CUSTOMS, EXCISE & SERVICE TAX APPELLATE TRIBUNAL, MUMBAI

REGIONAL BENCH - COURT NO. I

Customs Appeal No. 88383 of 2014

(Arising out of Order-in-Appeal No. 1954 (Gr.V)/2014(JNCH)/IMP - 1877 dated 25.04.2014 passed by the Commissioner of Customs (Appeals), Mumbai-II, JNCH, Nhava Sheva, Taluka-Uran, Dist. Raigad, Maharashtra)

AGS Transact Technologies Limited .... **Appellants**
601-602, B-Wing, Trade World,
Kamala City, Senapati Bapat Marg,
Lower Parel (West), Mumbai - 400 013.

Versus

Commissioner of Customs (Imports) .... **Respondent**
Jawaharlal Nehru Customs House (JNCH), Nhava Sheva
Taluka Uran, District Raigad, Maharashtra – 400 707.

Appearance:

Shri Vijay Kumar Singh, Consultant for the Appellants

Shri Ram Kumar, Authorized Representative for the Respondent

CORAM:

HON'BLE MR. S.K. MOHANTY, MEMBER (JUDICIAL)
HON'BLE MR. M.M. PARTHIBAN, MEMBER (TECHNICAL)

FINAL ORDER NO. A/85872/2025

Date of Hearing: 18.02.2025

Date of Decision: 06.06.2025

PER: M.M. PARTHIBAN

This appeal has been filed by M/s AGS Transact Technologies Limited, Mumbai (herein after, referred to as 'the appellants'), assailing Order-in-Appeal No. 1954 (Gr.V)/2014(JNCH)/IMP - 1877 dated 25.04.2014 (herein after, referred to as 'the impugned order') passed by the Commissioner of Customs (Appeals), Mumbai-II, JNCH, Nhava Sheva, Taluka-Uran, Dist. Raigad, Maharashtra.

2.1 The brief facts of the case are that the appellants-importer is engaged in the import and the assembly of 'Wincor Beetal' Modular Point Of Sale (POS) systems. The POS system manufactured by the appellants are used in shopping malls and other retail outlets for preparation of bill/sale invoice, accounting of stocks, accounting of the amount received as sale proceeds etc., and it is a desktop computer based POS system.

For assembly/manufacture of POS system, the appellants importer had imported a consignment of BA 63 display, cash drawer and cables by classifying it under Customs Tariff Item (CTI) 8471 6090, under Bill of Entry (B/E) No. 3439176 dated 03.10.2013 and self-assessed the same by claiming duty exemption/ 'NIL' Basic Customs Duty (BCD) vide Notification No.24/2005-Customs dated 01.03.2005, in terms of Section 17(1) of the Customs Act, 1962.

2.2 The Appraising Officer of the Customs Assessment Group had objected to the classification of the imported goods and had raised query seeking reply from the appellants as to why the imported goods should not be classified under CTI 8531 8000 with applicable Basic Customs Duty (BCD) of 10% *ad valorem,* as such classification under HS Code is also reflected in the supplier's packing list. After detailed analysis of the reply submitted to the objections raised and being not satisfied with such reply, the department had adjudicated the case, after giving personal hearing, seeking for revising the classification of imported goods and by demanding differential duty along with interest and for imposition of penalty on the appellants vide Order-in-Original dated 29.10.2013.

2.3 In adjudication of the case, the original authority had come to the conclusion that the imported goods are used for display of the classic customer and operator display for text-based applications such as item/price information and operator instruction. Since the imported item is only a display unit, the original authority decided that it is rightly classified under CTI 8531 8000 of the First Schedule to the Customs Tariff Act, 1975 and not under the declared CTI 8471 6090. Being aggrieved with the impugned order, the appellants have filed an appeal before the Commissioner of Customs (Appeals), who on the basis of product details and by application of Rule 3 of the Interpretative Rules to the customs tariff had confirmed the original order and rejected the appeal filed by the appellants by issue of Order-in-Appeal dated 25.04.2014. Being aggrieved with the impugned order dated 25.04.2014, the appellants have filed this appeal before the Tribunal.

3.1. Learned Advocate for the appellants submitted that the goods imported in the present case viz., 'Customer display stand/tub mounting', 'cable', 'cash drawer', 'data cable' and 'printer cable' are part of Modular POS system. Each POS comprises of various units such as (i) BEETLE mini

POS System (ii) cash drawer KA12 (iii) Keyboard TA61 (iv) customer display BA 63 (v) cashier display (vi) POS printer (vii) touch/ light hand held scanner (viii) cables and (ix) quick reference guide. He stated that the BEETLE mini POS system is a desktop computer, with the display unit for indicating the item, price information; it is connected to Central Processing Unit (CPU) by cable and fulfills all the conditions laid down in Chapter Note 5C to Chapter 84 of the customs tariff, so as to qualify as a unit of automatic data processing machine. Therefore, learned Advocate claimed that the imported goods are rightly classifiable as unit of ADP machine and its correct classification is under CTI 8471 6090.

3.2 Learned Advocate further stated that the finding of the Commissioner of Customs (Appeals) holding that the imported goods are classifiable under CTI 8531 8000 inasmuch as the supplier have indicated the HS code 85312040900 is incorrect, since the corresponding sub-heading of the Indian customs tariff is CTH 853120 and not CTH 853180 as decided in the impugned order. Therefore, he claimed that the impugned order holding the classification of the original authority is incorrect.

3.3 Learned Advocate also submitted that the decision of the Tribunal in the case of *Commissioner of Central Excise, Chennai Vs. Soumag Electronics* 1999 (108) E.L.T. 167 (Tribunal) is not applicable to the present case, since the goods dealt in such case is of complete information display systems, and not in respect of part or unit of Automatic Data Processing Machine. He had also submitted a technical writeup of the goods under import along with representative picture of the product POS system, to state that these form part of the POS system, and functions only when these are connected to the POS system and cannot work in a standalone mode.

3.4 Learned Advocate submitted that the classification of imported goods declared by the appellants were duly supported by the Harmonized System of Nomenclature (HSN) which provides for coverage of POS system under the specific items covered under chapter heading 8471 and not under the scope of coverage of items under chapter heading 8531. Hence, he pleaded that the impugned order is not legally sustainable.

4.1 Learned Authorised Representative (AR) reiterated the findings made by the Commissioner of Customs (Appeals) in the impugned order and submitted that issue of classification of impugned goods, has been examined in detail by the learned Commissioner (Appeals) and the original authority. He stated that the appellants have described the imported goods as parts of POS, but claimed the classification under CTH 8471 which is meant for Automatic Data Processing machines. Learned AR also submitted that the learned Commissioner (Appeals) by relying on the Rule 2(b) of the General Rules of Interpretation (GRI) had classified the goods CTI 8531 8000, as the description gives them their essential character, in comparison to the general description of goods under CTI 8471 6090.

4.2 Thus, learned AR justified the action in the impugned order dated 25.04.2014, for upholding the order of the original authority in re-classifying the goods under CTI 8531 8000 and denying the duty exemption benefit, and thus pleaded for rejecting the appeals filed by the appellants.

5. We have heard the learned Advocate appearing for the appellants and the learned Authorized Representative of the Department and perused the case records. Further, we have also considered the additional written submissions in the form of paper books given by both sides.

6.1 The issue involved herein is to decide the classification of goods imported by the appellants as to whether, the same merits classification under Customs Tariff Heading (CTI) 8471 6090 as claimed by the appellants; or, is it classifiable under CTI 8531 8000 as determined by the Original authority, which has been upheld by the learned Commissioner of Customs (Appeals) in the impugned order, for deciding on appropriate levy of customs duty on the impugned goods.

6.2 In order to address the above issue of classification of imported goods, we would like to refer the relevant legal provisions contained in Section 12 of the Customs Act, 1962; the Customs Tariff Act, 1975 and rules framed thereunder for consideration of proper and appropriate classification of the subject goods under dispute.

"***Section 12. Dutiable goods.*** -

(1) Except as otherwise provided in this Act, or any other law for the time being in force, duties of customs shall be levied at such rates as may be specified under the Customs Tariff Act, 1975 (51 of 1975), or

any other law for the time being in force, on goods imported into, or exported from, India.

(2) The provisions of sub-section (1) shall apply in respect of all goods belonging to Government as they apply in respect of goods not belonging to Government."

"Section 1. Short title, extent and commencement. *-*

(1) This Act may be called the Customs Tariff Act, 1975.

(2) It extends to the whole of India.

(3) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.

Section 2. Duties specified in the Schedules to be levied. *-*

The rates at which duties of customs shall be levied under the Customs Act, 1962 (52 of 1962), are specified in the First and Second Schedules.

xxx xxx xxx xxx

THE FIRST SCHEDULE – IMPORT TARIFF
(Refer Section 2)

THE GENERAL RULES FOR THE INTERPRETATION OF IMPORT TARIFF

Classification of goods in this Schedule shall be governed by the following principles:

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 articles 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.

(b) Any reference in a heading to a material or substance shall be taken to include a reference to mixtures or combinations of that material or substance with other materials or substances. Any reference to goods of a given material or substance shall be taken to include a reference to goods consisting wholly or partly of such material or substance. The classification of goods consisting of more than one material or substance shall be according to the principles of rule 3.

3. When by application of rule 2(b) or for any other reason, goods are, prima facie, classifiable under two or more headings, classification shall be effected as follows:

(a) The heading which provides the most specific description shall be preferred to headings providing a more general description. However, when two or more headings each refer to part only of the materials or substances contained in mixed or composite goods or to part only of the items in a set put up for retail sale, those headings are to be regarded as equally specific in relation to those goods, even if one of them gives a more complete or precise description of the goods.

(b) Mixtures, composite goods consisting of different materials or made up of different components, and goods put up in sets for retail sale, which cannot be classified by reference to (a), shall be classified as if they consisted of the material or component which gives them their essential character, in so far as this criterion is applicable.

(c) When goods cannot be classified by reference to (a) or (b), they shall be classified under the heading which occurs last in numerical order among those which equally merit consideration.

4. 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.

5. In addition to the foregoing provisions, the following rules shall apply in respect of the goods referred to therein:

(a) Camera cases, musical instrument cases, gun cases, drawing instrument cases, necklace cases and similar containers, specially shaped or fitted to contain a specific article or set of articles, suitable for long-term use and presented with the articles for which they are intended, shall be classified with such articles when of a kind normally sold therewith. This rule does not, however, apply to containers which give the whole its essential character;

(b) Subject to the provisions of (a) above, packing materials and packing containers presented with the goods therein shall be classified with the goods if they are of a kind normally used for packing such goods. However, this provision does not apply when such packing materials or packing containers are clearly suitable for repetitive use.

6. For legal purposes, the classification of goods in the sub-headings of a heading shall be determined according to the terms of those sub headings and any related sub headings Notes and, mutatis mutandis, to the above rules, on the understanding that only sub headings at the same level are comparable. For the purposes of this rule the relative Section and Chapter Notes also apply, unless the context otherwise requires.

THE GENERAL EXPLANATORY NOTES TO IMPORT TARIFF

1. Where in column (2) of this Schedule, the description of an article or group of articles under a heading is preceded by "-", the said article or group of articles shall be taken to be a sub-classification of the article or group of articles covered by the said heading. Where, however, the description of an article or group of articles is preceded by "- -", the said article or group of articles shall be taken to be a sub-classification of the immediately preceding description of the article or group of articles which has "-". where the description of an article or group of articles is preceded by "---" or "----", the said article or group of articles shall be taken to be a sub-classification of the immediately preceding description of the article or group of articles which has "-" or "--".

2. The abbreviation "%" in any column of this Schedule in relation to the rate of duty indicates that duty on the goods to which the entry relates shall be charged on the basis of the value of the goods as defined in section 14 of the Customs Act, 1962 (52 of 1962), the duty being equal to such percentage of the value as is indicated in that column.

3. In any entry, if no rate of duty is shown in column (5), the rate shown under column (4) shall be applicable.

ADDITIONAL NOTES

In this Schedule,—

(1)(a) "heading", in respect of goods, means a description in list of tariff provisions accompanied by a four-digit number and includes all sub-headings of tariff items the first four-digits of which correspond to that number;

(b) "sub-heading", in respect of goods, means a description in the list of tariff provisions accompanied by a six-digit number and includes all tariff items the first six-digits of which correspond to that number;

(c) "tariff item" means a description of goods in the list of tariff provisions accompanying eight digit number and the rate of customs duty;

(2) the list of tariff provisions is divided into Sections, Chapters and Sub-Chapters;

(3) in column (3), the standard unit of quantity is specified for each tariff item to facilitate the collection, comparison and analysis of trade statistics."

6.3 From plain reading of the above legal provisions, it transpires that in order to determine the appropriate duties of customs payable on any imported goods, one has to make an assessment of the imported goods for its correct classification under the First Schedule to Customs Tariff Act, 1975 in accordance with the provisions of the Customs Tariff Act by duly following the General Rules for Interpretation (GIR) and the General Explanatory notes (GEN) contained therein. The First Schedule to the

Customs Tariff Act, 1975 specifies the various categories of imported goods in a systematic and well-considered manner, in accordance with an international scheme of classification of internationally traded goods, i.e., 'Harmonized Commodity Description and Coding System' (HS). Accordingly, goods are to be classified taking into consideration the scope of headings / sub-headings, related Section Notes, Chapter Notes and the General Rules for the Interpretation (GIR) of the First Schedule to the Customs Tariff Act, 1975. Rule 1 of the GIR provides that the classification of goods shall be determined according to the terms of the headings of the tariff and any relative Section notes or Chapter notes and thus, gives precedence to this while classifying a product. Rules 2 to 6 provide the general guidelines for classification of goods under the appropriate sub-heading. In the event of the goods cannot be classified solely on the basis of GIR 1, and if the headings and legal notes do not otherwise require, the remaining Rules 2 to 6 may then be applied in sequential order. Further, while classifying goods, the foremost consideration is the 'statutory definition', if any, provided in the Customs Tariff Act. In the absence of any statutory definition, or any guideline provided by HS explanatory notes, the trade parlance theory is to be adopted for ascertaining as to how the goods are known in the common trade parlance for the purpose of dealing between the parties.

7. In the case before us, the contending classification of imported goods discussed in the impugned order are either under CTI 8471 6090 or CTI 8531 8000 of the First Schedule to the Customs Tariff Act. Thus, it is clear that at the Chapter level itself, there is difference of opinion among the department and the appellants. The dispute in classification therefore lies in the narrow compass of analysis of the appropriate Chapter and its Headings under which the impugned goods are covered as per the Customs Tariff and then classifying the impugned product under the corresponding Sub-heading, Tariff Item. Now, we may closely examine the scope of the contending classification for determining correct classification of the imported goods. The scope of goods covered under CTI 8471 6090 relates to "--- *Other"* under the "- *Input or output units, whether or not containing storage units in the same housing:*" of sub-heading 8471 60 falling under the category of goods described under Chapter heading 8471; and on the other side, the department has re-classified the impugned goods covered under CTI 8531 8000 as "- *Other apparatus"* of Electric sound or visual signalling apparatus, described

under Chapter heading 8531. Hence, we need to closely look at the classification under the First Schedule to the Customs Tariff Act for arriving at proper conclusion on the classification of the impugned goods. The relevant headings and their tariff entries in the First Schedule to the Customs Tariff Act, 1975 of contending Chapter headings 8471 and 8531 are extracted as below:

"SECTION XVI

MACHINERY AND MECHANICAL APPLIANCES; ELECTRICAL EQUIPMENT; PARTS THEREOF; SOUND RECORDERS AND REPRODUCERS, TELEVISION IMAGE AND SOUND RECORDERS AND REPRODUCERS, AND PARTS AND ACCESSORIES OF SUCH ARTICLES

NOTES :

1. *This chapter does not cover:*

   ….
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;

   (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.

3. Unless the context otherwise requires, composite machines consisting of two or more machines fitted together to form a whole and other machines designed for the purpose of performing two or more complementary or alternative functions are to be classified as if consisting only of that component or as being that machine which performs the principal function.

4. Where a machine (including a combination of machines) consists of individual components (whether separate or interconnected by piping, by transmission devices, by electric cables or by other devices) intended to contribute together to a clearly defined function covered by one of the headings in Chapter 84 or Chapter 85, then the whole falls to be classified in the heading appropriate to that function.

5. For the purposes of these Notes, the expression "machine" means any machine, machinery, plant, equipment, apparatus or appliance cited in the headings of Chapter 84 or 85.

xx xx xx xx xx

CHAPTER 84

Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof

Notes :

1. This Chapter does not cover :…..

xx xx xx xx xx

5. (A) For the purposes of heading 8471, the expression "automatic data processing machine" means machine capable of :
(i) storing the processing programme or programmes and at least the data immediately necessary for the execution of the programme;
(ii) being freely programmed in accordance with the requirements of the user;
(iii) performing arithmetical computations specified by the user; and
(iv) executing, without human intervention, a processing programme which requires them to modify their execution, by logical decision during the processing run.

(B) Automatic data processing machines may be in the form of systems consisting of a variable number of separate units.

(C) Subject to paragraphs (D) and (E), a unit is to be regarded as being part of an automatic data processing system if it meets all of the following conditions :
(i) it is of a kind solely or principally used in an automatic data processing system;
(ii) it is connectable to the central processing unit either directly or through one or more other units; and
(iii) it is able to accept or deliver data in a form (codes or signals) which can be used by the system. Separately presented units of an automatic data processing machine are to be classified in heading 8471.

However, keyboards, X-Y co-ordinate input devices and disk storage units which satisfy the conditions of (ii) and (iii) above, are in all cases to be classified as units of heading 8471.

(D) Heading 8471 does not cover the following when presented separately, even if they meet all of the conditions set forth in paragraph (C) :
(i) printers, copying machines, facsimile machines, whether or not combined;
(ii) apparatus for the transmission or reception of voice, images or other data, including apparatus for communication in a wired or wireless network (such as a local or wide area network);
(iii) loudspeakers and microphones;
(iv) television cameras, digital cameras and video camera recorders;
(v) monitors and projectors, not incorporating television reception apparatus.

(E) Machines incorporating or working in conjunction with an automatic data processing machine and performing a specific function other than data processing are to be classified in the headings appropriate to their respective functions or, failing that, in residual headings.

Chapter Heading	***Description of goods***
(1)	*(2)*
8471	**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**

Chapter Heading	*Description of goods*
	data, not elsewhere specified or included
8471 30	*- Portable digital automatic data processing machines, weighing not more than 10 kg., consisting of at least a central processing unit, a keyboard and a display* :
8470 30 10	--- Personal computer
8470 30 90	--- Other
	- Other automatic data processing machines :
8471 41	*-- Comprising in the same housing at least a central processing unit and an input and output unit, whether or not combined :*
8471 41 10	--- Micro computer
8471 41 20	--- Large or main frame computer
8471 41 90	--- Other
8471 49 00	-- Other, presented in the form of systems
8471 50 00	- Processing units other than those of sub-heading 8471 41 or 8471 49, whether or not containing in the same housing one or two of the following types of unit : storage units, input units, output units
8471 60	*- Input or output units, whether or not containing storage units in the same housing:*
8471 60 10	--- Combined input or output units
	--- Printer:
8471 60 24	--- Graphic printer
8471 60 25	--- Plotter
8471 60 29	--- Other
8471 60 40	--- Key board
8471 60 50	--- Scanners
8471 60 60	--- Mouse
8471 60 90	**--- Other**
8471 70	*- Storage units:*
8471 70 10	--- Floppy disc drives
8471 70 20	--- Hard disc drives
8471 70 30	--- Removable or exchangeable disc drives
8471 70 40	--- Magnetic tape drives
8471 70 50	--- Cartridge tape drive
8471 70 60	--- CD-ROM drive
8471 70 70	--- Digital video disc drive
8471 70 90	--- Other
8471 80 00	- Other units of automatic data processing machines
8471 90 00	- Other

and

Chapter Heading	*Description of goods*
(1)	*(2)*
8531	**Electric sound or visual signalling apparatus (for example, bells, sirens, indicator panels, burglar or fire alarms), other than those of heading 8512 or 8530**
8531 10	- *Burglar or fire alarms and similar apparatus :*
8531 10 10	--- Burglar alarm
8531 10 20	--- Fire alarm
8531 10 90	--- Other
8531 20 00	- Indicator panels incorporating liquid crystal devices (LCD) or light emitting diodes (LED)
8531 80 00	**- Other apparatus**
8531 90 00	- Parts

8.1 It could be seen that by applying the GIR 1, the position is made clear that Chapter Heading 8471 covers within its scope and ambit, mainly of two broad categories of goods:

(i) first one i.e., "Automatic data processing machines and units thereof"; covered under CTHs 8471 30; 8471 41; 8471 50; 8471 60; 8471 70 and 8471 80;

(ii) the second one i.e., "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" covered under CTH 8471 90;

Further, the first broad category of products are further grouped under various CTHs as follows:

(a) Portable digital automatic data processing machines covered under CTH 8471 30;

(b) Automatic data processing machines covered under CTH 8471 40 comprising at least central processing unit, input and output units in same housing;

(c) Automatic data processing machines, other than those covered under CTH 8471 41 or CTH 8471 49, whether or not comprising in same housing central processing unit, input and output units, covered under CTH 8471 50;

(d) Input or output units, whether or not containing storage units in the same housing covered under CTH 8471 60;

(e) Storage units, covered under CTH 8471 70;

(f) Other units of Automatic data processing machines, covered under CTH 8471 80

8.2. Similarly, by applying same GIR 1, it could also be seen that Chapter Heading 8531 covers within its scope and ambit, mainly of three broad categories of goods:

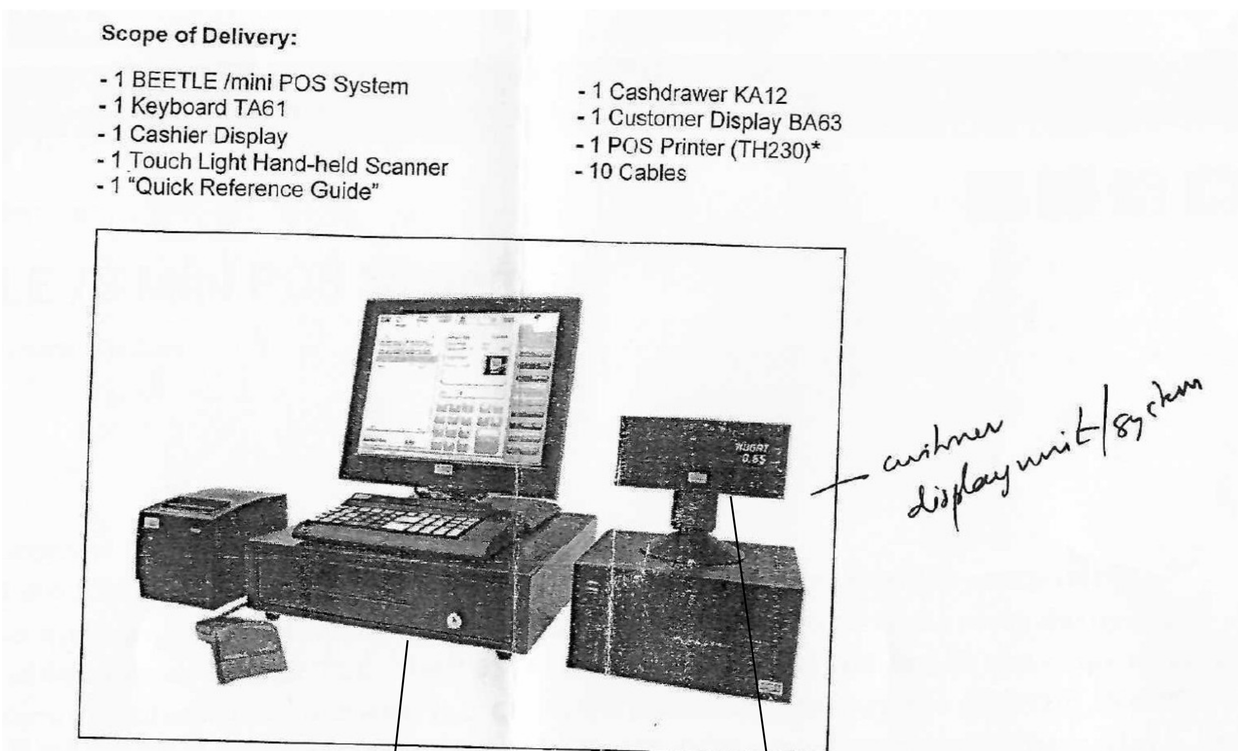
(i) first one i.e., "Burglar alarms, Fire alarms and similar alarm apparatus," covered under CTI 8531 10;

(ii) the second one i.e., "Indicator panels incorporating LCD or LED" covered under CTI 8531 20; and

(iii) the third one i.e., "Other apparatus and parts" covered under CTH 8531 80 00 and CTH 8531 90 00, respectively.

8.3 Broadly, we find that the chapter heading 8471 60 deals with "various types of input units and output units of automatic data processing machines". Whereas, Chapter heading 8531 80 deals with products used as "other indicator panels/apparatus which display electric sound or signalling". The scope of coverage of Chapter Sub-heading 847160 is large enough to include all types of input or output units, irrespective of its application in different disciplines or uses, subject to the requirement that it satisfies the conditions mentioned in Note 5 to Chapter 84; Whereas the scope of coverage of goods under chapter sub-heading 853180 is restrictive to electric sound or visual signalling apparatus.

8.4 In order to understand the functionality of the impugned goods under dispute, it is worthwhile to understand about what is a Point of Sale (POS) system. An illustrative picture of the POS system provided in the case file is extracted and given below:



Cash drawer Customer display unit

POS is a machine/appliance comprising both hardware and software components, intended to facilitate seamless sale/purchase transaction processing in retail environment. This integrated machine/appliance typically involves a computer or computer terminal, along with various peripherals such as barcode scanners, cash registers, and card readers etc. The software installed in the computer enables key functionalities like transaction processing, inventory management and sales reporting. POS systems are also instrumental in various business operations, including sales recording, inventory tracking, customer purchase monitoring, and processing diverse payment methods like cash, credit/debit cards, and mobile payments. Furthermore, they contribute to the generation of receipts or invoices, offering businesses efficiency, accuracy, and valuable insights into sales and inventory data for effective operational management

In a typical retail environment, the customers walk up to checkout/ sales counter along with the goods they had selected for purchase, and the POS system allows the Sales person to prepare a list of such items purchased by use of a barcode scanner to look up the individual item's price and other detail, while preparing the invoice for completing sale transaction. On adding all the items under purchase, the POS system calculates the individual price of each of the item, including any GST/sales tax applicable, and the total value of sale involved. Then the system updates the inventory count to show that the item which have been sold. To finish the purchase/sale transaction, the customer will have to use their credit card, debit card, loyalty points, gift card, or cash to make the payment for such purchase. Depending on the type of payment the customer chooses, the transaction is authorized by banking companies or other Credit card operators. Once the point-of-sale transaction is finalized, officially a sale is made. Once the payment goes through, a digital or printed receipt is created, and the retailer hands over the customer the items they bought.

Since the impugned goods are display system, cash drawer and cables connecting to the POS machine/appliance, which are used for display of the price, quantity and other details of the goods under purchase/sale; and the cash drawer enables to account for the sales amount paid in cash and to tender the balance amount, if any, to the customer, and to print the invoice copy, in terms of the functionality, we are of the prima facie view that the imported goods forms part of the POS computer system. It is an undisputed fact, that the POS system comprises of a computer, either desktop or terminals connected to a common computer infrastructure; and input unit such as keyboard, scanner etc., and output units such as display unit, printers and cash drawer, all connected through the respective cables. This POS system and particularly the display unit enable display of individual and total purchase/sales amount and for accounting the amount required to be collected from the customer; the cash drawer enable the sales person to place the currency notes, coins given by the customer in its respective slots for due accounting of the total sale proceeds and the exchange tendered back to the customer, if any, when he does not pay the exact amount of total amount of purchase and pays more, nearest to the next higher denomination of currency held by him. Considering the above, it evidentially proves that the impugned goods which are part of the POS computer system, shall be treated as input/output units of POS system. The customer display indicators does not function as independent information display panel so as to classify it under CTH 8531, as these function as a part of the POS machine/apparatus.

8.5 The Original authority had come to the conclusion that the imported goods are classifiable under CTI 8531 8000 on the basis of following findings:

> *"5. I have carefully gone through the records of the case written submissions made by the importer. The Bill of Entry was under assessment by the group appraiser it is observed that the importer has claimed the classification under CTH 84716090 which covers 'other' importer (input) output units, not containy [1][containing] storage units in the same housing.*
>
> *6. The importer has not submitted any evidence to short [2][show] that the impugned item is importer [3][input] output unit of heading 8471.*
>
> *7. I have perused the details as given in the technical data which states that the BA63 and BA66 line displays or the classic customer and operator displays context – based applications such as item/price information and operator instruction. The vacuum fluorescent display technology (BFD) guarantees of clarity and legibility even under difficult lighting conditions. Power is supplied via the POS systems RS 232c interface. For mounting purposes of the display stand, you've and keyboard assembly.*
>
> *8. On perusal of the same, it is observed that item in [is] only a display unit. The supplier has also indicated H.S. Code on 8531 in the packing list.*
>
> *9. In the case of 1999 (108) ELT 0167 Tribunal (Delhi) Commissioner of Central Excise Chennai Vs. Soumag Electronics Ltd. held that information display systems classifiable under heading 8531 of Central Excise Tariff Act, 1985 & not under heading 8471 & same is also reflected in supplier packing list dated 19.09.2013.*

[1] 'containing' is the appropriate word instead of 'containy' as typed in the order.
[2] 'show' is the appropriate word instead of 'short' as typed in the order
[3] 'input' is the appropriate word instead of 'importer' as typed in the order

10. In view of the above, the impugned item in [is] correctly classifiable under CTH 85318000.

11. In view of discussion and findings as above, I pass the following order:

ORDER

12. I order that the goods, item no.1 "BA 63 Display" imported vide Bill of Entry No. 3439176 dated 03.10.2013, merits classification under CTH 85318000 and charged to BCD @10%. I also denying the Notification Benefit 24/2005 claimed by the importer.

13. This order is issued without prejudice to any other action may be taken in respect of the goods in question and/or against the persons concerned or any other person, he found involved in the provisions of the Customs Act, 1962, and/or other flaw (law) for the time being in force in the Republic of India."

8.6 Further, the learned Commissioner of Customs (Appeals) had also came to the conclusion that the imported goods are classifiable under CTI 8531 8000 on the following basis:

"5. Since the appellant has already complied with the Order of payment of duty, I am going to decide the case finally.

6. I have gone through order and submissions of the appellant. The issue before me is whether the impugned goods 'BA 63 & BA 66 Display' are classifiable under CTH 85318000 or under the CTH 84716090. The importer imported BA63 display and cash drawer BA 63 which are for text–based applications such as customer display showing 'item/price information and operator instruction'. The vacuum fluorescent display technology (VPD) guarantees optimum clarity and legibility even under difficult lighting conditions. Power is supplied via the POS systems RS232c interface. Tilt and swivel adapters are available for mounting purposes for the display stand, and keyboard assembly. Therefore , the impugned goods are proven line display to show the item description and pricing to customer at the time of billing on the point of sale, thus it is observed that item in (is) only display unit. The supplier has also indicated H.S. Code of the impugned goods as 8531 in the packing list. The assessing authority has relied on the case law of Commissioner of Central Excise, Chennai Vs. Soumag Electronics Ltd. - 1999 (108) ELT 0167 Tribunal (Delhi), wherein it was held that information display systems classifiable under heading 8531 of the Central Excise Tariff Act, 1985 and not under heading 8471. The ratio of this case law is squarely applicable to the present case. Further, Rule 3 of the Interpretative Rules stipulates as under:

Rule 3. When by application of rule 2(b) or for any other reason, goods are, prima facie, classifiable under two or more headings, classification shall be effected as follows:

[(a) The heading which provides the most specific description shall be preferred to headings providing a more general description. However, when two or more headings each refer to part only of the materials or substances contained in]
mixed or composite goods or to part only of the items in a set put up for retail sale, those headings are to be regarded as equally specific in

> *relation to those goods, even if one of them gives a more complete or precise description of the goods.*
>
> *In of the above discussions, the impugned goods are classifiable under the CTH 85318000.*
>
> *7. In view of the above, I do not find any merit in the present appeal and accordingly, I pass the order as follows:*
>
> *ORDER*
>
> *7A. I reject the impugned appeal no. S/49-2127/2013 MISC/ JNCH by the appellant. The impugned appeal filed against Order-in-Original No.10156/2013-14 AM(I) dated 29.10.2013 is disposed of accordingly."*

8.7 From the above, it is seen that the Revenue's contention is that in terms of GIR-3(a), the impugned goods shall be classifiable under CTI 8531 8000 as the description of the goods under this heading is more specific, over the general heading under CTI 8471 6090 as 'other' input or output units, other than those mentioned by specific description in the classification under CTIs 8471 10; 8471 20; 8471 30; 8471 40; 8471 50; and 8471 60. From careful reading of the GIRs, it could be seen that these are required to be followed sequentially; in other words when the classification of goods is not possible to be arrived under the first rule GIR-1 then one need to proceed further, one by one. Further, for invoking GIR-3(a), the preceding rules i.e., GIR 1 & GIR 2, is to be exhausted. As it could be seen that in the present case, when the classification of goods can be arrived at by following GIR-1, by detailed analysis of the specific customs tariff items under the respective headings, then there is no case for invoking GIR-3(a) arbitrarily. Further, the learned Commissioner (Appeals) in the impugned order had not examined and discussed the terms of headings and the scope of contending tariff entries, before going ahead for adoption of GIR 3(a). Thus, it is not feasible to determine appropriate classification by application of GIR-3(a) alone, by ignoring the terms of headings which alone is sustainable inasmuch as the terms of heading solely determines appropriate classification for legal purposes.

8.8 Further, in order to evaluate the proper classification of imported goods, in terms of GIR-1, one has to take the assistance of the relative Section or Chapter notes, besides the description or terms of the headings. In terms of Section Notes 3, 4 and 5 to Section XVI containing Chapter 84, 85 deals with guiding principle for classification of appliances or machines. In terms of Section Note 3 the principal function would determine the classification; Section Note 4 states that if individual components which clearly contribute performance of specific function, then the whole machine shall also be classified under the respective entry in Chapter 84 or 85. Further Section Note 5 provide that the expression 'machine' shall refer to any machine, machinery, plant, equipment, apparatus or appliance cited in the headings of Chapter 84 or 85. In addition to the above, Note 5 to Chapter 84 prescribe the conditions that are required to be fulfilled in order to treat such goods as a part or input/output unit of automatic data processing system or machine. Therefore, we need to also examine these Section/Chapter notes before we arrive at a conclusion about correct classification of goods. Whereas there is no specific chapter note covering the articles of CTH 8531.

8.9 Since the impugned goods under dispute are BA 63 display, cash drawer and cables of the machine/appliance 'Wincor Beetal Modular Point Of Sale (POS) system', these parts by itself does not quality to be a machine or appliance and it could be treated as parts of POS system. Therefore, to this extent the relevant Section Notes 3, 4 and 5 to Section XVI relevant to goods of Chapter 84, 85 have no direct application for resolving the appropriate classification. However, since the POS system is a desktop computer based POS system for use in preparation of bill/sale invoice, accounting of stocks, accounting of the amount received as sale proceeds etc., the Chapter Note 5 to Chapter 84 prescribing the conditions for treating an item/product as a part or input/output unit of automatic data processing system or machine, needs detailed examination.

8.10 The impugned goods viz., display unit, cash drawer and cables are used solely with the POS computer system, which is an Automatic Data Processing (ADP) machine. The cables are used to connect the POS computer terminal with other units such as customer display unit, printer, scanner, keyboard, cash drawer. The customer display unit, cash drawer is connected to the POS system, as well as to the Central Processing Unit (CPU) and is able to accept or deliver data in a form (codes or signals) which can be used by the system for completing the purchase/sale transaction. Hence, all the specified conditions provided under Note 5 to Chapter 84 are fulfilled by the impugned goods. Thus, the impugned goods in terms of Note 5 to Chapter 84 requires to be classified under CTH 8471, under the appropriate sub-heading and tariff entry.

9.1 We find that the two contending classification are i.e., one under CTI 8471 60 90 'Other input or output units' i.e., other than printer, plotter, keyboard, scanner, mouse, combined input or output units, as claimed by the appellants, and the other classification claimed by Revenue under CTI 8531 80 00 'Other apparatus', have to be analysed at the level of 'terms of headings', to apply GIR-1 to come to the conclusion as to which of these two classification is more appropriate for classification of impugned goods. Therefore, we need to examine the specific customs tariff entries under the two contending headings, the scope of coverage of goods under each of the specific tariff entries, in order to arrive at appropriate classification of imported goods.

9.2 In order to further examine the classification in terms of various customs tariff entries under the two contending sub-headings, we would like to examine the HS explanatory notes of the WCO, which describe in detail the scope and coverage of goods under Customs classification. The extract of HS classification in respect of relevant headings 8471 and 8531 are given below:

84.71

(A) **AUTOMATIC DATA PROCESSING MACHINES**

The automatic data processing machines of this heading must be capable of fulfilling **simultaneously** the conditions laid down in Note 5 (A) to this Chapter. That is to say, they must be capable of:

(1) Storing the processing program or programs and at least the data immediately necessary for the execution of the program;

(2) Being freely programmed in accordance with the requirements of the user;

(3) Performing arithmetical computations specified by the user; and

(4) Executing, without human intervention, a processing program which requires them to modify their execution, by logical decision during the processing run.

Thus, machines which operate only on fixed programs, i.e., programs which cannot be modified by the user, are **excluded** even though the user may be able to choose between a number of such fixed programs.

These machines have storage capability and also stored programs which can be changed from job to job.

Automatic data processing machines process data in coded form. A code consists of a finite set of characters (binary code, standard six bit ISO code, etc.).

The data input is usually automatic, by the use of data media such as magnetic tapes, or by direct reading of original documents, etc. There may also be arrangements for manual input by means of keyboards or the input may be furnished directly by certain instruments (e.g., measuring instruments).

The input data are converted by the input units into signals which can be used by the machine, and stored in the storage units.

Part of the data and program or programs may be temporarily stored in auxiliary storage units such as those using magnetic discs, magnetic tapes, etc. But these automatic data processing machines must have a main storage capability which is directly accessible for the execution of a particular program and which has a capacity at least sufficient to store those parts of the processing and translating programs and the data immediately necessary for the current processing run.

Automatic data processing machines may comprise in the same housing, the central processing unit, an input unit (e.g., a keyboard or a scanner) and an output unit (e.g., a visual display unit), or may consist of a number of interconnected separate units. In the latter case, the units form a "system" when it comprises at least the central processing unit, an input unit and an output unit (see Subheading Note 1 to this Chapter). The interconnections may be made by wired or wireless means.

A complete automatic data processing system must comprise, at least :

(1) **A central processing unit** which generally incorporates the main storage, the arithmetical and logical elements and the control elements; in some cases, however, these elements may be in the form of separate units.

(2) An **input unit** which receives input data and converts them into signals which can be processed by the machine.

(3) An **output unit** which converts the signals provided by the machine into an intelligible form (printed text, graphs, displays, etc.) or into coded data for further use (processing, control, etc.).

Two of these units (input and output units, for example) may be combined in one single unit.

A complete automatic data processing system is classified in this heading, even though one or more units may be classified elsewhere when presented separately (see part (B) **Separately presented units**, below).

These systems may include remote input or output units in the form of data terminals.

Such systems may also include units, apart from the input or output units, designed to increase the capacity of the system for instance, by expanding one or more of the functions of the central unit (see Part (B) below). Such units are inserted between the input or output units (start and end of the system), although adapting and converting units (channel adaptors and signal converters) may occasionally be connected before the input unit or after the output unit.

Automatic data processing machines and systems are put to many uses, for example, in industry, in trade, in scientific research and in public or private administrations. (See Part (E) of the General Explanatory Note to Chapter 84 with respect to the classification of machines incorporating or working in conjunction with an automatic data processing machine and performing a specific function (Note 5 (E) to this Chapter)).

And

85.31

85.31 - Electric sound or visual signalling apparatus (for example, bells, sirens, indicator panels, burglar or fire alarms), other than those of heading 85.12 or 85.30.

8531.10 - Burglar or fire alarms and similar apparatus

8531.20 - Indicator panels incorporating liquid crystal devices (LCD) or light emitting diodes (LED)

8531.80 - Other apparatus

8531.90 - Parts

With the **exception** of signalling apparatus used on cycles or motor vehicles (**heading 85.12**) and that for traffic control on roads, railways, etc. (**heading 85.30**), this heading covers all electrical apparatus used for signalling purposes, whether using sound for the transmission of the signal (bells, buzzers, hooters, etc.) or using visual indication (lamps, flaps, illuminated numbers, etc.), and whether operated by hand (e.g., door bells) or automatically (e.g., burglar alarms).

Static signs, even if lit electrically (e.g., lamps, lanterns, illuminated panels, etc.) are not regarded as signalling apparatus. They are therefore not covered by this heading but are classified in their own appropriate headings (**headings 83.10, 94.05**, etc.).

The heading includes, *inter alia* :

(A) **Electric bells, buzzers, door chimes, etc.** The bells consist essentially of an electro-magnetically operated appliance which causes a small hammer to vibrate and strike a bell dome. Buzzers are similar but without the bell dome. Both are used very extensively for domestic purposes (e.g., as door bells), and in offices, hotels, etc. The heading also covers electric door chimes in which one or more metal tubes are struck, emitting a musical note or series of musical notes, and electrically operated church bells, **other than** carillons suitable for playing music (**Chapter 92**).

Electric bells and door chimes are usually designed to be operated from a low tension supply (primary cell or battery), but in certain cases they incorporate a transformer to step down the mains voltage.

(B) **Electric sound signalling apparatus, horns, sirens, etc**. The sound is produced by a vibrating reed, by a rotating disc set in motion electrically or electronic sound generator; they include factory sirens, air raid sirens, ships' sirens, etc.

(C) **Other electrical signalling apparatus** (winking or intermittent lights, etc.) for aircraft, ships, trains or other vehicles (**other than** for cycles or motor vehicles **heading 85.12**), but not radio or radar apparatus of **heading 85.26**.

(D) **Indicator panels and the like**. These are used (e.g., in offices, hotels and factories) for calling personnel, indicating where a certain person or service is required, indicating whether a room is free or not. They include :

(1) **Room indicators**. These are large panels with numbers corresponding to a number of rooms. When a button is pressed in the room concerned the corresponding number is either lit up or exposed by the falling away of a shutter or flap.

(2) **Number indicators**. The signals appear as illuminated figures on the face of a small box; in some apparatus of this kind the calling mechanism is operated by the dial of a telephone. Also clock type indicators in which the numbers are indicated by a hand moving round a dial.

(3) **Office indicators**, for example, those used to indicate whether the occupant of a particular office is free or not. Some types are merely a simple " come in " or " engaged " sign illuminated at will by the occupant of the office.

(4) **Lift indicators**. These indicate, on an illuminated board, where the lift is and whether it is going up or down.

(5) **Engine room telegraph apparatus for ships**.

(6) **Station indicating panels** for showing the times and platforms of trains.

(7) **Indicators for race courses, football stadiums, bowling alleys, etc**.

Certain of these indicator panels, etc., also incorporate bells or other sound signalling devices.

The heading **does not cover** public maps of roads or railways in which a particular place, road, section or route is illuminated on pressing an appropriate button, nor electric advertising signs.

(2) **Apparatus based on the expansion of a bi-metal strip, liquid or gas** - expansion beyond a certain point operating the alarm. In one type, the expansion of a gas forces a piston to move in a cylinder; a valve is incorporated so that a slow expansion does not set off the alarm, but only a sudden expansion due to a sudden rise in temperature.

(3) **Apparatus based on the variation in the electrical resistance** of an element subjected to a change in temperature.

(4) **Apparatus based on photoelectric cells**. A ray of light is focussed on the cell and, if obscured to a predetermined extent by smoke, operates the alarm. Similar apparatus fitted with a graduated indicator or a recording system fall in **Chapter 90**.

In addition to the automatic fire alarms, the heading also covers non-automatic alarms, such as are mounted in streets, for calling the fire brigade.

(G) **Electric vapour or gas alarms**, consisting of a detector and a sound or visual alarm, to warn of the presence of hazardous gaseous mixtures (e.g., natural gas, methane).

(H) **Flame alarms** (flame detectors) incorporating a photoelectric cell which operates the alarm through a relay when the flame lights or goes out. Detectors not incorporating electric sound or visual alarm devices are classified in **heading 85.36**.

(2) **Apparatus based on the expansion of a bi-metal strip, liquid or gas** - expansion beyond a certain point operating the alarm. In one type, the expansion of a gas forces a piston to move in a cylinder; a valve is incorporated so that a slow expansion does not set off the alarm, but only a sudden expansion due to a sudden rise in temperature.

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PARTS

Subject to the general provisions regarding the classification of parts (see the General Explanatory Note to Section XVI), parts of the goods of this heading are also classified here.

*
* *

(E) **Burglar alarms**. These consist of two parts : a detecting part, and a signalling part (bell, buzzer, visual indicator, etc.) which is set off automatically when the detecting part operates. Burglar alarms operate by various means, e.g. :

(1) **By electrical contacts** which are operated by stepping on a certain part of the floor, opening a door, breaking or touching fine wires, etc.

(2) **By capacitance effects**. These are used often in connection with safes; the safe acts as one plate of a capacitor whose capacitance is affected by the approach of any body, thus upsetting the electrical circuit and setting off the alarm.

(3) **Photoelectric devices**. A ray (often of infra-red light) is focussed on a photoelectric cell; when the ray is interrupted, the change in current in the photoelectric cell circuit sets off the alarm.

(F) **Fire alarms**. Automatic alarms also consist of two parts : a detecting part, and a signalling part (bell, buzzer, visual indicator, etc.). They include :

(1) **Apparatus operated by a fusible product** (wax or special alloy) which melts when the temperature rises above a certain point, thus allowing electrical contacts to close and set off the alarm.

PARTS

Subject to the general provisions regarding the classification of parts (see the General Explanatory Note to Section XVI), parts of the goods of this heading are also classified here.

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* *

9.3 In careful reading of the above HSN explanatory notes, it is understood that heading 8471 covers under its scope *inter alia*, most of the input or output units working in conjunction with automative data processing machine/POS computer system, under different categories as described therein covered under heading 8471 of HSN Explanatory Notes.

9.4 From the plain reading of HSN explanatory notes to heading 8531, it is understood that this heading covers under its scope, all electric sound signalling apparatus and electrical signalling apparatus. The list of items covered under the broader category of indicator panels are provided as room indicators, number indicators, office indicators, lift indicators, station indicating panels, indicators for race courses, stadiums, bowling alleys etc., burglar or fire alarm systems, flame alarms, alarms operating on the basis of photelectric cells. The impugned goods are not covered under the various items listed in the HSN for Chapter heading 85 31. Thus, the impugned goods are essentially required for working with POS computer system. This item/product is not covered by the phrase 'other apparatus' appearing in HSN description of chapter sub-heading 853180 and in the CTI 8531 80 00 at the six digit level of the First Schedule to the Customs Tariff Act, 1975.

9.5 From the above discussion and analysis, we are of the *prima facie* view that the impugned goods are classifiable under CTI 8471 60 90 as the imported goods at the time of import remained as identifiable 'parts of POS system' viz., BA 63 display, cash drawer and cables being part of Wincor Beetal Modular Point Of Sale (POS) systems.

10. We further find that the learned Commissioner in arriving at the conclusion for classification of the imported goods under CTI 8531 80 00 has relied upon the order of the Tribunal in the case of *Soumag Electronics Limited* (supra). The reasoning adopted in the above case is that the impugned goods viz., indicator panels finds specific mention in CTH 8531. However, we find from the detailed discussion on the scope of coverage of goods under chapter sub-heading 853180 as discussed in paragraphs 9.1 to 9.3 above, that the impugned goods are only specific input or output units to POS system and that such goods are 'other apparatus having indicator panel of electric sound or visual signalling' is not supported by the facts. Hence, the case law relied upon in the impugned order does not apply to the present case.

11. In view of the foregoing discussions and analysis, we are of the considered view that the impugned goods are classifiable under CTI 8471 60 90 of the First Schedule to the Customs Tariff Act, 1975. Accordingly, the impugned order dated 25.04.2014 classifying imported goods under

CTI 8531 80 00 does not stand the scrutiny of law and therefore is not legally sustainable.

12. In the result, the appeal is allowed by setting aside the impugned order dated 25.04.2014.

(Order pronounced in open court on 06.06.2025)

(S.K. Mohanty)
Member (Judicial)

(M.M. Parthiban)
Member (Technical)

Sinha