

|                                                                                   |                                                                                                                                                                                                                                                                    |                                                                                     |
|-----------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
|  | <p>सीमाशुल्क अग्रिम विनिर्णय प्राधिकरण<br/> <b>Customs Authority for Advance Rulings</b><br/> नवीन सीमाशुल्क भवन, बेलार्ड इस्टेट, मुंबई - ४०० ००१<br/> <b>New Custom House, Ballard Estate, Mumbai - 400 001</b><br/> <b>E-MAIL: cus-advrulings.mum@gov.in</b></p> |  |
|-----------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|

F. No. CAAR/CUS/APPL/10/2026-O/o Commr-CAAR-Mumbai

Dated:09.06.2026

DIN-20260677OS000000D21D

|                                   |                                                                                                                                                                                         |
|-----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Ruling No. & date                 | CAAR/Mum/ARC/18/2026-27 dated 09.06.2026                                                                                                                                                |
| Issued by                         | Shri Rajesh Fattensing Dhabre,<br>Customs Authority for Advance Rulings, Mumbai                                                                                                         |
| Name and address of the applicant | Smile Electronics Limited<br>Plot No 18, SY No 198, Hitech Defense and Aero Space Park,<br>Mahadevakodigehalli Village, Hobli - Jala, Bengaluru, Bengaluru<br>Urban, Karnataka, 562149. |
| Concerned Commissionerate         | The Commissioner of Customs, Bengaluru.<br>C.R. Building, Queen's Road, P.B No. 5400, Bengaluru – 560001                                                                                |

ध्यान दीजिए/ N.B.:

सीमा शुल्क अधिनियम, 1962 की धारा 281 की उप-धारा (2) के तहत किए गए इस आदेश की एक प्रति संबंधित को निःशुल्क प्रदान की जाती है।

A copy of this order made under sub-section (2) of Section 28-I of the Customs Act, 1962 is granted to the concerned free of charge.

इस अग्रिम विनिर्णय आदेश के खिलाफ कोई भी अपील ऐसे निर्णय या आदेश के संचार की तारीख से 60 दिनों के भीतर संबंधित क्षेत्राधिकार उच्च न्यायालय के समक्ष की जाएगी।

Any appeal against this Advance Ruling order shall lie before the jurisdictional High Court of concerned jurisdiction, within 60 days from the date of the communication of such ruling or order.

धारा 28-1 के तहत प्राधिकरण द्वारा सुनाया गया अग्रिम विनिर्णय पाँच साल तक या कानून या तथ्यों में बदलाव होने तक, जिसके आधार पर अग्रिम विनिर्णय सुनाया गया है, वैध रहेगा, जो भी पहले हो।

The advance ruling pronounced by the Authority under Section 28 - I shall remain valid for five years or till there is a change in law or facts on the basis of which the advance ruling has been pronounced, whichever is earlier.

जहां प्राधिकरण को पता चलता है कि आवेदक द्वारा अग्रिम विनिर्णय धोखाधड़ी या तथ्यों की गलत बयानी द्वारा प्राप्त किया गया था, उसे शुरू से ही अमान्य घोषित कर दिया जाएगा।

Where the Authority finds that the advance ruling was obtained by the applicant by fraud or misrepresentation of facts, the same shall be declared void ab initio.



अग्रिम विनिर्णय / Advance Ruling

Smile Electronics Limited (having IEC No. 0798012838) (hereinafter referred to as 'the applicant', in short) filed application (CAAR-1) for advance ruling before the Customs Authority for Advance Rulings, Mumbai (CAAR in short). The said application was received in the secretariat of the CAAR, Mumbai on 13.01.2026 along with enclosures in terms of Section 28H (1) of the Customs Act, 1962 (hereinafter referred to as the 'Act' also).

2. The applicant sought Advance Ruling in respect of "whether the Completely Knocked Down ("CKD") kits of motherboard are classifiable under CTH 8473 of the First Schedule to the Customs Tariff Act, 1975".

3. Submission by Applicant-

3.1 M/s Smile Electronics Ltd., carrying the GST Registration number 29AACCS8765R1Z7 (hereinafter referred to as "the applicant"), is an Electronic Manufacturing Services provider.

3.2 The applicant has proposed to import all the essential components of motherboards in CKD form as kits and subsequently assemble them into finished motherboards at their manufacturing facility in Plot No 18, SY No 198, Hitech Defense and Aero Space Park, Mahadevakodigehalli Village, Hobli - Jala., Bengaluru, Bengaluru Urban, Karnataka, 562149 India.

3.3 The components of the CKD kit are assembled together to make the complete motherboard. The number of kits that will be imported will correspond exactly with the number of motherboards that will be made/assembled.

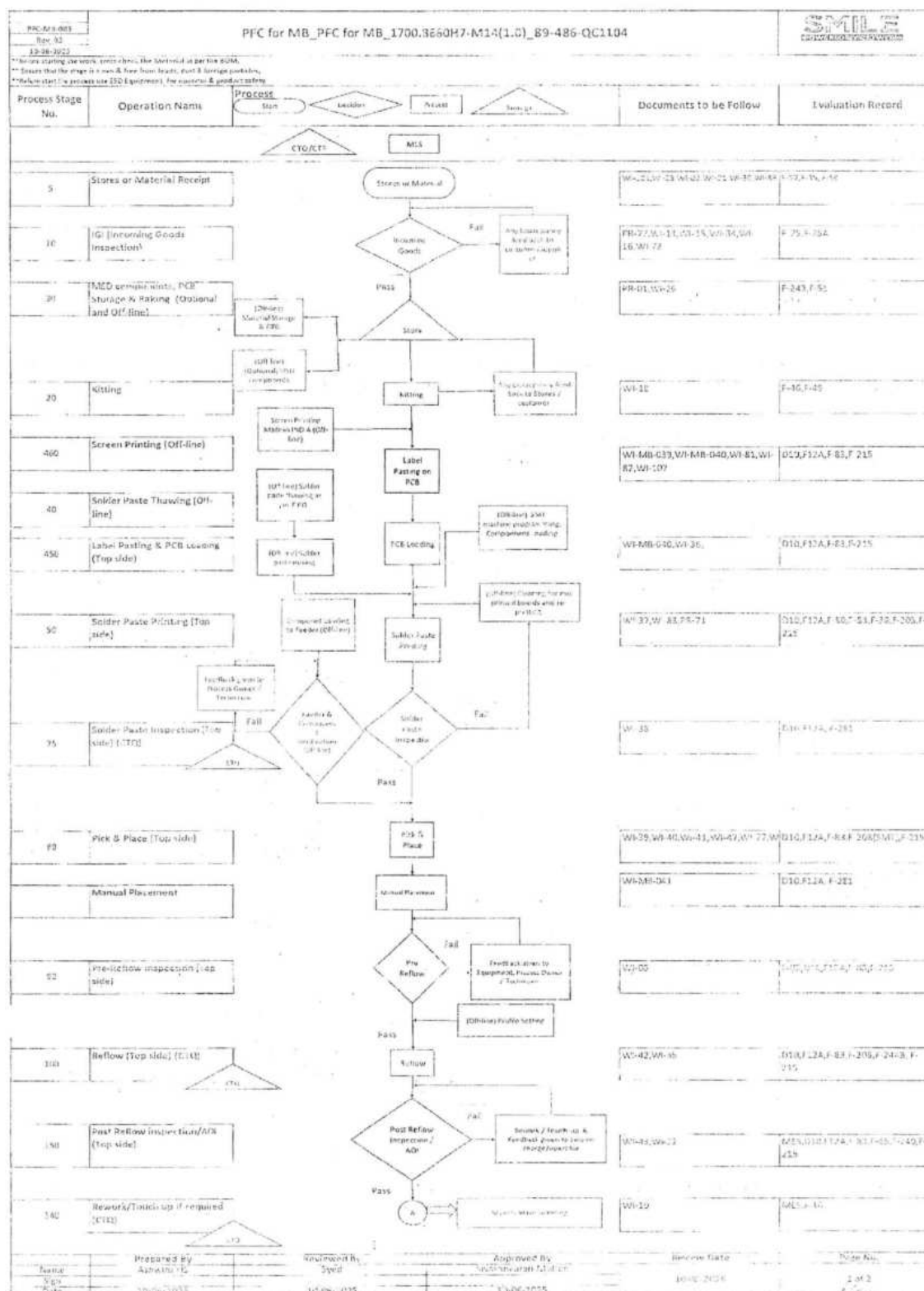
3.4 The motherboard consists of a printed circuit board (PCB) populated with electronic components such as resistors, capacitors, ICs, ferrite beads, and crystals, and mechanical components such as socket assembly / I/O plates, screws which are supplied as part of the imported CKD kit. After assembly of the above components, these PCBAs (Printed Circuit Board Assembly) undergo functional testing to verify electrical parameters and performance. After successful testing, the units are subjected to final inspection, labelling, and packing before shipment to customers.

3.5 Only soldering consumables and packing materials are sourced within India. All critical components are supplied as part of the imported kit. For example, one such kit is the ECS B660H7-MI4 Micro-ATX motherboard based on the Intel B660 chipset, supporting LGA 1700 Intel® Core™ processors, DDR4 memory, M.2 and SATA storage, PCIe expansion, and standard USB, LAN, HDMI, and audio interfaces.

3.6 The complete list of components and their description in the different CKD kits that will be imported by the applicant were also enclosed by the applicant.



3.7 The complete manufacturing/assembling process of the motherboard represented as a flow chart were also submitted by the applicant. The same are as below:





3.8 The kit comprising all components necessary for the manufacture of a complete motherboard will be supplied by a single overseas supplier and will be imported together in one consignment as a complete kit. However, depending upon commercial availability at the supplier's end at the time of supply, the individual components forming part of the kit may be sourced by the supplier from different manufacturers or brands during different supplies.

3.9 For example, different brands of components such as resistors, capacitors, or similar items may be supplied in different consignments, while continuing to meet the same technical specifications, functional characteristics, and intended use. Such variations in brand, make, or minor features of the individual components do not alter the nature, composition, or essential character of the kit as a whole.

3.10 In all cases, the kit will contain the same set of components required for the assembly of a complete motherboard and will be presented together at the time of importation. The classification of the kit should remain uniform and applicable to all such imports, irrespective of variations in brand or manufacturer of the individual components.

3.11 The applicant is of the understanding that the subject goods are classifiable under CTH 8473, and specifically under CTI 8473 30 20 of the First Schedule to the Customs Tariff Act, 1975. The import of complete CKD kits of motherboards in a single consignment is in consonance with the requirements of Rule 2(a) of the General Interpretative Rules. Therefore, such consignments are ideally to be classified under the HSN applicable to 'motherboards' themselves, rather than the headings of their individual parts.

#### **4. Interpretation of Law as per the Applicant:-**

##### **A. The present application seeking advance ruling is maintainable:**

4.1. The applicant submitted that the present application is maintainable as the advance ruling is sought on the question of classification of subject goods as below:

*"Whether the Completely Knocked Down ("CKD") kits of motherboards intended to be imported by M/s Smile Electronics Limited are classifiable under the CTH 8473"*

4.2. The applicant stated that the question of classification of such goods has not been already raised and pending or decided by any officer of Customs, the Appellate Tribunal or any Court as far as the applicant is concerned. The question of classification is an admissible question in an application for Advance Ruling as per clause (a) of sub-section (2) of Section 28H of the Customs Act, 1962. Therefore, this application is maintainable and admissible before the Hon'ble Authority for Advance Ruling, under the provisions of the Customs Act.

4.3. It is submitted that as per Section 28E of the Customs Act, 1962, "advance ruling" means a decision on questions specified in sub-section (2) of section 28H raised by the applicant in his application in respect of goods prior to its importation or exportation.



4.4. The above definition makes it clear that advance ruling as a facility is available on specified questions in respect of goods prior to its importation. The applicant is seeking to undertake importation of the subject goods on which the query of classification has been raised and is therefore eligible to seek advance ruling and the present application is maintainable.

**B. The Completely Knocked Down ("CKD") kits of motherboards is classifiable under CTH 8473 of the First Schedule to the Customs Tariff Act, 1975.**

4.6. It is submitted that the CKD kit comprised of all essential parts required for the assembly of a motherboard, imported in a single consignment. Only consumable items such as soldering materials are sourced locally in India. Thus, the imported CKD kits, when put together, are complete in themselves and capable of being assembled into finished motherboards without any material additions other than such consumables.

4.7. The components of the CKD kit are assembled together to make the complete motherboard. The number of kits that will be imported will correspond exactly with the number of motherboards made/assembled.

4.8. Rule 1 of the GRI, which provides that classification of goods shall be determined according to the terms of the headings and any relative Section or Chapter Notes, and Rule 2(a) which says that any reference in a heading to an article shall be taken to include incomplete or unfinished articles, provided that, as presented, the article has the essential character of the complete or finished article. The same is extracted below for ready reference:

*"1. The titles of Sections, Chapters and sub-Chapters are provided for ease of reference only; for legal purposes, classification shall be determined according to the terms of the headings and any relative Section or Chapter Notes and, provided such headings or Notes do not otherwise require, according to the following provisions:*

*2. (a) Any reference in a heading to an article shall be taken to include a reference to that article incomplete or unfinished, provided that, as presented, the incomplete or unfinished article has the essential character of the complete or finished article. It shall also be taken to include a reference to that article complete or finished (or falling to be classified as complete or finished by virtue of this Rule), presented unassembled or disassembled."*

4.9. Therefore, Rule 2(a) of the GIR provides that any reference in a heading to an article shall include incomplete or unfinished articles, provided that they have the essential character of the finished article. It further clarifies that goods presented unassembled or disassembled are to be classified as the complete article if, as presented, they contain all the components necessary for assembly into the finished product. Therefore, if all the essential components of an article are imported in CKD condition and presented before Customs at the same time, the goods are classifiable as complete article.



4.10. Thus, classification in such cases hinges on two tests: first, whether the CKD imports, taken together, exhibit the "essential character" of the finished article; and second, whether, "as presented" to Customs, the consignment comprises all essential components required for assembly.

4.11. The first part of the rule allows an incomplete or unfinished article to be classified as the complete article, provided it has the "**essential character**" of the finished product. This is a qualitative assessment. The collection of parts must be so substantially complete that it is clearly identifiable as the final article, merely lacking certain finishing components. The HSN Explanatory Notes provide illustrative examples, such as a motor vehicle without its wheels and battery, or a bicycle without its saddle and tyres. In these examples, the core structure and identity of the final product are already present.

4.12. The same principle applies to goods presented unassembled or disassembled, which are treated as the finished article if, when assembled, they constitute the complete product. The subject goods fulfill this criterion as it contains all the individual units which, when assembled together, form a complete motherboard. Both the statutory framework and interpretative rules place emphasis on the "essential character" of the goods as imported, rather than their condition of assembly.

4.13. The second part of the rule extends this principle to complete articles that are simply unassembled or disassembled, often for convenience of transport. However, this is critically qualified by the phrase "**as presented**" from the first part of the rule. This phrase has been interpreted by the Courts to mean that all the components necessary to constitute the complete article (or at least those that give it its essential character) must be presented to customs for clearance simultaneously, in a single consignment, and under a single Bill of Entry. This criterion is also fulfilled by the subject goods as all the parts necessary to constitute a complete mother board is presented at once for clearance, in the form of CKD kits.

4.14. In *Commissioner of Customs, New Delhi v. Sony India Ltd. 2008 (9) TMI 19*, The Hon'ble Supreme Court held that:

*"The Rule must apply as a whole. Ld. ASG was not able to point out as to how the first condition can be satisfied in the present case. A mere PCB or a CRT, in our opinion, under any circumstances, cannot be held to have essential character of the CTV. It is only when this first condition is satisfied that the remaining clause would have to be read and thereby, the words "that article" used in the later part would have to pass the test of the opening words of the clause "as presented, the incomplete or unfinished article has the essential character of the complete or finished article". Once this condition is satisfied then the further clause is activated, suggesting that even when such article is in disassembled or unassembled condition, it would still be taken to be a complete article. Therefore, essentially the second part would come into play provided the component parts intended to make up the finished product are all presented for customs clearance at the same time."*

4.15. In the instant case, the entire CKD kit of motherboard parts is imported in a single consignment, with only consumables such as soldering items sourced locally. Therefore, rule 2(a) of the GIR is squarely applicable, and such imports is to be treated as 'motherboards' in unassembled



form, since the kit contains all essential components required to produce a complete motherboard that are presented together during clearance. Therefore, the classification of the CKD imports should align with the HSN applicable to motherboards, rather than the individual tariff headings of their constituent parts.

4.16. Even if some non-essential items are not present in the CKD pack, such as the consumable goods, the item can still become a complete article, as decisively ruled in multiple cases including **Galaxy (Tuticorin) Agencies v. C.C.E. - 2009 (239) E.L.T. 478 (Tri.)**, which held that:

*"we are clear that the goods under import constituted a complete dredger in CKD condition. The absence of certain amount of outlet pipes or pontoons does not affect the claim of the impugned goods to be classified as a dredger under CSH 8905.10. In the circumstances we hold the impugned order to be unsustainable."*

4.17. Therefore, the import of complete CKD kits of motherboards in a single consignment is in consonance with the requirements of Rule 2(a) of the General Interpretative Rules. Such consignments are to be classified under the HSN applicable to 'Motherboards' themselves, rather than the headings of their individual parts.

4.18. It is submitted that the HSN code applicable to "Motherboards" is 8473, and they fall specifically under Customs Tariff Item - 8473 30 20. The relevant portion of the Customs Tariff Act, 1975 is reproduced below;

| <i>Tariff Item</i> | <i>Description</i>                                                                                                                                                              | <i>Unit</i> | <i>Rate of Duty</i> | <i>Preferential Area Rate</i> |
|--------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|---------------------|-------------------------------|
| <i>(1)</i>         | <i>(2)</i>                                                                                                                                                                      | <i>(3)</i>  | <i>(4)</i>          | <i>(5)</i>                    |
| 8473               | <b>PARTS AND ACCESSORIES<br/>(OTHER THAN COVERS,<br/>CARRYING CASES AND THE LIKE)<br/>SUITABLE FOR USE SOLELY OR<br/>PRINCIPALLY WITH MACHINES<br/>OF HEADINGS 8470 TO 8472</b> |             |                     |                               |
| -                  | <b>Parts and accessories of the machines<br/>of heading 8470:</b>                                                                                                               |             |                     |                               |
| 8473 21 00         | -- Of the electronic calculating machines<br>of sub-heading 8470 10, 8470 21 or<br>8471 29                                                                                      | kg.         | Free                | -                             |
| 8473 29 00         | -- Other                                                                                                                                                                        | kg.         | Free                | -                             |
| 8473 30            | - <b>Parts and accessories of the machines<br/>of heading 8471:</b>                                                                                                             |             |                     |                               |
| 8473 30 10         | --- Microprocessors                                                                                                                                                             | u           | Free                | -                             |
| 8473 30 20         | --- <b>Motherboards</b>                                                                                                                                                         | u           | Free                | -                             |



|            |      |                                                                                                          |   |      |   |
|------------|------|----------------------------------------------------------------------------------------------------------|---|------|---|
| 8473 30 30 | ---  | Other mounted printed circuit boards                                                                     | u | Free | - |
| 8473 30 40 | ---  | Head stack                                                                                               | u | Free | - |
|            | ---  | <b>Other :</b>                                                                                           |   |      |   |
| 8473 30 91 | ---- | Network access controllers                                                                               | u | Free | - |
| 8473 30 92 | ---- | Graphic and intelligence based script technology (GIST) cards for multilingual computers                 | u | Free | - |
| 8473 30 99 | ---- | Other                                                                                                    | u | Free | - |
| 8473 40    | -    | Parts and accessories of the machines of heading 8472:                                                   |   |      |   |
| 8473 40 10 | ---  | Parts of duplicating, hectograph or stencil machines                                                     | u | 7.5% | - |
| 8473 40 90 | ---  | Other                                                                                                    | u | 7.5% | - |
| 8473 50 00 | -    | Parts and accessories equally suitable for use with machines of two or more of the headings 8470 to 8472 | u | Free | - |

4.19. The CTH 8473 includes ***"PARTS AND ACCESSORIES (OTHER THAN COVERS, CARRYING CASES AND THE LIKE) SUITABLE FOR USE SOLELY OR PRINCIPAL LY WITH MAC HINES OF HEADINGS 8470 TO 8472"***. And the CTI 8473 30 20 specifically mentions ***"Motherboards"***

4.20. The rule 1 of the General Interpretative Rules, stipulates that classification shall be determined according to the terms of the headings and any relevant section or chapter notes. Heading 8473 covers "parts and accessories (other than covers, carrying cases, and the like) suitable for use solely or principally with machines of headings 8470 to 8472." Motherboards, are essential components of automatic data processing (ADP) machines under Heading 8471. "Motherboards" are aligned with the description of chapter 8473, as they are integral to the functioning of computers by connecting the central processing unit, memory, and other parts.

4.21. GIR 3(a) provides that the heading which provides the most specific description shall be preferred to headings providing a more general description. The CTI 8473 30 20 is very specific, and it explicitly pertains to "Motherboards".

4.22. In **Commissioner of Central Excise, Mumbai-II Vs. Virtual Computers Pvt. Ltd. [2013 (292) ELT 478 (Tri.-Mum.)]**, it was held that Mother Boards and Add-on Cards are classifiable under Chapter Heading 8473 of the Central Excise Tariff Act, 1985. The Tribunal, Mumbai has reasoned as below on the appropriate classification of the Motherboard and Add-on Cards: -

*"2. The appeal is being taken up in view of the remand order dated 11.2.2012 passed by the Hon'ble Supreme Court in Civil Appeal No. 3560 of 2007.*



3. The issue involved in this appeal is regarding classification of motherboard and add on card.
4. The Commissioner (Appeals) in the impugned order held that the goods in question are classifiable under Heading 8471 of the Central Excise Tariff, whereas the Revenue wants to classify the same under Heading 8473 of the Central Excise Tariff.
5. We have heard the learned Additional Commissioner (AR) at length. The add-on card provides more features by adding circuit connected to the motherboard using peripherals component inter-connected. Motherboard is the central printed circuit board of the computer and holds many of the crucial components of the system providing connectors for other peripherals. We find that the sub-heading 8471 of the Central Excise Tariff covers Automatic data processing machines and units thereof; magnetic or optical readers, machines for transcribing data on to data media in coded form and machines for processing such data, not elsewhere specified or included. Heading 8473 covers Parts and accessories (other than covers, carrying cases and the like) suitable for use solely or principally with machines of heading Nos. 84.69 to 84.72 of the Tariff.
6. The add-on card and motherboard cannot be considered as automatic data processing machines. The same are parts and accessories suitable for use with the machine falling under Heading 84.71 of the Tariff. In view of the above, as the goods in question are parts and accessories of the data processing machine falling under Heading 84.71 of the Tariff, therefore being parts and accessories are classifiable under Heading 8473 of the Tariff.

4.23. It is clear from the above that Motherboards are classified under the CTH 8473, Therefore, it is submitted that the Completely Knocked Down ("CKD") kits of motherboards are also classifiable under the same CTH, and specifically under CTI 8473 30 20 of the First Schedule to the Customs Tariff Act, 1975.

#### 5. Port of Import and reply from jurisdictional Commissionerate:

The applicant in their CAAR-1 indicated that they intend to import the subject goods from O/o the Commissioner of Customs, Bengaluru. The application was forwarded to the jurisdiction of O/o the Commissioner of Customs, Bengaluru, for comments on 27.01.2026, 16.02.2026, 12.03.2026 and 02.04.2026.

However, no comments received from the jurisdiction of O/o the Commissioner of Customs Bengaluru.

#### 6. Details of Personal Hearing:

Advocate Jeswin Bable presented case on behalf of applicant pleading that his product should be classified as Complete Mother Board under CTH 84733020. It was also submitted that they have mailed amended Enclosure 1 the same may be seen.

6.1 The details of the goods proposed to be imported by the applicant were furnished in updated Enclosure-1 to the application. The applicant proposes to import **CKD kits of motherboards comprising different categories/models of motherboards**, each kit consisting of **hundreds of**



**discrete electronic and electromechanical components** including, inter alia, integrated circuits (ICs), processors/chipsets, transistors, MOSFETs, diodes, capacitors, resistors, thermistors, inductors, crystals, ferrite beads, connectors, headers, sockets, jumpers, heat sinks, metal fittings and a bare printed circuit board (PCB). The imported goods are presented as individual components and sub-components which require mounting, soldering, integration, inspection and testing operations before a functional motherboard comes into existence.

## 7. DISCUSSION AND FINDINGS

7.1 I have carefully considered the application filed by M/s. Smile Electronics Limited (hereinafter referred to as "the applicant"), the statement of facts, written submissions, and the documents placed on record. The issue for determination is the classification of Completely Knocked Down ("CKD") kits of motherboards proposed to be imported by the applicant and, specifically, *whether such goods merit classification under CTH 8473 30 20 as "motherboards", as claimed by the applicant, or otherwise.*

7.2 At the outset, I find that the question raised in Form CAAR-1 pertains to the classification of goods under the Customs Tariff and is therefore covered within the scope of Section 28H(2) of the Customs Act, 1962. The applicant has submitted in its application that the question raised in the present application is not pending in its case before any officer of Customs, the Appellate Tribunal, or any Court of law

7.3 Before deciding the issue, let me deliberate on the legal framework prescribed in Customs Tariff Act, 1975, Chapter/ Section notes along with HSN explanatory notes. As per Rule 1 of GRI, the titles of Sections, Chapters and sub-Chapters are provided for ease of reference only; for legal purposes, classification shall be determined according to the terms of the headings and any relative Section or Chapter Notes.

7.4 The applicant is an Electronic Manufacturing Services (EMS) provider and proposes to import CKD kits comprising various electronic and mechanical components, which are to be assembled into finished motherboards at its facility in India. The kits consist of a wide array of components such as integrated circuits (ICs), processors/chipsets, transistors, MOSFETs, diodes, capacitors, resistors, thermistors, inductors, crystals, ferrite beads, connectors, headers, sockets, jumpers, heat sinks, metal fittings and a bare printed circuit board (PCB) supplied together in a single consignment.

7.5 The applicant has submitted that since all essential components required to manufacture/assemble a motherboard are imported together in CKD form, the goods should be classified as "motherboards" in unassembled condition by virtue of **Rule 2(a) of the General Rules for Interpretation (GIR).**

### 7.6 Scope and Applicability of GIR 1 and GIR 2(a)

7.6.1 At the outset, it is settled law that classification must first be determined in terms of **Rule 1 of the GIR**, which provides that:

"Classification shall be determined according to the terms of the headings and any relative Section or Chapter Notes..."



Thus, recourse to Rule 2(a) arises only where Rule 1 does not conclusively determine classification.

7.6.2 Rule 2(a) of GIR provides as follows:

*"Any reference in a heading to an article shall be taken to include a reference to that article incomplete or unfinished, provided that, as presented, the incomplete or unfinished article has the essential character of the complete or finished article. It shall also be taken to include a reference to that article complete or finished... presented unassembled or disassembled."*

From the above, it is evident that **two mandatory conditions** must be satisfied:

- (i) the goods must possess the **essential character** of the finished article; and
- (ii) the goods must be **presented together as a complete article**, albeit unassembled.

### 7.7 Test of "Essential Character" – Judicial Position

7.7.1 The scope and application of Rule 2(a) of the General Rules for the Interpretation of the Import Tariff have been authoritatively explained by the Hon'ble Supreme Court in *Commissioner of Customs, New Delhi v. Sony India Ltd.*, 2008 (231) E.L.T. 385 (S.C.). The Court held that Rule 2(a) must be read as a whole and that **the requirement that the imported goods possess the essential character of the complete or finished article is a foundational condition for its applicability**. Unless the goods, as presented for importation, possess the essential character of the finished article, they cannot be classified as such merely because they may ultimately be used in the manufacture or assembly of that article.

7.7.2 While interpreting Rule 2(a), the Hon'ble Supreme Court observed that individual components such as a printed circuit board (PCB) or a cathode ray tube (CRT), when imported separately, do not possess the essential character of a colour television receiver. The Court held that **the first limb of Rule 2(a), concerning incomplete or unfinished articles having the essential character of the finished article, must be satisfied before recourse can be had to the second limb dealing with complete articles presented unassembled or disassembled**.

7.7.3 The ratio of the aforesaid judgment establishes that **classification of imported goods as a complete article under Rule 2(a) is permissible only where the goods, though incomplete, unfinished, unassembled or disassembled, are nevertheless identifiable as the finished article and possess its essential character**. The mere fact that the imported goods are intended to be assembled into a finished product after importation does not, by itself, attract Rule 2(a).

7.7.4 The interpretation adopted by the Hon'ble Supreme Court is consistent with the General Explanatory Notes to Rule 2(a) of the Harmonized System, which provide as follows:

(I) *"The first part of Rule 2(a) extends the scope of any heading which refers to a particular article to cover not only the complete article but also that article incomplete or unfinished, provided that, as presented, it has the essential character of the complete or finished article."*

(II) *The provisions of this Rule also apply to blanks unless these are specified in a particular heading. The term "blank" means an article, not ready for direct use, having the appropriate shape or outline of the finished article or part, and which can only be used, other than the exceptional cases,*



for completion into the finished article or part (eg. Bottle preforms of plastics being intermediate products having tubular shape, with one closed end and one open end threaded to secure, a screw type. closure, the portion below the threaded end being intended to be expanded to a desired size and shape).

.....  
.....  
**RULE 2 (a)**

*(Articles presented assembled or disassembled)*

V The second part of Rule 2 (a) provides that complete or finished articles presented unassembled or disassembled are to be classified in the same heading as the assembled article. When goods are so presented, it is usually for reasons such as requirements or convenience of packing, handling or transport.

VI This Rule also applies to incomplete or unfinished articles presented unassembled or disassembled provided that they are to be treated as complete or finished articles by virtue of the first part of this Rule.

(VII) For the purposes of this Rule, "articles presented unassembled or disassembled" means articles the components of which are to be assembled either by means of fixing devices (screws, nuts, bolts, etc.) or by riveting or welding, for example, provided only assembly operations are involved.

No account is to be taken in that regard of the complexity of the assembly method. However, the components shall not be subjected to any further working operation for completion into the finished state. Unassembled components of an article which are in excess

7.7.6 Thus, a conjoint reading of Rule 2(a), the General Explanatory Notes thereto, and the judgment of the Hon'ble Supreme Court in *Sony India Ltd.* demonstrates that the Rule contemplates two distinct situations:

- (i) incomplete or unfinished articles which, as presented, possess the **essential character** of the finished article; and
- (ii) complete articles presented in an unassembled or disassembled condition **for reasons such as packing, transport or handling.**

The Rule does not extend to a collection of discrete components or parts which, after importation, require substantial manufacturing and assembly operations before the finished article comes into existence. In the present case, the imported goods are subjected to **numerous manufacturing stages and operations, including (off-line) SMT machine programming and component loading, PCB population, soldering, integration, inspection, testing and other manufacturing processes,** as detailed in the process flow chart at para 3.7 above. Such extensive post-importation processing demonstrates that the imported goods cannot be regarded as an incomplete or unfinished article possessing the essential character of the finished product at the time of importation.



Accordingly, the applicability of Rule 2(a) must be determined with reference to the condition, degree of completeness and character of the goods as presented at the time of importation. Where substantial manufacturing operations remain to be undertaken before the finished article emerges, the imported goods cannot be classified as the finished article under Rule 2(a).

## 7.8 Application of Essential Character Test to the Present Case

7.8.1 In the present case, the imported goods consist of a large number of discrete electronic components, including integrated circuits (ICs), processors/chipsets, transistors, MOSFETs, diodes, capacitors, resistors, thermistors, inductors, crystals, ferrite beads, connectors, headers, sockets, jumpers, heat sinks, metal fittings and bare printed circuit boards (PCBs), which **require numerous manufacturing stages**, including PCB population, soldering, (off-line) SMT machine programming and component loading, integration, calibration and testing, before they become a functional motherboard.

It is also pertinent to note that **the aforesaid components are independently identifiable, classifiable and marketable goods in their own right**. Integrated circuits, processors, capacitors, resistors, connectors, sockets, heat sinks and similar components are commercially traded and marketed separately for use in a variety of electronic products and applications. Their independent commercial identity and marketability further demonstrate that they do not, either individually or collectively, possess the essential character of a motherboard at the time of importation.

7.8.2 Further, the Explanatory Notes to Rule 2(a) contemplate application of the Rule to blanks having the approximate shape or outline of the finished article and capable of use solely for completion into that article. **The subject goods do not satisfy even this requirement, as the imported components are neither assembled nor identifiable as a motherboard in any recognizable form at the time of importation.**

7.8.3 The applicant has contended that the first part of Rule 2(a) permits classification of an incomplete or unfinished article as the complete article where it possesses the "essential character" of the finished product, and has relied upon the illustrations contained in the HSN Explanatory Notes, such as a motor vehicle presented without its wheels and battery or a bicycle presented without its saddle and tyres. However, the said examples are clearly distinguishable from the facts of the present case. In each of the illustrations referred to in the Explanatory Notes, the imported goods already possess the essential structure, **form and identity of the finished article and are readily recognisable as such, the missing items being limited to certain ancillary or finishing components**. The core article is already in existence and remains identifiable notwithstanding the absence of those components.

In contrast, the proposed imports do not consist of an identifiable motherboard lacking a few finishing parts. Rather, they comprise a large number of discrete electronic and electromechanical components, including integrated circuits, semiconductor devices, capacitors, resistors, connectors, sockets and a bare printed circuit board, none of which, either individually or collectively, possess the physical structure, functionality, identity or commercial character of a motherboard at the time of importation. Unlike the examples cited in the Explanatory Notes, the essential article itself has not yet come into existence. The motherboard emerges only after extensive manufacturing operations



involving (off-line) SMT machine programming and component loading, PCB population, soldering, integration, inspection, testing and validation, among other processes. Therefore, the applicant's reliance on the aforesaid illustrations is misplaced and does not advance its claim for classification under Rule 2(a).

7.8.4 The manufacturing records and process flow charts placed on record as produced at para 3.7 above demonstrate that the finished motherboard is produced through a complex and multi-stage manufacturing process. The process commences with incoming goods inspection, material verification, controlled storage and kitting of components, followed by solder paste preparation and printing, (off-line) SMT machine programming and component loading, PCB loading, automated pick-and-place operations, manual placement of components, solder paste inspection and component verification. The populated PCB is thereafter subjected to reflow soldering under controlled thermal profiles, post-reflow inspection and automated optical inspection (AOI), followed by rework and corrective operations wherever required.

7.8.5 The process does not conclude at the SMT stage. The semi-finished assemblies are subsequently subjected to wave soldering operations, manual insertion of components, mechanical assembly of sockets, heat sinks, jumpers and batteries, visual inspections, conformal coating, UV coating inspection, functional testing, failure analysis, final inspection, outgoing quality control inspection and packing. At multiple stages, defective units are segregated for rework, touch-up, corrective action and retesting before they are accepted as finished products.

7.8.6 The above manufacturing sequence demonstrates that **the imported items do not merely undergo assembly by fastening, riveting or joining operations contemplated under Rule 2(a).** Rather, they undergo extensive manufacturing processes involving Off-line) SMT machine programming, Component Loading, solder paste deposition, thermal reflow, wave soldering, electronic population of bare PCBs, software-controlled machine operations, inspection protocols, functional validation, failure analysis and quality assurance procedures. **The finished motherboard acquires its identity, functionality and commercial character only after completion of these numerous manufacturing stages.**

7.8.7 In view of the above a complex multi-stage manufacturing process, it is evident that **the imported components cannot be regarded as incomplete or unfinished motherboards possessing the essential character of the finished article at the time of importation.** Nor can they be regarded as complete articles presented unassembled or disassembled merely for convenience of packing, handling or transport as contemplated under Rule 2(a). The manufacturing operations undertaken after importation are not incidental assembly operations but constitute substantial and complex multi-stage manufacturing process that are indispensable for bringing the finished motherboard into existence.

7.8.8 Thus, applying the principles laid down by the Hon'ble Supreme Court in *Sony India Ltd.*, the subject goods satisfy neither of the situations contemplated under Rule 2(a). The imported goods, as presented at the time of importation, do not possess the essential character of the finished motherboard/PCBA and cannot be regarded as complete articles presented unassembled or disassembled. The finished product comes into existence only after substantial manufacturing, integration and testing activities are undertaken in India.



Accordingly, the subject goods cannot be regarded as incomplete or unfinished articles having the essential character of the finished motherboard, nor can they be regarded as complete articles presented unassembled or disassembled within the meaning of Rule 2(a). Equally, the subject goods do not qualify as incomplete or unfinished articles presented unassembled or disassembled, since they do not possess the essential character of the finished motherboard at the time of importation, which is a prerequisite for application of the second limb of Rule 2(a). Therefore, the applicability of Rule 2(a) must be determined with reference to the condition, completeness and character of the goods at the time of importation, and not with reference to the finished product that may ultimately emerge after extensive manufacturing processes are undertaken in India.

#### 7.9 Distinction from Cases Allowing CKD Classification

7.9.1 The applicant has relied upon decisions where CKD goods were classified as complete articles. However, such reliance is misplaced.

In *Galaxy (Tuticorin) Agencies v. CCE*, 2009 (239) E.L.T. 478 (Tri.), the Tribunal held:

“We are clear that the goods under import constituted a complete dredger in CKD condition. The absence of certain amount of outlet pipes or pontoons does not affect the claim...”

This judgment is distinguishable on facts, as the imported goods in that case were **substantially complete and identifiable as the finished product**, with only minor components missing.

7.9.2 Similarly, judicial precedents consistently hold that Rule 2(a) applies only where the imported goods are **substantially complete and retain the identity of the finished article**, albeit in disassembled form.

As discussed in the present case, however, the goods do not represent a disassembled motherboard, but rather a collection of independent components, each having separate identity and classification.

#### 7.10 Applicability of Section XVI Note 2

7.10.1 It is also necessary to examine **Section XVI Note 2**, which governs classification of parts. The Note provides that:

*Note 2. Subject to Note 1 to this Section, Note 1 to Chapter 84 and to Note 1 to Chapter 85, parts of machines (not being parts of the articles of heading 8484, 8544, 8545, 8546 or 8547) are to be classified according to the following rules:*

“(a) parts which are goods included in any of the headings of Chapter 84 or 85 (other than headings 8409, 8431, 8448, 8466, 8473, 8487, 8503, 8522, 8529, 8538 and 8548) are in all cases to be classified in their respective headings; ”

*(b) other parts, if suitable for use solely or principally with a particular kind of machine, or with a number of machines of the same heading (including a machine of heading 8479 or 8543) are to be classified with the machines of that kind or in heading 8409, 8431, 8448, 8466, 8473, 8503, 8522,*



8529 or 8538 as appropriate. However, parts which are equally suitable for use principally with the goods of headings 8517 and 8525 to 8528 are to be classified in heading 8517, and parts which are suitable for use solely or principally with the goods of heading 8524 are to be classified in heading 8529;

(c) all other parts are to be classified in heading 8409, 8431, 8448, 8466, 8473, 8503, 8522, 8529 or 8538 as appropriate or, failing that, in heading 8487 or 8548.

**7.10.2** The scheme of Note 2 establishes a clear statutory hierarchy for classification of parts. In terms of Note 2(a), where a component is itself covered by a specific heading of Chapters 84 or 85, such component is required to be classified in that heading irrespective of the machine, equipment or assembly in which it is intended to be used. It is only where a part is not classifiable in its own specific heading that recourse may be had to Note 2(b) or Note 2(c).

**7.10.3** In the present case, the proposed imports comprise a large number of discrete electronic and electromechanical components such as integrated circuits, processors/chipsets, transistors, MOSFETs, diodes, capacitors, resistors, thermistors, inductors, crystals, ferrite beads, connectors, headers, sockets, jumpers, heat sinks, metal fittings and bare printed circuit boards. Many of these components are specifically covered by separate tariff headings and possess an independent tariff identity under the Customs Tariff.

**7.10.4** It is also pertinent to note that the aforesaid components are independently identifiable, independently classifiable, independently marketable and commercially traded goods in their own right. Integrated circuits, semiconductor devices, capacitors, resistors, connectors, sockets and similar components are routinely bought and sold as distinct products for use in a wide variety of electronic equipment and applications. Each of these goods possesses its own commercial identity, technical characteristics and tariff classification under the Customs Tariff. The fact that such components are imported together for use in the manufacture of a motherboard does not detract from their separate identity, marketability or classification. Accordingly, their classification is required to be determined in accordance with the specific tariff provisions applicable to such goods and does not depend upon their eventual incorporation into a motherboard or any other machine.

**7.10.4** This view is further reinforced by the HSN Explanatory Notes relating to parts of machines of Chapter 84, which provide under the heading "Parts" as follows:

*As regards parts in general, see the General Explanatory Note to Section XVI.*

*"Separately presented electrical parts generally fall in one or other of the headings of Chapter 85, for example: electric motors (heading 85.01); electrical transformers (heading 85.04); electro-magnets, permanent magnets, electro-magnetic lifting heads for cranes and electro-magnetic chucks (heading 85.05); electrical starting equipment for internal combustion piston engines (heading 85.11); electrical switches, control panels, plugs, junction boxes, etc. (headings 85.35 to 85.37); electronic valves (heading 85.40); diodes, transistors and similar semiconductor devices (heading 85.41); electronic integrated circuits (heading 85.42); electrical carbons (heading 85.45); insulators (heading 85.46); and certain fittings of insulating material (heading 85.47). Unless incorporated with*



*other parts of the machine, such goods are classified in those headings, even if designed for use solely or principally with a particular machine of this Chapter."*

7.10.6 The above HSN guidance makes it clear that separately presented electrical and electronic components do not lose their individual tariff identity merely because they are intended for use in a particular machine or assembly. Accordingly, where the constituent items of the proposed imports are specifically covered by individual tariff headings, they are required to be classified in those headings in accordance with Section XVI Note 2(a), notwithstanding their intended use in the manufacture of a motherboard.

7.10.7 This principle finds support in the judgment of the Hon'ble Supreme Court in *Commissioner of Customs v. Acer India Ltd.*, 2004 (172) E.L.T. 289 (S.C.), **wherein the Court observed that where an article is specifically covered by a tariff entry, it is not permissible to classify the same under a more general entry merely on the basis of its intended use or end-use.**

7.10.8 At the same time, Note 2(b) and Note 2(c) contemplate classification of those parts which are not themselves covered by specific tariff headings. Such parts may, depending upon their nature, characteristics and principal use, fall to be classified under the appropriate parts heading, including Heading 8473, where the statutory requirements are satisfied.

7.10.9 Therefore, while the classification of a complete motherboard is required to be determined having regard to the General Rules for Interpretation, the relevant Section Notes and the tariff description, the classification of individual components forming part thereof cannot automatically be governed by Heading 8473 merely because they are imported together or intended for use in the manufacture of a motherboard. The classification of each such component must first be examined in accordance with Rule 1 of the GIR and the scheme prescribed under Section XVI Note 2.

#### 7.11 Classification of Motherboards vis-à-vis Components

7.11.1 It is not in dispute that a fully manufactured and functional motherboard is classifiable under CTH 8473 30 20, being a part suitable for use solely or principally with automatic data processing machines.

This position is supported by the decision in *CCE v. Virtual Computers Pvt. Ltd.*, 2013 (292) E.L.T. 478 (Tri.-Mum.), wherein it was held:

*"The motherboard... cannot be considered as automatic data processing machines. The same are parts and accessories suitable for use with the machine... therefore... classifiable under Heading 8473."*

7.11.2 However, the aforesaid decision relates to a finished motherboard possessing the physical identity, structure and functionality of a motherboard. The issue in the present case is fundamentally different. The proposed imports do not consist of a finished motherboard or even an identifiable motherboard presented in unassembled condition. Rather, they comprise a collection of discrete components which require extensive manufacturing operations before a motherboard comes into existence.



**7.11.3** The distinction between a finished motherboard and the constituent components from which such motherboard is manufactured is both legally and commercially significant. A finished motherboard constitutes a distinct and identifiable product having a specific commercial identity and functionality. In contrast, the subject goods comprise independently identifiable and independently marketable components which retain their separate identity at the time of importation and do not possess the character or functionality of a motherboard.

**7.12 Failure of Applicant's Classification Claim:**

**7.12.1** The applicant's contention that the CKD kits should be classified as "motherboards" under CTH 8473 30 20 is not sustainable for the following reasons:

- The goods do not satisfy the essential character test prescribed under Rule 2(a);
- The goods are not identifiable as a motherboard, whether complete, incomplete, assembled or unassembled, at the time of importation;
- The goods do not constitute blanks having the approximate shape or outline of a motherboard;
- The goods comprise discrete electronic and electromechanical components which are independently identifiable, independently marketable and, in many cases, independently classifiable under specific tariff headings;
- The imported components do not constitute a complete motherboard presented in unassembled or disassembled condition for reasons of packing, transport or handling;
- The manufacturing operations undertaken after importation are not mere assembly operations contemplated under Rule 2(a), but constitute substantial and highly specialised manufacturing processes through which the finished motherboard acquires its identity, functionality and commercial character;
- Several constituent items are goods specifically covered by independent tariff headings and are required to be classified in accordance with Rule 1 of the GIR read with the relevant Section Notes, Chapter Notes and Section XVI Note 2.

**7.13 To sum up:**

(i) The applicability of Rule 2(a) is contingent upon the imported goods possessing, at the time of importation, the essential character of the complete or finished article, or constituting a complete article presented in an unassembled or disassembled condition merely for reasons of packing, transport or handling.

(ii) In the present case, the proposed imports comprise a large number of discrete electronic and electromechanical components, including integrated circuits (ICs), processors/chipsets, transistors,



MOSFETs, diodes, capacitors, resistors, thermistors, inductors, crystals, ferrite beads, connectors, headers, sockets, jumpers, heat sinks, metal fittings and bare printed circuit boards (PCBs).

(iii) The aforesaid components are independently identifiable, commercially marketable and, in many instances, specifically covered by separate tariff headings under the Customs Tariff. Their individual identity and tariff classification are not lost merely because they are imported together for eventual use in the manufacture of a motherboard.

(iv) The imported goods, whether viewed individually or collectively, do not possess the physical form, structure, functionality, identity or commercial character of a motherboard at the time of importation, nor are they identifiable as a motherboard in an unassembled or disassembled condition or as blanks having the approximate shape or outline of a motherboard.

(v) The records placed on record establish that the finished motherboard comes into existence only after extensive and highly specialised manufacturing operations, including (off-line) SMT machine programming and component loading, solder paste printing, automated component placement, PCB population, reflow soldering, wave soldering, mechanical assembly, inspection, testing, failure analysis, rework and quality validation.

(vi) Consequently, the imported goods **do not possess the essential character of a motherboard** as incomplete or unfinished motherboards, nor can they be regarded as complete motherboards presented unassembled or disassembled within the meaning of Rule 2(a). Since the requirements of the first limb of Rule 2(a) are not satisfied, the second limb relating to articles presented unassembled or disassembled is equally inapplicable.

(vii) Further, by virtue of Section XVI Note 2(a), components which are themselves covered by specific tariff headings are required to be classified in their respective headings, notwithstanding their intended incorporation into a motherboard or any other machine.

(viii) Accordingly, the subject goods do not satisfy the conditions prescribed under Rule 2(a) and cannot be classified as "motherboards" under CTH 8473 30 20. Their classification is required to be determined in accordance with Rule 1 of the General Rules for Interpretation read with the relevant Section Notes, Chapter Notes and Section XVI Note 2, having regard to the nature and characteristics of the individual goods presented for importation.

17.14 On the basis of the facts and circumstances of the case, and in view of the foregoing discussions and findings, I reach the following conclusions:

- (i) Rule 2(a) of the General Rules for Interpretation is not applicable to the subject goods;
- (ii) The CKD kits proposed to be imported **do not possess the essential character of a motherboard** at the time of importation;



(iii) The subject goods cannot be regarded either as incomplete or unfinished motherboards possessing the essential character of the finished article or as complete motherboards presented in an unassembled or disassembled condition within the meaning of Rule 2(a);

(iv) The goods comprise a large number of discrete electronic and electromechanical components, viz. integrated circuits (ICs), processors/chipsets, transistors, MOSFETs, diodes, capacitors, resistors, thermistors, inductors, crystals, ferrite beads, connectors, headers, sockets, jumpers, heat sinks, metal fittings, bare printed circuit boards (PCBs) and similar items, which are independently identifiable, independently marketable and, in many cases, independently classifiable under specific tariff headings;

(v) The aforesaid goods require substantial manufacturing and processing operations, including offline SMT programming and component loading, PCB population, soldering, integration, inspection, testing, validation and quality control processes, before a functional motherboard comes into existence, and therefore cannot be regarded as a motherboard presented in CKD condition;

(vi) Several constituent items are goods specifically covered by separate tariff headings and are governed by the provisions of Rule 1 of the General Rules for Interpretation read with the relevant Section Notes, Chapter Notes and Section XVI Note 2;

(vii) Consequently, the subject goods are not classifiable as "motherboards" under tariff heading 8473 30 20 of the First Schedule to the Customs Tariff Act, 1975.

I rule accordingly.



(Rajesh Fattasing Dhabre)  
Customs Authority for Advance Rulings,  
Mumbai

This copy is certified to be a true copy of the ruling and is sent to:

1. Smile Electronics Limited,  
Plot No 18, SY No 198, Hitech Defense and Aero Space Park,  
Mahadevakodigehalli Village, Hobli - Jala, Bengaluru,  
Bengaluru Urban, Karnataka, 562149  
Email- taxation@smileelectronics.com
2. The Commissioner of Customs(Import),  
Bengaluru. C.R. Building, Queen's Road, P.B No. 5400,  
Bengaluru - 560001. Email - commrcity-cusblr@nic.in
3. The Customs Authority for Advance Rulings,  
1st Floor, Wing-6, West Block-8,  
Rama Krishna Puram (R.K. Puram),  
New Delhi - 110066, India.  
Email: cus-advrulings.del@gov.in
4. The Pr. Chief Commissioner of Customs,  
New Custom House, Mumbai Zone-I,  
Ballard Estates, Mumbai -400001.  
Email: ccu-cusmum1@nic.in
5. The Commissioner (Legal), CBIC Offices,  
Legal/CX.8A, Cell, 5th floor, Hudco Vishala Building,  
C-Wing, Bhikaji Cama Place, R. K. Puram, New Delhi - 110066.  
Email: commr.legal-cbec@nic.in
6. The Member (Customs), Central Boards of Indirect Taxes & Customs,  
North Block, New Delhi-110001.  
Email: mem.cus-cbec@nic.in
7. The Webmaster, Central Boards of Indirect Taxes & Customs.  
Email: webmaster.cbec@icegate.gov.in, webmaster.cbic@icegate.gov.in
8. Guard file.

for *Vinod* 09106126

Dy. Commissioner of Customs & Secretary  
Customs Authority for Advance Rulings, Mumbai

