

ADVANCE FOR THE PURCHASE OF MOTOR CAR

Advances for the purchase of motor cars are sanctioned subject to the provisions of Articles 227, 228, 229 and 230 of Tamil Nadu Financial Code Vol.I.

(1) ELIGIBILITY:

A Government servant is not eligible for an advance unless the Government or the Heads of Departments consider that it is desirable in the interests of the public service that he should use a motor car in the discharge of his duties.

All Government servants who have rendered 6 years of continuous regular service or who have been confirmed in a service on the date of application and who are drawing Grade Pay of Rs. 2800- and above are eligible for the advance. The IAS, IFS and IPS probationers are also eligible for the advance irrespective of their pay.

No application shall be entertained from a Government servant on Extraordinary Leave/ under suspension and no advance shall be sanctioned or disbursed to a Government servant under suspension or against whom serious charges are pending.

Government servant drawing less than 1/3rd carry- home salary, on the date of sanction, is not eligible. "Carry-home salary" is the money left behind from the gross salary and allowance after making all deductions there from in a month.

(2) AMOUNT OF ADVANCE:

The quantum of advance for purchase of new motor car has been enhanced in G.O.Ms.No. 467 Finance (Salaries) Department dated: 22-9- 2009 as indicated below :

<u>Scale of pay of the Government Employee</u>	<u>Maximum Amount Admissible</u>
(a) Pay Band 4 and above	Rs.6 lakhs
(b) Pay Band 3	Rs. 5 lakhs
(c) Below Pay Band 3 till Grade Pay of Rs.2800/-	Rs.3 lakhs.

The advance should not exceed the above amount or 40 months basic pay(includes pay, grade pay, special pay and personal pay) or the **actual price** of the new motor car to be purchased whichever is less.

As per Article 230(b)(2)(iv), the expression '**actual price**' includes sales tax and the cost of such items, e.g. spare wheel, tyre and tube on the purchase of which the purchaser has no choice. It does not, however, cover the cost of certain

accessories, e.g, radio in a car, plastic covers, which are not essential; and are purchased by the customer of his own volition. It will also cover the cost of transportation of the conveyance up to the place of duty of the Government servant concerned at the time of purchase irrespective of whether the transport is arranged by the distributor or by the Government servant himself and the octroi charges actually paid.

(3) CONDITIONS:

The grant of an advance is subject to the following conditions :

A Government servant is not eligible for an advance on account of a motor car of which he has already taken delivery when he submits his application for an advance.

No advance should be granted when a previous advance is outstanding.

No advance shall be given for the purchase of second hand motor cars - G.O.No.467 Finance (Salaries) Department dated: 22-9- 2009.

A Government servant may purchase Motor Car of any make, 'Maruti Omni Van', 'Maruti Jeep (Gypsy) etc.

The employee need not possess driving licence for the sanction of loan - Govt. letter No. 62367/Sal/90 Finance Department dated: 21.08.1990.

Advances for the purchase of Motor Cars shall be sanctioned only on production of written evidence to show that an allotment has actually been made by the Government / the Commissioner of Treasuries and Accounts to the applicant.

A Government servant may be allowed to draw the advance sanctioned to him at any time during the leave, if he receives intimation regarding the availability of the conveyance while he is on leave. The recovery of advance in such cases, will however commence with the first month of pay or leave salary after the advance is drawn.

No advance is admissible to Government servants for the purchase of a motor car abroad, either while on leave or on deputation out of India.

The Government servant who having applied for the advance for the purchase of a conveyance as admissible under the rules could not be sanctioned such an advance due to non-availability of funds or in whose case due to anticipated delay in sanctioning the advance, there is an obvious need for raising temporary loans to purchase the conveyance, should obtain prior permission from the prescribed authority under the relevant conduct rules applicable to him for raising a temporary loan to meet the expenditure in the purchase of conveyance and if that authority is different from the advance sanctioning authority, he should keep the sanctioning authority informed of the permission obtained under the conduct rules.

In the case of Government servants drawing the advance in higher officiating or temporary posts, the sanctioning authorities shall use their discretion in

sanctioning the advance only to such of those who are not likely to be ousted or reverted to lower posts, or where reversion to lower posts may not create difficulties in recovering the advance – Note under Article 227(2).

(4) PROCEDURE FOR DEALING WITH THE APPLICATIONS:

A Government servant who requires and is eligible for an advance for the purchase of a motor car should submit his application in Form 12 with an agreement executed by him in Form 13 to the Sanctioning Authority, viz., the Secretary to Government, Head of Department / Collector (in respect of Revenue Department) through the proper channel. If the application and the agreement are in order, the sanctioning authority should certify on the applications that they have scrutinized the applications with reference to rules and that they have satisfied themselves that the applicants are eligible for the advance and inform the Commissioner of Treasuries and Accounts who will certify the availability of funds to the sanctioning authority with a copy to the Pay and Accounts Officers / Treasury Officers concerned. Soon on receipt of funds availability certificate, sanction may be accorded.

As per Article 229, the sanctioning authority should specify in the sanction order a date by which the advance should be drawn, which should be not more than two months later than the date of the latest certificate of availability of funds issued by the Commissioner of Treasuries and Accounts.. If the amount is not drawn by the specified date, the sanction order shall lapse and the same cannot be revalidated.

All sanctioning authorities should intimate to the Commissioner of Treasuries and Accounts promptly, all cases where the applications for advances are rejected or withdrawn after his certificate of availability of funds was obtained and where advances could not be drawn within two months from the date of certificate of availability of funds. The amount allotted shall be drawn before the end of the financial year concerned by the concerned sanctioning authority. The sanctioning authorities shall inform the Commissioner of Treasuries and Accounts about the details of such amount not drawn before 15th March of every year, so as to enable him to surrender the amount to Government before 31st March every year.

In the bill claiming the advance for purchasing a motor car, the Drawing Officer should furnish a certificate to the effect that a written assurance has been received from the dealer that the conveyance will be available to him within a month from the date of drawal of the advance.

The cheque should be given in the name of the vehicle dealer from whom the Government servant intends to purchase the motor car - G.O. No. 431 Finance (Salaries) Department dated:11-8-1997.

As per Article 230(b)(2)(iv) introduced in Government letter no.3002/S-II/91-9 Finance (Salaries) Department dated: 26.05.1993, if the actual price of the Motor Car paid by the Government servant is less than the amount of advance, he shall refund the balance to Government forthwith.

If the actual value of the car purchased is below the ceilings prescribed, the admissible advance will be restricted to the cost of the vehicle including taxes, registration and insurance - G.O. No. 467 Finance (Salaries) Department dated :22-9-2009.

*A Government servant who draws an advance should pay for the car and take delivery of it **within one month** from the date of drawing the advance; otherwise he should repay the Government the full amount of the advance drawn with interest on it for one month. The date of remittance to the seller shall be the date of purchase and one month time limit shall be calculated from the date of drawal of advance or the date of remittance to the seller whichever is earlier - Govt. letter No. 90600/96-1 Finance (Salaries) Department dated :14.02.1997.*

*If he completes the transaction within one month allowed, he should immediately execute a **mortgage bond in Form 14**, hypothecating the car to the Government as the security for advance. He should enter the actual price paid for that car in the schedule attached to the bond. The sanctioning authority should see that the borrower completes the transaction within the time allowed and makes the necessary repayment immediately. If he duly completes the transaction in time, the sanctioning authority should see that he immediately submits the mortgage bond in Form 14 duly executed.*

The sanctioning authority may condone in exceptional circumstances the failure of the loanee to make the purchase of the conveyance within one month from the date of drawal of advance, by granting extension of time for a further period of not exceeding one month, when they are satisfied that the applicant will be genuinely utilizing the money for the purchase of the car well within the extended period. The Head of Department may extend the time for purchase of vehicle up to three months from the date of drawal of advance - G.O.Ms.No.587 Finance (Salaries) Department dated :17.11.1997.

Government will be the authority to condone non-fulfilment of other conditions governing the grant, such as failure on the part of Government servants to insure the conveyance within one month of the date of purchase of the conveyance etc.

In the case of non-compliance of rules in the purchase of vehicles, the advance along with the interest and penal interest should be remitted into the Government Account in lump sum. If the loanee fails to remit the amount in lump sum, the amount may be recovered from his salary in one lump sum.

When a Government servant who is on Foreign Service requires an advance for the purchase of a motor car, he should apply to his parent department through the foreign employer for its sanction. If sanctioned, the amount of advance/ interest being recovered from his salary towards the motor car advance/interest should be remitted into the correct head of account of the Government.

The Government will be the authority to sanction advances to the Heads of Departments.

(5) SCRUTINY OF THE DOCUMENTS BY THE COMMISSIONER OF TREASURIES

AND ACCOUNTS:

The sanctioning authority should transmit the mortgage bond in Form 14 along with the first two pages of R.C. book with endorsement effecting the transfer of the vehicle in favour of the loanee, the comprehensive Insurance Policy, invoice, cash receipts issued by the car dealer (attested copies only) etc., promptly to the Commissioner of Treasuries and Accounts for scrutiny. After scrutiny, the mortgage bond along with other documents will be returned to the sanctioning authority.

(6) SELLING A CAR PURCHASED OUT OF GOVERNMENT LOAN AND

PURCHASING A NEW CAR:

A Government servant who sells his old car when he goes on leave on condition that the firm shall supply him with a new car on his return from leave, may, soon after taking delivery of the new car apply for advance not exceeding the amount which he has actually paid in cash towards the price of the new car.

Except when a Government servant proceeds on leave other than leave on average pay not exceeding four months, or retires from the service, or is transferred to an appointment the duties of which do not render the possession of motor car necessary, he may not without the previous sanction either of the Government or of the Heads of Departments sell a car purchased with the aid of an advance which, with the interest on it has not been fully repaid.

Whenever a Government servant sells a car before completing the repayment of an advance (with interest) received from the Government, he should remit the sale-proceeds, towards the repayment of the outstanding balance due to the Government. If however, the borrower sells the car only in order to purchase another car the Government or the Heads of Departments may permit him to apply the profit earned on the sale of old car purchased with the Government advance towards the purchase subject to the following conditions:

(i) If the profit earned on the sale of old car purchased with the Government advance exceeds the cost of the new car, the Government servant should pay the excess to the Government immediately. Where, however, the amount of advance outstanding exceeds the sale proceeds of the old car as also the cost of the new car, the Government servant, should repay that amount of outstanding advance which is in excess of the cost of the new car. If a Government servant sells an old car purchased out of Government loan or by private means and applies to the Government for an advance for a new car within a period of two years of such sale, he should reserve the profit earned on the sale of old car purchased with the Government advance for purchasing a new car, if he were to finance the purchase

by an advance from Government. The Government will advance as loan only the additional amount required for purchasing a car after deducting profit earned on the sale of old car purchased with the Government advance or the maximum allowed under the rules, whichever is less. No further advance will be granted to a Government servant who already possesses a motor car purchased with the aid of an advance from Government and gives it away as gift.

(ii) The Government servant should continue to repay the amount outstanding by monthly instalments already fixed. The new car should be mortgaged and insured to the Government as required by the rules.

(7) SECOND ADVANCE:

As per Article 230(b)(2)(v), introduced in Government letter no.3002/S- II/91-9 Finance (Salaries) Department dated : 26.05.1993, a second or subsequent advance for the purchase of a Motor Car will be admissible only after the lapse of a minimum of four years reckoned from the date of drawal of the last advance. The restriction of four years will not however, apply in the following cases :

(a) Where an advance had been allowed earlier for the purchase of Motor Cycle / Scooter but it is desired to draw an advance for the purchase of a Motor Car.

(b) Where a Government servant disposes of his Motor Car in India prior to his posting abroad or deputation / training abroad lasting for more than one year and returns to India without a Motor Car.

In cases where the car purchased from the Government loan is sold within five years of the date of sanction of loan or date of purchase of the car whichever is earlier and a fresh advance is applied for, the advance should be restricted to the purchase price of the new car less profit earned on the sale of old car purchased with the Government advance - [Note (1) under Article 230(b)(5)(iii)].

A further advance may be sanctioned to a Government servant for the purchase of a second motor car when he already has a car bought with the aid of an advance on account of which there is a balance still outstanding provided that it is shown to be clearly desirable in the public interest for him to possess two cars, and provided that the total amount outstanding against him at any one time on account of both advances does not exceed the permissible maximum.

As per Article 230 (b) 3 (ii), second advance for purchase of a new vehicle may be sanctioned only after the old vehicle has been sold and the amount of advance shall be the eligible amount less the amount received on selling the old vehicle.

Second Advance may be sanctioned at the discretion of the sanctioning authority in cases where the car already purchased using the advance is stolen or unserviceable and no amount is pending recovery towards the advance – Govt. letter No. 62367/Salaries / 90 Fin (Sal) Dept dated: 21.08.1990.

(8) MORTGAGING THE MOTOR CAR AND ITS RELEASE:

After the prescribed mortgage deed in Form 14 is executed within a period of one month from the date of disbursement of the advance, the mortgage deed should be obtained by the sanctioning authority, signed it on behalf of the Governor of Tamil Nadu and kept in safe custody.

The mortgage bond should be executed on thick quality paper and written neatly or typed on only one page leaving the reverse page blank. Sufficient margin on both sides and at the top and bottom has to be left. Any corrections, over writings or interlineations in the bond should be attested by the loanee Government servant. It is not necessary that the loanee Government servant and the countersigning officer who signs on behalf of the Governor, should sign the bond on the same date. The date to be specified in the preamble of the bond may be filled up when the bond is signed by the officer executing on behalf of the Governor. The signature of the two witnesses need not be dated and even if dated on different dates, the validity of the bond is not affected.

The car mortgaged to the Government should be released to the Government Servant (or his successors-in-interest) immediately after the advance and the interest thereon has been repaid in full, by an endorsement on the mortgage deed to the effect that the full amount has been received and the mortgage is extinguished. An undertaking in writing should also be obtained from the loanee Government Servant, before the release of the mortgage deed, to the effect that if subsequently any amount is found to be due from him to the Government, he agrees to the recovery of the amount from his pay/pension/Death -cum-Retirement Gratuity due to him. In the case of self drawing officers, the deed may be released after obtaining recovery particulars from the Treasury Officers or Pay and Accounts Officers concerned - Govt. letter No. 693 / Pension 92-5 Finance (Salaries) Department dated : 06.07.1992.

(9) INSURANCE:

The mortgage bond to be executed by a Government servant who draws an advance provides that he shall keep the car insured against loss or damage by fire, theft or accident. He should effect with the Life Insurance Company which is prepared to insert in the Insurance Policy a clause indicated in Form TNFC 15, the necessary insurance within one month from the date of purchase of the car.

If the borrower fails to insure the car on comprehensive basis within the prescribed period he should refund the whole of the advance with the interest that has accrued on it. The amount for which the car is insured during any period should not be less than the outstanding balance of the advance with the interest that has accrued at the beginning of that period and the insurance should be renewed from time to time until the amount due is completely repaid. If at any time the amount for which the car is actually insured is less than the outstanding balance if the advance

including the interest that has already accrued, the Government servant should refund the difference to the Government in not more than three monthly instalments.

The Heads of Offices as well as the Sanctioning Authorities should watch the insuring of the cars and the renewal of the policies. Lapses such as (i) delay in insuring the vehicles on comprehensive basis (ii) delay in renewing the insurance policies should be viewed seriously and the fact entered in personal files of the loanee Government servants concerned. There should not be any negligence in complying with the above orders of the Government.

(10) REPAYMENT OF THE ADVANCE :

The Head of Office / Drawing Officer shall maintain three registers, viz., (1) Loan Sanction Register, (2) Individual Loan Sanction Register and (3) Loan Recovery Register in Forms 23B, 23C, 23E/23F respectively to record sanction and recovery of all long term advances such as Marriage Advance, House Building Advance, Motor Car Advance and Motorized Two Wheeler Advance to Government Servants – Article 227 (4)(c).

The advance given to the Government Servant, together with the interest thereon shall be repaid in full by monthly instalments. First, the recovery of the advance shall be made in not more than 200 equal monthly instalments (the last instalment may or may not be equal) by compulsory deductions from the salary of the borrowing Government Servant and thereafter interest shall be recovered. The recovery of principal shall begin with the first payment of full month's salary after the advance is drawn. If the total amount of interest to be charged does not exceed the amount fixed for equal monthly instalments for recovery of the principal, it should be recovered in a single instalment, otherwise it should be recovered in instalments not exceeding that amount. The Officer who disburses the advance is also responsible to watch and effect recoveries. When a Government Servant is transferred, full details of the pending loans shall be noted in the Last Pay Certificate.

A loanee Government servant may repay two or more instalments at the same time – Article 227 (4) (a).

If an advance is granted to a Government servant who is due to retire or whose services are likely to be terminated within the period prescribed for its repayment, the number of instalments shall be so regulated that the repayment of the advance with interest is completed before retirement or termination of service, as the case may be - Article 227 (4)(b).

After the commencement of recovery towards Motor Car Advance, if the vehicle is stolen, the loanee shall first make a complaint in the nearest police station. After filing First Information Report, if the police authority declares that the vehicle could not be traced out, the loanee should remit the compensation, offered by the Insurance company from a Comprehensive Insurance Policy into the Government account and the balance amount with interest should be recovered in one lump sum

or in monthly instalments - Govt. letter No. 49367 / Salaries / 99-1 Finance (Salaries) Dept. dated: 22.09.1999.

(11) INTEREST:

The advance shall carry simple interest from the date of payment of advance and the interest will be calculated on the balance outstanding on the last day of each month. If the total amount of interest to be charged does not exceed the amount fixed for equal monthly instalments for recovery of the principal, it should be recovered in a single instalment. Otherwise, it shall be recovered in amounts not exceeding the monthly instalments fixed for the repayment of the principal. The recovery of interest should begin with the salary of the next month after the repayment of the principal is completed. The rate of interest fixed by the Government from time to time and current at the time of disbursement of the advance will be applicable to the advance sanctioned.

The interest rate for the year 2012-2013, issued in G.O.No. 203, Finance (Loans and Advances Cell) Department Dated: 8th June 2012, is 11.50%. The interest rate for the years 2010-2011 and 2011-2012 (issued in G.O.No. 131 Finance (Loans and Advances Cell) Department Dated: 5th May, 2011) is 11.50%.

The recovery of the interest shall be commenced immediately after the recovery of the principal is over. The interest accrued on the advance should be calculated and orders issued by the heads of offices.

In respect of any outstanding advance, no interest should be charged beyond the period of retirement of the Government Servant and the amount should be adjusted in the Death-cum-Retirement Gratuity - Article 227 (4)(b).

CALCULATION OF INTEREST

The methods of calculation of interest are given below:

(i) Recovery is made in equal instalments:

$$\text{Interest} = \frac{n(n+1)}{2} \times \frac{\text{Amount of Instalment}}{12} \times \frac{r}{100}$$

[n = no of instalment
r = rate of interest]

(ii) Partly paid in equal instalments and the balance in lump sum:

$$\text{Interest} = \frac{n(A+L)}{2 \times 12} \times \frac{r}{100}$$

[A = Principal
L = Lump sum remittance
n = Instalment including lump sum remittance
r = Rate of Interest]

(iii) Recovery is not in equal instalments:

$$\text{Interest} = \text{Total of the amount pending recovery from the beginning to the last month of recovery (salary payment)} \times \frac{1}{12} \times \frac{\text{rate of Interest}}{100}$$

(12) PENAL INTEREST:

Penal interest for the delayed re-payment of monthly instalments is fixed by the Government from time to time (Penal Interest for the year 2012-2013: 2.5 %). Where the Government servants retain the advance without purchasing the conveyance stipulated beyond the stipulated period of one month only the normal interest should be charged for the first month and for the period in excess of one month, penal rate should be charged, as per Article 230(c)(3), as detailed below :

- (i) The period of one month will be a calendar month from the date of the drawal of the advance.
- (ii) The panel rate of interest will be calculated on the balance outstanding for the actual period in excess of one month (including fraction of a month) and not on the monthly balances as in the case of recovery of advance.
- (iii) The penal rate of interest has to be charged upon all overdue instalments, merging the interest with the principal at monthly interest for the purpose of calculating future interest. The authority sanctioning the advance for the purchase of a conveyance has no discretion to levy simple interest in such cases.
- (iv) When the period of one month is extended by competent authority, the penal rate will be charged with effect from the date following that on which the extended period expires.

The following example, given in Article 230(c) (3), will illustrate the procedure to be followed:

“A” was sanctioned an advance of Rs.7,500/- on the 30th March 1983 repayable in 50 instalments of Rs.150/- each. He refunded Rs.150/- each on 01.04.1983 and 01.05.1983. the interest will be charged as follows :

30.03.1983 to 31.03.1983 on Rs.7,500/- at the normal rate.

1.4.1983 to 29.4.1983 on Rs.7,350/- at the normal rate (Rs.150/- refunded on 1.4.1983).

30.4.1983 on Rs.7,350/- at the penal rate.

1.5.1983 to 31.5.1983 on Rs.7,200/- at the penal rate (Rs.150/- refunded on 1.5.1983) and so on.

The penal rate of interest for this purpose will be the penal rate of interest on all overdue instalments fixed by the Government for that year.

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