

Office of the CGDA, West Block-V, R.K.Puram, New Delhi-66
Pr. IFA Wing

INSTRUCTION NO.4 OF 2007

No. PIFA/RDFP/2006/Vol. II

Dated:9th March 07

To

All IFAs/PCsDA/CsDA (doing IFA work)

Subject: Non-adherence of norms of delegation of Financial Powers by IFAs – Distinction between Capital and Revenue Expeniture.

Reference: In continuation of this office circular of even No. dated 7th Nov. 2006.

With reference to the clarifications issued by MoD (Fin) vide (i) ID No. 11/4/87/B-I dated 11-3-2003 and (ii) 11(9) B-I/2003 dated 04-12-2003, IFAs were advised to classify expenditure as Capital based on the following criteria vide this office circular of even number dated 07-11-2006

- (i) The item to be purchased should have a life of 7 years or more
- (ii) Cost of item should be Rs. 10 lakhs or more

2. After issue of above instructions a number of IFAs have informed us that in the case of IT labs and Telephone exchanges in some cases the cost of certain items is more than Rs. 10 lakhs but proposals have been received for procurements out of the Revenue budget. In another case the expenditure relating to the TAG has been budgeted under the Revenue head although in the past such procurement has been made out of Capital budget under delegated financial powers. Similar is the case in respect of facilities being set up in Cat 'A' Estts. out of IT grant. It was informed that in the past such application specific IT labs were approved by MoD under 9th and 10th Army Plan as Capital projects.

3. On taking up the above cases with MoD (Fin) in regard to classification of expenditure under Capital and Revenue, the following clarifications have been issued vide **Mod(Fin) vide UO No. 256/Dir/Finance budget/07 dated 09-02-2007** (Copy enclosed).

- (a) An item has to be viewed as capital or revenue keeping in view of the guidelines given in rules 90 & 91 GFR.
- (b) Subject to an item being capital in nature as per these guidelines, **the first buy** of such an item has to be booked to capital budget if it costs more than Rs. 10 lakhs and has a life of more than 7 years, in which case the proposal has to be processed accordingly. If the cost is less than Rs. 10 lakhs and the life is less than 7 years, it may be booked to revenue head.
- (c) **Any replacement of such items** will be booked to revenue head unless the replacement results in enhancement of capabilities.
- (d) The fact that an item figures in the PPP is not sufficient ground for treating it as a Revenue item if it otherwise qualifies to be treated as capital item.
- (e) Vehicles will not be bought under Tele Adm Grant, as this would be in violation of the economy instructions.

4. In view of the foregoing guidelines IFAs may deal with cases accordingly.

For CDA Jabalpur w.r.to his No. IFA/6201/Orders/06-07/IFA dated 04-01-2007.

5. As regards the initial setting up of IT Labs out of IT grant in Cat 'A' Estts., it is confirmed that since the proposed IT labs are facilities of permanent in nature and also the cost of individual items exceeds Rs. 10 lakhs, the expenditure on this account is to be categorized as Capital in terms of GFR as hithertofore.

6. This has the approval of Pr.IFA.

[Encls: 1]

sd/-
(Varghese Mathew)
Dy.IFA

Copy to:-

1. Jt.CGDA (AT-I)
2. Jt.CGDA (AT-II)
3. Jt.CGDA (AT-III)
4. Addl. FA (M), Min of Def. (Fin.)
5. Addl AF (A), Min of Def. (Fin.)

} For information.

sd/-
(Varghese Mathew)
Dy.IFA

**MINISTRY OF DEFENCE
(FINANCE/SYSTEMS)**

Sub: Distinction between Capital and Revenue expenditure.

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With reference to your stated U.O. No.PIFA/Gen Coor/IFA EC dated 24th January, 2007, the following is being clarified:

- (a) An item has to be viewed as 'Capital' or 'Revenue', keeping in view the guidelines given in Rule 90 & 91 GFR.
- (b) Subject to an item being Capital in nature as per these guidelines, the first buy of such an item has to be booked to Capital budget if it costs more than Rs.10 lakhs and has a life of more than 7 years, in which case the proposal has to be processed accordingly. If the cost is less than Rs.10 lakh and the life is less than 7 years, it may be booked to Revenue head.
- (c) Any replacement of such items will be booked to Revenue head unless the replacement results in enhancement of capabilities.
- (d) The fact that an item figures in the PPP is not sufficient ground for treating it as a revenue item if it otherwise qualifies to be treated as Capital item.
- (e) Vehicles will not be bought under Tele Adm Grant, as this would be in violation of the economy instructions.



(MUKESH KUMAR SINHA)
Director (Fin/Systems)

9.2.2007

Shri Tarsem Lal, Jt. CGDA (IFA), O/o CGDA, R.K. Puram

Md (Fin/Bud) U.O. no. 256/Dri (Fin/Bud) 07 dt. 9-2-07