Chapter 9

Classification of Goods in Tariff

Extract from CETA / CTA

SECTION IV

PREPARED FOODSTUFFS; BEVERAGES, SPIRIT AND VINEGAR; TOBACCO AND MANUFACTURED TOBACCO SUBSTITUTES

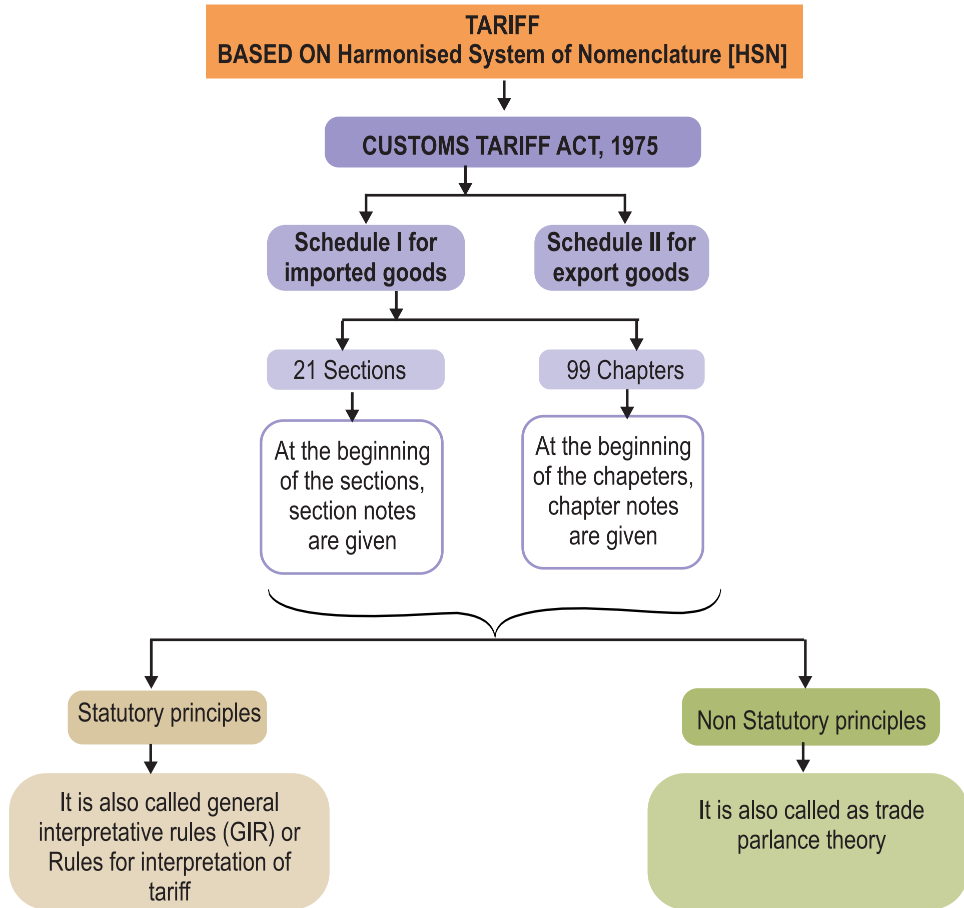
Notes: "Unit container" means a container ,whether large or small (for example, tin, can, box, jar, bottle, bag or carton, drum, barrel or canister) designed to hold a predetermined quantity or number.

CHAPTER 17 Sugars and sugar confectionery

Notes: 1. This Chapter does not cover:
a) Sugar confectionery containing cocoa (heading 1806) etc.

surrounded by residues of molasses and other constituents of sugar cane.

Tariff Item		Description of goods	Unit	Rate of duty
(1)		(2)	(3)	(4)
1701		CANE OR BEET SUGAR AND CHEMICALLY PURE SUCROSE, IN SOLID FORM		
	-	Raw sugar not containing added flavouring or colouring matter :		
1701 12 00	--	Beet sugar	kg.	12.5%
1701 13	--	Cane sugar specified in Sub-heading Note 2 to this Chapter:		
1701 13 10	---	Cane jaggery	kg.	12.5%
1701 13 20	---	Khandsari sugar	kg.	6%
1701 13 90	---	Other	kg.	12.5%
1701 99	-	Other:		
1701 99 10	---	Sugar cubes	kg.	12.5%
1701 99 90	---	Other	kg.	12.5%



Topic	Points to remember
Classification of Goods	Determination of headings or sub-headings of the CTA 1975 under which the said goods are covered
Need of Classification	(a) Determination of rate of Duty (b) Determination of eligibility of exemption (c) Determination of deemed manufacture
Features of Tariff	See tables below

Columns in Custom Tariff Act, 1985 (CTA) = 4

(1)	Tariff	Eight Digit Description.
(2)	Description of Goods	Names and Classifications
(3)	Units	Kilograms, Metres, Units, Litres, etc.
(4)	Rate of Duty	10%, 4%,Nil, etc

EIGHT DIGITS CODING SYSTEM [17011310]

First two digits indicate	17	Chapter no.
Next two digits indicate	01	Heading no.
Next two digits indicate	13	Subheading no
Next two digits indicate	10	Specific product ID

Dash System

-	Single dash	Indicates sub classification of article-covered in heading
--	Double dash	Indicates sub classification of article preceded by 'single dash'
--- & ----	Triple & quadruplicate	Indicates sub –sub classification of article preceded by 'single or double dash'

Std. Unit of Quantity	It is a unit of measure and used to facilitate the collection, comparison and analysis of trade statistics. Example : CC, Cm, Mt
Section notes & Chapter notes	Elaborate explanation regarding to scope of respective section or chapter. It is part of the statue & legally used for Classifications.
Abbreviation %	It indicates that duty is on the basis of value of goods.

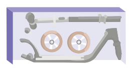
General Rules of Interpretation

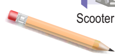
Purpose
1. To help in appropriate classification of goods.
2. To give clear direction as to how the nomenclature in the Schedule is to be interpreted and
3. To give statutory force to the Interpretation Rules and the general explanatory notes.

Rule 1
Titles of sections or chapters do not decide Classification, Terms of heading, Section Notes and Chapter Notes are relevant.

Rule 2
(a) Incomplete Goods/ Disassembled / Unassembled Goods = Complete Goods
(b) Main article - includes mixture or combination of that articles with others


Car without Wheels = Car


Scooter in CKD / SKD = Scooter


Pencil with Eraser = Pencil

Rule 3
If goods are prima facie classifiable under 2 or more headings due to Rule 2(b) or any other reason, apply Rule 3(a) to Rule 3(c)

Specific Rule
(a) Prefer Specific heading to General heading

	Product	Available headings	Classification
	Name plate	a) Accesories of motor vehicle b) Article of plastics	Accessories of motor vehicle
	VIP bag	a) Plastic Article b) Suitcase	Suitcase

Characteristic Rule
(b) It mixture consists of different material classify in that material which gives them their essential character.

	Product	Available headings	Classification
	Book with CD	1) Book 2) CD	Classification as Book
	Pen Stand with Clock	a) Pen Stand b) Clock	Classification as Pen Stand

Later the better
(c) If both are equally specific Prefer the latter tariff head to earlier tariff head

	Product	Available headings	Classification
	Motor Vehicle use for transport of passenger & goods both	1) Motor Vehicle design for transport of passenger (87.03) 2) Motor Vehicle design for transport of goods. (87.04)	It shall be classified as Motor Vehicle design for transport of goods [Mahindra&Mahindra 1999]

Rule 4
Akin Rule : Goods which cannot be classified in accordance with the above rules shall be classified under the heading appropriate to the goods to which they are most akin.

Rule 5 : Classification of Cases and packing material

a) Camera cases, Musical instrument cases, Gun cases, Drawing instrument cases, Necklace cases and similar containers;	➲ Specially shaped ➲ Suitable for long term use ➲ Presented with the articles ➲ Normally sold with article	shall be classified with main article.	
b) Packing Material or containers	➲ Presented with the articles	shall be classified with main article.	
Not applicable to (a) abnormal packing (b) Durable and returnable packing			

Rule 6 : Classification in Sub-heading
Classification of goods shall be determined in accordance with terms of the relevant sub-headings and any notes therein, mutatis mutandis, shall apply to above rules.

HSN & other Rules of Classification

HSN Harmonized System of Nomenclature
1. **Meaning :** Internationally accepted Product Coding system for Categorisation and Classification of commodities and was conceived and devised by the world Customs Organisation (WCD).
2. **Features :** 8 digit code suitable for multi-purpose nomenclature.
3. **Reliance :** HSN can be relied for classification under the Tariff Schedule, if there is no conflict between Indian Tariff Schedule and HSN.
4. **Relevance of Notes :** Only the Section Notes and chapter notes have legal status. Explanatory Notes to HSN do not have any legal status.

Burden to prove Classification
1. **Department :** To establish correct Tariff Heading under which the product fails. Onus is on the department to establish alternate classification.
2. **Assessee :** When certain goods are prima facie covered by the generic description, the burden to prove that they are not so covered would be on the person claiming so.

Alteration of Classification
1. **Guidelines for altering classification** - (a) Fresh facts arise (b) Process changed (c) Tariff entry modified (d) HC/SC decision, (e) Change in statue (f) Regular Tariff Entry - Not disturbed, (g) Prior Notice.
2. **Judgment :** Where an assessee has not filed fresh classification list, at the most, penalty can be levied. Issuance of Demand Notice is not sustainable.

Trade Parlance Theory
1. Goods are to be classified as they are known in trade and commerce, if it is neither defined in Schedule to CETA nor in CEA
2. **Conditions :** (a) a particular product description under trade parlance occurs by itself in a Tariff Entry, and (b) there is no conflict between Tariff entry and any other entry requiring reconciliation.
3. **Exception :** (a) Scientific and Technical Terms, and (b) Conflict with Statutory Context.