministry of Commerce GSR. (F No.C-1201(1)-- 71/Plant(A) dt. 27-3-1973.**

***** Inserted Amended as per Notification of Govt. of India Ministry of Commerce Civil Supply and Cooperation No.GSR. 674 dt. 25-4-79.**

THE TEA BOARD BY-LAWS, 1955 ARRANGEMENT OF BY-LAWS

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@@ Inserted as per Notification of the Government of India in the Ministry of International Trade No.GSR.630 dt.9-4-1964.

@ Inserted as per Notification of the Government of India in the Ministry of Commerce No 30-1-65. e . GSR.329 dt. * Inserted as per Government of India in the Ministry of Commerce No. GSR.407 dt.25-2-63 read with G.S.R.1581 dt. 4-10-66. **

Account at Cochin.

41. Operation of Tea Board (Joint
Controller) account.

Inserted as per Notification of the
Government of India in the Ministry
of
Commerce No.GSR.1711 dt.22-11-65.

THE TEA BOARD BY-LAWS, 1955*

(1) These by-laws may be called the
Tea Board By-laws, 1955.

DEFINITIONS :

****2.** In these by-laws, unless the
context otherwise requires :-

administrative control of the
Tea Promotion ;

- (i) “the Act” means the Tea Act, 1953 (29 of 1953) ;
- (ii) “Board” means the Tea Board constituted under section 4 ;
- (iii) “Chairman” means Chairman of the Board ;
- (iv) “Committee” means any committee constituted by the Board under section 8 read with rule 12 of the rules ;
- (v) “Controller of Licensing” means the principal Executive Officer attached to the Licensing Committee for North India and “Joint Controller of Licensing” means the Principal Executive Officer attached to the Licensing Committee for South India, the Licensing Committees being constituted under section 8 read with rule 12 of the rules ;
- (vi) “Deputy Chairman” means an officer of the Board, appointed by the Central Govt. as the Deputy Chairman of the Board ;
- (vii) “Director of Tea Promotion” means an officer of the Board, appointed by the Central Government as the Director of Tea Promotion of the Board
- (viii) @ “*Directorate* of Tea Promotion” means that Branch of the Board’s staff which deals with matters relating to tea promotion and is directly under the administrative control of the Director under the

formulate overall programme
of labour welfare

- (ix) “Executive Committee” means the Executive Committee constituted under section 8 read with rule 12 of the rules ;
- (x) “Export Promotion Committee” means the Export Promotion Committee constituted under section 8 read with rule 12 of the rules ;
- (xi) “Labour Welfare Committee” means the Labour Welfare Committee constituted under section 8 read with rule 12 of the rules ;
- (xii) “Rules” means the Tea Rules, 1954, framed under section 49 of the Act ;
- (xiii) “Secretary” means the Secretary to the Board ;
- (xiv) “Section” means a section of the Act; and
- (xv) “Vice-Chairman” means the Vice-Chairman of the Board.

POWERS AND DUTIES OF COMMITTEES :

*****3. Executive Committee--**

The Executive Committee shall discharge its functions subject to direction and control of the Board.

@3A. Export Promotion

Committee-- The Export Promotion Committee shall formulate and execute policies relating to tea promotion within India and abroad, subject to overall control of the Board.

@ 3B. Labour Welfare Committee

- The Labour Welfare Committee shall –

4. Licensing Committees—

- in terms of clause (1) of sub-section (2) of section 10 of the Act, ensuring that the funds available are utilised for urgent needs not covered by the statutory obligation of tea garden owners ;
- (ii) examine and recommend labour welfare schemes of the Executive Committee and / or the Board in this connection, specially to consider whether the scheme would create enthusiasm and incentive among workers ;
 - (iii) frame guiding principles for the grant of financial assistance like educational stipends, grants to hospitals and schools, grants for encouraging sports and scouting ;
 - (iv) frame guiding principles for any other welfare activity of the Board ; and
 - (v) ensure that funds sanctioned for particular labour welfare schemes are properly utilised.

*****3C. THE**

DEVELOPMENTCOMMITTEE –

The DevelopmentCommittee shall –

- (i) explore the possibility of extension ;
- (ii) work out and effect modifications from time to time on the development schemes that can be implemented for the purpose of extension of tea cultivation and for tea promotion.

(1) The Licensing Committee for North India and the Licensing Committee for South India, shall, subject to any orders or directions given from time to time by the Board or the Executive Committee, perform the functions of the Board pertaining to Chapter III and IV of the Act in-so far as such functions relate to tea estates in North India and South India, respectively.

(2) All matters involving questions of important principles and policies shall be referred by the Licensing Committee for South India to the Chairman who may, if necessary, consult the Licensing Committee for North India and issue such directions as he may deem necessary. The Chairman may, if he thinks fit, call joint meeting of the Licensing Committees before issuing any such direction.

MEETINGS OF THE BOARD AND COMMITTEES

*5. The Executive Committee shall hold at less six meetings in a year, the interval between any two consecutive meetings not exceeding three months.

*6. [Omitted]

Committees for North India and South India, shall be given to the members of the Board and of the

@ (1) The Chairman may whenever he thinks fit and shall on request in writing signed by a majority of the members of the Executive Committee, Export Promotion Committee, Labour Welfare Committee, the Licensing Committee for North India and any other Committees call a meeting of the Committees concerned.

(2) The Chairman of the South India Licensing Committee may whenever he thinks fit and shall on request in writing signed by a majority of members of the Committee call a meeting of that Committee.

(3) The Chairman may whenever he thinks fit and shall on request in writing signed by a majority of members of the Licensing Committee for North India and South India call joint meetings of both the Committees for consideration of such matters as are of common interest of tea estates in North India and South India.

8. Notice -- At last 21 clear days notice of a meeting of the Board and 7 clear days notice in the case of meetings of any of the Committees and joint meetings of the Licensing

Committees, as the case may be :
Provided that a meeting of the Board or any of the Committees or a joint meeting of the Licensing Committees for North India and South India may be held at a shorter notice, with the consent of at least half the members of the Board or of the Committees, as the case may be : Provided further that in case of any business of urgent nature which the Board or any of the Committees is required to transact immediately, the Chairman may convene a meeting of the Board or of any Committee or a joint meeting of the Licensing Committees for North India and South India, at such, shorter notice as he may deem necessary.

9. Agenda-- An Agenda containing the subject to be discussed at a meeting of the Board or of the Committees for North India and South India, shall be sent to the members of the Board or of the Committees, as the case may be, at least :

(i) 14 clear days before the date of the meeting of the Board ; and

(ii) 5 clear days before the date of the meetings of any Committee or of the joint meeting of the Licensing Committees for North India and South India :

Provided that any subject of an urgent nature which is not on the agenda may be discussed at any meeting of the Board or of the Committees or a joint meeting of the Licensing Committees for North

(iv) is absent, the members present at that meeting shall elect one from

consent of the Chairman or the member presiding over the meeting.

10. +Quorum --No business shall be transacted at any meeting of the Board or of the or of the Committees or at any joint meeting of the Licensing Committees *unless at least one third of the total membership of the Board or a Committee thereof; as the case may be, are present at such meeting.*

***11. Chairman of Meetings --**
The Officer who shall preside at a meeting of the Board, or a Committee shall be as follows, namely :--

(i) All meetings of the Board and of Committees of which Chairman is a member, shall be presided over by the Chairman.

@(ii) In the absence of Chairman, all meetings of the Board and Committees, of which, Chairman is a member, shall be presided over by the Vice-Chairman.

(iii) Meetings of all Committees of which Vice-Chairman is member, but Chairman is not, shall be presided over by Vice-Chairman.

(iv) Meetings of all Committees of which neither Chairman nor Vice-Chairman is a member, shall be presided over by the person to be determined by the Board to do so.

(v) Whenever the person who should preside over a meeting of the Board or any of its Committee in terms of clause (i), (ii), (iii), and

amongst themselves to preside at the meeting.

12. Casting of Votes-- (1)

All questions which may come up for decision before a meeting of the Board or of any Committee shall be determined by a majority of votes of the members present and voting at such meeting and in the event of an equality of votes on any question, the Chairman or the person presiding at such meeting shall have a second or casting vote.

(2) All votes shall be taken by show of hands unless the Chairman or the person presiding at a meeting decides that the votes shall be taken by ballot.

13. Proceedings of Meetings--

The records of proceedings of meetings of the Board or any Committee shall be subject to the general supervision and control of the Secretary in respect of all meetings other than the meetings of the Board and the Executive Committee, be kept by the officers of the Board noted below against each :--

(i) Meetings of the } Board and
Executive } Secretary Committee. }

*(ii) Meeting of the Licen- } sing
Committee for } North India and
joint } meeting of the Licen- }
Controller of sing Committees for }
Licensing North India and South }
India. }

(iii) Meetings of the Licen - } Joint
Controller sing Committee for } of
Licensing. South India. }

respect of the journey and halt for which the claim is made;

@(iv) Meeting of the } Director of
Tea Export Promotion } Promotion.
Committee }

@@(v) Meetings of the Labour } Welfare
Liason Welfare Committee. } Officer
(North).

14. Members of the Board and Committees etc. Travelling and daily allowances for journeys undertaken inside India.

(1) Members of the Board or any Committee, other than officials of the Central and State Government, shall be entitled to the payment of travelling and daily allowances for journeys undertaken by them for attending any meeting of the Board or any Committee or any other business of the Board, at the rates admissible to Government servants of the first grade under the rules made by the Central Govt. and for the time being in force.

(2) In case of any journey performed by an official of the Central or State Govt. especially nominated by the Board to serve on any ad-hoc Committee or any other Committee or to attend to any other business of the Board, the travelling and daily allowances admissible to him shall be payable by the Board at rates admissible to him under the rules of the Govt. under which he is for the time being employed.

(3) No travelling allowance or daily allowances shall be allowed to a member of the Board or of any Committee unless he certifies that he has not drawn any travelling or daily allowance from any other source in

******(vi) Meetings of the } Director of
TeaDevelopment Committee.}
Developments.

(vii) Meetings of any other } As directed
by Committees.} theBoard.

***(4)** Travelling allowances shall be payable from the usual place of residence of a member of the Board or any of the Committees to the place of the meeting of the place where he has gone to attend to any business of the Board and back to his place of residence : Provided that when the journey commences from the return journey terminates at any other place, the traveling allowance shall be limited to the amount that would have been payable had the journey commenced from or terminated at the usual place of residence, or to the amount payable in respect of the actual journey undertaken, whichever is less ;

15. Conveyance Allowance--

Noconveyance allowance for attending meetings of the Board or any of the Committees or any other business of the Board, shall be paid to those members of the Board or any of the Committee who draw travelling or daily allowances ;

+Provided that a member of the Board or of the Committees thereof, as the case may be, who is resident at a place where the meeting of the Board or any of the Committees, thereof, as the case may be, is held or where any other business of the

under the Directorate of Tea
Promotion, the maximum salary

*to Group 'A' officers of the Central
Government.*

**16. Travelling and daily
allowances etc. for journey
undertaken outside India --**

Notravelling allowance for any journey undertaken outside India shall be paid to any member of the Board or any Committee : Provided that for the purposes of this bylaw, a journey from one place to another place in India through East Pakistan shall, when the usual route lies through East Pakistan, not be deemed to be a journey undertaken outside India : Provided further that if any member of the Board or any Committee with the previous consent of the Central Govt., travels outside India in the interest of the Board, he shall be entitled to receive travelling and other allowances at such rates as may be sanctioned by the Central Govt. from time to time for non-official members of a delegation sent by it outside India.

17. Controlling Officer--

The Chairman shall be the controlling officer for the purpose of travelling and daily allowances of the member of the Board or of any Committee.

****18. Creation of and appointment
to posts :**

(1) Creation of posts, the maximum salary of which does not exceed Rs.1700/- Per month, shall be governed by the following provisions, namely :-

- (i) Export Promotion Committee shall have powers to create posts in respect of officers and staff

of which does not exceed Rs.1,700/- per month, subject to the approval by the Board at its next meeting .

(ii) The Executive Committee shall have powers to create posts under the Board, other than in the Directorate of Tea Promotion, the maximum salary of which does not exceed Rs.1,700/-per month, subject to the approval by the Board at its next succeeding meeting.

(iii) The Chairman shall have powers to create temporary posts carrying a salary not exceeding Rs.900 per month for a period of three months subject to the approval by the Executive Committee or Export Promotion Committee, as the case may be.

(iv) The competent authority to create a post specify under items (i), (ii) and (iii) above shall have powers to lay down qualifications for the respective posts.

(2) All Appointments to posts, the maximum salary of which does not exceed Rs. 1,700 per month shall be governed by the following provisions namely :-

(i) An appointment to a post the maximum salary of which exceeds Rs.900 per month but does not exceed Rs.1,700 per month shall be made by the Executive Committee or in respect of posts in the Directorate of Tea Promotion by the Export Promotion Committee subject to the approval by the Board at its next succeeding meeting.

(ii) The Chairman or Deputy

@18B. Permanent Transfer of Services of Certain Employees of

maximum salary of which exceeds Rs.270 per month but does not exceed Rs. 900 per month.

(iii) The Chairman shall have powers, in urgent cases and to meet exigencies of work, to make temporary appointment on officiating appointment to any post, the maximum salary of which does not exceed Rs.1,700 per month for a period not exceeding three months, within which the approval of the Executive Committee or Export Promotion Committee, as the case may be, for such appointment shall be obtained.

(iv) The Secretary or an officer of the Board so authorised by the Chairman may make an appointment to a post, the maximum salary of which does not exceed Rs.270 per month.

****18A. Deputation of Tea Board**

Employees : The Services of any employee of the Board may, subject to the exigencies of service, be placed on deputation with other Government, semi-Govt. and quasi-Govt. Operations or State Undertakings by, or with the prior approval of the appropriate authority competent to make appointment to the post held by such employee under the provisions of section 9 of the Tea Act. 1953 read with rule 19 of the Tea Rules, 1954 and by-law 18(2) on the same terms & conditions as are applicable to the deputation of Central Govt. servants holding comparable posts.

the Board : (2) Where the services of an employee of the Board are permanently transferred to a corporation under clause (1) the Board shall allow to such employee, in respect of his services under the Board, such retirement benefits as are allowed by the Central Government to its employees of comparable grade and whose services are permanently transferred to any such corporation.

***19. Age--** A person whose age exceeds 25 years may not ordinarily be admitted into the service of the Board : Provided that the appointing authority as specified under by-law 18(2) shall have powers, in its direction, to relax the age limit of candidates up to seven years. Provided further that the age limit in the case of an appointment to a technical or an administrative post requiring experience in the line shall be up to 45 years and the concurrence of the Central Government shall be obtained for appointment of persons beyond that age limit.

20. Medical Certificate of Fitness--

A medical certificate of fitness prior to the first entry into the service of the Board shall be required from every person joining the Board's service. The Board may lay down the class or classes of Medical Officers from whom certificates shall be required to be obtained in respect of different categories of personnel.

21. +Period of Probation--

Appointment to a permanent post in

Leave and leave allowances of the officers and employees of the Board

of two years and in Group 'B', 'C' and 'D' for a period of one year with effect from the date of his regular appointment provided that the appointing authority may, for reasons to be recorded in writing, within a period of one month from the date of completion of initial period of probation, as the case may be, extend the period of probation up to a maximum period of two years in the case of Group 'A' post and up to a maximum period of one year in the case of Group 'B', 'C' and 'D' post. Provided that this bye-law shall not apply to Government Servants whose services are lent or transferred to the Board or to officers appointed on contract.

Provided that this bye-law shall not apply to Government servants whose services are lent or transferred to the Board or to officers appointed on contract.

22. Allowances –

(1) The Board may fix, from time to time, the scales of house rent, compensatory and dearness allowances for the officers and employees of the Board at such rates as may be admissible to officers and employees of the Central Government of the corresponding grades at different places under the rules and orders made by the Central Government in that behalf and in force for the time being ;

(2) Tea Board may also grant such other allowances to its officers and employees as may be deemed necessary with the previous sanction of the Central Government.

23. Leave and Leave Allowances --

shall be regulated in accordance with the same conditions as are applicable to the officers and employees of the Central Government of the corresponding grades under the rules and orders made by the Central Government and for the time being in force.

24. Medical Attendance and

Treatment -- The Board may grant to its officers and employees such concessions for medical attendance and treatment as are admissible to officers and employees of the Central Government under the rules and orders made by the Central Government and for the time being in force.

***25. Grant of Advances for the**

Purchase of Motor Car, Motor

Cycle and Bicycle-- Advances for the purchases of motor car, motor cycle and bicycle may be granted to the officers and employees of the Board at such rates and conditions as may be admissible to officers and employees holding comparable posts under the Central Government for the time being in force. Subject to the concurrence of the Central Government, Government servants on deputation to the Tea Board shall also be eligible to the grant of such advances from the Board in accordance with the aforesaid rules and orders. The grant of advance is subject to the availability of the funds under the head "advances is recoverable bearing interest".

@26. Grant of Advances for

Buildings etc. of Houses --

An advance for building a new house (including purchase of land for the purpose) or for purchase of a ready-built house or for enlarging living accommodation of an existing house

special circumstance travelling and daily allowances may be paid to the

by the Central Government may be granted to such officer or employee at such rates and on such condition as may be prescribed in the rules of the Central Government for the time being in force regulating the grant of advances for building etc. of houses to Central Government servants. The grant of advance is subject to the availability of funds under the head "Advances is recoverable bearing interest".

** The Board, the Executive Committee and Chairman shall have power to grant advances up to the amounts specified below :-

Board - Up to the maximum limits of such amount of advances as are admissible to Central Government servants under orders issued from time to time.

* Executive Committee Up to Rs. 70,000

* Chairman Up to Rs. 50,000

\$26A. Grant of other advances --

The Board may grant to its employees or their families as, the case may be, such other advances or any relief as are admissible to the Central Govt. employees of comparable posts or to their families under rules and orders issued by the Central Govt. from time to time.

27. Travelling and daily

allowances -- Officers

and employees of the Board shall be eligible to travelling and daily allowances at rates and under conditions prescribed by the Central Govt. by rules and orders made for its officers and employees of the corresponding grades and for the time being in force. Provided that in

officers and employees or of Board as such special rates as may be laid down with the general or special sanction of the Central Government.

28. Controlling Officers :

***(1) The Chairman shall be the controlling officers in respect of his own travelling and daily allowances as also in respect of the travelling and daily allowances of the Deputy Chairman.

***(2) The Chairman or the Deputy Chairman shall be the controlling officer in respect of the travelling and daily allowance admissible to the following officers and employees of the Board namely :- Secretary, Assistant Secretary, Directors of Tea Development, Assistant Directors of Tea Development, Plantation Officer, Assistant Plantation Officer, Supply Officer, Director of Tea Promotion, Deputy Directors of Tea Promotion, Publicity Officer, Market Liaison Officer, Controller of Licensing, Joint Controller of Licensing, Director of Research, Financial Adviser and Chief Accounts Officers, Sr. Accounts Officers, Statistician, Research Officer (Statistics), Research Officer (Economics), Cost Accounts Officer, Welfare Liason Officers, Special Officer for the North-West India, Section Officers and any other Officer Posted in the Head Office.

@(3) The Secretary shall be the controlling officer in respect of the travelling and daily allowances admissible to all other officers and employees expecting the propaganda field staff and the staff working under the various Regional Officer.

same as are for the time being applicable to officers and other employees of

officer in respect of the travelling and daily allowances admissible to all employees subordinate to him other than officers mentioned in clause (2).

****(4A) The Director of Tea Development shall be the Controlling Officer in respect of travelling and daily allowances admissible to all regional officers subordinate to him other than the officers mentioned in clause (2).

@(5) The Regional Officer of the Board stationed at Coonoor, Cochin, Jalpaiguri, Jorhat and New Delhi shall be the Controlling Officers in respect of travelling and daily allowances admissible to all employees subordinate to them in their respective areas.

*****29. (i) “limits for grant of daily allowances for days of halts”.**

The admissibility of daily allowance at a place out state on officer's/Govt. servants headquarters for a continuous halt up to 30 days or more duty tour/ temporary transfer/training shall be as follows :-
(i) First 30 days-- Full daily allowance. (ii) Beyond (!!) 30 days } Half daily and up to 180 days } allowance. (iii) Beyond 180 days ---- Nil
An authority declared as Controlling officer under by-law 28 shall be competent to sanction daily allowance beyond 30 days at the said rates in respect of the employees.

****30.Retirement --** The conditions of retirement in respect of the officers and other employees of the Board, other than those appointed by the Central Govt., shall be the

the Govt. of India of the corresponding categories.

@30A. Pension-cum-Gratuity

Scheme -- (1) Officer and employees of the Board shall be eligible for pension and gratuity or both including family pension, extraordinary pension and commutation of pension at rates and under conditions prescribed by the Central Govt. by rules and orders applicable to its officers and employees of the corresponding grade and for the time being in force.

(2) Any person appointed as an officer or employee of the Board after the commencement of the Tea Board (Fifth Amendment) Bye-laws, 1963 shall be governed by the pension-cum-gratuity Scheme. *(3) The officers and employees of the Board who are in service on the date of commencement of the Tea Board (Fifth Amendment) Bye -laws, 1962 shall have the option to elect to the pension- cum-gratuity scheme within a period of one year from such date.

*(4) In the case of an officer or employee who has exercised the option referred to in clause (3) the amount credited to his provident fund account as the Boards contribution to the date of his option together with the interest thereon shall from part of the Board's funds.

***30.B. Insurance and other Social Security measure--** The Board may introduce, from time to time, any scheme of insurance and other Social security and welfare benefits to officers and other employees other than those appointed by the Central

(ix) Dismissal from service which

Govt., employees of comparable posts or to their families under rules and orders issued by the Central Govt. in that behalf and in force for the time being.

31. Penalty—

**** (1)** The following penalties may, for good and sufficient reason and as hereinafter provided, be imposed upon an officer or employee of the Board namely :- Minor Penalties : (i) Censure ; (ii) Withholding of promotion ; (iii) Recovery from pay of the whole or part of any pecuniary loss caused to the Board by negligence or breach of order ; (iv) Withholding of increments ; Major Penalties ; (v) Reduction to a lower stage in the time-scale of pay for a specified period, with further directions as to whether or not the officer or employee of the Board will earn increments of pay during the period of such reduction and whether on the expiry of such period, the reduction will not have the effect of postponing the future increments of his pay ; (vi) Reduction to lower timescale of pay grade, post or service which shall ordinarily be a but to the promotion of the officer or employee of the Board to the time-scale of pay, grade, post or service from which he was reduced, with or without further directions regarding conditions of restoration to the grade, or post or Service from which the said officer or employee was reduced and his seniority and pay on such restoration to that grade, post or service ; (vii) Compulsory retirement : (viii) Removal from service which shall not be a disqualification for future employment under the Board ;

shall ordinarily be a disqualification for future employment under the Board.

EXPLANATION – The

following shall not amount to a penalty within the meaning of this bye-law namely :- (i) withholding of increments of an officer or employee of the Board for his failure to pass any departmental examination in accordance with the rules, bye-laws or orders governing the Service to which he belongs or post which he holds or the terms of his appointment: (ii) stoppage of an officer or employee of the Board at the efficiency bar in time-scale of pay on the Ground of his unfitness to cross the bar : (iii) non-promotion of an officer or employee of the Board whether in a substantive or officiating capacity, after consideration of his case, to a Service, grade or post for promotion to which he is eligible ; (iv) reversion of an officer or servant of the Board officiating in a higher Service grade or post to a lower Service grade or post, on the ground that he is considered to be unsuitable for such higher Service, grade or post or on any administrative ground unconnected with his conduct ; (v) reversion of an officer or servant of the Board appointed on probation to any other Service, grade or post, to his permanent Service, grade or post, during or at the end of the period of probation in accordance with the terms of his appointment or the rules or bye-laws and orders governing such probation ; (vi) replacement of the service of a Govt. Servant, whose service had been borrowed from a State Govt. or any authority under the

disposal of the State Govt or the authority from which the service of such Govt. servant had been borrowed ; (vii) Compulsory retirement of an officer or servant of the Board in accordance with the provision relating to his superannuation or retirement ; (viii) termination of the Service -- (a) of an officer or employee of the Board appointed on a probation during or at the end of the period of his probation, in accordance with the terms of his appointment or the rules, bye-laws and orders governing such probation, or (b) of a temporary officer or employee of the Board in accordance with the provisions of rules or bye- laws applicable thereto ; or (c) of an officer or employee of the Board, employed under an agreement, in accordance with the terms of such agreement ;

**@31A. Procedure for
Departmental Proceedings--**

The procedure to be followed as regards departmental proceedings of officers and employees of the Board shall be same as is prescribed from time to time by the Central Govt. in respect of its officers and employees of comparable rank and status.

***32. Appeal --** An appeal from an order made under Bye-Law 31 shall be as follows :-
Order passed by Appellate Authority (i) The Deputy Chairman to the Chairman or the Secretary or an officer of the Board authorised by the Chairman. (ii) The Chairman, so far to the extent as it relates to the staff Promotion in the Director of Tea Committee. Promotion. (iii) the Chairman so far to the extent as it relates to the

staff Committee. other than under the Directorate of Tea Promotion. (iv) the Executive Committee. to the Board (v) the Export Promotion to the Central Committee or the Board. Government.

33. Government Servants -- The terms and conditions of the services of a Govt. servant whose services may be lent or transferred to the Board on 'foreign service' terms will be governed by such terms and conditions as may be laid down as the time of such deputation to the service of the Board and in particular nothing bye-laws 19,20 and 30 shall apply to them.

***34. Secretary--** (1) Subject to the rules framed under the Act and these bye-laws, the Secretary shall be principal executive officer of the Board. **Finance Officer--** Subject to the rules framed under the Act and these bye-laws, the Finance Officer of the Board shall maintain the accounts of the Board and carry out its internal audit.

35. Controller of Licensing and Joint Controller of Licensing -- (1) The Controller of Licensing or the Joint Controller of Licensing within the limits of his respective jurisdiction shall receive all applications or returns directed or allowed to be submitted by tea estates under Chapter III and IV of the Act. (2) Subject to the general control of the Board, the Controller of Licensing or the Joint Controller of Licensing or any other officer member of the staff authorised by the Chairman in his behalf, may register transfers, issue export licence

6.0 GASAB

Guarantees given by Governments: Disclosure Requirements

*The standards, which have been set in **bold italic** type, should be read in the context of the explanatory paragraphs in this Standard, which are in plain type. The Indian Government Accounting Standards are not intended to apply to immaterial items.*

Introduction

1. The Union Government and the State Governments give Guarantees for repayment of borrowings within such limits, if any, as may be fixed upon the security of the Consolidated Fund of India or of the State, as the case may be, in terms of Articles 292 and 293 of the Constitution of India. Guarantees are also given by the Union Government for payment of interest on borrowings, repayment of share capital and payment of minimum annual dividend, payment against agreements for supplies of materials and equipments on credit basis on behalf of State Governments, Union Territories, local bodies, railways, government companies/ corporations, joint stock companies, financial institutions, port trusts, electricity boards and co-operative institutions. Guarantees are also given by the Union Government to the Reserve Bank of India, other banks and financial institutions for repayment of principal and payment of interest, cash credit facility, financing seasonal agricultural operations and for providing working capital in respect of companies, corporations, co-operative societies and co-operative banks. Further, Guarantees are also given in pursuance of agreements entered into by the Union Government with international financial institutions, foreign lending agencies, foreign governments, contractors and consultants towards repayment of principal, payment of interest and payment of commitment charges on loans. The Union Government also gives performance guarantees for fulfilment of contracts/projects awarded to Indian companies in foreign countries as well as foreign companies in foreign countries besides counter-guarantees to banks in consideration of the banks having issued letters of credit to foreign suppliers for supplies/ services made/ rendered by them on credit basis in favour of companies/ corporations. Furthermore, Guarantees are given by the Union Government to railways, and electricity boards for due and punctual payment of dues and freight charges by the companies and corporations. Similarly, Guarantees are also given by the State Governments.

2. As the statutory corporations, government companies, co-operative institutions, financial institutions, autonomous bodies and authorities are distinct legal entities, they are responsible for their debts. Their financial obligations may be guaranteed by a Government and thus the Government has a commitment to see that these are fulfilled. When these entities borrow directly from the market, it reduces a Government's budgetary support to them and the magnitude of a Government's borrowings. However, it adds to the level of Guarantees given by the Governments. In consideration of the Guarantees given by the Governments, the beneficiary entities are required to pay guarantee commission or fee to the Governments. The Guarantees have an important economic influence and result in transactions or other economic flows when the relevant

event or conditions actually occur. Thus, Guarantees normally constitute contingent liability of the Governments.

Objective

3. The objective of this Standard is to set out disclosure norms in respect of Guarantees given by the Union and the State Governments in their respective Financial Statements to ensure uniform and complete disclosure of such Guarantees.

Scope

4. This Standard applies to preparation of the Statement of Guarantees for inclusion and presentation in the Financial Statements of the Governments. Financial Statements should not be described as complying with this Standard unless these comply with all its requirements.

5. The Authority in the Government which prepares the Statement of Guarantees for inclusion and presentation in the Financial Statements shall apply this Standard. The Accounting Authority is responsible for inclusion and presentation of the Statement of Guarantees in the Financial Statements as provided by the Authority in the Government.

Definitions

6. *In this Standard, unless the context otherwise requires -*

Accounting Authority is the authority which prepares the Financial Statements of the Government;

Authority in the Government is the tracking (monitoring) unit or authority for guarantees and in its absence, the Ministry or the Department of Finance, as the case may be;

Automatic Debit Mechanism is the arrangement whereby the Government's cash balance is affected on a specified date or on the occurrence of specified events to meet certain obligations arising out of Guarantees given by it;

Financial Statements mean the Annual Finance Accounts of the Governments;

Guarantee is an accessory contract, by which the promisor undertakes to be answerable to the promisee for the debt, default or miscarriage of another person, whose primary liability to the promisee must exist or be contemplated; and

Structured Payment Arrangement is the arrangement whereby the Government agrees to transfer funds to the designated account in case the beneficiary entity fails to ensure availability of adequate funds for servicing the debts, as per stipulations.

7. Guarantee includes letter of comfort which is in the nature of implicit Guarantee.

8. Implicit Guarantees are generally not legally binding. A Government often issues letters of comfort, e.g., to banks and financing institutions, *inter alia* assuring that their stake will not be divested till the loans are repaid. The provisions of the Indian Contract Act and Article 299 (1) of the Constitution dealing with contractual obligation indicate that a letter of comfort may not constitute a Guarantee. Nature of wordings used in a letter of comfort decides whether the letter of comfort is to be treated as a Guarantee. If the liability in respect of letter of comfort devolves on a Government, then it becomes a Guarantee. In this Standard, the letter of comfort has been treated as an implicit Guarantee.

Disclosure

9. The Financial Statements of the Union Government and the State Governments shall disclose the following details concerning class/ sector of Guarantees in the format prescribed in paragraph 19:

maximum amount for which Guarantees have been given during the year, additions and deletions (other than invoked during the year) as well as Guarantees outstanding at the beginning and end of the year;
amount of Guarantees invoked and discharged or not discharged during the year;
details of Guarantee commission or fee and its realisation; and
other material details.

10. The Financial Statements of the Union Government and the State Governments shall disclose in the notes the following details concerning class/ sector of Guarantees:

(a) limit, if any, fixed within which the Government may give Guarantee;

- (b) whether Guarantee Redemption / Reserve Fund exists and its details including disclosure of balance available in the Fund at the beginning of the year, any payments made and balance at the end of the year;*
- (c) details of subsisting external foreign currency guarantees in terms of Indian rupees on the date of Financial Statements;*
- (d) details concerning Automatic Debit Mechanism and Structured Payment Arrangement, if any;*
- (e) whether the budget documents of the Government contain details of Guarantees;*
- (f) details of the tracking unit or designated authority for Guarantees in the Government; and*
- (g) other material details.*

2 The Financial Statements of the Union Government and the State Governments shall disclose the following details concerning class/ sector of letters of comfort in the format prescribed in paragraph 19:

(a) Total amount for which letters of comfort have been issued during the year;

i amount of letters of comfort invoked.

(3) The Financial Statements disclose whether details of Guarantees are published in the annual budget presented to the Parliament and State Legislature, as the case may be.

(4) In order that a proper database is maintained for all Guarantees, annually sanctioned, annulled and outstanding, a tracking unit for Guarantees is usually designated in the Ministry/ Department of Finance in the respective Governments. The Financial Statements disclose the details concerning the tracking unit for guarantees or any concerned authority in charge of this responsibility.

(5) Many Governments have set up either a Guarantee Redemption Fund or a Guarantee Reserve Fund. Some Governments have made arrangement for Automatic Debit Mechanism for discharging the obligations arising out of such Guarantees

executed by the Government. There are also Structured Payment Arrangements. The Financial Statements disclose full details concerning these arrangements.

15. When Guarantees are invoked and payments made, the payment is treated as loan to the beneficiary on whose behalf the Guarantees were given and recoveries there-against are monitored. The expenditure, loan and recoveries are distinctly classified in the Financial Statements. If, in due course, the whole or part of the loan amount is finally held to be irrecoverable, the same is adjusted (i) where a Guarantee Reserve Fund exists, by debit to such Fund and (ii) where the Guarantee Reserve Fund does not exist, by debit to “Irrecoverable loan written off” under the function for which the loan has been guaranteed and where the purpose cannot be identified, by debit to “Miscellaneous General Services.”

16. For the purposes of paragraphs 9 to 11, 19 and 20, the class/ sector under which disclosure in the Financial Statements of the Union Government and the State Governments shall be made are as below:

Class

- i. Guarantees given to the Reserve Bank of India, other banks and financial institutions for repayment of principal and payment of interest, cash credit facility, financing seasonal agricultural operations and for providing working capital to companies, corporations and cooperative societies and banks;***
 - ii. Guarantees given for repayment of share capital, payment of minimum annual dividend and repayment of bonds/ loans, debentures issued / raised by the statutory corporations and financial institutions;***
 - iii. Guarantees given in pursuance of agreements entered into by the Government of India with international financial institutions, foreign lending agencies, foreign governments, foreign contractors, foreign suppliers and foreign consultants towards repayment of principal, payment of interest/ commitment charges on loans and for payment against supplies of material and equipment or for services rendered;***
 - iv. Counter-guarantees to banks in consideration of the banks having issued letters of credit to foreign suppliers for supplies made/ services rendered;***
- (3) Guarantees given to Railways/State Electricity Boards and other entities for due and punctual payment of dues by companies/ corporations;***

- vi. Performance guarantees given for fulfilment of contracts/projects awarded to Indian companies/ corporations in foreign countries;*
- vii. Performance guarantees given for fulfilment of contracts/projects awarded to foreign companies/ corporations in foreign countries;*
- viii. Any other.*

Sector

- i. Power;*
- ii. Co-operative;*
- iii. Irrigation;*
- iv. Roads & Transport;*
- v. State Financial Corporations;*
- vi. Urban Development & Housing;*
- vii. Other Infrastructure;*
- viii. Any other.*

Effective date

17. This Indian Government Accounting Standard becomes effective for Financial Statements covering periods beginning on or after 1.4.2004 for class-wise disclosures in the Financial Statements of the Union Government and sector-wise disclosures in the Financial Statements of the State Governments.

18. Sector-wise disclosures for each class, as per the format prescribed in paragraph 20 are encouraged to be made in the Financial Statements of the Union Government as well as the State Governments.

Sector (No. of Guarantees within bracket)	Maximum amount guaranteed during the year (Rs.)	Outstanding at the beginning of the year (Rs.)	Additions during the year (Rs.)	Deletions (other than invoked) during the year (Rs.)
1	2	3	4	5

Invoked during the year (Rs.)		Outstanding at the end of the year (Rs.)	Guarantee Commission or fee (Rs.)		Other material details
Discharged	Not discharged		Receivable	Received	
6	7	8	9	10	11

Formats for disclosure

19. Formats for class-wise and sector-wise disclosures in the Financial Statements of the Union Government and the State Governments respectively are given below:

Class-wise details: For Guarantees

Class (No. of Guarantees within bracket)	Maximum amount guaranteed during the year (Rs.)		Outstanding at the beginning of the year (Rs.)	Additions during the year (Rs.)	Deletions (other than invoked) during the year (Rs.)
Class	No. of letters of comfort	Total amount for which letters of comfort issued (Rs.)	Details of invocation, if any		Remarks, if any
1	2	3	4		5
1	2	3	4	5	

Invoked during the year (Rs.)		Outstanding at the end of the year (Rs.)	Guarantee Commission or fee (Rs.)		Other material details
Discharged	Not discharged		Receivable	Received	
6	7	8	9	10	11

Class-wise details: For letters of comfort

Sector-wise details: For Guarantees

Sector-wise details: For letters of comfort

Sector	No. of letters of comfort	Total amount for which letter of comfort issued (Rs.)	Details of invocation, if any	Remarks, if any
1	2	3	4	5

20. Formats for sector-wise disclosures for each class in the Financial Statements of the Union Government and the State Governments are given below:

Sector-wise details for each class: For Guarantees

Class and Sector (No. of Guarantees within bracket)	Maximum amount guaranteed during the year (Rs.)	Outstanding at the beginning of the year (Rs.)	Additions during the year (Rs.)	Deletions (other than invoked) during the year (Rs.)
1	2	3	4	5

Invoked during the year (Rs.)		Outstanding at the end of the year (Rs.)	Guarantee Commission or fee (Rs.)		Other material details
Discharged	Not discharged		Receivable	Received	
6	7	8	9	10	11

Sector-wise details for each class: For letters of comfort

Class and Sector	No. of letters of comfort	Total amount for which letters of comfort issued (Rs.)	Details of invocation, if any	Remarks, if any
1	2	3	4	5

Accounting and Classification of Grants-in-aid

The Standard, which has been set in bold italic type, should be read in the context of the explanatory paragraphs in this Standard, which are in plain type and in the context of the “Preface to Indian Government Accounting Standards”. The Indian Government Accounting Standards are not intended to apply to immaterial items.

Introduction

8. Grants-in-aid are payments in the nature of assistance, donation

by one government to another government, body, institution or individual. Grants-in-aid are given for specified purpose of supporting an institution including construction of assets. The general principle of grants-in-aid is that it can be given to a person or a public body or an institution having a legal status of its own. Such grants-in-aid could be given in cash or in kind used by the recipient agencies towards meeting their operating as well as capital expenditure requirement.

9. Grants-in-aid are given by the Union Government to State Governments and by the State Governments to the Local Bodies discharging functions of local government under the Constitution. This is based on the system of governance in India, which follows three-tier pattern with the Union Government at the apex, the States in the middle and the Local Bodies (LBs) consisting of the Panchayati Raj Institutions (PRIs) and the Urban Local Bodies (ULBs) at the grass root level. Accounts of these three levels of Government are separate and consequently the assets and liabilities of each level of government are recorded separately. Grants-in-aid released by the Union Government to the State Governments are paid out of the Consolidated Fund of India as per Articles 275 and 282 of the Constitution. The Union Government releases grants-in-aid to the State/ Union Territory Government under Central Plan Schemes and Centrally Sponsored Schemes. Sometimes, the Union Government disburses funds to the State Governments in the nature of Pass-through Grants that are to be passed on to the Local Bodies. Funds are also released directly by the Union Government to District Rural Development Agencies (DRDAs) and other specialized agencies including Special Purpose Vehicles (SPVs) for carrying out rural development, rural employment, rural housing, other welfare schemes and other capital works schemes like construction of roads, etc.

10. The 73rd and 74th Constitutional Amendment Acts envisage a key role for the Panchayati Raj Institutions (PRIs) and the Urban Local Bodies (ULBs) in respect of various functions such as education, health, rural housing, drinking water, etc. The State Governments are required to devolve funds, functions and functionaries upon them for discharging these functions. The extent of devolution of financial resources to these bodies is to be determined by the State Finance Commissions. Such funds received by the Local Bodies from the State Governments as grants-in-aid are used for meeting their operating as well as capital expenditure requirements. The ownership of capital assets created by Local Bodies out of grants-in-aid received from the States Government lies with the Local Bodies themselves.

11. Apart from Grants-in-aid given to the State Governments, the Union Government gives substantial funds as Grants-in-aid to other agencies, bodies and institutions. Similarly, the State Governments also disburse Grants-in-aid to agencies, bodies and institutions such as

universities, hospitals, cooperative institutions and others. The grants so released are utilized by these agencies, bodies and institutions for creation of capital assets as well as for meeting day-to-day operating expenses.

Objective

5. The objective of this Standard is to prescribe the principles for accounting and classification of Grants-in-aid in the Financial Statements of Government both as a grantor as well as a grantee. The Standard also aims to prescribe practical solutions to remove any difficulties experienced in adherence to the appropriate principles of accounting and classification of Grants-in-aid by way of appropriate disclosures in the Financial Statements of Government.

Scope

6. This Standard applies to the Union Government and the State Governments in accounting and classification of Grants-in-aid received or given by them. The Financial Statements should not be described as complying with this Standard unless they comply with all the requirements contained therein. This Standard encompasses cases of Pass-Through Grants mentioned in paragraph 2 above.

Definitions

7. The following terms are used in this Standard with meaning specified, unless the context otherwise requires:

Accounting Authority is the authority which prepares the accounts of the Government.

Financial statements mean the Annual Finance Accounts of the respective Governments.

Grants-in-aid are payments, transfers or devolution of funds, in cash or in kind, in the nature of donations or contributions by one government (grantor) to another government, body, institution or individual (grantee).

Government means all departments and ministries of a Government taken together, whether of the Union Government or State Government or Union Territory Government with Legislature.

Local Bodies include Panchayati Raj Institutions and Urban Local Bodies under the provisions of Article 243 and Article 12 of the Constitution.

Pass-Through Grants means grants-in-aid given by the Union Government to the State Governments for transfer to an ultimate grantee.

Recognition

(5) Grants-in-aid in cash shall be recognised in the book of the grantor at the time cash disbursements take place. Grants-in-aid in cash shall be recognised in the book of the grantee at the time cash receipts take place.

(6) Grants-in-aid in kind where value as paragraph 13 is available shall be recognized in the books of the grantor at the time of their receipt by the grantee. Grants-in-aid in kind where value as paragraph 13 is available shall be recognised in the books of the grantee at the time of their receipt by the grantee.

Accounting and Classification

(xv) Grants-in-aid disbursed by a grantor to a grantee shall be classified and accounted for as revenue expenditure in the Financial Statements of the grantor irrespective of the purpose for which the funds disbursed as Grants-in-aid are to be spent by the grantee except in cases referred to in paragraph 14.

(xvi) Grants-in-aid, that are in the nature of Pass-Through Grants, from the Union Government to the State Governments to be disbursed to ultimate grantee shall be classified and accounted for as revenue expenditure in the Financial Statements of both the Union Government and the State Governments irrespective of the purpose for which such grants are to be spent by the ultimate grantee except in cases referred to in paragraph 14.

(xvii) Grants-in-aid received by a Government shall be classified and accounted for as revenue receipts in its Financial Statements irrespective of the purpose for which the funds received as grants-in-aid are proposed to be utilized.

(xviii) Grants-in-aid in kind shall be valued or disclosed as per the following:

Grants-in-aid in kind in the nature of consumables, or of value as given by the grantor of less than Rupees one crore must be disclosed in appropriate quantitative terms,

Grants-in-aid in kind relating to natural calamities or emergency purpose must be disclosed in appropriate quantitative terms,

In other cases, grants-in-aid in kind would be valued as per cost given by the grantor or market value, whichever is lower,

Market value would be the value prevailing in the market and in the absence thereof the replacement cost of the same or similar assets of same age, condition and purpose,

Cost given by the grantor for the purpose of clause (c) above will include any other costs incurred by the grantee for making the asset operational. This will include any transportation cost incurred to bring the asset to its present location.

(xix) Expenditure on Grants-in-aid for the purpose of creating assets shall not, except in cases specifically authorized by the President on the advice of the Comptroller and Auditor General of India, be debited to a capital head of account in the Financial Statements of the Government.

(xx) Grants-in-aid are part of the operating expenditure of the grantor and thus classified and accounted for as revenue expenditure in the Financial Statements irrespective of its ultimate application by the grantee. This position holds true even in those cases where Grants-in-aid are utilized by the grantee for the purpose of creation of assets. Receipts of grants-in-aid are also required to be treated as revenue receipts in the Financial Statements of Government.

(xxi) Grants-in-aid are also received in kind by various grantees in the form of equipment stores or permanent assets like land. Normally, such grants-in-kind

current market prices. However, in case of non-availability of market prices, cost incurred by grantor may be used as the basis of valuation. In some cases, the grantor and grantee may view the value differently. Such grants shall be accounted for at value indicated by paragraph 13 of this standard.

17. The Pass-Through Grants are normally given through an intermediate grantee for devolution to ultimate grantee. Such Grants-in-aid are also accounted for as revenue expenditure both in the books of grantor and the intermediate grantee as stated in paragraph 11.

Disclosure

18. Where grants-in-aid given is classified and accounted for as revenue expenditure by the grantor, the Financial Statements of the grantor shall disclose quantum of total funds released to the grantee(s) and funds allocated for creation of capital assets out of the Grants-in-aid released during the financial year in the format prescribed in paragraph 26 of this Standard.

19. Information regarding Grants-in-aid in the format prescribed in paragraph 26 shall be generated from the accounting records except for such grants as mentioned in paragraph 21 of this standard.

20. Exceptional cases specifically authorized by the President on the advice of the Comptroller and Auditor General of India, as referred to at paragraph 12 of this Standard, shall be disclosed by way of note to the format prescribed in paragraph 26.

21. Grants-in-aid in kind shall be disclosed in quantitative as paragraph 13 of this standard. Grants-in-aid in kind shall be disclosed in the financial statements of the grantor at the time of their receipt by the grantee. Grants-in-aid in kind shall be disclosed in the financial statements of the grantee at the time of their receipt by the grantee.

22. The details required in paragraphs 18 and 19 shall be provided for by the accounting classification of receipt and payment of grants-in-aid through sub-classification below revenue head by distinguishing grants paid for operating expenditure from those paid for creation of capital assets. This would enable the accounting authorities to clearly identify quantum of funds released as grants-in-aid and meant to be utilized for meeting operating expenses and for creation of capital assets from accounting records itself.

23. Details of information required in paragraph 21 will be collected and compiled by respective departments/ministries of Government and consolidated for grantor (Government) by the concerned Accounting Authority for preparation of above disclosure format.

24. In order to ascertain the extent of Grants-in-aid disbursed by the grantor to the grantee for the purpose of creation of capital assets, the Financial Statements of the grantor shall disclose the details of total funds released as Grants-in-aid and funds allocated for creation of capital assets by the grantee during the financial year, in the form of an Appendix to the Financial Statements in the format prescribed in paragraph 23. This will enhance transparency and lead to improved disclosure of information in the Financial Statements of the grantor. Such disclosures shall also enable the us

Statements to assess the quantum of future capital formation activity to be undertaken by different grantees supported by funds from the Government.

Effective Date

25. This Indian Government Accounting Standard becomes effective for the Financial Statements covering periods beginning 1 April of the year after the notification of the Standard by the Government.

Format for Disclosure

26. Suggested format is given below:

Statement Containing Details ⁽¹⁾ of Total Funds Released During the Year _____ as Grants-in-aid and Funds Allocated for Creation of Assets

(Rupees in Lakhs)

Name/Category of the Grantee	Total Funds Released as Grants-in-aid			Funds Allocated for Creation of Assets Out of Total Funds Released Under Column No. (2)		
	(2)			(3)		
(1)	Plan	Non-Plan	Total	Plan	Non-Plan	Total
State Government ⁽²⁾						
Union Territories Government ⁽²⁾						
Urban Local Bodies ⁽³⁾						
Panchayati Raj Institutions ⁽⁴⁾						
Public Sector Undertakings						
Non-Governmental Organisations (NGOs)						
Autonomous Bodies						
Co-operative Societies and Co-operative Institutions						
Statutory Bodies and Development Authorities						
Others						

Created with

- (1) Details of information required will be generated from the accounting records by providing appropriate sub-classification as 19 in this standard.
- (2) Applicable in case of the Union Government only.
- (3) Urban Local Bodies – This category will include Municipal Corporations, Municipalities, Notified Area Authorities and similar institutions, by whatever name called.
- (4) Panchayati Raj Institutions – This category will include entities like Zilla Parishads (District Panchayats), Block Panchayats and Gram Panchayats (Village Panchayats), by whatever name called.
- (5) Public Sector Undertakings – This category will include statutory corporation, Government Companies and other Joint Stock Companies.

Note:

(a) Value of grants given in kind shall be disclosed in the following format:-

Statement Containing Details of Total Value of Grants-in-aid in kind and Value of Grants-in-aid in kind being Capital Asset in Nature

(Rupees in lakhs)

Name/Category of the Grantee	Total Value of Grants-in-aid in kind	Value of Grants-in-aid in kind being Capital Asset in Nature
(1)	(2)	(3)

OR

Name/Category of the Grantee	Disclosure of grants in aid in kind in quantitative terms⁽¹⁾
(1)	(2)

- (1) Details of information required will be collected and compiled by respective departments/ministries of Government and consolidated for grantor (Government) by the concerned Accounting Authority for preparation of above disclosure format.

7.0 PRESCRIBED RATES

	Block of Assets	Depreciation as % of W. A/Y 2006- onward
I. Buildings [See Notes 1 to 4 below the Table]		
(1)	Buildings which are used mainly for residential purposes except hotels and boarding houses	5
(2)	Building other than those used mainly for residential purposes and not covered by sub-items (1) above and (3) below	10
(3)	Building acquired on or after the 1 st day of September, 2002 for installing machinery and plant forming part of water supply project or water treatment system and which is put to use for the purpose of business of providing infrastructure facilities under clause (i) of sub-section (4) of section 80-IA	100
(4)	Purely temporary erections such as wooden structures	100
II. Furniture and Fittings		
(1)	Furniture and Fittings including electrical fittings [See Note 5 below the Table]	10
III. Machinery and Plant		
(1)	Machinery and plant other than those covered by sub-items (2), (3) and (8) below	15
(2)	Motor cars, other than those used in a business of running them on hire, acquired or put to use on or after the 1 st day of April, 1990	15
(3) (i)	Aeroplanes – Aeroengines	40
(ii)	Motor buses, motor lorries and motor taxis used in a business of running them on hire	30

(iii)	Commercial vehicle which is acquired by the assessee on or after the 1 st day of October, 1998, but before the 1 st day of April, 1999 and is put to use for any period before the 1 st day of April, 1999 for the purposes of business or profession in accordance with the third proviso to clause (ii) of sub-section (1) of section 32 [See Note 6 below the Table]	40
(iv)	New commercial vehicle which is acquired on or after the 1 st day of October, 1998 but before the 1 st day of April, 1999 in replacement of condemned vehicle of over 15 years of age and is put to use for any period before the 1 st day of April, 1999 for the purposes of business or profession in accordance with the third proviso to clause (ii) of sub-section (1) of section 32 [See Note 6 below the Table]	60
(v)	New commercial vehicle which is acquired on or after the 1 st day of April, 1999 but before the 1 st day of April, 2000 in replacement of condemned vehicle of over 15 years of age and is put to use before the 1 st day of April, 2000 for the purposes of business or profession in accordance with the second proviso to clause (ii) sub-section (1) of section 32 [See Note 6 below the Table]	60
(vi)	New commercial vehicle which is acquired on or after the 1 st day of April, 2001 but before the 1 st day of April, 2002 and is put to use before the 1 st day of April, 2002 for the purposes of business or profession [See Note 6 below the Table]	50
(vii)	Moulds used in rubber and plastic goods factories	30
(viii)	Air Pollution control equipment being (a) Electrostatic precipitation systems (b) Felt-filter systems (c) Dust collector systems (d) Scrubber-counter current/venturi/packed-bed/cyclonic scrubbers (e) Ash handling system and evacuation being	100

(ix)	Water pollution control equipment being (a) Mechanical screen systems (b) Aerated detritus chambers (including air compressor) (c) Mechanically skimmed oil and grease removal systems (d) Chemical feed systems and flash mixing equipment (e) Mechanical flocculators and mechanical reactors (f) Diffused air/mechanically aerated activated sludge systems (g) Aerated lagoon systems (h) Biofilters (i) Methane-recovery anaerobic digester systems (j) Air floatation systems (k) Air/steam stripping systems (l) Urea hydrolysis systems (m) Marine outfall systems (n) Centrifuge for dewatering sludge (o) Rotating biological contractor or bio-disc (p) Ion exchange resin column (q) Activated carbon column	100
(x)	(a) Solidwaste control equipments, being- caustic/lime/chrome/mineral/crinoline recovery system (b) Solidwaste recycling and resource recovery systems	100
(xi)	Machinery and plant used in semi-conductor industry converting all integrated circuits (ICs) (excluding hybrid integrated circuits) ranging from small scale integration (SSI) to large scale integration/very large scale integration (LSI/VLSI) as also discrete semi-conductor devices such as diodes, transistors, thyristors, triacs, etc.) other than those covered by entries (viii), (ix) and (x) of this sub-item and sub-item (8) below	30

(xia)	Life saving medical equipment, being- (a) D.C. Defibrillators for internal use and pace makers (b) Haemodialysors (c) Heart lung machine (d) Cobalt Therapy Unit (e) Colour Doppler (f) SPECT Gamma Camera (g) Vascular Angiography System including Digital subtraction Angiography (h) Ventilator used with anesthesia apparatus (i) Magnetic Resonance Imaging System (j) Surgical Laser (k) Ventilators other than those used with anesthesia (l) Gamma knife (m) Bone Marrow Transplant Equipment including silastic long standing intravenous catheters for chemotherapy (n) Fibreoptic endoscopes including Pediatric resectoscope/audit resectoscope, Peritoneoscopes, Arthroscopy, Micro-laryngoscope, Fibreoptic Flexible Nasal Pharyngo Bronchoscope, Fibreoptic Flexible Laryngo Bronchoscope, Video Laryngo Bronchoscope and Video Oesophago Gastro-scope, Stroboscope, Fibreoptic Flexible Oesophago Gastro-scope (o) Laparoscope (single incision)	40
(4)	Containers made of glass or plastic used as re-fills	50
(5)	Computers including computer software [See note 7 below the Table]	60
(6)	Machinery and plant, used in weaving, processing and garment sector of textile industry, which is purchased under TUFs on or after the 1 st day of April, 2001 but before the 1 st day of April, 2004 and is put to use before the 1 st day of April, 2004 [See Note 8 below the Table]	50

(7)	Machinery and plant, acquired and installed on or after the 1 st day of September, 2002 in a water supply project or a water treatment system and which is put to use for the purpose of business of providing infrastructure facility under clause (i) of sub-section (4) of section 80-IA [See Notes 4 and 9 below the Table]	100
(8) (i)	Wooden parts used in artificial silk manufacturing machinery	100
(ii)	Cinematograph films-bulbs of studio lights	100
(iii)	Match factories-Wooden match frames	100
(iv)	Mines and quarries (a) Tubs, winding ropes, haulage rope and sand stowing pipes (b) Safety lamps	100
(v)	Salt works-Salt pans, reservoirs and condensers, etc., made of earthy, sand or clayey material or any other similar material	100
(vi)	Flour Mills-Rollers	80
(vii)	Iron and Steel industry-Rolling mill rolls	80
(viii)	Sugar Works-Rollers	80
(ix)	Energy saving devices being-	
A.	Specialised boilers and furnaces; (a) Ignifluid/fluidized bed boilers (b) Flameless furnaces and continuous pusher type furnaces (c) Fluidized bed type hear treatment furnaces (d) High efficiency boilers (thermal efficiency higher than 75 per cent in case of coal fired and 80 per cent in case of oil/gas fired boilers	80

B.	Instrumentation and monitoring system energy flows; (a) Automatic electrical load monitoring systems (b) Digital heat loss meters (c) Micro-processor based control systems (d) Infra-red thermograph (e) Meters for measuring heat losses, furnace oil flow, stream flow, electric energy and power factor meters (f) Maximum demand indicator and clamp on power meters (g) Exhaust gases analyzer (h) Fuel oil pump test bench	80
C.	Waste heat recovery equipments; (a) Economisers and feed water heaters (b) Recuperators and air pre-heaters (c) Head pumps (d) Thermal energy wheel for high and low temperature waste heat recovery	80
D.	Co-Generation systems; (a) Back pressure pass out, controlled extraction, extraction-cum- condensing turbines for co-generation along with pressure boilers (b) Vapour absorption refrigeration systems (c) Organic rankine cycle power systems (d) Low inlet pressure small steam turbines	80

E.	Electrical equipments (a) Shunt capacitors and synchronous condenser systems (b) Automatic power cut off devices (relays) mounted on individual motors (c) Automatic voltage controller (d) Power factor controller for AC Motors (e) Solid state devices for controlling motor speeds (f) Thermally energy-efficient stenters (which require 800 or less kilocalories of heat to evaporate one kilogram of water) (g) Series compensation equipment (h) Flexible AC Transmission (FACT) devices- Thyristor controlled series compensation equipment (i) Time of Day (TOD) energy meters (j) Equipment to establish transmission highways for National Power Grid to facilitate transfer of surplus power of one region to the deficient region (k) Remove terminal units/intelligent electronic devices, computer hardware/software, router/bridges, other required equipment and associated communication systems for supervisory control and data acquisition systems, energy management systems and distribution management systems for power transmission systems (l) Special energy meters for Availability Based Tariff (ABT)	80
F.	Burners; (a) 0 to 10 per cent excess air burners (b) Emulsion burners (c) Burners using air with high pre-heat temperature (above 300° C)	80

G.	Other equipment; (a) Wet air oxidation equipment for recovery of chemicals and heat (b) Mechanical vapour re-compressors (c) Thin film evaporators (d) Automatic micro-processor based load demand controllers (e) Coal based producer gas plants (f) Fluid drives and fluid couplings (g) Turbo Charges/super charges (h) Sealed radiation sources for radiation processing plants	80
(x)	Gas cylinders including valves and regulators	60
(xi)	Glass manufacturing concerns – Direct fire glass melting furnaces	60
(xii)	Mineral Oil concerns (a) Plant used in field operations (above ground), distribution-Returnable (b) Plant used in field operations (below ground), but not including kerbside pumps including underground tanks and fitting used in field operations (distribution) by mineral oil concerns	60

(xii)	Renewal energy devices being- (a) Flat plate solar collectors (b) Concentrating and pipe type solar collectors (c) Solar Cookers (d) Solar water heaters and systems (e) Air/ gas fluid heating systems (f) Solar crop driers and systems (g) Solar refrigeration, cold storages and air-conditioning systems (h) Solar power generating systems (i) Solar power generating systems (j) Solar pumps based on solar-thermal and solar photovoltaic conversion (k) Solar photovoltaic modules and panels for water pumping and other applications (l) Wind mills and any specially designed devices which run on wind mills (m) Any special devices including electric generators and pumps running on wind energy (n) Bio-gas plant and bio-gas engines (o) Electrically operated vehicles including battery powered or fuel-cell powered vehicles (p) Agricultural and municipal waste conversion devices producing energy (q) Equipment for utilising ocean waste and thermal energy (r) Machinery and plant used in the manufacture of any of the above sub-items	80
9 (i)	Books owned by assessee carrying on a profession (a) Books, being annual publications (b) Books, other than those covered by entry (a) above	100 60
(ii)	Books owned by assessee carrying on business in running lending libraries	100

IV. Ships		
(1)	Ocean-going ships including dredgers, tugs, barges, survey launches and other similar ships used mainly for dredging purposes and fishing vessels with wooden hull	20
(2)	Vessels ordinarily operating on inland waters, not covered by sub-item (3) below	20
(3)	Vessels ordinarily operating on inland waters being speed boats (see Note 10 below the Table)	20

PART B

INTANGIBLE ASSETS

	Know-how, patents, copyrights, trademarks, licences, franchises or any other business or commercial rights of similar nature	25	
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Note:-

1. "Buildings" include roads, bridges, culverts, wells and tube-wells
2. A building shall be deemed to be a building used mainly for residential purposes, if the built-up floor area thereof used for residential purposes is not less than sixty-six and two their per cent of its total built up floor area and shall include any such building in the factory premises.
3. In respect of any structure or work by way of renovation or improvement in or in relation to a building referred to in Explanation 1 of clause (ii) of sub-item (1) of section 32, the percentage to be applied will be the percentage specified against sub-item (1) or (2) of item I as may be appropriate to the class of building in or in relation to which the renovation or improvement is effected. Where the structure is constructed or the work is done by way of extension of any such building, the percentage to be applied would be such percentage as would be appropriate, as if the structure or work constituted a separate building.
4. Water treatment system includes system for desalinisation, demineralisation and purification of water.

5. "Electrical fittings" include electrical wiring, switches, sockets, other fittings and fans, etc.
6. "Commercial vehicle" means "heavy goods vehicle", heavy passenger motor vehicle", "light motor vehicle", "Medium goods vehicle" and "medium passenger motor vehicle" but does not include "maxi-cab", "motor-cab", "tractor" and "road-roller". The expressions "heavy goods vehicle", "heavy passenger motor vehicle", "light motor vehicle", "medium passenger motor vehicle", "maxi-cab", "tractor" and "road-roller" shall have the meanings respectively as assigned to them in section 2 of the Motor Vehicles Act, 1988]
7. "Computer software" means any computer programmed recorded on any disc, tape, perforated media or other information storage device.
8. "TUFS" means Technology Up-gradation Fund Scheme announced by the Government of India in the form of a Resolution of the Ministry of Textiles vide No. 28/1/99-CTI of 31-3-1999.
9. Machinery and plant includes pipes needed for delivery from the source of supply of raw water to the plant and from the plant to the storage facility.
10. "Speed boat" means a motor boat driven by a high speed internal combustion engine capable of propelling the boat at a speed exceeding 24 kilometres per hour in still water and so designed that when running at a speed, it will rise from the water.

8.0 DISCREPANCIES

On an in depth study of the books of accounts of Tea Board the following discrepancies were noted and the correct treatment for the same has been dealt with in the respective chapters.

ASSET

- Tax Deducted at source by the vendors and service providers for assets purchased and services taken are debited to "Income Tax A/c" instead of "TDS A/c".
- Purchase of assets is routed through "Repairs & Maintenance A/c" instead of "Asset A/c".
- For advances transferred to other plan directorates, "Cash/Bank Deposit/Withdrawal A/c" is debited instead of "Particular Scheme A/c".

REVENUE

- The Profit on sale of assets is recorded under the ledger head "Miscellaneous receipt" which is to be recorded under the head "Profit on Sale of Assets".

LIABILITY

- For advances taken by Non-Plan Department from Plan Directorates "Cash/Bank Deposit/Withdrawal A/c" is credited instead of respective scheme A/c.
- Deduction of Tax at source is credited to "Income Tax A/c" instead of "TDS A/c".

EXPENDITURE

- Telephone charges incurred are routed through "Postage and Telegram A/c" instead of "Telephone Charges A/c".
- The following expenses are recorded under the head "Caretaking Expense A/c" and each requires a separate Account to be opened with the names similar to the type of expense:
 - ✓ Photocopy Charges- "Printing & Stationery A/c"
 - ✓ Repairing Expense- "Repairs & Maintenance A/c"
 - ✓ Water Purchased- "Water Charges"
 - ✓ Printing Expense- "Printing & Stationery A/c"
 - ✓ Purchase of Telephone- "Telephone Charges"
 - ✓ Conveyance- "Travelling Expense"

- ✓ Bank charges- “Bank Charges A/c”
- For AMC of Lift Maintenance “Miscellaneous Expenses A/c” has been debited instead of “Repairs & Maintenance A/c”
- For Advertisement expense “party A/c” has been shown directly under the group administrative expenses instead of debiting to “Advertising expenses”. (HRD)
- It was found that no entry for TDS deduction (liability) has been made but the payment entry of such TDS deduction has been passed showing as expense in spite of writing off the liability. (HRD)
- Drinking water expense is recorded under the wrong head and in some places advertising expenses are also recorded under the same head which needs to be rectified. (HRD)
- Printing and Stationery expense is recorded under the head “General Payment” instead of “Printing & Stationery A/c”. (HRD)
- In “media campaign A/c”, salary, annual maintenance charges on buildings etc are recorded which seems to be wrong. (MPS)
- Income from sale of posters is recorded under the ledger head “Printing Materials/Publications A/c”. (MPS)
- Purchase of desktops in numbers are treated as revenue expenditure and booked under the head “IT Expenditure A/c” instead of capitalizing the same. (R&D)