

CHAPTER 4

Criteria for recovery of charges for services rendered or articles supplied by Government Departments

Introductory

39. The rules in this Chapter prescribe the conditions under which a department of a Government may make charges for services rendered or articles supplied by it and the procedure to be observed in recording such charges in the accounts of the Government concerned.

NOTE:- Criteria for the purpose of such adjustments in respect of the Central Government are laid down in Part III of Chapter 16 (Rules 294 to 298) of the Central Government Compilation of the General Financial Rules, 1963.

40. Adjustment between Governments:-

In the case of transactions between two Governments, adjustment shall always be made if required by or under the provisions of the Constitution; and otherwise, in such manner and to such extent as may be mutually agreed upon by the Governments concerned.

NOTE 1:- In all cases of claims for an amount not exceeding Rs. 1000 in each case, for transactions on account of supplies made or services rendered by one Government to another, no monetary claims will be resorted to. However, in respect of the following claims monetary settlement should be made irrespective of the amount:—

(i) claims relating to commercial departments/undertakings of a Government which are required to work to a financial result, for services rendered or supplies made to or by them.

NOTE 2:—For transaction above the limit of Rs. 1000 and where the supplies/services are to be paid for irrespective of any monetary limit, the settlement will be made through cheques/ Bank drafts by the supplied Government. The procedure to be followed for making the monetary settlements in these cases, (i) between the State Governments *inter se* and (ii) in respect of supplies/service to a Central Government Department will be as indicated below:

(i) Between the State Governments *inter se*:

The concerned officer of the Government in receipt of the supplies or services will present a bill at the Treasury for the cost of services or supplies alongwith the accepted invoice and a requisition for a bank draft in favour of the officer concerned in the supplying Government and remit the bank draft so obtained to the latter who will present it at the Treasury for encashment and crediting to the proper head of account.

(ii) Between a State Government and Central Government Department (including Defence, Railways, Postal and Telecommunications Departments besides Civil).

The Department of the Central Government which received supplies/services will present a bill alongwith the accepted invoice to its own Accounts Officer concerned who will make the payment by cheques/bank drafts drawn in favour of the officer concerned of the supplying Government in settlement of its claims.

In the reverse case of supplies/services rendered by a Central Government Department the cheques/Bank drafts received by it from the supplied Government will be presented by it to its Accounts Officer for encashment and credit to the proper head of Account. In case the departmental officer is himself in account with a branch of the bank, the cheque/draft will be remitted by him to the bank with challan showing particulars of the Head of account for credit to Government account.

NOTE 3:- The Union Territory Governments will also follow the procedure indicated above as may be applicable to them for settlement of their inter-Governmental transactions arising out of services rendered or supplies made by/to them.

NOTE 4:- These instructions will not apply to payments to supplies arranged by the Department of Supply in the Ministry of Commerce for purchases made by the State Governments etc. through Directorate General of Supplies and Disposals in regard to the procedure laid down in this Ministry's letter No. F. 1 (43)-B/73. dated the 31st July, 1975 will continue to hold good.

NOTE 5:- The procedure to be followed for realisation of customs duty on goods imported by the various Governments/Departments will be laid down separately by the Department of Revenue and Banking (Revenue Wing). Similarly, the procedure to be followed for settlement of claims relating to supplies made by the Medical Store Depots to various Governments/ Departments will be prescribed separately by the Department of Health in the Ministry of Health and Family Welfare.

NOTE 6:- The Principles and procedure indicated in Notes 1 and 2 above will also be followed for settlement of inter Departmental transactions among Defence, Railways, Postal, Telecommunication and Central Civil Departments on account of services rendered or supplies made by one Department to another.

41. Adjustments with Foreign Governments, outside bodies, etc.

Unless exempted by Government by general or special orders, services shall not be rendered without being paid for to any foreign Government or non-government body or institution or to a separate fund constituted as such. Any relief in respect of payment for services rendered or supplies made to any outside body or fund should ordinarily be given through a grant-in-aid rather than by remission of dues.

42. Inter-departmental adjustments

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 (a) are inseparable from, and form part of the idea of Govt. or (b) are necessary to, and form part of the general conduct of the business of Government. Examples of category (a) are: the departments of Administration of Justice, Defence, Jails, Medical, Police, Public Health, Education, Forest. Examples of category (b) are: the departments of Survey of India, Printing and Stationery, Public Works (Building and Roads Branch), Central Purchase Organisation under Director General of Supplies and Disposal, New Delhi.

B. Commerical Departments or Undertakings: These are constituted mainly for 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 Government functions. They are required to work to a financial result determined through account maintained on commercial principles.

NOTE:- Government shall specify whether a particular department or particular activities of a department shall be regarded as commercial department or undertaking.

43. Save as expressly provided by any general or special orders, a service department shall not make charges against another department for services or supplies which fall within the class of duties for which the former Departments is constituted.

The following exceptions to this rule have been authorised:

- (a) The Forest Department shall charge any other department for vegetable, animal or mineral products extracted from a forest area.
- (b) Payment must ordinarily be made for convict labour as in the case of that supplied to the Public Works and other departments of Government but no charge shall be made for convict labour in the case of works undertaken by the Public Works Department which are treated as

Jail Works.

(c) The cost of additional Police Guards supplied to an Irrigation or other project while under construction shall be debited to the project concerned.

(d) The Film Division of the Government of India shall charge any other department for the cost of production of films and other services on such terms as may be settled in each case.

(e) The Central Industrial Security Force functioning under the Ministry of Home Affairs shall charge any other department for the cost of force provided, on such terms as may be settled in each case.

(f) When the Central Public Works Department executes works on behalf of other departments of the Government of India, the cost of which is debitable to the grant (Capital Portion) of those departments, it shall recover the establishment and tools and plant charges leviable on such works on a percentage basis, unless there are special orders of the Government to the contrary.

(g) When the Central Electricity Authority or the Central Water Commission including any office or division under its control executes works on behalf of other departments of the Government of India as an occasional arrangement, the cost of which is met from sources other than the expenditure heads (Revenue Account) of those departments it shall recover the establishment and tools and plant charges leviable on such works on percentage basis, unless there are special orders of the Government to the contrary.

44. A commercial department or undertaking shall ordinarily charge and be charged for any supplies and services made or rendered to, or by, other departments of Government.

This rule may be applied to particular units or particular activities of any department even though the department as a whole may not be a commercial department. Such a unit or activity shall ordinarily charge for its services or its supplies, to, and may likewise be charged by, either the department of which it forms a part or any other departments.

NOTE 1:- Save as otherwise provided in these rules, services rendered by a service department falling under sub-rule A (a) of rule 42 in the normal discharge of its functions shall not be regarded as service rendered for the purpose of this rule.

NOTE 2:- The supply of residential accommodation by one department to the employees of another shall not for the purposes of the rules in this Chapter, be held to constitute a service rendered. In all such cases the rent charges for residential accommodation will be the rent recoverable under the rules for the time being in force from the persons actually using such accommodation.

NOTE 3:- The Central Water Commission and the Central Electricity Authority shall charge commercial departments in respect of advice tendered or services rendered except in the following cases:—

(a) Where the advice tendered is based on the data already collected by the Commission or the Authority as part of its normal functions.

(b) Where the amount of recovery does not exceed Rs. 100/-provided that the work involved is not of a recurring nature.

45. Where one department makes payment or renders service as an agent of another department of the same Government the principal department shall, subject to such monetary limit as may be fixed by Government in this behalf, be debited with the expenditure incurred on its behalf by the agent department.

NOTE 1:—The cost of land acquired by a Civil Department on behalf of the Public Works Department shall be debitable in the accounts of the latter as part of the cost of the works for which the land is taken up; but when land is taken up for two or more service departments conjointly, cost shall be wholly debitable to the department for which the major portion of expenditure was incurred unless there are special orders to the contrary.

NOTE 2:—When a special officer is employed for the acquisition of land of any department, the expenditure on pay, allowances etc. of the Special Officer and the establishment and any expenditure on contingencies is debitable to that department as part of the cost of land. When the land is taken by a Civil Officer, not specially employed for the work, only special charges incurred in connection with the acquisition of the land on establishment, contingencies etc. shall be borne by the department for which the land is acquired.

46. Notwithstanding the provisions of rule 43 the Defence Services shall, in respect of inter-departmental transaction charge and be charged for services rendered and supplies made to, or by, other Departments, unless in a particular case, or class of cases, Government may decide otherwise.

NOTE 1:- The Defence Service shall not be required to pay rent for buildings of the Central Civil Departments other than Commercial Departments and Undertakings, occupied by the Defence Services for non-residential purposes, nor shall rent be charged for buildings of the Defence Services occupied for non-residential purposes by the Civil Departments of the Central Government other than commercial Departments or undertakings falling under sub-rule 'B' of rule 42.

NOTE 2:- The Defence Services also shall not be required to pay for the use of the Government civil aerodromes and, or other incidental services rendered by the Civil Aviation Department to Indian Air Force Planes, nor shall the Civil Aviation Department be charged, as a reciprocal arrangement, for the use of the aerodromes of the Indian Air Force by the Civil Aircrafts.

47. A branch of a service department performing duties supplementary to the main function of the department and intended to render particular services on payment shall levy charges in respect of the work for which it has been constituted. Examples: Jail Manufacture, Printing, Publishing Department, Mint (Miscellaneous Services other than coinage).

48. A branch of a department constituted for the subsidiary service of that department, but employed to render similar service to another department, shall charge that other department e.g. workshops of a department, Dockyards.

49. A regularly organised store branch of a department shall ordinarily charge any other department for supplies made; but petty and casual supplies of stores may, if the supplying department consents, be made without payment.

50. Notwithstanding anything contained in the rules in this Chapter, a Government may permit inter-departmental adjustment in any case where such an adjustment is considered necessary in the interest of economy or of departmental control of expenditure.

51. General

Where under the rules in this Chapter payment is required to be made by one department of a Government to another, such payment shall, if the case so requires or if otherwise deemed necessary, include adequate charge for supervision or other indirect expenditure connected with the service or supply for which payment is made.