

GOVERNMENT OF KERALA

Abstract

Finance Department -Payment to Contractors - Introducing Bill Discounting System 2.0 -
Orders Issued.

FINANCE (BDS & GB) DEPARTMENT

G.O. (P)No. 123/2016/Fin

dated, Thiruvananthapuram 29/08/2016

Read:- 1. G.O.(P) No. 13/2015/Fin dated 12/01/2015
2. G.O.(P) No. 97/2015/Fin dated 25/02/2015
3. G.O.(P) No. 154/2015/Fin dated 27/04/2015

ORDER

The Government introduced a bill discounting system (BDS) vide the order read first above as a measure to ease the liquidity crunch faced by Contractors, given the paucity of resources with Government to defray bills without delay. However, the Banks later withdrew from the scheme on directions of RBI and the scheme which was running well, came to a halt. The RBI has reportedly held that the bill discounting system is a factoring arrangement and would tantamount to extending finance to Government outside the State Budget. The Government is convinced that the existing system is neither a factoring arrangement nor assistance to the Government but as the impasse continued, an alternative to the system became imperative.

2. Government have gone into details of the issue and are pleased to introduce a new system viz., 'Bill Discounting System 2.0 (BDS 2.0)' whereby Contractors will be given the option to obtain Promissory Notes against their pending bills from Government, for discounting the same before a financial institution. Government will bear half of the discounting charges subject to a maximum of 5% per annum. The system will be run through an e-platform developed by NIC. The detailed procedure of the scheme is as follows-

- I. Pending bills of contractors for a particular month will be prepared in accordance with State-wide seniority and Government will issue orders sanctioning payment of these bills on a future specific date.
- II. Contractors, who opt for this scheme for discounting the promissory notes, shall submit an application to the Divisional office concerned in Form No. I (manually) noting the current account number to which the eligible amount is to be credited.
- III. The Divisional Office will issue Form II generated from the software specifying the details of bills, Power of Attorney holder, the current account number to which the amount to be credited etc. The Divisional offices shall confirm the current account number from the Bank concerned through the software and shall obtain certification in Form I from the Bank.
- IV. The Divisional officer shall send a digitally signed letter to Finance Department intimating the request of the contractor through the software made for the purpose in Form no. III.
- V. Government after processing the request shall issue a Promissory Note in Electronic Form to the Contractor against the bill. Contractor may obtain the copy of this Promissory Note from the Division.
- VI. The Contractor shall present the Promissory Note to a Financial Institution for discounting the same. The Bank concerned will be enabled to view this Promissory Note by login to the software.
- VII. The Bank which discounts the Promissory Note shall immediately issue a digitally signed certificate to the Contractor in Form IV through the software, which the Government will be enabled to view. In any case, the Contractors shall obtain this certification at least 20 days prior to the scheduled date of payment for enabling Government to make prompt payment.
- VIII. Government will re-imburse half of the discounting charges to the Contractor, subject to a maximum of 5% p.a.
- IX. The Under Secretary/Deputy Secretary, Finance (Accounts A) Department will draw the Promissory Note amount and eligible portion

of discount amount and credited the same to the SB account opened for this purpose at State Bank of Travancore, Main Branch, Thiruvananthapuram by debiting the expenditure to the head of account 8782-00-102-98 well in advance. This amount will be credited to the current account of the PN holders on the scheduled date of payment.

- X. The Divisional /Sub Divisional officer shall submit Form TR 59(E) along with work bills to the transacting treasuries corresponding to the promissory Notes and discounting charge on the scheduled date of payment. The bill shall contain deduction items like Revenue, Income Tax, VAT, KCWWF etc.
- XI. The Treasury Officers concerned shall authorise the bills by debiting the respective functional head of account and transfer credit the net amount to the head of account 8782-00-102-98 after effecting statutory deductions on setting the claim to the banks.

The new scheme shall come into force with immediate effect and will replace the existing Bill Discounting System. However, the Government will honour all its commitments to the transactions already carried out as per the existing system. The forms prescribed above are appended to this order.

By order of the governor,

KM Abraham
Additional Chief Secretary(Finance)

To

The Principal Accountant General (A&E), Kerala, Thiruvananthapuram
The Principal Accountant General (G &SSA), Kerala, Thiruvananthapuram
The Accountant General (E&RSA), Kerala, Thiruvananthapuram
All Additional Chief Secretaries/Principal Secretaries/Secretaries/Additional Secretaries/ Joint Secretaries/Deputy Secretaries to Government
All Heads of Departments and Offices

All Departments/ All Sections of Government Secretariat including Law and Finance.

The Advocate General, Kerala, Ernakulam.

The Registrar, High Court of Kerala, Ernakulam

The Secretary to Governor

The Private Secretary to Chief Minister and Other Ministers

The Private Secretary to the Leader of Opposition

The Private Secretary to Speaker/Deputy Speaker, Kerala Legislative Assembly

Additional Secretary to Chief Secretary

The Chief Engineer, PWD(Roads & Bridges/Buildings), Thiruvananthapuram

The Chief Engineer, I&A/Project II, Thiruvananthapuram.

The Chief Engineer, Project I, Cauvery House, West Hill Kozhikode.

The Public Works Department/Water Resources Department

The Web & New Media, PRD- webprd@kerala.gov.in

The Nodal Officer, Finance -info.fin@kerala.gov.in

The Technical Director, NIC, University campus, Palayam

The Director of Treasuries, Thiruvananthapuram

The District treasury officer, Thiruvananthapuram

All Banks participating BDS

Stock File/Office Copy

Forwarded/By Order



Section Officer

Form No. I

Consent letter of Contractor

I (name and address) (PAN) /
..... (AADHAR ID) desire to opt the Bill Discounting System vide
123/2016/Fin dated 29/08/2016 and I hereby agree to credit the amount due to me
on account of the following bills to the current account noted below.

Sl. No.	Bill ID	Amount due to the contractor	Name of Bank branch and IFSC code.	A/C No
1				
2				

I hereby certify that the above information is true and correct to the best of
my knowledge. I shall solely be responsible in case of any mistake in the above
information and will not make any claim which may arise due to such mistake.

Signature:

Name :

Date :

Confirmation of Account No. by Bank

Certified that the account No(IFSC code & Account No.).....
noted above is confirmed.

Signature of Branch Manager

FORM II
SUMMARY OF BILLS DUE

No.....

Date.....

Ref:- 1. G.O.(P) No. 123/2016/Fin dated 29/08/2016

Certified that the following bills with particulars indicated
below are payable to

Mr/Mrs/M/s.....(name of eligible person for payment)

----- (Address 1)

----- (Town/Village)

----- (District)

----- (PINCODE).

SI No	Bill ID	Bill Date	Name of work	Amount due to Contractor	Schedule d date of payment	P.A. Holder, if any

(Mr/Mrs/M/s)....(name of eligible person for payment)..... has requested to credit the above amount to the current account No.....of the Branch (IFSC code.....) of the(Name of Bank) on the scheduled date of Payment noted above as per the Bill Discount System 2.0. Please verify and confirm the correctness of the account number in Form No I.

Executive Engineer/Assistant Executive Engineer

(OFFICE SEAL)

To

The Manager,

.....Branch

.....Bank

.....Address

Form No. III

(Letter to Finance Department by Divisional Officer)

No.....

Dated...../...../

From

The Executive Engineer
Name of Division

To

The Secretary(Finance)

Sir

Sub:- Request to issue PN to the contractor – Reg

Ref :- G.O.(P) No.123/2016/Fin dated 29/08/2016

I am to inform you that Sri/Smt/M/s(Name of the eligible person for payment) has requested this Division for Promissory note against his bill noted below as per the order referred to above. I am to inform you that the contractor is eligible for the following amounts. The contractor has also requested to credit this eligible amount to the Current Account No. of the Branch (IFSC Code) of the Bank. The account No. has been verified from the Bank.

Sl. No.	Bill ID in EMLI	Net Amount (Rs.)	Due date of payment
1			
2			

Necessary discharges have been made against the bill. Kindly issue Promissory note against the bills referred to above and to credit the eligible amount to the account No.....of the Brach(IFSC Code) of the Bank on the scheduled date of payment.

Yours Faithfully

Executive Engineer.

Form No. IV

No.....

Dated...../...../

From

The Manager
Name of Bank

To

Sri/Smt/M/s.....(Name of Contractor)

Sir

Sub:- Discount Charges to contractor - Details of payment made to the contractor - Reg

Ref :- G.O.(P) No.123/2016/Fin dated 29/08/2016

I am to inform you that the following Promissory Notes have been discounted as per request.

Sl. No.	Bill ID	PN No & date	PN Amount	Percentage of discount	Amount paid to the contractor	Discounted date
1						
2						

This certificate is issued to produce before Government of Kerala to avail of the reimbursement for the eligible portion of discount charges.

Yours Faithfully

Manager

PROMISSORY NOTE

THIS PROMISSORY NOTE dated _----- day of -----

Government of Kerala

(First Party)

hereby acknowledges the liability of payment of Rupees

----- (Rs-----) to

----- (name of contractor)

(Second Party)

The Government of Kerala (First Party) hereby promises to pay to the Second Party the principal sum of Rupees and paise (Rs....., ...Paise) being the sum that represents the value of the payment against Bill ID(s)..... to for the work executed by for the Department of the Government of Kerala.

The First Party will pay the Second Party in full on(date) through the Second party's Current Account No.....opened at.....branch (IFSC Code.....) of the..... Bank. If the scheduled date of payment becomes a holiday, payment will be effected on the next working day.

Notwithstanding any contrary statements contained in this Note, if the First Party defaults on payment of this Note or any other obligation set forth herein, and default continues after the second party notifies the First Party of the default and the period within which it must be corrected, as may be required by law, then the second party may declare the unpaid principal balance, and any accrued

interest, immediately due and payable and such amount shall be payable with interest at 12% per annum on the unpaid amount.

This Note being an instrument under Section 4 of the Negotiable Instruments Act, 1881 shall be bound by this and applicable laws of India.

First Party represented by Secretary, Finance Department,
Government of Kerala

(Signature)

(seal)

Place:

Date:

Identification details of the Contractor/ Power of Attorney whose bills have been discounted

Name.....

Address.....

.....

.....

PAN/TAN/Adhaar No.....