

		<p>प्रधान आयुक्त का कार्यालय, सीमा शुल्क सदन, मुन्द्रा</p> <p>OFFICE OF THE PRINCIPAL COMMISSIONER, CUSTOM HOUSE, MUNDRA</p> <p>Port User Building (PUB), Mundra (Gujarat – 370421)</p> <p>ई-मेल/ E-Mail: group5-mundra@gov.in</p>	 <p>सत्यमेव जयते</p>
A	फा. सं./ FILE NO.	CUS/APR/BE/MISC/1607/2023-Gr 5-6-O/o Pr Commr-Cus-Mundra-Part(1)	
B	मूल आदेश सं. ORDER-IN-ORIGINAL NO.	MCH/ADC/ZDC/ 55 /2026-27	
C	द्वारा पारित किया गया PASSED BY	Dipak Zala Additional Commissioner of Customs, Custom House, Mundra	
D	आदेश की तिथि DATE OF ORDER	28-04-2026	
E	जारी करने की तिथि DATE OF ISSUE	28-04-2026	
F	कारण बताओ नोटिस सं. एवं तिथि SCN NUMBER & DATE	SCN No. 24/2025-26/DC/ARK/Gr-5/MCH dated 26.05.2025 and Corrigendum dated 10.03.2026	
G	नोटिसी/पार्टी / आयातक NOTICEE/ PARTY/ IMPORTER	M/s. Integrated Flowtech Private 18A Ulariya Opp Gokuldharm, Sanathal Sanand Highway Contact No: 919879002613, Ahmedabad, Ahmedabad, Gujarat-382210	
H	डिन/ DIN	20260471MO000000F403	

यह अपील आदेश संबन्धित को निःशुल्क प्रदान किया जाता है।

1.

This Order - in - Original is granted to the concerned free of charge.

- यदि कोई व्यक्ति इस अपील आदेश से असंतुष्ट है तो वह सीमा शुल्क अपील नियमावली 1982 के नियम 6(1) के साथ पठित सीमा शुल्क अधिनियम 1962 की धारा 128 के अंतर्गत प्रपत्र सीए-1 में चार प्रतियों में नीचे बताए गए पते पर अपील कर सकता है-
Any person aggrieved by this Order - in - Original may file an appeal under Section 128 of Customs Act, 1962 read with Rule 3 of the Customs (Appeals) Rules, 1982 in quadruplicate in Form C. A. -1 to:
“सीमा शुल्क आयुक्त) अपील(, चौथी मंजिल, हुडको बिल्डिंग, ईश्वर भुवन रोड, नवरंगपुरा, अहमदाबाद 380009”
“The Commissioner of Customs (Appeals), Mundra, 4TH Floor, Hudco Building, Ishwar Bhuvan Road, Navrangpura, Ahmedabad-380009.”
- उक्त अपील यह आदेश भेजने की दिनांक से तीन माह के भीतर दाखिल की जानी चाहिए।
Appeal shall be filed within three months from the date of communication of this order.
- उक्त अपील के पर न्यायालय शुल्क अधिनियम के तहत 5 -/रुपए का टिकट लगा होना चाहिए और इसके साथ निम्नलिखित अवश्य संलग्न किया जाए -
Appeal should be accompanied by a fee of Rs. 5/- under Court Fee Act it must be accompanied by –
- उक्त अपील पर न्यायालय शुल्क अधिनियम के तहत 5/- रूपये कोर्ट फीस स्टाम्प जबकि इसके साथ संलग्न आदेश की प्रती पर अनुसूची- 1, न्यायालय शुल्क अधिनियम, 1870 के मदसं.-6 के तहत निर्धारित 0.50 पैसे की एक न्यायालय शुल्क स्टाम्प वहन करना चाहिए।
The appeal should bear Court Fee Stamp of Rs.5/- under Court Fee Act whereas the copy of this order attached with the appeal should bear a Court Fee stamp of Rs.0.50 (Fifty paisa only) as prescribed under Schedule-I, Item 6 of the Court Fees Act, 1870.

6. अपील ज्ञापन के साथ ड्यूटी/ दण्ड/ जुर्माना आदि के भुगतान का प्रमाण संलग्न किया जाना चाहिये। Proof of payment of duty/fine/penalty etc. should be attached with the appeal memo.
7. अपील प्रस्तुत करते समय, सीमाशुल्क (अपील) नियम, 1982 और सीमा शुल्क अधिनियम, 1962 के सभी मामलों में पालन किया जाना चाहिए।

While submitting the appeal, the Customs (Appeals) Rules, 1982 and the Customs Act, 1962 should be adhered to in all respects.

8. इस आदेश के विरुद्ध अपील हेतु जहां शुल्क या शुल्क और जुर्माना विवाद में हो, अथवा दण्ड में, जहां केवल जुर्माना विवाद में हो, Commissioner (Appeals) के समक्ष मांग शुल्क का 7.5% भुगतान करना होगा।

An appeal against this order shall lie before the Commissioner (A) on payment of 7.5% of the duty demanded where duty or duty and penalty are in dispute, or penalty, where penalty alone is in dispute.

Brief Facts of the Case: -

M/s. Integrated Flowtech Private Limited (IEC: 0810009676), located at 18A Ulariya Opp Gokuldham, Sanathal Sanand Highway Contact No: 919879002613, Ahmedabad, Gujarat-382210 (hereinafter also referred to as “the Importer/the Noticee” for the sake of brevity”) had filed the Bill of Entry No. 9145216 dated 12.10.2020 for importation of the item mentioned below in Table-A by paying the IGST 12% (Schedule-II Sr. No.195B). The details of the said goods are as under:

Table-A

BE No. & Date	Item No.	Description of goods	Classification	Assessable value (in Rs.)	IGST Sr. No. (@12%)
9145216 dated 12.10.2020	1 of Invoice No. 1	IRRIGATION SYSTEM COMPRISING OF 5004PC SAM ROTOR ENHANCED IRRIGATION SYSTEM FUNCTIONAL PART-PART NOY55007, MOD.5004PCSAM	84248200	730659.20	II195B
9145216 dated 12.10.2020	1 of Invoice No. 2	IRRIGATION SYSTEM COMPRISING-XF-SDI 0.9GPH 18 SPC 500FT IRRI. SYSTEM FUNCTIONAL PART-NO.X48042MXC,MODEL NO.XFS0918500	84248200	6214012.41	II195B

2. An analysis of data (ANALYTICS REPORT – 25/2022-23) in respect of Import of goods classified under the heading 8424 with regard to wrong claim of IGST rate @ 12% (Schedule-II, 195B) instead of IGST rate @ 18% applicable for such goods under Schedule-III, Sr. No. 325 of Notification No.01/2017-Integrated Tax (Rate) dated 28.06.2017, resulting in short levy of IGST, was carried out by the NCTC, Mumbai

3. The Importer had filed the Bill of Entry No. 9145216 dated 12.10.2020 for

home clearance of the goods (as mentioned in Table-A) under Heading 8424 of the first schedule of the Customs Tariff Act, 1975. The Importer discharged the tax of IGST @ 12% in terms of Serial No. 195B of Schedule-II of IGST Notification 01/2017-IGST(Rate).

4. The relevant entries of the rate of IGST under Schedule-II and Schedule-III of IGST Notification 01/2017-IGST(Rate) dated 28.06.2017 for Sub-heading 84 are reproduced here under:

Table-B

Sr. No. of Schedule of IGST Notification 01/2017	IGST Rate	Chapter/Tariff item as per Schedule-I	Description of goods
II-195B	II (12%)	8424	Sprinklers; drip irrigation system including laterals; mechanical sprayers
III-325	III(18%)	8424	Mechanical appliances (whether or not hand operated) for projecting, dispersing or spraying liquids or powders; fire extinguishers, whether or not charged; spray guns and similar appliances; steam or sand blasting machines and similar jet projecting machines (other than sprinklers; drip irrigation systems including laterals; mechanical sprayer; nozzles for drip irrigation equipment or nozzles for sprinklers)

5. From the above tables, it is amply clear that Sr. No. 325 of Schedule-III (III-325) levying IGST rate of 18%, excludes the description of goods “other than sprinklers; drip irrigation systems including laterals; mechanical sprayer; nozzles for drip irrigation equipment or nozzles for sprinklers”. The said goods are covered under Schedule-II, 195B of Notification No.01/2017-Integrated Tax (Rate) dated 28.06.2017 (as amended).

6. Accordingly, it is noted that goods covered under Schedule-II, 195B of Notification No.01/2017-Integrated Tax (Rate) dated 28.06.2017 (as amended), specifically meant for “Sprinklers; drip irrigation system including laterals; mechanical sprayers”. The importer has wrongly claimed a lower IGST rate @ 12% for goods other than mentioned under Schedule-II, Sr. No. 195B, instead of paying a higher IGST rate @ 18% applicable for such goods under Schedule-III, Sr. No. 325 of Notification No.01/2017-Integrated Tax (Rate) dated 28.06.2017.

7. The description of said item of Bill of Entry No. 9145216 dated 12.10.2020 claiming the benefit of IGST rate @ 12% under Sr. No. 195B of Schedule II of Notification No.01/2017-Integrated Tax (Rate) dated 28.06.2017 (as amended) have been further examined. This analysis revealed that none of the goods are Sprinklers; drip irrigation system including laterals; mechanical sprayers, as per the description mentioned in the said Bill of Entry, though they have been cleared at a lower IGST @ 12% under the aforementioned serial numbers of Schedule II, instead of paying a higher IGST rate @ 18% applicable for such goods under Schedule-III, Sr. No. 325 of Notification No.01/2017-Integrated Tax (Rate) dated 28.06.2017 (as amended).

8. In context of above provisions, item of Bill of Entry mentioned in Table-A that were cleared at @12% IGST rate against Sr. No. 195B of Schedule-II, instead of the applicable IGST rate 18% of Sr. No. 325 of Schedule- III, and short-levy of IGST @ 6% (i.e. 18% minus 12%), are calculated as below.

Bill of Entry No.	BOE date	Item No.	DECLARED CTH	ASSESSABLE VALUE	Short levy of IGST @6% Amount
9145216	12.10.2020	1 of Invoice No. 1	84248200	730659.20	43839.55
9145216	12.10.2020	1 of Invoice No. 2	84248200	6214012.41	372840.74
Total				69,44,672/-	4,16,680/-

The total amount of short paid IGST is Rs. **4,16,680/-**.

9. In view of the above, it appears that the subject goods have claimed wrong IGST @ 12% rate under Sr. No. 195B of Schedule-II of IGST levy Notification No.01/2017-Integrated Tax (Rate) dated 28.06.2017 instead of right IGST rate @18% under S.No.325 of Schedule-III.

10. Relevant Legal provisions, in so far as they relate to the facts of the case:-

A. Section 46 of the Customs Act, 1962 provides for filing of Bill of Entry upon importation of goods, which casts a responsibility on the importer to declare truthfully, all contents in the Bill of Entry. Relevant portion of Section 46 (4) is reproduced below:-

“(i) The importer while presenting a bill of entry shall make and subscribe to a declaration as to the truth of the contents of such bill of entry and shall, in support of such declaration, produce to the proper officer the invoice, if any, and such other documents relating to the imported goods as may be prescribed”.

B. Section 28 (4) of the Customs Act, 1962 provides that *“Where any duty has not been levied or not paid or has been short-levied or short-paid or erroneously refunded, or interest payable has not been paid, part-paid or erroneously refunded, by reason of,-*

- a. *collusion; or*
- b. *any willful mis-statement; or*
- c. *suppression of facts,*

by the importer or the exporter or the agent or employee of the importer or exporter; the proper officer shall, within five years from the relevant date, serve notice on the person chargeable with duty or interest which has not been [so levied or not paid] or which has been so short-levied or short-paid or to whom the refund has erroneously been made, requiring him to show cause why he should not pay the amount specified in the notice”.

C . Section 28AA of Customs Act, 1962 provides interest on delayed payment of duty-

(1) Where any duty has not been levied or paid or has been short-levied or short-paid or erroneously refunded, the person who is liable to pay the duty as determined under sub-Section (2), or has paid the duty under sub-Section (2B), of Section 28, shall, in addition to the duty, be liable to pay interest at such rate not below ten percent and not exceeding thirty-six per cent per annum, as is for the time being fixed by the Central Government, by notification in the Official Gazette, from the first day of the month succeeding the month in which the duty ought to have been paid under this Act, or from the date of such erroneous refund, as the case may be, but for the provisions contained in sub-Section (2), or sub-Section (2B), of Section 28, till the date of payment of such duty:

D. Section 114A of the Customs Act, 1962 deals with the penalty by reason of collusion or any willful mis-statement or suppression of facts. The relevant provision is reproduced below:-

114A - Penalty for short-levy or non-levy of duty in certain cases -Where the duty has not been levied or has been short-levied or the interest has not been charged or paid or has been part paid or the duty or interest has been erroneously refunded by reason of collusion or any willful mis-statement or suppression of facts, the person who is liable to pay the duty or interest, as the case may be, as determined under sub-Section (8) of Section 28 shall also be liable to pay a penalty equal to the duty or interest so determined: Provided that where such duty or interest, as the case may be, as determined under sub-Section (8) of Section 28, and the interest payable thereon under Section 28AA, is paid within thirty days from the date of the communication of the order of the proper officer determining such duty, the amount of penalty liable to be paid by such person under this Section shall be twenty-five per cent of the duty or interest, as the case may be, so determined: Provided further that the benefit of reduced penalty under the first proviso shall be available subject to the condition that the amount of penalty so determined has also been paid within the period of thirty days referred to in that proviso:

11. It appears that the importer has willfully mis-stated the facts & wrongly paid IGST on lower side by categorizing its goods under Serial No. 195B of Schedule-II of IGST Notification 01/2017-IGST(Rate) which prescribes IGST duty @ 12% whereas the goods attracts IGST @ 18% under Serial No. 325 of Schedule-III of Notification No. 01/2017 – Integrated Tax (Rate).

12. In the light of the documentary evidences, as brought out above and the legal position, it appears that a well thought out conspiracy was hatched by the importer to defraud the exchequer by adopting the modus operandi of mis-declaring the IGST Serial No. 195B of Schedule-II of IGST Notification 01/2017-IGST(Rate) of the goods imported.

13. Whereas, it is apparent that the importer was in complete knowledge of the correct nature of the goods nevertheless, the importer claimed undue notification benefit for the said goods in order to clear the goods by wrongly availed Customs duty i.e. IGST on a lower side under Serial No. 195B of Schedule-II of IGST Notification 01/2017-IGST(Rate) which prescribes IGST @ 12%. With the introduction of self-assessment

under Section 17, more faith is bestowed on the importer, as the practices of routine assessment, concurrent audit etc. have been dispensed with. As a part of self-assessment, the importer has been entrusted with the responsibility to correctly self-assess the duty. Therefore, it appears that the importer has wilfully violated the provisions of Section 17(1) of the Act in as much as importer has failed to correctly self-assessed the impugned goods and has also wilfully violated the provisions of Sub-section (4) and (4A) of Section 46 of the Act. Therefore, the goods having assessable value of Rs. 69,44,672/- as detailed in above table, appears to be liable for confiscation under Section 111(m) of the Customs Act, 1962.

14. It appears that the importer wilfully claimed undue notifications benefit for the impugned goods resulting into short levy of duty. Further, it appears that in respect of the Bill of Entry as detailed in above Table-A, such wrong claim of notifications benefit on the part of the importer has resulted into short levy of duty i.e. IGST of Rs. 4,16,680/- (Rupees Four Lakh Sixteen Thousand Six Hundred Eighty Only) which is recoverable from the importer under the provisions of Section 28(4) of the Customs Act, 1962 along with interest as applicable under Section 28AA of the Act. For such act of omission and commission, the importer also appears to have rendered themselves liable to penalty under Section 114A of the Customs Act, 1962.

15. Accordingly, M/s. INTEGRATED FLOWTECH PRIVATE LIMITED (IEC: 0810009676), located at 18A Ulariya Opp Gokuldharm, Sanathal Sanand Highway Contact No: 919879002613, Ahmedabad, Gujarat-382210 was called upon to show cause, vide SCN No. 24/2025-26/DC/ARK/Gr-5/MCH dated 26.05.2025 to the **Assistant Commissioner of Customs, Group-V**, Custom House, Mundra, having office at Room No. 12 PUB Building, Mundra (Kutch) Gujarat 370 421, as to why:-

- i. The goods having assessable value of Rs. 69,44,672/- covered under Bill of Entry as detailed in above Table-A, should not be held liable for confiscation under Section 111(m) of the Customs Act, 1962;
- ii. the Serial No. 195B of Schedule-II of IGST Notification 01/2017-IGST(Rate) on the goods should not be denied and the same should not be re-assessed at correct rate of IGST @18% under Sr. No. 325 of Schedule III of IGST Notification No. 01/2017;
- iii. The differential duty i.e. IGST worked out to Rs. 4,16,680/- (Rupees Four Lakh Sixteen Thousand Six Hundred Eighty Only) in respect of Bill of Entry as detailed in above table, should not be recovered under Section 28(4) of the Customs Act, 1962 along with applicable interest thereon as per Section 28AA of the Customs Act, 1962, as applicable.
- iv. Penalty should not be imposed upon them under Section 114A of the Customs Act, 1962.

16. Further, a corrigendum dated 10.03.2026, under section 154 of the Customs Act, 1962, to the Show Cause Notice dated 26.05.2025 was issued stating that:

“1. In Para 15 of the above referred Show Cause Notice, “*the Assistant Commissioner of Customs, Group-V, Custom House, Mundra, having office at Room No. 12 PUB Building, Mundra (Kutch) Gujarat 370 421*” may be read as “*the Additional Commissioner of Customs (Import), Custom House, Mundra, having office at 1st Floor, Room No. 103, PUB Building, 5B, Mundra (Kutch) Gujarat 370 421*”.

2. In Para 16, “*called upon to inform in writing to the Assistant Commissioner of Customs, Custom House, Mundra*” may be read as “*called upon to inform in writing to the Additional Commissioner of Customs, Custom House, Mundra*”

3. Rest of the contents of the SCN No. 24/2025-26/DC/ARK/Gr-5/MCH dated 26.05.2025 issued from F.No. CUS/APR/BE/MISC/1607/2023-Gr 5-6- O/o Pr Commr-Cus-Mundra, remains unchanged.”

PERSONAL HEARING AND WRITTEN SUBMISSIONS:

17.1 A personal hearing was initially scheduled on 20.03.2026 by the Additional Commissioner of Customs. The importer requested that the hearing be conducted virtually. Accordingly, a virtual hearing was held on 26.03.2026, which was attended by Mr. Rishabh Jain on behalf of the importer. He reiterated the submissions made in the written reply dated 20.06.2025 and stated that he had nothing further to add. He also requested that the proceedings be concluded based on the facts and submissions already available on record.

17.2 The importer filed their earlier reply vide letter dated 26.06.2025, wherein they stated that: -

“This has reference to your Show-Cause-Notice No. 24/2025-26/PBM/AC/Gr-5/MCH dated May 26, 2025 received by us on May 30, 2025, we would like to inform you as under:

1. *We M/s. Integrated Flowtech Private Limited (hereinafter referred to as "Company") bearing IEC No. 0810009676 are engaged in the business of Design, Supply & Commissioning of Irrigation Systems. Copy of the IEC Certificate is enclosed as Annexure-1. In course of the business activities, the Company imports various goods falling under CTH 8424. Detailed description of the goods imported are enclosed as Annexure-2 and enclosed products leaflets as per Annexure-3.*
 2. *The said goods, Sprinklers, Drip Laterals, Drippers & emitters, Irrigation Filters; are correctly governed by Sr. No. 195AA & 195B of the Schedule II of Notification No. 1/2017- Central Tax (Rate), dated 28.06.2017 inserted vide Notification No. 6/2018- Central Tax (Rate), dated 25.01.2018.*
 3. *The Board Circular No. 155/11/2021-GST dated 17.06.2021 clarified that the GST rate on laterals/parts of Sprinklers or Drip Irrigation System that are suitable for use solely or principally with ‘Sprinklers or Drip Irrigation System’ would attract GST Rate @ 12%, even if supplied separately. The intention behind the same was to cover laterals and parts with ‘Sprinklers or Drip Irrigation System’. Copy of the board circular is enclosed as Annexure-4. The relevant portion of the circular is extracted below for ease of reference-*
2. *The GST rate on Sprinklers or Drip Irrigation System along with their laterals/parts are governed by S.No. ‘195B’ under Schedule II of notification No. 1/2017- Central Tax (Rate), dated 28th June, 2017 which has been inserted vide notification No. 6/2018- Central Tax (Rate), dated 25th January, 2018 and reads as below:*

Sr. No.	Chapter Heading/ Sub-heading/Tariff Item	Description of Goods	CGST rate
195B	8424	Sprinklers; drip irrigation systems including laterals; mechanical sprayer	6%

3. *The matter is examined. The intention of this entry has been to cover laterals*

(pipes to be used solely with sprinklers/drip irrigation system) and such parts that are suitable for use solely or principally with sprinklers or drip irrigation system, as classifiable under heading 8424 as per Note 2 (b) to Section XVI to the HSN. Hence, laterals/parts to be used solely or principally with sprinklers or drip irrigation system, which are classifiable under heading 8424, would attract a GST of 12%, even if supplied separately.

4. *Further, in the case of Netafim Irrigation India Pvt. Ltd. v. C.C. Ahmedabad vide Final Order No. A/11112-11113/2022 dated 08.09.2022, the Hon'ble CESTAT Ahmedabad involving the issue of whether the parts of Drip Irrigation System itself fall under the category of Drip Irrigation System, has followed the above board circular. A copy of the order is enclosed as Annexure-5.*

The relevant portion of the order is extracted below for ease of reference-

4. *We have carefully considered the submission made by both sides and perused the records. We find that the learned counsel is correct in his submission as much as Board Circular No. 155/11/2021-GST dated 17.06.2021 was issued after passing of the orders by the Lower Authorities. The lower authorities had no occasion to consider the circular. We find that the circular is very vital and it is on the same goods. Therefore, it has a strong bearing for deciding the present case. Accordingly, we are of the view that the Adjudicating Authority should re-look the entire case not only on the basis of the Circular No. 155/11/2021-GST dated 17.06.2021 but also on all the points raised by the appellant. Accordingly, we set aside the impugned order and remand the matter to the Adjudicating Authority for passing a fresh order. All the issues are kept open. Appeals are allowed by way of remand to the Adjudicating Authority.*
5. *It is to bring to your notice that the goods imported by the Company are 'Parts of Drip & Sprinkler Irrigation System' and solely or principally used with Sprinklers or Drip Irrigation System. Therefore, the goods have been correctly governed under Sr. No. 195B of Schedule II of Notification No. 1/2017- Central Tax (Rate), dated 28.06.2017 inserted vide Notification No. 6/2018- Central Tax (Rate), dated 25.01.2018 @ 12% IGST.*
6. *Therefore, it is humbly submitted that, the demand for differential short-levied IGST is not sustainable and liable to be set aside."*

DISCUSSIONS AND FINDINGS:

18. I have carefully gone through the facts of the case, the Show Cause Notice dated 26.05.2025, and the importer's submission dated 20.06.2025. I find that the principles of natural justice as envisaged under Section 122A of the Customs Act, 1962, which provides for granting an opportunity of personal hearing before passing any adjudication order, have been duly complied with in the present case. After considering the records of the case and the submissions made by the importer, I find that the following main issues are involved in the subject Show Cause Notice which are required to be decided in the present adjudication, as below:

(i) Whether the goods imported as "IRRIGATION SYSTEM FUNCTIONAL PART" are correctly eligible for concessional IGST rate @12% under Sr. No. 195B of Schedule-II of Notification No. 01/2017-Integrated Tax (Rate), or are liable to IGST @18% under Sr. No. 325 of Schedule-III.

(ii) Whether the differential duty i.e. IGST worked out to Rs. 4,16,680/- (Rupees Four lakh Sixteen Thousand Six Hundred and Eighty Only) in respect of Bill of Entry as detailed in above table, should not be recovered under Section 28 (4) of the Customs Act, 1962 along with applicable interest thereon as per Section 28AA of the Customs Act, 1962, as applicable;

(iii) Whether the impugned goods are liable for confiscation under Section 111(m) of the Customs Act, 1962;

(iv) Whether penalty is imposable upon the importer under Section 114A of the Customs Act, 1962.

19.1 Regarding the first issue, I find that the importer has classified the goods under CTH 8424 and claimed concessional IGST @12% under Sr. No. 195B of Schedule-II of Notification No. 01/2017-Integrated Tax (Rate), which reads “Sprinklers; drip irrigation systems including laterals; mechanical sprayers”. I further find that the impugned goods have been declared as “IRRIGATION SYSTEM COMPRISING OF ... IRRIGATION SYSTEM FUNCTIONAL PART”, with specific model descriptions indicating their use as components of an irrigation system and not as independent general-purpose spraying appliances.

19.2 I observe that Circular No. 155/11/2021-GST dated 17.06.2021, issued by CBIC, specifically clarifies that the intention of entry 195B is to cover laterals (pipes to be used solely with sprinklers/drip irrigation system) and such parts that are suitable for use solely or principally with sprinklers or drip irrigation system, as classifiable under heading 8424. The circular further clarifies that laterals/parts to be used solely or principally with sprinklers or drip irrigation system, which are classifiable under heading 8424, would attract GST of 12%, even if supplied separately.

19.3 I also note that the said Circular distinguishes between parts which are suitable for use solely or principally with sprinklers or drip irrigation system (falling under heading 8424 and covered by entry 195B), and “parts of general use” which, by virtue of Section Notes and Chapter Notes, fall under other headings and attract GST applicable to those respective headings. Thus, the critical test is whether the imported goods are irrigation-system-specific components classifiable under heading 8424 and suitable for use solely or principally with sprinklers or drip irrigation systems, rather than being general-purpose parts with multiple unrelated uses.

19.4 In this context, I find that the importer has placed reliance on the decision of the Hon’ble CESTAT, Ahmedabad in the case of Netafim Irrigation India Pvt. Ltd. v. Commissioner of Customs, Ahmedabad, wherein the Tribunal, while dealing with parts of drip irrigation systems, has specifically observed that Circular No. 155/11/2021-GST is directly relevant and remanded the matter to the adjudicating authority for a fresh decision in the light of the said Circular. I find that this judicial precedent reinforces the binding nature of the Circular for classification and rate purposes in respect of parts used solely or principally with drip irrigation systems.

19.5 In the present case, from the description in the Bills of Entry and the submissions of the importer, including product leaflets and functional description, it is seen that the goods are irrigation system functional parts designed and supplied as components of drip/sprinkler irrigation systems, and not as stand-alone mechanical appliances for general spraying of liquids or powders. There is no material on record to suggest that these goods are capable of, or intended for, independent use outside irrigation systems, nor is there any evidence that they are “parts of general use” falling outside heading 8424.

19.6 I also note that Sr. No. 325 of Schedule-III of Notification No. 01/2017-Integrated Tax (Rate) covers “Mechanical appliances (whether or not hand operated) for projecting, dispersing or spraying liquids or powders ... (other than sprinklers; drip irrigation systems including laterals; mechanical sprayer; nozzles for drip irrigation equipment or nozzles for sprinklers)”. A plain reading shows that sprinklers, drip

irrigation systems including laterals, mechanical sprayers, and specified nozzles stand carved out of entry 325 and are instead covered by concessional entries including 195B. Therefore, irrigation-system-specific parts that are classifiable under heading 8424 and used solely or principally with such systems are intended to be covered by the concessional rate structure.

19.7 In view of the above discussion, and on the basis of the statutory notification and binding circular, I find that the impugned goods, being irrigation system functional parts used solely or principally with drip/sprinkler irrigation systems and classifiable under heading 8424, are covered within the scope of Sr. No. 195B of Schedule-II of Notification No. 01/2017-Integrated Tax (Rate) and are rightly liable to IGST @12%. I also note that the Circular issued by CBIC is binding on the Department, and therefore the benefit of the said entry cannot be denied when the goods satisfy the prescribed conditions. Consequently, I hold that the proposal to re-assess the goods under Sr. No. 325 of Schedule-III @18% is not sustainable. 20.1 Coming to the second issue regarding the demand of differential IGST of Rs. 4,16,680/- under Section 28(4) of the Customs Act, 1962 along with interest under Section 28AA, I find that the entire demand is premised on the assumption that the concessional rate @12% under Sr. No. 195B was wrongly availed. Since, as discussed above, the classification and rate adopted by the importer under Sr. No. 195B have been found to be correct, the very foundation for alleging short-levy of IGST ceases to exist.

20.2 I further observe that the importer had, at the time of filing Bill of Entry, declared complete and correct particulars such as description, classification under CTH 8424, and the notification entry (Sr. No. 195B) under which IGST @12% was claimed. The said self-assessment was accepted by the proper officer without any contemporaneous objection or query, and there is nothing on record to show any mis-description of the goods or suppression of material facts.

20.3 In these circumstances, even otherwise, the essential pre-conditions for invoking the extended period under Section 28(4), namely collusion, wilful misstatement or suppression of facts, are not satisfied, as the dispute at best pertains to interpretation and scope of the notification entry and the clarificatory circular, which the importer has followed in good faith. Therefore, I hold that the demand of differential IGST of Rs. 4,16,680/- along with interest under Section 28AA of the Customs Act, 1962 is not sustainable and is liable to be dropped.

21.1 As regards the third issue relating to confiscation under Section 111(m) of the Customs Act, 1962, I find that this provision is attracted where there is mis-declaration in respect of any material particular such as description, quantity, value or any other element having a bearing on duty liability. In the present case, the description as "IRRIGATION SYSTEM ... FUNCTIONAL PART" and classification under heading 8424 read with Sr. No. 195B of Schedule-II have been found to be appropriate and in consonance with the relevant notifications and circulars.

21.2 There is no independent evidence to show that the goods are different from what has been declared, or that the importer adopted any device to conceal the true nature of the goods with an intent to evade duty. Once it is held that the concessional rate under Sr. No. 195B is correctly availed and there is no short-levy, the allegation of mis-declaration under Section 111(m) automatically fails. Accordingly, I hold that the impugned goods are not liable for confiscation under Section 111(m) of the Customs Act, 1962.

22.1 Coming to the fourth issue of penalty under Section 114A of the Customs Act, 1962, I find that this section applies only where duty has not been levied or has been short-levied, etc., “by reason of collusion or any wilful mis-statement or suppression of facts” on the part of the person liable. In the present matter, as already discussed, there is no sustainable demand of differential duty and no material to indicate any element of fraud, collusion, wilful misstatement or suppression of facts on the part of the importer.

22.2 On the contrary, the importer has placed reliance on the very same notification entry and clarificatory circular of the Board that the Department itself is bound to follow, and has declared all the particulars in a transparent manner at the time of import. In such a factual and legal matrix, the mandatory ingredients for imposition of penalty under Section 114A are clearly absent. I therefore hold that no penalty is imposable upon the importer under Section 114A of the Customs Act, 1962.

ORDER

23. In view of the foregoing discussion and findings recorded hereinabove, I pass the following order:

(i) I hold that the benefit of IGST @12% under Sr. No. 195B of Schedule-II of Notification No. 01/2017-Integrated Tax (Rate) dated 28.06.2017, as amended, has been correctly availed by the importer in respect of the impugned goods covered under Bill of Entry No. 9145216 dated 12.10.2020.

(ii) I hold that the proposal to deny the benefit of Sr. No. 195B of Schedule-II and to re-assess the impugned goods to IGST @18% under Sr. No. 325 of Schedule-III of Notification No. 01/2017-Integrated Tax (Rate) dated 28.06.2017 is not sustainable and is hereby set aside.

(iii) I drop the confiscation proceedings under Sections 111(m) of the Customs Act, 1962, as discussed in para 21.1 and 21.2, supra;

(iv) I drop the proceedings for recovery of differential IGST of Rs. 4,16,680/- under Section 28(4) of the Customs Act, 1962 and interest under Section 28AA of the Customs Act, 1962, as discussed in para 20.1 to 20.3, supra;

(v) In view of (iii) and (iv) above, I drop the penalty proceedings under Section 114A of the Customs Act, 1962.

24. The Show Cause Notice 24/2025-26/DC/ARK/Gr-5/MCH dated 26.05.2025, as amended by Corrigendum dated 10.03.2026 against the importer stands disposed of in the above terms.

25. This order is issued without prejudice to any other action that may be taken against notice/importer or any other person(s) under the provisions of the Customs Act, 1962 and rules/regulations framed there under or any other law for the time being in force in the Republic of India.

(Dipak Zala)
Additional Commissioner of Customs
Custom House, Mundra

To,

M/s. Integrated Flowtech Private

18A Ulariya Opp Gokuldham, Sanathal Sanand Highway,
Ahmedabad, Ahmedabad, Gujarat-382210

Copy to:

1. The Deputy Commissioner of Customs , Review Section, Custom House, Mundra.
2. The Deputy Commissioner of Customs, TRC, Custom House, Mundra.
3. The Deputy Commissioner of Customs, EDI, Custom House, Mundra
4. Office copy.