

## A Guidance Note on Treasury Single Account System

(As on 27.10.2022)

### Treasury Single Account System (TSA)

- In order to minimize the cost of Government borrowings and to enhance the efficiency in fund flows to Autonomous Bodies (ABs) the Expenditure Management Commission (EMC), in its report (September 2015, Para 125) had recommended to gradually bring Autonomous Bodies under Treasury Single Account (TSA) coverage.
- Department of Expenditure subsequently decided to implement the recommendation of the Expenditure Management Commission to bring all ABs under TSA System. Guidelines for implementation TSA System were issued by Department of Expenditure, and a pilot project on TSA was initiated in ICMR in February 2019.
- The objectives for implementing a new system for releasing funds to Autonomous Bodies are the following:
  - I. To enhance the efficiency of fund flows to ABs by using the 'just in time' principle for release of funds and thereby ensuring better Cash Management in Government of India.
  - II. To avoid parking of funds released by Autonomous Bodies in their bank accounts.
  - III. Reducing Government borrowing through better cash management, resulting in lower interest burden.

### Instructions on TSA

- A series of instructions/ clarifications have been issued by the D/o Expenditure on implementation of TSA, which are available on the website of the CGA (<https://cga.nic.in>, under the tab “PFMS” →”TSA”). Following instructions/ OM are of particular relevance:
  - D/o Expenditure OM No. 1(18)/PFMS/FCD/2021 dated 09.03.2022
  - D/o Expenditure OM No. 3/(04)/PFMS/2022 dated 19.04.2022
  - D/o Expenditure OM No. 1(13)/ PFMS/FCD/2020 dated 16.03.2022

These instructions are **attached** for ready reference.

### NMCG and TSA

- In May 2020, Department of Expenditure issued instructions extending the TSA system to 18 Autonomous Bodies, including the NMCG.
- NMCG has fully transited to TSA system from FY 2022-23, and all SMCGs are now on-boarded on TSA.

- On-boarding of Direct Executing Agencies (DEAs, i.e., Agencies directly receiving funds from NMCG) is also underway.
- NMCG has issued instructions on 27.07.2022 detailing steps for on-boarding of DEAs, which are available on the website of NMCG (<https://nmcg.nic.in>, under the tab “Divisions” →”Finance” →”Office Order/ Circular”).

### **Important points for all SMCGs/ DEAs**

- The objective of the TSA is to ensure "just in time release" and eliminate parking of funds at different levels of project implementation.
- **The TSA guidelines prohibit transfer of funds by Autonomous Bodies (such as NMCG)/ Sub-ABs (such as SMCGs and DEAs), to their own Bank Accounts as this is akin to acting like one’s own vendor. Therefore, Implementing/ Executing Agencies should not transfer any fund from Assignment Accounts to their Bank Accounts.**
- Unutilized assignments will lapse at the close of the Financial Year as per the extant norms of Budget execution and will not be available to the Central Nodal Agencies (CNAs, i.e, ABs such as NMCG) / Sub Agencies (SAs, such as SMCG and DEA) for expenditure in the next financial year.
- In respect of transactions such as payment of TDS, Income Tax and GST, and payment of salaries of the month of March to be paid in 1st week of April, SMCGs/ Direct Executing Agencies may utilize the services of their existing account at commercial banks. They may transfer funds “just in time” to the extent required for meeting such transactions. **However, in no case the money transferred under this provision will be parked in a Commercial Bank beyond a period of two weeks.**
- Unutilized amount of past releases under the scheme available in the bank account of CNA & SAs shall be deposited in the Consolidated Fund of India.
- Following communications have been issued by NMCG to SMCGs in respect of implementation of TSA from time to time:
  - DO no. FN /5/2022 dated 31.05.2022 from ED (Finance), NMCG regarding implementation of TSA.
  - DO No. FN/5/2022 dated 19.10.2022 from ED (Finance), NMCG regarding refund of unspent balance in pre-TSA bank accounts and closure of pre-TSA Bank accounts.
  - Letter No. 11011/1/2021-Budget/NMCG dated 23.10.2022 reiterating prohibition on transfer of assignment limit to Bank Accounts of SMCGs.
- These communications are **attached** for ready reference.

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