**OPINION**

**1.** **QUERIST:**

M/s. Flyjac Logistics Pvt. Ltd.,

No. 25-32, Readymade Garment Complex,

SIDCO Industrial Estate, Guindy,

Chennai – 600 032.

**2. FACTS:**

The querist has referred to Notification 50/2017, as amended, with regard to import of CKD parts for electrically operated vehicles by one of their clients viz., Renault Nissan. They have referred to the following two conditions that appear in the above notification.

**Condition 1 – subject to 15% of BCD+10% of SWS:**

C - (1) incomplete or unfinished, as a knocked down kit containing necessary components, parts or sub-assemblies for assembling a complete vehicle, **including battery pack, motor, motor controller, charger, power control unit, energy monitor, contactor, brake system, electric compressor**, whether or not individually pre-assembled with,-

(a) **none of the above components**, parts or sub-assemblies inter-connected with each other and not mounted on a chassis

**Condition 2 – subject to 35% of BCD**

d - (1) incomplete or unfinished, as a knocked down kit containing necessary components, parts or sub-assemblies for assembling a complete vehicle, **including battery pack, motor, motor controller, charger, power control unit, energy monitor, contactor, brake system, electric compressor**, whether or not individually pre-assembled with,-

        (b) any of the above components, parts or sub-assemblies inter-connected with each other but not mounted on a chassis

…2

**3. QUERY:**

In this regard, querist wants clarification on the following.

3.1 If the nine (9) components mentioned above (highlighted) are imported without interconnected with each other **BUT** connected with other parts / sub-assemblies and not mounted on chassis, will it qualify for 15% BCD and 10% of SWS.

3.2 Other condition, as mentioned in d-(b) will qualify for 35% of BCD.

3.3 If the above nine (9) components are imported from different countries, shall the importer go for import under CKD or they can do importation under part level.

3.4 ePT (e-powertrain) : ePT is called 3in1 = Motor + Reducer + Inverter.  If these 3 components are assembled in Japan and sent to another country and it is coming to India then, does it qualify for import under parts or CKD.

**4. OPINION:**

4.1 Relevant entry in the above notification, as on date, reads as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **S.No.** | **Chapter or Heading or sub-heading or tariff item** | **Description of goods** | **Standard rate** |
| 526A | 8703 | Electrically operated vehicles, if imported,-  (1) incomplete or unfinished, as a knocked down kit containing necessary components, parts or sub-assemblies for assembling a complete vehicle, including battery pack, motor, motor controller, charger, power control unit, energy monitor, contactor, brake system, electric compressor, whether or not individually pre-assembled, with, -   1. none of the above components, parts or sub-assemblies inter-connected with each other and not mounted on a chassis 2. any of the above components, parts or sub-assemblies inter-connected with each other but not mounted on a chassis   (2) in a form other than (1) above,-   1. with a CIF value more than US $40,000 2. other than (a) above   ***Explanation.*** – For the removal of doubts, the exemption contained in items (1)(a) and (1)(b) of this entry shall be available, even if one or more of the components, parts or sub-assemblies required for assembling a complete vehicle are not imported in the kit, provided that the kit as presented, is classifiable under the heading 8703 of the Customs Tariff Act, 1975 as per the general rules of interpretation. | 15%  30%  100%  60% |

4.2 As far as Sl.No.(1) is concerned, it is clear that when the components or parts are not interconnected with each other and not mounted on a chasis, the concessional duty available is 15%.

4.3 Where any of the components or parts are assembled / interconnected with each other but not fitted/mounted on a chasis, the rate of duty applicable is higher. Here, the reference is to the components / parts mentioned in the main part of Sl.No.(1). This entry refers to a kit containing necessary components / parts / sub-assemblies etc. for assembling a complete vehicle**, including,** battery pack, motor, motor controller, charger etc. Further, the reference here is to **‘necessary components’** and not to the specified 9 components alone. While the scope of the expression ‘necessary components’ is wider the notification makes it clear that the list of such components should include these 9 specified items also. That is the limited purpose of the expression ‘including’.

4.4 From the above portion of Sl.No.(1), it will be clear that the mentioning of specific items such as battery pack, motor, motor controller etc. is only by way of ensuring that in the components eligible for concessional duty, these products are also taken into account. In other words, while the entry refers to all necessary components, in terms of the later part, where the expression specified is “including”, the notification seeks to ensure that such components will include these items.

4.5 Thus the proper interpretation of this provision will be that while the components will include these items necessarily, **they are not confined only to these items**. Or in other words, there are several other components which are necessary to make/ assemble a complete vehicle and such components will include these specified items.

4.6 In the above context, when stipulation (1)(a) is that none of the above components should be interconnected, it will refer to **all necessary components** or in other words, no component that is imported can be interconnected. A restricted meaning cannot be taken that the expression “above components” is confined only to the nine items which are treated as “included”.

4.7 By taking into account the above, following will be the clarifications for the queries raised.

1) If the nine components specified are interconnected with other components / sub-assemblies, then, the import will not qualify for 15% basic customs duty.

2) In the light of the above, automatically they will fall under Sl.No.(1)(b) and will attract a higher duty.

3) If the specified nine components are imported from different places in different consignments, then, whether the goods imported without these will constitute import of an electrically operated vehicle in unassembled condition but having the essential characteristics of the finished article need to be examined. In terms of the General Rules for Interpretation of the Tariff, if the items imported have the essential character of the finished product, then, as unfinished and unassembled electrically operated cars, the parts can be appropriately classified. This will depend on the facts of each case.

4) Import of e-power train alone, that is, consisting of motor, reducer and inverter in assembled condition will not make such an import as import of an electrically operated vehicle in CKD. As such, they can be classified only as “**parts**” and not as electrically operated vehicles in CKD condition.

**S. MURUGAPPAN**

sm/ss

**Disclaimer:-** The above opinion is provided based on the information and documents made available to us by the queriest and further based on the laws and rules prevalent as on date and the understanding of such provisions by the author and is meant for the private use of the person to whom it is provided without assuming any liability for any consequential action taken based on the views expressed here.

**BY E-MAIL / COURIER**

**File No.82/2023-Opinion**

25.04.2023

M/s. Flyjac Logistics Pvt. Ltd.,

No. 25-32, Readymade Garment Complex,

SIDCO Industrial Estate, Guindy,

Chennai – 600 032.

Attn.: Mr. Girish, Sr.Manager-Import Clearance - girish.maa@flyjaclogistics.com

**Mobile: 9094047899**

**Sub.: Import of CKD Parts for Electrically Operated Vehicles – Clarification – Reg.**

Dear Mr. Girish,

1. In connection with the above, find attached the following.

(a) Opinion.

(b) Our Bill towards professional charges.

2. Should you need any further clarification in this regard, please feel free to contact me. Kindly arrange for payment of the attached bill.

Yours faithfully,

**S. MURUGAPPAN**

Attached: as above.

sm/ss