



सत्यमेव जयते

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**AT-IX/9504/Min./Gen Corr**

**Dated: 27.08.2018**

**Through CGDA website**

**To,**

**All PCsDA/CsDA**  
**PCA(Fys)/CsFA(Fys)**  
**PIFAs/IFAs**

**Sub: (i) Clarification on Guidelines regarding payment of Customs Duty on input material due to withdrawal of exemptions from payment of basic customs duty in capital acquisition cases issued vide MoD ID No. 1(11)/D(Acq)/14 dt. 23.01.2017.**

**(ii) Guidelines regarding payment of Countervailing Duty(CVD) and Special Additional Duty (SAD) due to withdrawal of exemptions w.e.f. 01.06.2015 on import of equipment and input material for defence purposes.**

Please find enclosed a copy of letter MoD(Fin) letter bearing no. MoD ID No. 1(11)/D(Acq)/14 dt. 23.01.2017 and subsequent clarification thereof vide MoD ID No. 1(11)/D(Acq)/17 dt. 18.07.2018 for guidance and necessary action at your end please.

2. This has the approval of Sr. Jt. CGDA(Fin).

**Sr.A.O.(AT-IX)**

**Copy to:**

**EDP Wing**  
**(Local)**

For uploading on CGDA website.

**Sr.A.O.(AT-IX)**

**MINISTRY OF DEFENCE**  
**[Acquisition Wing Secretariat]**

**SUB: GUIDELINES REGARDING PAYMENT OF CUSTOMS DUTY ON INPUT MATERIAL DUE TO WITHDRAWAL OF EXEMPTIONS FROM PAYMENT OF BASIC CUSTOMS DUTY IN CAPITAL ACQUISITION CASES**

Please find enclosed herewith the Guidelines regarding Payment of Customs Duty on Input Material due to withdrawal of exemptions from payment of Basic Customs Duty in Capital acquisition cases.

2. The above Guidelines will be implemented with immediate effect.
3. This issues with the approval of Raksha Mantri and the concurrence of MoD(Fin) vide F.No.205-P/AFA(O)/2016 dated 04.01.2017.

Encl. As above

  
 (Praveen Kumar)  
 Director (Acq)  
 Telefax: 2379 2865

FA(Acq)&AS	DCIDS(PP&FD)	DCOAS(P&S)	DCAS
ACNS(P&P)	DDG(P&P)		
JS&AM(LS)	JS&AM(MS)	JS&AM(Air)	
FM (LS)	FM(MS)	FM(Air)	
TM(LS)	TM(MS)	TM(Air)	

MoD ID No.1(11)/D(Acq)/14 dated 23.01.2017

Copy to: (i)	PS to RM
(ii)	SO to Defence Secretary
(iii)	PPS to Secretary(DP)
(iv)	PPS to Secretary (R&D)
(v)	PPS to FA(DS)
(vi)	PS to DG(Acq)

**GUIDELINES REGARDING PAYMENT OF CUSTOMS DUTY ON INPUT MATERIAL DUE TO WITHDRAWAL OF EXEMPTIONS FROM PAYMENT OF BASIC CUSTOMS DUTY IN CAPITAL ACQUISITION CASES**

After withdrawal of exemption from payment of Basic Customs Duty (BCD) on goods imported by contractors of Government of India/PSUs for Defence purposes with effect from 1<sup>st</sup> April 2016, Indian vendors will be liable to pay Customs Duties on imported input materials for Defence purposes.

2. Para 1.4 of DPP Appendix 'O' to Schedule I to Chapter II of DPP 2016, which provides that Indian bidders will not load Customs Duty in their price bids if they are exempted from payment of Customs Duties. After review, it has been decided that no change is required in this DPP provision in view of the wording and also considering that some exemptions are still available.

3. In view of the abovementioned withdrawal of exemptions from payment of BCD payment/reimbursement of BCD on input material will be regulated in the manner given in the following paragraphs.

**Cases where bids/revised bids received on or after 1<sup>st</sup> April 2016:**

4. In cases where bids have been submitted on or after 1<sup>st</sup> April 2016, i.e., after the date of withdrawal of exemptions from payment of BCD on input material, it will be assumed that vendors have included BCD on input material in their quoted price if not exempted from payment of BCD. Likewise, in cases where revised bids are sought on or after 1<sup>st</sup> April 2016 against bids whose initial validity has expired, it will also be assumed that vendors have loaded BCD on input material while quoting revised prices, if not exempted from payment of BCD. ~~It is reiterated that revised bids will only be sought in multi-~~ vendor cases where validity of initial bids have expired and the GS Evaluation has not been completed. In all cases covered under this para, BCD on input materials if quoted separately will neither be taken into account for L-1 determination nor will it be considered for reimbursement.

**All other cases:**

5. In all cases other than cases covered by para 4 above where bids were received prior to 1<sup>st</sup> April 2016, BCD on input materials on which exemptions are not available will be reimbursed to the vendor as per procedure given in para 6 below. In all cases where the CNC has not been finalised, the amount to

be reimbursed will be assessed by the CNC based on FFE content claimed by the vendor in its commercial bid.

**Procedure for reimbursement of BCD on input material:**

6. The following procedure will be adopted for reimbursement of BCD on input materials covered by para 5 above:

I. Reimbursement of BCD on input material will ordinarily be done at actuals at the time of release of payment after inspection and dispatch and along with payment of other Taxes and Duties based on the following principles :

- a. BCD shall be a reimbursable expense, to be done **at actuals** against proof of valid documents.
- b. Reimbursement of BCD shall be in Indian Rupees only, irrespective of the currency in which the contract has been denominated.
- c. Reimbursement of BCD shall be restricted to the net amount for which CDEC would have been admissible after reducing the value for which CDEC has already been issued.
- d. BCD will not be reimbursed if it has become payable in extended delivery periods where such extension is on account of delays attributable to the vendor.
- e. BCD will not form part of initial advance or be paid in advance of actual incurrence of the expense.
- f. Claims for reimbursement of BCD shall be accompanied with the following documents :

(i.) A statement duly signed by the vendor and his statutory auditor showing the components and amounts under various elements of Customs Duty, the admissibility and amount of CENVAT Credit applicable and how the benefit is being passed to the Purchaser. All benefits must be passed on at the stage of or prior to claiming the reimbursement.

(ii.) The vendor shall, along with the invoice submit an undertaking specifying that all CENVAT Credit

admissible has been passed on to the Purchaser. If at a later stage the Purchaser discovers that full amount of CENVAT Credit has not been passed on to Purchaser or false and misleading statement has been issued, the Purchaser shall recover the same with interest as applicable, from the instant contract or any other payment due to the vendor. The Purchaser also deserves the right to initiate other actions as per extant procedure and rules in vogue.

~~II. Requests from vendors seeking reimbursement of BCD, on incurrence and ahead of acceptance of the goods, may be allowed subject to the following:~~

- a) Vendor should submit a claim supported by documents as prescribed in para 6-I(f) above, duly verified/certified by the Contract executing authority/SHQ.
- b) Vendor shall provide a Bank Guarantee for amount claimed for reimbursement with validity till the time of final payments against the contracts.
- c) At the stage of final payment, the reimbursement of BCD made from time to time will be reviewed/cross-checked by the Contract executing authorities (SHQs) and the Payment authorities after examination of all necessary documents and the final amount reimbursable on account of BCD will be settled.

7. Suitable provisions for reimbursement of BCD as given in para 6 above ~~will be included in the contracts in cases covered by para 5 where contracts are~~ yet to be signed. In cases where contracts have already been signed, this letter will be treated as authority by payment /contract executing authorities for reimbursement of BCD on input materials.

8. Reimbursement of Basic Customs Duty should be made with the approval of the Contract Executing authorities and with the concurrence of Associate Finance. For obtaining concurrence of Associate Finance proposals for reimbursement must *inter alia*, be accompanied with the following:

- a) The relevant clause and nomenclature of the goods as per the Customs circular, for which reimbursement of BCD is being sought;

- b) Contract date and number, description of the equipment/procurement, quantity, value and the CFA which granted approval for the procurement;
- c) Details of CDEC issued prior to withdrawal of BCD exemption.
- d) Details of FFE content on which BCD is payable.
- e) Delivery schedule details including extensions granted and if so whether LD has been levied and whether extension is on account of delays attributable to vendor.
- f) Original contract value and estimated liability on account of reimbursement of BCD , details of delivery, details of payments and reimbursement already made and balance of the same; and
- g) A copy of the Contract must be enclosed along with the proposal.

9. The Contract Executing authorities will provide estimates of additional financial requirement to meet the liability on account of reimbursement of BCD through the respective Financial Planning Directorates to the Budget Directorate of MoD(Fin.) for seeking necessary allotments.

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**MINISTRY OF DEFENCE**  
**[Acquisition Wing Secretariat]**

**Subject : (i) Clarification on Guidelines regarding payment of Customs Duty on input material due to withdrawal of exemptions from payment of basic customs duty in capital acquisition cases issued vide MoD ID No.1(11)/D(Acq)/14 dt.23.01.2017.**

**(ii) Guidelines regarding payment of Countervailing Duty (CVD) and Special Additional Duty (SAD) due to withdrawal of exemptions w.e.f 01.06.2015 on import of equipment and input material for defence purposes.**

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Guidelines regarding payment of Customs Duty on input material due to withdrawal of exemptions from payment of Basic Customs Duty (BCD) in Capital Acquisition cases were issued vide MoD ID No.1(11)/D(Acq)/14 dated 23.01.17.

2. Issues have been raised regarding para 6 I(d) thereof which deals with reimbursement of BCD in cases of extended delivery periods where such extension is on account of delays attributable to the vendor. It is hereby clarified that the aforesaid clause only implies that while the Vendor would get the benefit of BCD which would have been payable had the contracted article been delivered in the delivery period stipulated in the contract, he would not get reimbursement for any variation in such duties which have come into effect during the extended delivery period, if such, extension is on account of delay attributable to the vendor. Thus where delivery period has been extended on account of delay attributable to the vendor, the additional amount of BCD and freshly imposed Custom Duty, if any, during the extended delivery period shall not be reimbursed.

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3. Para 6 II of the aforesaid Guidelines provides for reimbursement of BCD on incurrence and ahead of acceptance of goods. Sub para b) thereof requires submission of Bank Guarantee (BG) for the amount of reimbursement claimed, with validity till the time of final payments against the contracts. Requests have also been received to allow vendors to submit Indemnity Bonds (IB) in lieu of Bank Guarantees (BG) for claiming such reimbursement. The matter has been examined. Existing procedures allow for accepting Indemnity Bonds in lieu of Bank Guarantee for certain other payments such as payment of advances etc in specified circumstances. Thus, reimbursement of BCD on incurrence will also be permitted against submission of Indemnity Bond in lieu of Bank Guarantee in respect of vendors to whom contract advances are payable against Indemnity Bonds.

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MINISTRY OF DEFENCE  
[Acquisition Wing Secretariat]

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(ii) Guidelines regarding payment of Countervailing Duty (CVD) and Special Additional Duty (SAD) due to withdrawal of exemptions w.e.f 01.06.2015 on import of equipment and input material for defence purposes.

Guidelines regarding payment of Customs Duty on input material due to withdrawal of exemptions from payment of Basic Customs Duty (BCD) in Capital Acquisition cases were issued vide MoD ID No.1(11)/D(Acq)/14 dated 23.01.17.

2. Issues have been raised regarding para 6 I(d) thereof which deals with reimbursement of BCD in cases of extended delivery periods where such extension is on account of delays attributable to the vendor. It is hereby clarified that the aforesaid clause only implies that while the Vendor would get the benefit of BCD which would have been payable had the contracted article been delivered in the delivery period stipulated in the contract, he would not get reimbursement for any variation in such duties which have come into effect during the extended delivery period, if such, extension is on account of delay attributable to the vendor. Thus where delivery period has been extended on account of delay attributable to the vendor, the additional amount of BCD and freshly imposed Custom Duty, if any, during the extended delivery period shall not be reimbursed.

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4. The issue of reimbursement of Countervailing Duty (CVD) and Special Additional Duty (SAD) on input material in cases where the final manufactured product is not excisable or attracts zero duty, have also been referred by vendors. It may be noted that the Govt. has withdrawn exemption from payment of CVD and SAD on both goods and input material imported for Defence purposes w.e.f 01.06.2015. In this regard it is hereby clarified that reimbursement of CVD and SAD will be made wherever no cenvat credit or refund is admissible in respect of the manufactured defence end product produced under the contract with the Central Government upto 30<sup>th</sup> June 2017 whereafter GST provisions will be applicable. The reimbursements will be made as per actual, against proof of payment of ibid taxes/duties along with the declaration to the effect that all input tax credits have been passed on to the buyer (GoI). Denial clause as at para 2 above shall also apply for these reimbursements.

5. This issues with the concurrence of MoD(Fin) accorded vide ID. No. 205-P/AFA(O)/2016 dated 09.10.2017 and approval of the Raksha Mantri.



(S.L. Bairwa)

Under Secretary (Acq)

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VCOAS	VCNS	VCAS	CISC	DGCG
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MoD ID No. I(11)/D(Acq)/17 dated 18.07.2018

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- (iii) PPS to Secretary (DP)
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