

Customs and FTP Judicial Decisions

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Technical classification issues cannot undermine legitimate FTA benefits

M/s. L.G. Electronics India Private Limited vs. Commissioner of Customs [(2025) 9 TMI 1175 (SC)]
In favour of Taxpayer

Relevant facts

LG Electronics had imported 2,000 units of “LG Watch W7” from South Korea in 2019. The company classified the products under Customs Tariff Heading (CTH) 9102 19 00, applicable to wristwatches, and claimed exemption from basic customs duty under Sl. No. 955 of the Notification No. 152/2009-Cus dated 31/12/2009, which provides concessions for imports from South Korea.

However, the Customs Department reclassified the goods under CTH 8517 62 90, which covers devices capable of transmitting or receiving data (such as communication apparatus). The Department held that various features of the imported smartwatches like voice commands, data transmission, app connectivity, and Google Fit integration etc. were outside the scope of ordinary watches.

Findings of the CESTAT

The CESTAT, New Delhi upheld the Department’s classification under Heading 8517 62 90, reasoning that:

- Smartwatches are wearable computing devices, not mere timekeeping instruments;
- Their primary function extends beyond displaying time to include data transmission and wireless communication.

The Tribunal, however, set aside penalties and confiscation, accepting that LG’s misclassification was due to a genuine misunderstanding rather than mala fide intent.

Decision of the Supreme Court

The Supreme Court, comprising Justices J.B. Pardiwala and Sandeep Mehta, disagreed with the Tribunal’s approach on the exemption issue.

The Court held that –

- The goods were originated from South Korea, as clearly certified in the Certificate of Origin under the Korea–India Comprehensive Economic Partnership Agreement (CEPA).
- The Tribunal erred in overlooking this document while denying exemption under Notification No. 151/2009-Cus.
- Even if the smartwatches fell under Heading 8517 62 90, the exemption would still apply, provided the origin requirement was satisfied.

Accordingly, the Supreme Court set aside the CESTAT order and held that LG was entitled to full duty exemption under the Free Trade Agreement (FTA). The Court also ordered refund of all duties paid within 2 months, along with applicable interest.

CNK comments

*The Supreme Court’s decision in L.G. Electronics marks a crucial precedent for importers and customs authorities alike. It underscores that **technical classification issues cannot undermine legitimate FTA benefits**, and it reinforces the judiciary’s role in ensuring that procedural fairness and international trade commitments prevail in customs administration.*

Ownership change post-import does not alter duty liability

Viterra India Pvt. Ltd. vs. Union of India [(2025) 33 Centax 296 (Guj.)]
In favour of taxpayer

Relevant facts

Sharp Corp. Ltd. imported Canadian yellow peas under multiple Bills of Entry filed on 20th June 2017. The yellow peas were exempt from customs duty under Notification Nos. 12/2012-Cus. and 21/2012-Cus. Sharp Corp. could not make payment and

therefore failed to clear about 32,250 MT of the goods.

The seller, Glencore Agriculture BV, later sold these goods to the petitioner, Viterra India Pvt. Ltd., under a new contract dated 03.10.2017. The shipping line issued new Bills of Lading in November 2017, naming Viterra as consignee.

On introduction of GST w.e.f. 1st July, 2017, 50% Basic Customs Duty (BCD) was imposed on yellow peas vide Notification No. 84/2017-Cus. dated 8-11-2017. The Customs Department cancelled the old Bills of Entry and directed Viterra to file a new Bill of Entry (23.02.2018) and pay duty at the higher 50% rate.

Issues for determination

- What is the relevant date for determining the rate of customs duty — the date of the original Bills of Entry (20.06.2017) or the date of the fresh Bill (23.02.2018)?
- Whether the Customs Department was justified in cancelling the original Bills of Entry dated 20.06.2017?

Decision of the High Court

- Duty is levied on the goods, not on the person. Therefore, the relevant date for determining the rate of duty is the date of the original Bill of Entry (20.06.2017), when the goods were first entered for home consumption.
- The Court held that subsequent ownership change do not affect the applicable rate of duty under Section 15.
This view was supported by the Bombay High Court's judgment in *Anjali S. Lunkad v. Union of India*, which held that even if ownership changes later, the rate of duty remains what was applicable on the original Bill of Entry date.
- The Customs Act does not empower authorities to cancel valid Bills of Entry merely to record a change in importer's name. The proper course was to amend the Import General Manifest (IGM) and substitute the name of the new buyer.

- The Court noted that there was no fraudulent intention and that the transaction was bona fide, only reflecting a commercial ownership change.

CNK comments

The rate of duty for imported goods is determined on the date of the original Bill of Entry for home consumption, irrespective of any subsequent change in ownership or substitution of importer.



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