

## 2. Interpretative Rules for classification.

2.1 The Central Excise Tariff Act, 1985 incorporates five Rules of interpretation, which together provide necessary guidelines for classification of various products under the schedule. As regards the Interpretative Rules, the classification is to be first tested in the light of Rule 1. Only when it is not possible to resolve the issue by applying this Rule, recourse is taken to Rules 2,3 & 4 in seriatim. The provision of the individual Rule is as follows:

(i) Rule 1 This rule provides that section and Chapter titles are only for the ease of reference and, therefore, do not have any legal bearing on the classification of goods, which is determined according to the terms of headings and relevant section or Chapter notes and according to the other interpretative rules if such headings or notes do not otherwise require. Thus goods are to be classified in terms of the heading and relative sections or Chapter notes without recourse to any interpretative rules. It is only when the goods cannot be classified on this basis, the assistance is to be sought from the interpretative rules.

(ii) Rule 2(a) This rule provides classification of an article referred to in a heading, even if that article is incomplete or unfinished, or is presented in an unassembled or disassembled form. An important condition to be satisfied for classification in this manner is that in its incomplete or unfinished state, the article has the essential character of the complete or finished article. Some of the important aspects which are relevant in this regard are functional aspect, physical aspect and the degree of completion of the product.

(iii) Rule 2(b) This rule relates to mixture or combination of materials or substances, and goods consisting of two or more materials or substances. According to this rule headings in which there is a reference to a material or substance also apply to that material or substance mixed or combined with other materials or substances. This rule does not apply where specific provisions exist in the headings or the sections or chapter notes excluding such classification.

(iv) Rule 3 This rule lays down three steps for classifying the goods which are, prima facie, classifiable under several headings. The sequential order of the steps contemplated are -

- (a) most specific description;
- (b) essential character; and
- (c) heading which occurs last in numerical order;

This rule applies when goods are prima facie classifiable under 2 or more headings.

In the first step, {Rule 3(a)} the general guidelines are that a description by name is more specific than the description by character and a description which identifies the goods clearly and precisely is more specific than the one which is less complete.

The second step [Rule 3 (b)] relates only to mixtures, composite goods consisting of different materials or components and goods put up in sets. This rule finds applicability if rule 3(a) does not help. In all such cases the goods are to be classified as if they consist of material or components which gives them their essential character.

When goods cannot be classified with reference to Rules 3(a) and 3(b), they are to be classified in terms of Rule 3(c)- in the heading which occurs last in

numerical order among those which equally merit consideration. This is a fall back provision for resolving the matter when no heading can be regarded as providing a more specific description than the others and when it is not possible to identify the material or component which gives the concerned goods their essential character.

(v) Rule 4 When goods cannot be classified in accordance with rules 1,2, & 3, then they are to be classified in a heading of a product, which is most akin to the goods in question. Kinship can, of course, depend on many factors such as description, character, purpose etc.

(vi) Rule 5 This rule postulates that the classification of any product under a sub-heading is to be contemplated after the product concerned has been properly classified under its proper four digit Chapter heading. The classification in the sub-heading of a heading is determined mutatis mutandis in accordance with the principles applicable to classification in the four digit headings.