

SHORT REVISIONARY KONCEPTS

CLASSIFICATION OF GOODS

8-Digit Coding System (Based upon international Harmonized System of Nomenclature ^(HSN))

STATUTORY PRINCIPLES (As given in CETA, 1985)

[HEADINGS]

(Rule 1, 2, 3, 4 & 5)

[SUB-HEADINGS]

(Rule 6)

RULE 1:

▲ Titles of Sections & Chapters --- for ease of reference only

▲ Actual Classification ---- according to

⇒ Wordings of

Headings + Relative Section / Chapter Notes

⇒ Rule 2, 3, 4 & 5.

[However, Rules will be applicable only if Terms of Headings or Section /Chapter Notes don't provide anything to the contrary]

RULE 2:

(a) Incomplete / unfinished goods having essential characteristics of complete/finished goods ---- classifiable under same heading under which complete or finished goods fall

Goods presented in unassembled / disassembled form --- classifiable under same heading under goods in assembled form falls

	Heading No. XX.XX
[Complete + Assembled] Goods	Rule 1
[Incomplete/Unfinished + Assembled] goods	Rule 2(a)
[Complete + Unassembled/Disassembled] goods	Rule 2(a)
[Incomplete/Unfinished + Unassembled/Disassembled] goods	Rule 2(a) (applied twice)

(b) Mixtures or combinations of a material/substance with other material/substance -- classifiable under same heading under which that material/substance is classifiable.

RULE 3:

Goods prima facie classifiable under **TWO OR MORE HEADINGS** (due to Rule 2(b) or other reason), **do following consecutively:**

RULE 6

Goods under sub-headings -- **classifiable according to**

⇒ Wordings of those sub-headings and any related sub-headings notes,

⇒ **Rules 1 to 5** (subject to necessary changes)

NON-STATUTORY PRINCIPLES

'COMMON MAN' THEORY
['TRADE PARLANCE' /
'TRADES MAN THEORY']

Words used in CETA but not defined separately ---- to be understood according to the common commercial understanding (i.e., as these are understood in the trade, by the dealer and the consumer --- basically, the persons who are dealing or using those goods)

OTHER PRINCIPLES

▪ DICTIONARY MEANINGS

- + ve : Helpful
- ve : Different meanings in different context

▪ EXPERT OPINIONS & EVIDENCES

- + ve : Helpful in Scientific & Technical matters
- ve : Not reliable (as possibility of influence from assessee's side)

▪ ISI SPECIFICATIONS

- + ve : Helpful
- ve : Consider only quality aspect

▪ TRADE NOTICES & TARIFF ADVISES

- + ve : Sec 37B empowers CBEC to issue Orders / Instructions / Directions for enduring uniformity on classification.
- ve : Not binding on Assessee / Appellate Authority

▪ HSN Explanatory Notes

- + ve : CETA modeled along lines of HSN and therefore, these are also useful.
- ve : these can not override Chapter / Section Notes --these have subsidiary value

SHORT REVISIONARY KONCEPTS

- (a) **PREFER SPECIFIC HEADING** over general heading;
- (b) **MIXTURES // COMPOSITE GOODS** consisting of different materials or made up of different components // Goods Put up in set --- **classifiable as that material part which is provides essential character**
- (c) Goods can't be classified as per (a) & (b) above -- prefer **HEADING OCCURING LAST IN THE NUMERICAL ORDER**.

RULE 4 :

Goods not classifiable as per above Rules --- **classifiable under heading** appropriate **to the goods to which they are most SIMILAR**.

RULE 5 : [Classification of Packing Material & Container]

Type of Packing Material	Classification thereof
a) Container / Packing Cases specifying the following conditions:  i) Specifically Shaped/Designed to contain an article or a set of articles; ii) Suitable for long-term use; iii) Presented alongwith the article for which they are intended; iv) Of a kind normally sold with the article for which they are intended (i.e., as a normal prevalent trade practice)	Classify such container under the same heading under which the MAIN ARTICLE is classifiable
However, containers which as such give the whole of its essential characteristics (i.e., container as such is not mere secondary & compared to the article contained in the container) shall be classifiable independently.	
b) Container / Packing Cases specifying the following conditions:  i) Not Specifically Shaped/Designed to contain an article or a set of articles; ii) Presented alongwith the article for which they are intended;	Classify such container under the same heading under which the MAIN ARTICLE is classifiable