

**OFFICE OF THE CGDA, ULAN BATAR ROAD, PALAM, DELHI CANTT.-10**  
**IFA Section**

No. IFA/50/Vol. II

Dated: 3<sup>rd</sup> Feb.11

To

All PCsDA / CsDA / Pr.IFA / IFAs

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**Subject: Classification of Expenditure.**

A copy of Govt. Of India, Ministry of Defence (Finance Division) letter No. 2(2) B.I/2008 dated 13.01.11 in supersession of their earlier letters bearing No. PC-11(1)/Bud.I/2007 dated 25.09.07, 21.10.08 and 23.11.09, on the above subject, forwarded herewith, for information and compliance.

(Encls: as stated)

  
(Mahender Singh)  
Sr.Accounts Officer

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No.2(2) B.I/2008  
Government of India  
Ministry of Defence  
Finance Division  
New Delhi 110 011

Dated 13<sup>th</sup> January, 2011

To

The Chief of the Army Staff  
The Chief of the Naval Staff  
The Chief of the Air Staff  
CISC

Subject: Classification of expenditure

In supersession of earlier orders on the subject issued vide no. PC-11(1)/Bud.I/2007 dated 25.09.2007, 21.10.2008 & 23.11.2009, service-wise lists of items which are considered to be basically capital in nature but expenditure in respect of which was being booked to revenue heads have been identified afresh and it has been decided that expenditure in respect of these items shall be booked to the identified capital heads, subject to cost life criteria being met in individual cases. These items are listed in Appendices A to D to this letter.

2. In so far as motor vehicles are concerned it has been decided to dispense with the cost-life criterion and therefore expenditure on procurement of vehicles of all types irrespective of cost and life shall also be met from the capital head.

3. It has been decided that procedure as laid down in Defence Procurement Manual 2009, and further amendments thereto, will be followed for procurement of the identified items and the CFAs for sanctioning such procurements will be determined as per the extant delegation of financial powers for revenue procurement. However, off-sets shall not be applicable in respect of purchases under these orders.

4. The provisions of this letter are to be read in conjunction with other related orders on classification of expenditure between Revenue and Capital issued from time to time.

501

5. Separate category codes to monitor expenditure on capital procurement under the three streams, i.e., by Capital Acquisition Wing, under the delegated powers of the VCOAS, VCNS, DCAS & CISC and under the provisions of the aforesaid letters of 2007, 2008 & 2009, have already been allocated by the CGDA. The Service HQs and HQ IDS should therefore indicate the category codes along with the booking/expenditure heads in the contracts/Supply Orders. These category codes are as follows –

Procurement Agency	Category Code
Capital Acquisition Wing	02
VCOAS, VCNS, DCAS & CISC	03
Other CFAs, in accordance with the provisions of this letter	05

6. Capital items that were earlier being purchased from the capital budget following the capital procurement procedure cannot be purchased under the provisions of this government letter. Such items would continue to be purchased from the capital budget as per the procedure laid down in the DPP, as hitherto. Civil works that are required to be carried out as per the Defence Works Procedure are also not covered by the provisions of this letter.

7. The provisions of this letter would be reviewed after two years or earlier if considered necessary.

(Richa Misra)  
Director(Finance/Budget)

Copy to:-

- DG(Acq), AS(M), AS(A), AS(DP), AS & FA(Acq)
- All Joint Secretaries in the Ministry of Defence
- All Addl FAs & JS in the Ministry of Defence(Finance)
- All FMs
- JS(Budget), Ministry of Finance
- DGADS
- PDA( AF & N)
- CGDA- for circulation
- SO to Defence Secretary
- PPS to Secretary Defence Finance
- PS to Secretary (Defence Production)
- PS to SA to RM

*Handwritten notes and signatures:*  
 PDA (AF & N)  
 CGDA  
 SO to Defence Secretary  
 PPS to Secretary Defence Finance  
 PS to Secretary (Defence Production)  
 PS to SA to RM  
 21/11

**CLASSIFICATION OF EXPENDITURE: CAPITAL EXPENDITURE  
FOLLOWING REVENUE PROCEDURE  
ARMY**

S. No.	Nomenclature of items and the Revenue Minor Head under which expenditure is being presently booked under which	Minor Head of capital outlay under which to be booked
1	Procurement/ Replacement of vehicles/ Cranes/ buses/ trailers including Specialist Vehicles (Minor Head 110C)	102
2	Procurement / Replacement of Engineer Plant/Equipment/ Mult. Utility Machinery and enhancing their capability/ utility by Overhaul / Upgradation including repair (Minor Head 110E)	102
3	Procurement/Replacement of equipment/ assemblies/ sub-assemblies associated/ connected with operation of Aerial Vehicles (both manned or unmanned) alongwith payloads (Minor Head 110F)	102
4	Procurement/Replacement and installation of communication equipment, security systems, exchanges, power plants, net work related software, cables of all type & other associated equipment and enhancing their capability utility by upgradation including repair and provision of services (Minor Head 800)	103
5	Procurement / Replacement of armament/launchers & equipment and enhancing their capability/utility by Overhaul / Upgradation/ Repair (Minor Head 110C)	103
6	Replacement of assemblies including tank guns for enhancing utility/ capability - Minor Head 110C	103
7	Overhaul / upgradation including repair of Aerial vehicles (manned / unmanned) alongwith payloads for enhancing their capability/ utility (Minor Head 110F)	102
8	Procurement/Replacement of Crafts/Boats/Out Boat Motors for inland Water Transport and enhancing their capability / utility by Overhaul/ Upgradation including repair (Minor Head 110E)	103
9	Procurement/Replacement of simulators/ trainer equipment and enhancing their capability/utility by Overhaul/ Upgradation including repair (Minor Head 110C)	103
10	Upgradation including repair / modernization of facilities at workshops for enhancing their capability/utility (Minor Head As applicable from case to case)	103
11	Procurement/ Replacement of electronic and opto-electronic surveillance devices, access control and security related systems/ equipment and enhancing their capability/ utility by Overhaul / Upgradation including repair (Minor Head As applicable from case to case)	103
12	Procurement/ Replacement of Muzzle Velocity Radar /Muzzle Velocity Indicator (Minor Head 110C)	103

Navy

S. No.	Nomenclature of items and the Minor Head under which presently expenditure being booked	Minor Head of Capital Outlay under which to be booked
1.	Repair and Refits of Ships meant for enhancing the capability (Minor Head 106 'A')	204(d)
2.	Repair and Refits of Submarines meant for enhancing the capability (Minor Head 106 'B')	204(d)
3.	Repair and Refits of Aircrafts meant for enhancing the capability (Minor Head 106 'C')	101
4.	Procurement/Replacement /Repair/Refit of Naval Stores- Boats and Yard Crafts, Repair and Refit of Boats and yard Craft for enhancing the capability (Minor Head 110(a))	204(c)
5.	Replacement of WT Equipment, Communication and Electronic Warfare, Radars and Associated Equipments, Electrical Equipment Hydrographic equipment, Diving Equipment, Metrology Equipment, Aviation/Armament Equipment, IT Infrastructure and other Machinery & Equipment resulting in upgradation or enhancement of capabilities (Minor Head 110)	103
6.	Procurement/ Replacement of Mechanical Transport Vehicles such as - Heavy and Medium Vehicles, Specialist and Aviation Vehicles, Dockyard Vehicles (Minor Head 110(i))	102
7.	Security Equipments and systems ( Minor Head 110(a))	103

## Air Force

S. No.	Nomenclature of items in respect of which expenditure is presently being booked under Revenue Minor Head 110 & 800	Capital Minor Heads
	<b>MINOR HEAD-110</b>	
1	Vehicles including specialist Medical vehicles/ Aircraft Specialist Vehicles/ Airfield Support Vehicles	102
2.	Upgradation / Modernization of facilities at BRDs	103
3	Modification of Old engines to bring up to standard of new engines	101
4	Solid State Flight Data Recorder (SSFDR)	103
5	Ground Power Unit (GPU)	103
6.	Servicing Air Conditioning Trolley	103
7	Universal Hydraulic Servicing Trolley	103
8	Procurement of Drive Generator and installation kit for IAF Aircrafts	103
9	Procurement of Flash Card reader	103
10	Procurement of critical aggregates	101,103
11	Replacement of UAV along with payloads	101,103
12	Test Equipment GSE/GHE/Tools	101,103
13.	Technical life extension/overhaul (ROH)/re-equipment of Aircraft and systems	101
14	Procurement/Replacement of Aero engines on expiry of total technical life	101
15	Digital Met Data Dissemination System (DMDD System)	103
16	Additional Sites for IMMOLS	103
17	Network Station	103
18.	Procurement of booster and Accessories of VUHRFT set up-322 for Air Defence Radar Units	103
19	Procurement of V/UHF RT set for OSA-AK System	103
20	Procurement/ upgradation/ Refurbishment/ Replacement / Modification of existing aircraft, aeroengines, weapon systems and related equipments	101,103
21	Procurement/ Refurbishment/ Upgradation/ Replacement of missiles/rockets and related test equipments	103
22.	DRE/Non - Recurring cost, Capital Expenditure , Project cost for Setting up or creation of Facilities or infrastructure	103
23	Automation of Costing in IAF	103
24	Procurement of Microlight AC	101
25	Modernisation of ATCs, Hangers, Runways, workshops and communication facilities.	103
	<b>Minor Head-800</b>	
26	Specialist Adventure equipment and accessories	101,103
27.	Telephone exchanges/Bulk Encryption Unit for communication/Interconnecting equipment for various locations of Air Force including wireless and UG cables	103
	<b>Minor Head-110 &amp; 800</b>	
28	Procurement of rotables, Test equipments, machinery & equipment of all kinds including medical and security related equipment DG Sets & UPS	101,103



Joint Staff

Appendix D

S. No.	Nomenclature of items and the Revenue Minor Head under which presently expenditure was being booked	Relevant Head of Capital Outlay under which to be booked
	<b>Minor Head 112-Joint Staff</b>	
1	Earth Movers (JCB) & Tippers	Minor Head-104(2) Heavy and Medium Vehicles
2	Mini Bus	
3	Bus Long Chasis	
4	Water Browsers	
5	Ambulance	
6	Cranes-All types	
7	Tractors, Dozers, DFT etc.	
8	2.5 Ton, 6.5 Ton Vehicles	
9	Expenditure on creation of assets like Tele Exchange, Network Systems and Terminal Equpts	Minor Head 104(3) ; other Equpts
10	Hardware of Wireless Communication	
11	Tri -Service War Game Package	
12	Upgradation of Display System	
13	Crypto Systems/Devices/Algorithm Package	
14	Access Control Security System	
15	Data Fusion Centre	
16	Archivals and Retrieval System	
17	Conference System	
18	Auto Road Sweeping Machine	
19	Procurement of Marine Stores (Boats, yard Craft Floating Jetty)	
20	Group Special Mobile (GSM)/Code Division Multiple Access (CDMA) monitoring system	
21	Microwave (MW)/ Wireless Microwave Access (Wi-max)/Wireless Fidelity (Wi-fi) Interception systems and sub-systems	
22	Signal Analysis and Decoding Systems	
23	Time Division Multiplexing (TDM)/ Time Division Multiple Access (TDMA)/ Frequency Time Division Multiple Access (FTDMA)/ Digital Video Broadcast Return Channel Satellite Communication (DVB RCS )Monitoring systems and sub systems	
24	Internet Monitoring systems	
25	Very Small Aperture Terminal Voice (VSAT)/ Data Link systems	
26	Broadband Global Area Network (B-Gan) Interception Systems	
27	ATF Refueller	Minor Head 104(2), Code Head 951/42- Heavy Vehicles
28	Lorry 10 Ton	
29	Trailer (All types)	
30	Specialized Medical Vehicles/ Aircraft Specialist Vehicles/ Airfield Support Vehicles	Minor Head 104(3), Code Head 951/43- Other Equipments (JS)
31	Expenditure on Bulk Encryption Unit for communication/ interconnecting equipment including wireless and UG Cables	
32	Radio Trunk Systems	
33	Cellular Switching Systems	

34	HF/VHF/UHF/MW/Milli Metric Radio including Antenna/Towers/ Masts, Intercepting systems and Sub Systems	Minor Head 104(3) Code Head 951/43- Other Equipments (JS)	
35	Procurement of Flash Card Reader		
36	Signal intelligence gathering hardware including support sys		
37	Signal Intelligence Management Software and hardware Tools		
38	Network Vulnerability analysis tools		
39	Cyber Forensic tools		
40	Software and Hardware for signal intelligence capability enhancement (Language translation and word spotting SW etc)		
41	Procurement / Upgradation of Communication Bandwidth Manager Devices		
42	OFC interception and monitoring sys (Intrusive and Non Intrusive)		
43	Test Equipment GSE/GHE/ Tools		
44	Lightening protection systems and sub systems		
45	Software Licenses		
46	Upgradation of existing computer Hardware / Software		
47	Fire Detection and control system		
48	CCTV System		
49	Replacement of / Procurement / upgradation of Display System		Minor Head 104 (3) Code Head 951/43- Other Equpts (JS)
50	Machinery Trial equipment		
51	Condition Monitoring equipment		
52	Vibration Monitoring equipment		
53	Quality Control Equipment		
54	Simulators of all types		
55	LAN equipment		
56	Reverse Osmosis/ Desalination Plants		
57	Specialist Adventure equipment and accessories		
58	Point to Point satellite monitoring system and sub system		
59	Infrastructure for establishment communication monitoring stations ( Towers, Shelters and Platforms etc.		