



PHD House, 4th Floor, Ramakrishna Dalmia Wing
4/2, Siri Institutional Area, August Kranti Marg, New Delhi – 110016, India
E-mail: ceo@mait.com • Website: <http://www.mait.com>

Ref.No.MAIT/PY/2367

June 01, 2021

Shri G.D. Lohani
Joint Secretary
Tax Research Unit – I
Central Board of Indirect Taxes & Customs
North Block
New Delhi -110001

Subject: Request for clarification on classification and duties on line cards

Respected Sir,

Greetings from MAIT!

Set up in 1982, MAIT is the apex body representing India's Electronic Hardware Sector. MAIT is recognized by both the Government, as well as the industry, for its role in the growth and development of the IT Hardware industry. MAIT has a membership of leading organisations, including several large multinational enterprises within the industry. These include manufacturers, system integrators, solution & service providers, e-Waste recyclers, testing labs, EMS players, IT park developers, consulting organizations, companies in the areas of cloud and IoT, etc. At MAIT, we believe that technology is the primary contributor of economic growth and with our consistent policy advocacy efforts, we hope to help India being a leader in ICT and help India attain the ambitious goal of becoming a USD 5 Trillion economy.

By way of this letter, we would like to bring to your notice the lack of clarity on the duty structure for a particular category of telecom product – Line Cards. The larger consensus basis industry consultations is that the classification of Line Cards is under tariff heading 8517 6290.

Items under tariff heading 8517 6290 can be classified under varied rates depending upon the exact category of product and / or availability of concessional duty (as elaborated in subsequent paragraphs). However, specific duty structure / rate to be adopted for such line cards continues to be unclear owing to no clear classification / category under which such line cards can be placed. We, therefore, seek a clarification on the same vide this letter.

The challenge with classification and duty structure primarily arises due to the limited understanding of the precise functionality of a line card. We have elaborated on the same below, for your kind reference:

Understanding of the product

A Line card is a modular electronic circuit designed to fit on a separate printed circuit board (PCB) and interface with a telecommunications access network. Line cards are installed in telecom products like a Router or a Switching Chassis together with other components such as fabric, software, and router/switch processors. The Line Cards cannot perform any routing or switching functionalities on their own.

Line Cards are made modular (Pluggable) in design because of two key reasons:

- ✓ So that end customers can plug in more line cards into the chassis as the bandwidth need for the chassis grows
- ✓ In case of failures, only part traffic of the entire router's capacity is impacted. This damaged line card can be replaced in the field with a new line card

Similarities with Network Interface Card functionality

Network Interface cards are responsible for transmitting and receiving data signals over the network and converting those for use by the host appliances, like computers or servers. They are not parts but rather a complete device with a clearly defined function.

Line cards may be inferred to be a sub-group of the Network Interface cards (i.e., similar manner of functionality) yet are designed strictly for routers/switches.

Scope and coverage of CTH 8517:

- As per the explanatory notes provided by the WCO, the CTH 8517 covers:
 - Apparatus for the transmission or reception of speech or other sounds, images or other data between two points by variation of an electric current or optical wave flowing in a wired network or by electro – magnetic waves in a wireless network. The signal may be analogue or digital. The networks, which may be interconnected, include telephony, telegraphy, radio – telephony, radio – telegraphy, local and wide area networks.
 - Machines for the reception, conversion and transmission or regeneration of voice, images or other data, including switching and routing apparatus.
- On the perusal of the aforesaid explanatory it can be understood that the Heading 85.17 includes “apparatus” for communication in wireless networks.
- A communication in this sense is a simultaneously two-way audio and data streaming in the radio frequency band. We also refer to the Subheading Explanatory Note to Subheading 8517.62 which provides that “This subheading includes cordless handsets or base units, when presented separately.”

This group includes:

- 1) **Network interface cards (e.g., Ethernet interface cards).**
- 2) *Modems (combined modulators-demodulators).*
- 3) *Routers, bridges, hubs, repeaters and channel to channel adaptors.*

- 4) *Multiplexers and related line equipment (e.g., transmitters, receivers or electro-optical converters).*
- 5) *Codecs (data compressors/decompressors) which have the capability of transmission and reception of digital information.*
- 6) *Pulse to tone converters which convert pulse dialled signals to tone signals.*

Analysis

- In the instant case, as understood from the specification of the product, the "Line cards" are responsible for transmitting and receiving data signals over the network and converting those for use by the host appliances, like computers or servers.
- Heading 8517 includes 'apparatus' used for communication in wireless network, which is simultaneously two-way audio and data streaming process in the radio frequency band. Hence, it can be stated that 'Line Cards' performs the function of transmitting and receiving the data signals.
- Thus the 'Line Cards' can be classified under the CTH 8517.62
- On further perusal of the CTH 8517, we understand that the 'line cards' would ideally be classified under '85176290' – Others.

The issue:

Within the classification 8517 6290, there exists ambiguity on the duty structure for the Line Cards. The below table provides the categories for the appropriate duty structure defined by the product. However, there is no specific product category that a Line Card can be attributed to, which can help the industry ascertain the right duty structure. As per the First schedule of the Customs Tariff (relevant extract provided below), the scheduled rate of duty is 20%.

Tariff Item	Description	Unit	Rate of Duty
8517	TELEPHONE SETS, INCLUDING TELEPHONES FOR CELLULAR NETWORKS OR FOR OTHER WIRELESS NETWORKS: OTHER 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), OTHER THAN TRANSMISSION OR RECEPTION APPARATUS OF HEADING 8443, 8525, 8527 OR 8528		
851762	Machines for the reception, conversion and transmission or regeneration of voice, images or other data, including switching and routing apparatus:		
85176210	PLCC equipment	u	Free
85176220	Voice frequency telegraphy	u	Free
85176230	Modems (modulators-demodulators)	u	Free
85176240	High bit rate digital subscriber line system (HDSL)	u	Free
85176250	Digital loop carrier system(DLC)	u	Free
85176260	Synchronous digital hierarchy system(SDH)	u	Free

Tariff Item	Description	Unit	Rate of Duty
85176270	Multiplexers, statistical multiplexers	u	Free
85176290	Other	u	20%

However as per SI No. 20 of the Notification No. 57/2017 – Customs dated 30th June, 2017, all the goods falling under the CTH 85176290 (except certain items) would be leviable to duty at the rate of 10%. The relevant extract has been provided below:

(1)	(2)	(3)	(4)	(5)
20	8517 62 90 or 8517 69 90	All goods other than the following goods, namely: - (a) Wrist wearable devices (commonly known as smart watches); (b) Optical transport equipment; (c) Combination of one or more of Packet Optical Transport Product or Switch (POTP or POTS); (d) Optical Transport Network (OTN) products; (e) IP Radios; (f) Soft switches and Voice over Internet Protocol (VoIP) equipment, namely, VoIP phones, media gateways, gateway controllers and session border controllers; (g) Carrier Ethernet Switch, Packet Transport Node (PTN) products, Multiprotocol Label Switching Transport Profile (MPLS-TP) products; (h) Multiple Input/Multiple Output (MIMO) and Long Term Evolution (LTE) products	10%	-

From the perusal of the aforesaid table, it is understood that the product line card is not specifically included in the list of excluded items. Accordingly, we understand that the line card would attract BCD at the rate of 10%.

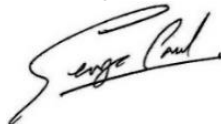
Our request:

Given the above, we seek your guidance on the effective duty of customs that would be leviable on the on such line cards.

Your speedy response will serve as a benefit to the industry at large, especially as we move towards building a strong export-led telecom manufacturing hub in India.

We look forward to your response.

With regards,



George Paul
Chief Executive Officer