



Controller General of Defence Accounts
Ulan Batar Road, Palam, Delhi Cantt – 110010
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(IFA WING)
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cgdaifa@gmail.com



No. IFA/03/AF Clarification

Dated 25th April 2018.

To

All PIFA & IFA

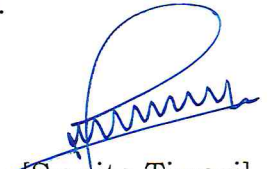
Sub: - Payment of Customs Duty on foreign procurement of Defence Service.

Please find enclosed herewith a letter bearing no. AT/IX/9504/Custom Duty/Pt file II dated 05.04.2018 alongwith CDA (AF) R K Puram letter dated 21.02.2018 & Minutes of Meeting held on 23.03.2018 in HQrs Office regarding delay in payment of Customs duty received from Audit Wing of HQrs Office wherein it has been suggested to ask to incorporate special clause in the Request for Proposals (RFP)/Supply Order/Contract Agreement for Delivery Duty Paid (DDP) of foreign procurements.

2. In this regard, it is requested to ask all Contract Concluding Authority under your jurisdiction to consider incorporating the DDP Clause in RFP & Contract/Supply Order.


3. This issues with the approval of Sr.Jt. CGDA (Finance).

Encls - As above


[Sunita Tiwari]
Sr. A.O. [Finance]

Copy to :-

1. EDP Cell (Local):- for uploading on the CGDAQ Website.
2. Audit -IX (Local):- for information w.r.t. letter cited above.


Sunita Tiwari
Sr. A.O. [Finance]

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Controller General of Defence Accounts
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(AUDIT-IX)
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Sub : Payment of Customs Duty on foreign procurement of Defence Services.

AAO(P)

It has been suggested by CDA (AF), New Delhi vide their letter bearing no. S/I/Customs Duty dt. 21.02.2018 (copy enclosed) regarding special clause incorporated in the Request for Proposals (RFP)/ Supply Order/ Contract Agreement for Delivery Duty Period (DDP) of foreign procurements.

2. Executive authorities may consider going for DDP as the delivery term in such contracts, so that the onus of Custom Clearance is on the supplier and executive, whereas the DAD offices are saved from this hassle of Customs Duty Payment.

3. A meeting in this regards under the Chairmanship of Sr.Jt. CGDA (IA&S) was held on 23rd March, 2018 at this HQrs Office (copy of minutes enclosed). In which, it is proposed to examine the feasibility of such clause incorporated in RFP and other related contractual documents. Henceforth, it is requested to examine the same and suggest to all Contract Concluding Authority (CCA) to consider including Delivery Duty Paid (DDP) clause in Request for Proposal (RFP) and contract/supply order, if feasible.

4. This issues with the approval of Addl. CGDA (US).

Jegun
 Sr.AO (AT-IX)

Officer-in-Charge
IFA Wing(Local)

UO.No: AT/IX/9504/Custom Duty/Pt file II

Dated: 05.04.2018

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 09/4/18

In circular

IX

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कार्यालय रक्षा लेखा नियंत्रक (वायु सेना)
OFFICE OF THE CONTROLLER OF DEFENCE ACCOUNTS (AIR FORCE)
पश्चिमी खण्ड-5, रामाकृष्णापुरम, नई दिल्ली-66
WEST BLOCK-V, R.K. PURAM, NEW DELHI - 66

No. S/I/Customs Duty

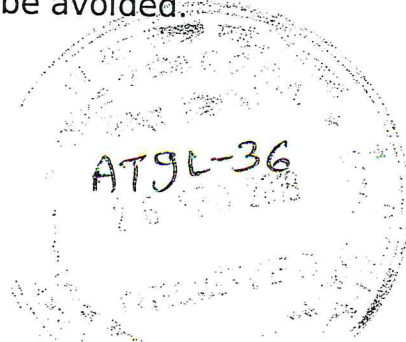
Dated 21-02-2018

To

The CGDA (AT-IX Section),
Office of CGDA, Ulan Batar Road,
Delhi Cantt

Sub: Payment of Customs Duty on foreign procurement of Defence Services
Ref: Hqrs letter No. AT-IX/9504/CD/Pt. File-II dated 17-01-2018

In regard to Hqrs letter dated 17-01-2018 cited under reference, it is intimated that 31 MCU of Air Force which is mandated for Customs Clearances in regard to Air Force consignments at Delhi has obtained Authorised Economic Operator (AEO) status. A copy of letter dated 14-11-2017 of 31 MCU is enclosed herewith in this regard. This allows them a facility to lift consignments with deferred payment of Customs Duty upto 15 days. This avoids interest payments on Bills of Entry filed by 31 MCU. Regarding Bills of Entry filed by the Freight Forwarders, the interest payments are to be reimbursed by the freight forwarders to Air Force. In this regard we have written to other agencies viz. DRDO, NCC, COD and Ordnance factory Dehradun advising/suggesting them to take necessary action for obtaining the AEO status, as Air Force has done, so that interest payments on their imports can be avoided.

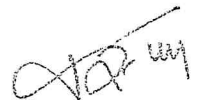


1/11/18
The CGDA
Office of CGDA
Ulan Batar Road
Delhi Cantt
27/2
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2. In the changed circumstances and requirements we are reviewing our whole proposal afresh. Meanwhile, as suggested under para 6 of our letter dated 27-12-2017, having DDP (Delivery Duty Paid) as the delivery term under contracts may be considered by Hqrs office as it would save the executive as well as our office from the hassle of Customs Duty payment.

CDA(AF) has seen.



ACDA

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कार्यालय रक्षा लेखा नियंत्रक (वायु सेना)

OFFICE OF THE CONTROLLER OF DEFENCE ACCOUNTS (AIR FORCE)
पश्चिमी खण्ड-5, रामाकृष्णापुरम, नई दिल्ली-66
WEST BLOCK-V, R.K. PURAM, NEW DELHI - 66

No. S/1/Customs Duty

Dated: 27-12-2017

To,

Sh. Manish Tripathy, IDAS,
Jt. CGDA(IT),
Office of CGDA,
Ulan Batar Road, Delhi Cantt.

Handwritten notes and signatures:
R. my Manish
नियंत्रक लेखा
कृष्णा देव नै.
[Signature]
27/12/17

Sub: Payment of Customs Duty for Defence Goods - reg
Ref: Hqrs letter No. AT/IX/9504/Customs Duty dated 21-11-2017

In regard to the Hqrs letter dated 21-11-2017 cited above, a Statement of Case is hereby forwarded for necessary approval and sanction by the Competent Authority.

CDA (AF) has seen.

Handwritten signature and date:
[Signature]
ACDA 27/12/17

रक्षा लेखा नियंत्रक
पश्चिमी खण्ड-5
दिनांक 27.12.17

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STATEMENT OF CASE

1. Background:

- i. Vide Hqrs office letter dated 06-07-2017 (copy enclosed), this office was entrusted with the task of payment of Customs Duties in respect of Imports by Army, Navy and Air Force at New Delhi/Ambala/Hindon Airports and detailed SOP was issued in this regard.
- ii. Further, vide Hqrs letter dated 07-10-2016 (copy enclosed), the task was assigned for other importing agencies under MoD also.
- iii. As per the SOP, the executive authorities submit a Contingent Bill and TR-6 challan to this office and this office pays the Customs Duty without any Pre-Audit thereof as such, only Budget Allotment is to be watched.

2. The payment process decided in the SOP is as under:-

- i. CDA(AF) to open a govt. drawal account with SBI RK Puram, which was accordingly done by us.
- ii. On submission of the documents viz. Contingent Bill and TR-6 Challan, this office issues Cheque for payment of Customs Duty in favour of SBI A/c Customs Duty.
- iii. The Bank accepts the cheque and then makes online payment at ICEGATE (Customs duty payment gateway) through their Branch Pooling Account.

3. Issues Involved:

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- i. First of all the payment involves three agencies: Executive, CDA(AF) and SBI RK Puram. The time limit for filing of Bill of Entry and payment of Customs duty has been reduced by Ministry of Finance from earlier 2 days to 1 day vide their circular No. 12/2017 dated 31-03-2017 (copy enclosed). This office has been repeatedly pointing out from the beginning to the executive authorities that Contingent bills are received in this office after the lapse of 2 days and, therefore, Payment of Customs Duty had to be made alongwith applicable interest. During the last financial year Interest to the tune of Rs. 1.80 crores was paid. Now, with the time limit being reduced to 1 day the position has become worse, as the interest is being paid on almost all the Customs clearances.
 - ii. This office ensures that the Customs duty bill is cleared within a couple of hours after its receipt at our end; however, in case the bill is received after lunch, the bank does not accept the Cheque after 3:30 pm which compels us to make personal requests/visits to the bank for getting the Customs duty payment done, which is an additional burden on us. The Bank does tend to cooperate with us in such situations, but many a time the bank too is unable to help us, and then the Customs duty has to be paid the next day with interest despite such efforts.
 - iii. Such payment of interest is not in the state interest; Test Audit/ Ministry may object it too.

4. Proposal:

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- i. To resolve the issue, particularly related to SBI involvement in payment, we had a meeting with SBI officials and vide their letter dated 14-09-2017, SBI has proposed that CDA(AF) should open a Current Account with Internet Banking facility (VISTAAR) to enable us to make payments directly from our office through this account on ICEGATE avoiding the hassle of issuance of cheque and payment by SBI Pooling account as per SOP read with Minutes of Meeting dated 26-09-2017 at Hqrs office (copy enclosed).
- ii. The detailed SOP for the VISTAAR Account, as provided by SBI is enclosed herewith as Annexure-'A'
- iii. A minimum balance is to be maintained in the VISTAAR Account. We had suggested to SBI in a personal meeting with them that our office may be allowed an overdraft in the VISTAAR account upto a certain limit so that we can make payments towards Customs Duty and later on reimburse the same after passing the Bill. However, SBI RK Puram have expressed their helplessness in this regard citing that overdraft facility cannot be provided to Government accounts as per their policy. So, the Hqrs office may take up with SBI to extend such overdraft facility to our proposed VISTAAR account. Otherwise, CDA(AF) will have to maintain a Balance of Rs. 20 crores in the VISTAAR Account and make payment of Customs Duty immediately from that account on receipt of Contingent Bill alongwith TR-6 and Bill of Entry through Fax/E-Mail from Executive Authorities, for which Hqrs office may provide a separate sanction for permanent advance to our

office. A minimum balance is required to be maintained in VISTAAR Account because the settlement time for SBI-CMP is T+1 and therefore if we pass the bill the credit will come to VISTAAR account after 1 day, and by that time, Custom Duty payment will be delayed by one day defeating the whole purpose.

5. It is worth noting that the arrangement suggested above will not affect the Interest Payments on account of Late Submission of bills or Late filing of Bill of Entry by the Executive authorities. To resolve this issue, executive authorities should be directed to file the Bill of Entry and generate TR-6 challan timely and preferably on-line on their own, so as to enable them to submit the Contingent Bill timely to our office for payment thereof.

6. It is further suggested that the Executive authorities may consider to go for 'DDP' (Delivered Duty Paid) as the delivery term in such contracts so that the onus of Custom Clearance is on the supplier, and the executive as well as DAD offices are saved from this hassle of Customs Duty Payment.

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ACDA

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MINUTES OF THE MEETING HELD ON 23rd MARCH, 2018 AT 11.00
REGARDING DELAY IN PAYMENT OF CUSTOM DUTY AT AADITYA HALL.
CGDA HQrs OFFICE

1. To discuss the issues raised by CDA(AF), New Delhi on payment of Custom, Duty on Foreign procurement for Defence Services, a meeting under the chairmanship of Sr.Jt.CGDA(IA&S) was held on 23.03.2018 at 11.00 AM in the CGDA HQrs. List of participants is annexed to this letter.
2. Sr.Jt.CGDA(IA&S) welcomed all the officers from CDA(AF) and started discussion on the reasons of delay of Payment of Customs Duty at our end.
3. Ministry of Civil Aviation vide their circular dt. 02.12.2016 has reduced the free period for completion of all transactions of import Air Cargo from the 72 hrs to 48 hrs. Further the free time period has again been reduced from 48 hrs to 24 hrs vide Circular No.12/2017-Custom dated 31.03.2017 of Deptt. of Revenue This issue was raised by Air Force as their units are unnecessarily paying interests and demurrage charges above the statutory Custom Duty.
4. To open a current account with Internet Banking facility (VISTAAR) and to enable making payments directly from CDA office through this account on ICEGATE and avoiding the hassle of issuing of cheque, it is proposed that CDA office has to put sufficient amount in this account and always maintain adequate credit. It is also proposed that all bills bearing signatures of authorized signatory (to avoid delays) should be send through fax or NIC mails to them. Ink signed copies of the bills must be send to them at the end of the week.
5. Further, CDA (AF) New Delhi has intimated vide their letter no. S/I/Custom Duty dated 21.02.2018, 31 MCU of Air Force which is mandated for Customs Clearances in regarding to Air Force consignments at Delhi has obtained Authorised Economic Operator (AEO) status. This allows them a facility to lift consignments with deferred payment of Customs Duty upto 15 days. This avoids interest payments on BoE filed by 31 MCU. Regarding BoE filed by the Freight Forwarders, the interest payments are to be reimbursed by the freight forwarders to AF. In this regard CDA (AF) has written to other agencies viz. DRDO, NCC, COD and Ordnance factory Dehradun advised/ suggested them to take necessary action for obtaining the AEO status.
6. Description of AEO Status:-

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- a. As per F.No.450/179/2009-Cus.IV (Pt.) dated 22th July, 2016 (Circular No. 33/2016- Customs) has introduced a new system for *Ease of Doing Business in India* span and avoid extra economic burden Importer and export.
 - b. As per Para 5 of Notification No. 134/2016-Customs (N.T.) dated 2nd November, 2016 regarding deferred payment of Customs Duty, if Bill of Entry (BoE) generated 1st day of the month, importing agencies have 15 days for payment of duties.
 - c. Inclusion of Direct Port Delivery of Imports to ensure just-in-time inventory management by manufacturers – clearance from wharf to warehouse.
 - i. Inclusion of Direct Port Entry for factory stuffed containers meant for export by AEOs.
 - ii. Provision of Deferred payment of duties – delinking duty payment and customs clearance.
 - iii. Mutual Recognition Agreements with other Customs Administrations
 - iv. Faster disbursal of drawback amount
 - v. Request based on-site inspection/ examination.
 - vi. Paperless declarations with no supporting documents.

7. The following decision were taken during the course of the meeting:-

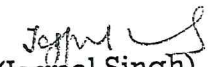
- a. All CPOs shall ask the importing agencies to enroll with Authorised Economic Operator (AEO). Statement of case on (AEO) will be prepared by CDA (AF) New and forwarded to HQrs Office.

(Action - CGDA HQ and CDA (AF) ND)

- b. A letter is to be issued to IFA Wing (Local) for ask all Contract Concluding Authority (CCA) to consider including Delivery Duty Paid (DDP) clause in Request for Proposal (RFP) and contract/ Supply Order.

(Action - CGDA HQ)

8. Sr. Jt. CGDA (IA&S) thanked all officials for attending the meeting.


(Jagpal Singh)
Sr. AO (AT-IX)

Smt. Alka Sharma, Jt. CGDA (A&B); Sh. Mohinder Singh, CDA, CDA (AF) RKP
File No. AT/IX/9504/CD/Pt. File II dated 28th March, 2018