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AT/IX/9504/Custom Duty

Dated: 06 .07.2016

To,

1. The PCDA (SC) Pune 2. PCDA (Navy) Mumbai 3. PCDA Bangalore 4. PCDA (AF) Dehradun 5. CDA Chennai 6. CDA Patna 7. CDA Secundrabad 8. CDA (AF) New Delhi 9. CDA Jabalpur.

**Sub: Payment of Customs Duties on Foreign Procurements of the Defence Services-Regarding.**

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Please find enclosed a copy of MoD ID No. 1(11)/D(Acq)/14 dated 06.07.2016 on the above subject issued with the approval of RM. The addressees are requested to take immediate necessary action as per the conveying sanction and SOP for payment of Custom Duty.

*Dalunda*  
ACGDA (AT)

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*Dalunda*  
ACGDA (AT)

**Ministry of Defence**  
[Acquisition Wing Secretariat]

**SUBJECT: PAYMENT OF CUSTOMS DUTIES ON FOREIGN  
PROCUREMENTS OF THE DEFENCE SERVICES-  
REGARDING.**

In terms of Ministry of Finance (Department of Revenue) Notification No. 14/2016-Customs dated 01.03.2016, exemptions under Customs Notification No. 39/96-Custom dated 23.07.1996, as amended from time to time at Sl.9, 9A and 10A have been done away with effect from 01.04.2016. Due to withdrawal of exemptions, CDEC can no longer be issued for contracts where their issuance is contractually mandated. For all such contracts and the future defence contracts entailing foreign procurements, customs duty will have to be paid by the importing Services/defence organisations at the ports of import.

2. Payment of customs duty is covered in standard contract terms which provide that all taxes, duties, levies etc., are to be paid in their respective countries by the Buyer / Seller. The customs duty levied in India will be paid by the defence importer. Accordingly it has been decided that there will be no requirement for fresh CFA approval and separate sanctions for payment of customs duty. The customs duties shall be payable with the approval of the Contract/Project Administration and Management authorities of Service Hqrs.

3. The Project Administration/Contract management authority of the Services/Defence organisations will issue payment office -wise budget allotments based on the contracts against which the deliveries are expected at the respective ports of imports. The said authorities will ensure adequacy of the budget to enable payment of the customs duties within the time stipulated by the Customs Deptt. The payment offices designated as CPOs (Customs Payment Offices) will make the customs duty payment on the basis of budget availability and the customs duty payment Challan (TR6). A detailed Standard Operating Procedure (SOP) is enclosed as **Annexure** for payment of customs duty.

4. The above procedure will be implemented with immediate effect.

5. McD(Fin) has concurred vide Dy.No.3641/SDF dated 30.06.2016.

contd'd..2/-

6. This issues with the approval of the Raksha Mantri.

**Encl. As above**



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

1. CISC
2. VCOAS
3. VCNS
4. VCAS
5. MGO
- ✓ 6. CGDA
7. DG (FP)
8. DGCG
9. ACAS (Plans)
10. ACNS (P&P)

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MoD ID No.1(11)/D(Acq)/14 dated 06.07.2016

Copy to:

- (i) PS to RM
- (ii) PS to RRM
- (iii) SO to Def Secy/PPS to Secy (DP)/PPS to Secy(DF)
- (iv) PS to DG(Acq)/PS to AS & FA(Acq)
- (v) All JSs MoD
- (vi) All Addl.FAs MoD(F)
- (vii) All FMs
- (viii) All TMs



SOP FOR PAYMENT OF CUSTOM DUTY ON FOREIGN PROCUREMENT  
(IMPORTS) OF THE DEFENCE SERVICES

INTRODUCTION

Consequent upon withdrawal of custom duty exemption on defence foreign procurement imports by the Govt. of India with effect from 1<sup>st</sup> April 2016, the importing Services are required to pay customs duty for the defence stores received at the air or sea port of delivery within a period of 72 hours. Customs Deptt have implemented a software system called ICEGATE for making online customs duty payment whilst linking their payment transaction documents. Customs Deptt has made it mandatory for each importer whether private or government to effect payments through ICEGATE. In order to streamline the payment modalities of Customs Duty and put in place a system of processing and remitting customs duty payment this Standard Operating Procedure (SOP) is being promulgated.

2. Through this SOP, port-wise DAD offices are being assigned the responsibility of making customs duty payment. These DAD offices will hereby be called **Customs Payment Offices (CPOs)**. The CPOs will process and pay customs duty within 48 hours of receipt of the following documents: -

- a. **Contingent Bill** indicating amount of customs duty payable and code head to which the expenditure is to be booked (*to be prepared by the executive authorities*).
- b. **TR6 Challan** (*challan given by the customs authority that serves as their payment authority and primary link document for effecting online payment through ICEGATE*).

Customs Duty being a mandatory government levy to be paid promptly, other than checking of fund availability, no pre-audit/ additional verification is necessary. For this purpose, the Services will ensure that CPO-wise budget allotments are provided and adequate budget is always made available to the CPOs.

3. Concerned PCDA/CDAs may redeploy their existing staff such that one AO, one AAO and 2 Auditors are available for functioning as CPOs for the designated offices under their charge. Wherever feasible, the CPOs maybe co-located with the Embarkation Hqrs/ Services' units responsible for customs clearance work.

4. The SOP is presented in five parts:-

- a. **Part-I:** Identified ports of import and the designated PCDA/CDA offices for processing Custom Duty bills.
- b. **Part-II:** Action to be taken by the Services.
- c. **Part-III:** Action to be taken by the Paying Authorities.
- d. **Part-IV:** Step by Step customs duty payment process from issue of IEC to filing of e-receipt.
- e. **Part-V:** General advisory.

**I. THE PORTS OF IMPORT FOR DEFENCE FOREIGN PROCUREMENT AND THE EXISTING /DESIGNATED PAYMENT AUTHORITIES:**

Sl No (1)	Port of Import (2)	Executive Authority (3)	User (4)	Designated PCDA/CDA (5)	Customs Payment Office (CPO) (6)
1	Mumbai [Sea port]	Embarkation HQrs (EHQ)	Army Navy Air Force	PCDA [SC] Pune	AO [DAD] Emb HQrs, Mumbai. \$
2	Mumbai [Airport]	Navy Air Force	Navy Air Force	PCDA [SC] Pune #	# AO [DAD] Emb HQrs, Mumbai
3	Chennai [Sea & Air ports]	Embarkation HQrs	Army Navy Air Force	CDA Chennai	CDA Chennai
4	Kolkatta [Sea port]	Embarkation HQrs	Army Navy Air Force	CDA Patna	Area Accounts Office Kolkatta
5	Hyderabad [Airport]	Air Force Navy	Navy Air Force	#CDA Secunderabad	# CDA Secunderabad
6	Vizag [Sea port]	Navy	Navy	PCDA, [N] Mumbai #	# Area Accts Office (Navy), Vizag
7	Kochi [Sea & Air ports]	Navy Army	Army Navy Air Force	PCDA, [N] Mumbai #	# Area Accounts Office (Navy) Kochi
8	Bangalore [Airport]	Air Force	Air Force	PCDA, Bangalore #	# PCDA Bangalore
9	New Delhi/ Hindon/ Ambala [Airports]	Air Force COD, New Delhi	Army Navy Air Force	CDA(AF), New Delhi #	# CDA(AF) New Delhi
10	Jamnagar (Airport)	Air Force	Air Force	PCDA, [SC] Pune	AO GE [AF] Jamnagar @
11	Gwalior (Airport)	Air Force	Air Force	CDA Jabalpur	AO GE [AF] Gwalior @
12	Nagpur (Airport)	Air Force	Air Force	PCDA [AF] Dehradun	JCDA [AF] Nagpur



13	Goa (Airport)	Navy	Navy	PCDA [N] Mumbai #	# Area Accounts Office (Navy), Goa
14	Port Blair (Airport)	Navy	Navy	PCDA [N] Mumbai #	# JCDA [Navy], Port Blair
15	Karwar (Sea port)	Navy	Navy	PCDA [N] Mumbai #	# Area Accounts Office (Navy), Karwar

#: New Setup                      @: To hold responsibility of CPO in addition to the existing work  
\$: AO (DAD) EHQ covers entire Army (Sea port & Airport) imports and OFB imports

## II. ACTION ON THE PART OF SERVICES

- (1) Each Service will obtain IEC [Import Export Code] from Director General Foreign Trade (DGFT) under Ministry of Commerce. Copy of Certificate of IEC of EHQ, Mumbai placed at **Annexure "A"** for reference.
- (2) On obtaining IEC, the Service[s] will register under Accredited Client Programme (ACP) with local Customs authorities at each import port. Copy of letter for Grant of Accreditation from Customs Authority at Mumbai is placed at **Annexure "B"** for reference.
- (3) Services will immediately initiate proposal for obtaining 'Capital' Custom Duty Code Head from CGDA HQrs office. Pending issue of separate code head on the Capital account, for the Capital procurements, the Services will process the customs duty payment bills against the capital budget allotment (*stores / machinery & equipment*) under which the procurement has been sanctioned.
- (4) Service HQrs will issue Budget Allotment letters also indicating an estimate of the Customs Duty payable in the financial year to the concerned Services units, PCDA/ CDA and the CPOs.
- (5) For payment processing, Executive Authority will prepare Contingent Bill (CB) indicating the Custom Duty amount and Code Head for booking expenditure. The CB will be signed by the **Officer Commanding** of the Services' unit. Contingent Bill alongwith TR6 Challan (*Customs duty payment authority issued by the Customs Authority at the port of import*) will be immediately submitted to the concerned CPO.

## III. ACTION ON THE PART OF PCDA/CDA/CPOs

- (1) Concerned PCDA/CDA will open a **Govt. Drawal Account** [Zero balance A/c] in SBI. Cheques of this SBI account will be held with the concerned CPO. This cheque series is to be intimated to SBI, alongwith the **Names and Specimen Signatures of the cheque signing officers** with the instructions that the said account will be strictly operated for making Customs Duty payment through 'ICEGATE'. Sample documents for opening and operation of this account are placed at **Annexure "C"** for reference.



(2) The CPOs will process and pay customs duty on the basis of the CB and TR6 challan. On receipt of CB and TR6 Challan from the Executive Authorities for consignments landing at Sea/Air ports, the bill will be immediately passed (within 48 hours) for payment. Punching medium will be prepared for booking to the respective consignee Code Head- Army, Navy, Air Force. Set of bill processing documents placed at **Annexure "D"** for reference.

(3) Cheque for payment will be issued from the SBI Drawal A/c in favour of "**Commissioner of Customs A/c [Concerned IEC holder]**" to the SBI alongwith the Bill of Entry and TR6 Challan. This cheque will be physically taken to the concerned desk at SBI by the rep of the CPO.

(4) Concerned SBI will immediately make e-payment of Customs Duty on behalf of the CPO through payment gateway of Customs i.e. ICEGATE. Presentation of the 'ICEGATE' operating procedure is placed at **Annexure "E"**.

(5) After making the payment, SBI will generate the e-receipt and hand over to the rep of the CPO. The original e-receipt will be handed over to the Executive for getting the goods released from the Customs authority. Copy of the e-receipt will be filed alongwith paid bill as proof of payment received by Customs Deptt.

#### **IV. STEP BY STEP PROCEDURE**

(1) Army, Navy & Air Force are to obtain IEC (Import-Export Code) from DGFT and Register for the ACP with local Custom Authorities at each import port.

(2) A Govt. Drawal [zero balance] Account will be opened with State Bank of India by the PCsDA/CsDA for facilitating SBI to make Customs Duty payment on behalf of CPOs through 'ICEGATE' portal of Customs. The cheques for this SBI account will be held by the designated CPOs.

(3) Contingent bills for making payment of Customs Duty supported by the TR6 challan generated by Customs Authorities will be received in the CPO from Embarkation Hqrs/Executives of Army, Navy & Air force for their respective consignments landing at Seaports and Airport. These Contingent Bills will indicate the amount payable and the code head (Revenue/Capital Customs Duty) to which the expenditure is to be booked.

(4) The CPO will verify the Contingent Bill amount with the amount reflected in the TR6 challan, confirm the fund availability, compile the expenditure through the punching medium and pass the bill for payment.

(5) After passing the bill, the CPO will prepare the cheque from the SBI Govt. Drawal account in favour of "**Commissioner of Customs A/C (concerned IEC holder)**". This cheque alongwith the IEC and TR6 Challan will be physically taken to the SBI. IEC and TR6 challan provided by the CPO are used by SBI to link and verify the amount to be paid to the Customs Deptt.

(6) SBI will immediately make the e-payment of Custom Duty on behalf of the CPO through the payment gateway of Customs i.e. 'ICEGATE'. After making the payment, the e-receipt generated from the ICEGATE will be handed over by SBI to the CPO rep there and then.

(7) \* The original e-receipt will be handed over to the Executive for getting the goods released from the Customs authority. Copy of the e-receipt will be filed by the CPO alongwith the paid bill as proof of payment received by Customs Deptt.

## V. GENERAL ADVISORY

(1) No cash assignment system, suspense booking, public fund account system will be operated by the concerned DAD / executive offices for customs duty payment processing and release. All transactions are to be completed within 48 hours of TR6 issue by customs authority and all payments are to be effected by the SBI online through ICEGATE.

(2) The Customs authority will issue the documents for effecting payment at the local port which may not always be co-located with the PCDA/ CDA designated as the main paying authority in the concerned defence contract. Also the CPOs may not necessarily be sub-offices of the primary paying authority. Therefore, based on the overall MoD sanction and the CPO-wise customs duty budget allotments, the designated CPOs will effect custom duty payments. **No separate sanctions and/or authorization from the primarily contract paying PCDA/CDA will be awaited / called for by the concerned CPO.**

(3) Eventually it is envisaged that the requirement for issue of cheques to SBI will be dispensed with and the customs duty payments will be effected through the SBI CMP online payment portal for Defence. For this purpose, SBI CMP payment platform will need to be interfaced with ICEGATE that would entail deliberations with SBI CMP and Customs authorities and modifications to the ICEGATE and SBI CMP online portal platforms.

(4) This SOP may be revised to incorporate the cheque free online payment methodology and any other policy / guideline impacting customs duty payments.

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