Circular No. 44/ 97- Cus.
dated 30/ 9/ 97

F. No. 528/ 42/ 95-CUS. (TU)

Government of India
Ministry of Finance
Department of Revenue, New Delhi

Subject : Import of Components of Colour Television Sets Assessment - Regarding.

It has come to the notice of the Board that doubts are being expressed in the matter of classification of components of Colour Television Sets in the context of provisions contained in Rule 2 (a) of the General Rule for the interpretation of the First Schedule to the Customs Tariff Act, 1975.

2. A company engaged in the manufacture of colour television (CTV) sets had imported about 100 different types of components for the manufacture of CTV. The manufacturing operation undertaken includes Eyelet Punching, Axial hand mount, Jumper wire auto insert, Performing, Missing check, Radial hand mount, Solder dip, solder addition, ICT, Channel pre set, CBA, White balance and Tuner AGC adjustment, Geometry and landing adjustment, Convergence adjustment, Rough adjustment, CRT and Chassis Docking, Colour Balance, insulation check, Audio checks and internal checks.

3. A doubt has arisen as to whether the goods imported, in this case, are classifiable as components only or as a complete TV set in terms of provisions contained in interpretative Rule 2 (a) of the General Rules for the Interpretation of the First Schedule of the Customs Tariff Act, 1975.

4. The question relating to assessment of goods imported in disassembled or unassembled form is not a new one, having been examined earlier at various levels including the Hon'ble Supreme court, High Courts and CEGAT. Board has also examined this matter and vide letter of even no. dated 30th May, 95 it has advised the field formations to take due note of the provisions of Rule 2 (a) of the General Rules for the Interpretation of the first Schedule to the Customs Tariff Act, 1975 while dealing with such cases.

5. Rule 2 (a) of the Interpretative Rules of the First Schedule to the Customs Tariff Act, 1975, *inter alia,* provides for assessment of articles presented in unassembled or disassembled condition as complete article. It also provides for assessment of incomplete articles presented unassembled or disassembled, as complete article, provided the incomplete article has the essential characteristic of the complete article. The HSN Explanatory Note to this rule after its recent amendments, with reference to articles presented unassembled and disassembled explains these terms by stating, *inter alia,* that the components in such cases are to be assembled either by means of simple fixing devices (by screws, nuts, bolts, etc.) or by riveting or by welding provided **only assembly operations are involved.** It also states that no account is to be taken to the complexity of the assembly method. However, the components shall not be subjected to any further working operations to bring it to completion into finished state. Thus, this rule is applicable in cases where,-

(i) only assembly operations are envolved irrespective of the complexities of the assembly methods; and

(ii) components themselves should not be subjected to any further working operations for completion into finished state.

6. The factory premises of the said manufacturing company was visited by officers of the Department and also by the officers of Department of Electronics separately to study the

process of manufacture undertaken. On the basis of the studies made by these Officers, it would seem that the manufacturer had a large well established factory, the processes involved were elaborate and require highly skilled as well as well as semi-skilled workforce and technical know how of high degree to complete the finished article from the components/ parts. It also appears that the process of populating the PCB, a critical component of the TV, amounts to working on the bare (unmounted) PCB, thus, satisfying the criterion brought in as a sequel to the amendment of the Explanatory notes.

7. There is merit in these arguments and if accepted it would, from the beginning, take the imports of components/ parts meant for bringing in to effect a colour TV by this company or similarly placed other companies out of the ambit or Rule 2 (a). Board desires that these fact may be taken into consideration while finalising the classification of this king of imports.

Sd/-
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