GST Rate Notification and CTA, 1975 - cousins at a family wedding!

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By Ashwarya Sharma, Advocate | Co-Founder & Legal Head, RB LawCorp

RECENTLY, in *Samsung India Electronics Pvt Ltd Vs Principal Commissioner Of Customs (**2025-TIOL-1099-CESTAT-DEL**)*, the Principal Bench of the Customs Excise And Service Tax Appellate Tribunal, Principal Bench, New Delhi, was grappled with a fundamental yet often overlooked issue: what happens when the language of the GST Rate Notification diverges from the Customs Tariff Act, 1975 (CTA), even though the latter's structure and rules are expressly borrowed under GST?

Legal Framework: CTA & GST Rate Notification

The Customs Tariff Act, 1975 sets out duty rates for imports, guided by its General Rules of Interpretation (GRI), which ensure consistency and predictability in classification.

In summary it provides:

- Rule 1: Prioritise headings and legal notes.

- Rule 2: Cover incomplete goods with essential character and mixtures.

- Rule 3: Prefer specificity, essential character, and numerical order.

- Rule 4: Use closest resemblance.

- Rule 5 & 6: Apply to packaging and subheadings.

GST Rate Notifications, Notification No. **1/2017-Integrated Tax (Rate)** dated 28th June, 2017, adopt CTA's structure. Explanation (iv) says:

> *"The rules for the interpretation of the First Schedule to the Customs Tariff Act, 1975 (51of 1975), including the Section and Chapter Notes and the General Explanatory Notes of the First Schedule shall, **so far as may be**, apply to the interpretation of this notification"*

Notably, the words *"**so far as may be**"* makes all the difference and implies that the CTA's rules would apply to the extent possible or practical. In *Pioneer Silk Mills Pvt. Ltd. vs. Union of India (**2003-TIOL-45-HC-DEL-CX**)* the Hon'ble Supreme Court while interpreting the words 'so far as may be' held that:

> *"38. In Dr. Pratap Singh and Another v. Director of Enforcement, Foreign Exchange Regulation Act and Others, AIR 1985 Supreme Court 989, with reference to the expression "so far as maybe", the Supreme Court said that the expression had always been construed to mean that those provisions may be generally followed to the extent possible and it is not that those provisions have been incorporated by pen and ink (like in Section 3(3) of the Additional Duties Act).*

The Samsung Case: Brief Facts

Samsung imported lithium-ion batteries for use in in manufacture of mobile phones. It paid IGST @12% under Serial No. 203 (*"Parts for manufacture of Telephones for cellular networks"*).

The department, on the contrary, demanded higher IGST, arguing batteries should instead be classified:

- @28% under Serial No.139 (*"Electric accumulators"*) up to 26.07.2018, and

- @18% under Serial No. 376AA (*"Lithium-ion batteries"*) thereafter.

Key Arguments

Department:

- The General Rules of Interpretation (GRI) and Section/Chapter Notes govern classification under the Customs Tariff, and Explanation?(iv) to the IGST Rate Notification adopts these principles; so the same interpretative method should apply to IGST.

- Lithium-ion batteries are specifically listed under CTH?8507 in the CTA.

- Under GRI Rule?3(a), a more specific description prevails over a general one; therefore, batteries should be classified under CTH?8507 rather than the broader *"parts"* category (8517?70?90).

- Note?2(a) of Section?XVI provides that parts already covered under specific tariff headings in Chapters?84 or?85 must be classified there; accordingly, the IGST Rate Notification separates such items into Serial?Nos.?202 and?203, ensuring lithium-ion batteries stay under their own heading instead of being treated as generic parts of mobile phones.

Taxpayer:

- Lithium-ion batteries imported for manufacturing mobile phones should be taxed at 12% under Serial?No.?203 of Schedule?II to the IGST Rate Notification. Being a taxing notification, it must be strictly construed, and if two views are possible, courts must prefer the view favouring the taxpayer.

- Serial?No.?203 is a unique, sui generis entry whose language does not directly align with the CTA; it specifically covers *"parts for manufacture of telephones,"* unlike the CTA's broader Chapter?85 description.

- The department wrongly applied the GRI and Chapter Notes without considering the qualifier *"so far as may be"* in Explanation?(iv), which courts have consistently read to mean *"to the extent possible."*

- Therefore, GRI and Notes from the CTA cannot be applied rigidly to override the plain wording of the IGST Rate Notification.

- Since the IGST Rate Notification and Customs Tariff are not fully aligned, the classification under the Customs Tariff cannot be directly imported into IGST. Hence, the batteries rightly fall under Serial?No.?203 as *"parts for manufacture,"* attracting IGST @?12%.

Tribunal's Finding: Plain Language Prevails

- The Tribunal observed that the lithium-ion batteries were imported specifically for use in manufacturing mobile phones, and were designed model-wise for this purpose. This functional integration matched the description under Serial?No.?203 of Schedule?II to the IGST Rate Notification, which covers *"parts for manufacture of telephones for cellular networks."*

- While the IGST Rate Notification structurally draws from the CTA, it is not completely aligned in content and wording. The Tribunal noted that Serial?No.?203, among others, is a unique

(sui generis) entry whose language is distinct and must be interpreted on its own terms rather than by force-fitting Customs Tariff classification.

- Due to the usage of the words *"so far as may be"* the Tribunal emphasised that this phrase limits blind reliance: these interpretive aids can guide classification only where consistent with the text of the GST notification - not override it.

- The Tribunal highlighted that the Customs Tariff uses an 8-digit classification system, whereas the IGST Rate Notification mixes 4-digit and 8-digit codes, and often uses different descriptions. Given this lack of full alignment, the Tribunal held that Note?2(a) (which requires separate classification of parts already covered under specific headings) and GRI Rule?3(a) (which prefers specific over general descriptions) could not be applied rigidly.

- Referring to settled judicial principles, the Tribunal concluded that when the language of a taxing entry is clear and unambiguous - as in Serial?No.?203 - there is no need to look beyond it or force classification based on the Customs Tariff.

- Accordingly, the Tribunal ruled that lithium-ion batteries imported for use in mobile phone manufacturing correctly fall under Serial?No.?203 of Schedule?II, attracting IGST @?12% from 01.04.2018 to 31.03.2020 and the department's demand for higher IGST rates under Serial?No.?139 (28%) or Serial?No.?376AA (18%) was set aside as unjustified.

Concluding Thoughts & Takeaway

This judgment is a timely reminder that while GST Rate Notifications adopt the framework of the Customs Tariff Act (CTA), they are still not fully integrated and remain like cousins at a family wedding - related, seated together, but not always speaking the same language. The General Rules of Interpretation (GRI) and Chapter Notes can guide interpretation - but cannot override the plain, specific language of a GST entry, especially when that entry is uniquely worded.

For businesses, this distinction is far from academic: it can shape applicable tax rates, impact refunds, and influence compliance and pricing strategies. As GST law moves past its initial years of transition into an era of detailed assessments and audits, these nuanced interpretational issues are only beginning to surface.

The practical takeaway: always examine whether your product's description under the GST Rate Notification truly aligns with the CTA-or whether it stands apart, demanding its own interpretive approach.

And so, the question for industry leaders and tax teams is:

Are your goods described in the GST Rate Notification fully aligned with the CTA-or do they tell their own story?

[The views expressed are strictly personal.]