

## **CHAPTER 2: CUSTOM TARIFF ACT 1975**

| <b>Particulars</b>             | <b>Explanation</b>  |            |             |    |             |    |                          |    |      |    |                       |    |                           |
|--------------------------------|---|------------|-------------|----|-------------|----|--------------------------|----|------|----|-----------------------|----|---------------------------|
| <b>CTA 1975</b>                | Provides the classification of the goods and rates of duties of customs   |            |             |    |             |    |                          |    |      |    |                       |    |                           |
| <b>Heading under CTA</b>       | <p>The five column headings as prescribed in schedules to Customs Tariff Act, 1975 are as under :</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Column No.</th> <th style="text-align: center;">Particulars</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1.</td> <td>Tariff Item</td> </tr> <tr> <td style="text-align: center;">2.</td> <td>Description of the Goods</td> </tr> <tr> <td style="text-align: center;">3.</td> <td>Unit</td> </tr> <tr> <td style="text-align: center;">4.</td> <td>Standard Rate of duty</td> </tr> <tr> <td style="text-align: center;">5.</td> <td>Preferential Rate of duty</td> </tr> </tbody> </table> | Column No. | Particulars | 1. | Tariff Item | 2. | Description of the Goods | 3. | Unit | 4. | Standard Rate of duty | 5. | Preferential Rate of duty |
| Column No.                     | Particulars   |            |             |    |             |    |                          |    |      |    |                       |    |                           |
| 1.                             | Tariff Item   |            |             |    |             |    |                          |    |      |    |                       |    |                           |
| 2.                             | Description of the Goods  |            |             |    |             |    |                          |    |      |    |                       |    |                           |
| 3.                             | Unit  |            |             |    |             |    |                          |    |      |    |                       |    |                           |
| 4.                             | Standard Rate of duty   |            |             |    |             |    |                          |    |      |    |                       |    |                           |
| 5.                             | Preferential Rate of duty   |            |             |    |             |    |                          |    |      |    |                       |    |                           |
| <b>First Schedule to CTA</b>   | In this schedule goods chargeable with import duty are listed. It is also known as 'Import Tariff' which comprises of 98 chapters grouped under 21 sections.  |            |             |    |             |    |                          |    |      |    |                       |    |                           |
| <b>Second Schedule to CTA</b>  | In this schedule goods chargeable with export duty are listed. It is also known as 'Export Tariff'.   |            |             |    |             |    |                          |    |      |    |                       |    |                           |
| <b>Classification of goods</b> | <p>a) Determination of Rate of Duty: The rate of duty is determinable on the basis of classification of goods.</p> <p>b) Determination of Eligibility of Exemption: The classification of goods is also required to be decided for the purpose of determining eligibility to exemptions, most of which are with reference to the Tariff headings or sub headings.</p>   |            |             |    |             |    |                          |    |      |    |                       |    |                           |
| <b>HSN</b>                     | Harmonized System of Nomenclature [HSN) is an internationally accepted product coding system formulated under the auspices of the General Agreement on Tariffs and Trade [GATI]. It forms the basis of the system of classification in the Customs Tariff Act, 1975. It has been developed by the Customs Co-operation Council, Brussels.   |            |             |    |             |    |                          |    |      |    |                       |    |                           |

### **RULES OF CLASSIFICATION**

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| <b>Rule 1</b>    | The title of Sections and Chapters are provided for ease of reference only.  |
| <b>Rule 2(a)</b> | Classification of incomplete or unfinished articles as complete of finished goods only.<br><b><u>Example:</u></b> a car without seats would still be classified as car.  |
| <b>Rule 2(b)</b> | Classification of Mixtures, combination of a material to be classified as that material or substance<br><b><u>Example:</u></b> Natural rubber will cover a mixture of natural and synthetic rubber.  |
| <b>Rule 3</b>    | To be applied when classification cannot be done with rule 1 and 2.<br>Classification when goods classifiable under 2 or more headings.  |
| <b>Rule 3(a)</b> | <b>Most specific description shall prevail over general description.</b><br><b><u>Example</u></b> Suitcase shall be classified as travel accessories and not as plastic article.   |
| <b>Rule 3(b)</b> | Classification based on essential character<br>Mixture, composite goods consisting of different materials or made up of different component which cannot be classified under (a) shall be classified based on essential character.<br><b><u>Example:</u></b> If one imports "Liquor Gift Sets" that have both, liquor and glasses, it should be classified under the heading, "Liquor", as the essential character of the composite item is the liquor itself and the glasses are pure ancillaries |
| <b>Rule 3(c)</b> | <b>"Later the Better Principle",</b><br>i.e., when goods can't be classified under rules 3(a) or 3(b), the goods would be classified under the heading that appears last in the numerical order amongst those which equally merit consideration<br><b><u>Example:</u></b> A gift set, which has socks and ties, can be classified under any of the above rules, and therefore should be classified as ties (heading 6117) over socks (heading 6115)  |

|               |   |
|---------------|---|
| <b>Rule 4</b> | <p><b><u>Akin Principle</u></b><br/> This rule states that the goods which cannot be classified in accordance with Rules 1, 2 or 3, shall be classified under the heading which includes goods that are the most "akin or similar". An example would be anti-glare films used for car windows, venetian blinds, all of these are not separately classified, they would be classified under the heading for "builders' ware of plastic", as that's the closest these fit into.</p>                             |
| <b>Rule 5</b> | <p><b><u>Cases/Containers for packaging of goods</u></b><br/> Goods which are in the nature of containers / packages such as necklace boxes, camera cases, musical instrument cases, will be classified with the specific article which are generally sold within these packages. However, this is applicable to containers, which are fitted for the article they will contain, are suitable for long term use, protect the article when not in use, and are of a kind normally sold with such articles.</p> |
| <b>Rule 6</b> | <p>Only sub-headings at the same level are comparable</p>   |