

Government of Rajasthan

Finance (Financial Rules) Department

No. : F. 2(1)FD/G&T-SPFC/2017

Jaipur, Date: 30.03.2026

Order

Sub: Clarification regarding requirement of mandatory prior registration from the countries sharing land border with India-Restrictions under FD order date 15.01.2021

In continuation of clarification issued vide FD's order of dated 30.03.2021, the following clarifications are being made in the referred order regarding the applicability of registration under FD order date 15.01.2021 due to further clarifications issued in point no. 12 and 13 of Manual for Procurement of Goods, Second Edition, 2024 issued by Department of Expenditure under the Ministry of Finance, Government of India.-


1. The proprietary purchases are not excluded from the provisions of FD order date 15.01.2021
2. The Rule is applicable to all purchases irrespective of the order value.
3. Sub-contracting is not permitted by any contractor to a contractor from a country sharing a land border with India unless registered with the Competent Authority. However, it is to be noted that procurement of raw materials, components, sub-assemblies, etc., does not constitute sub-contracting. In case a bidder has proposed to supply finished goods procured directly/indirectly from the vendors from the countries that share a land border with India, such vendor will be required to be registered with the Competent Authority as per provision of FD order date 15.01.2021
4. There is no bar on the contractor from procuring raw material from a firm that has been acquired by another firm belonging to a country that shares a land border with India.
5. Contract Manufacturing outside India: if the bidder is getting the subject product manufactured outside India, this is treated as contract manufacturing, and beneficial ownership of the actual manufacturing entity must be verified. If the actual manufacturer does not meet the beneficial ownership criteria then the bidder must submit Department of Promotion of Industries and Internal Trade under the Ministry of Commerce and Industries or Industries Department, Government of Rajasthan for registration of such manufacturer to participate in the procurement.
6. The hiring of Services: Suppose a Bidder (Indian/Foreign) who is not from a country sharing a land border with India offers services to a procuring entity by arranging equipment from another company. Then, the following scenarios may appear:-

S. N.	Scenario	Applicability of FD order date 15.01.2021
(a)	The equipment/ goods have been purchased or will be purchased from a company (manufacturer) from a country that shares a land	The bidder has procured certain goods to offer the requisite services to a procuring entity. In such case, the bidder does not fall within the

	border with India	definition of the term "bidder" as defined under FD order date 15.01.2021 do not apply to this case.
(b)	By entering into a MOU lease agreement with the company (who owns the equipment/goods) from a country that shares a land border with India.	Here, the bidding vendor proposes to hire services from a company that belongs to a country that shares a land border with India. This prima facie becomes the case of an Indirect supply of services by a company that owns the equipment/goods by introducing an intermediary. The intermediary merely acts as an agent to the company providing services of the equipment. In such a case, the company owning the equipment and indirectly supplying the services shall be required to be registered with the competent authority, thereby requiring the fulfilment of the provisions of FD order date 15.01.2021
(c)	By entering into an MOU lease agreement with the company (say 'X', who is the present owner of the equipment) from a country that does not share a land border with India. The equipment has been purchased from the manufacturer of the company (say "Y"), which is from a country that shares a land border with India.	In this case, the actual supplier of services, prima facie, shall be X. The status of X in this case does not attract the provision of FD order date 15.01.2021

Illustrative examples of the applicability of the restrictions under FD order date 15.01.2021

(1) A vendor, say, Party A from India, is procuring an item from their sister company, say, Party B, which is registered in a country that does not share a land border with India. Both the parties, Party A and B, are owned by an entity, say, 'Party C'. Party C does not belong to a country sharing a land border with India. However, Party B has its production facility in a Country sharing a land border with India, and the manufactured item will be procured by Party A from its sister concern, i.e., Party B from the above-mentioned production facility. The production unit is wholly owned by Party B. The Party A now claims that the FD order date 15.01.2021 do not apply on it because both the Party A and B are not:-

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- a) An entity incorporated, established, or registered in such a country, as Party A is registered in India and Party B is registered in a country not sharing a land border with India,
 - b) A subsidiary of an entity incorporated, established, or registered in such a country as they are 100% owned subsidiary of Party C, which is

incorporated, registered, and established in a country not sharing a land border with India,

- c) An entity controlled through entities incorporated, established, or registered in such a country as they are 100% owned by Party C. which is registered and established in a country not sharing a land border with India,
- d) An entity whose beneficial owner is situated in such a country as their beneficial owner is Party C,
- e) An Indian (or other) agent of such an entity,
- f) A natural person who is a citizen of such a country,
- g) A consortium or joint venture where any member of the consortium or joint venture falls under any of the above. Though it has a wholly owned subsidiary in a country that shares a land border with India but is not a JV or consortium (subsidiary does not qualify as JV or consortium),
- h) In addition to the above, Party A Claims that they are not procuring finished goods directly/indirectly from the vendors from the countries sharing land borders with India as the item is being manufactured in their own production units,
- i) In light of the above facts and the claims put forth by Party A, It is important to clarify to the procurers that Party A acts as an agent for Party B, which manufactures goods in a country sharing a land border with India. Party B supplies goods manufactured at premises established in a country that shares a land border with India. In such a case, registration is required for Party B (and not necessarily for Party A, who is only an agent and not from a country sharing a land border with India).

(2) Taking an example of IT goods and services:

- a) If the contractor is only supplying the servers as it is from an OEM that belongs to a country sharing a land border with India, and there is no value addition done by the contractor, then the contractor acts as an agent for the OEM and registration of the OEM and the agent (contractor) both are required as per FD order date 15.01.2021.
- b) In case the contractor supplies value-added services on hardware and the contractor outsources the procurement of hardware, OEM registration is not required.
- c) Where there is deployment of IT services that includes both hardware and software customization, and the contractor has sourced hardware, which is made in the country sharing a land border with India, the requirement of registration as per the FD order date 15.01.2021 is not applicable.

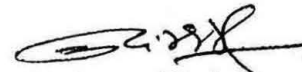

(Mahendra Mohan)

Joint Secretary to the Government

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1. Additional Chief Secretary/Principal Secretary to the Hon'ble Governor/Chief Minister, Rajasthan.
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4. Private Secretary to all Additional Chief Secretaries/Principal Secretaries/Secretaries/Special Secretaries.
5. Principal Accountant General (Accounts & Entitlement) Rajasthan, Jaipur
6. All Divisional Commissioners/District Collectors /Heads of Departments
7. All Financial Advisors/Chief Accounts Officers/Senior Accounts Officers/Accounts Officers
8. Secretary to Rajasthan Legislative Assembly/Lokayukta Secretariat, Rajasthan, Jaipur
9. Secretary, Rajasthan Public Service Commission, Ajmer
10. Registrar, Rajasthan High Court, Jodhpur /Rajasthan Civil Services Appellate Tribunal, Jaipur.
11. Technical Director, Finance (Computer Cell) Department with request to upload this circular on the Finance Department's website



(Nathuram Dhaka)
Chief Accounts Officer