

	<p>कार्यालय: प्रधान आयुक्त सीमाशुल्क, मुन्द्रा, सीमाशुल्क भवन, मुन्द्रा बंदरगाह, कच्छ, गुजरात- 370421 OFFICE OF THE PRINCIPAL COMMISSIONER OF CUSTOMS: CUSTOM HOUSE, MUNDRA PORT, KUTCH, GUJARAT- 370421. PHONE : 02838-271426/271163 FAX :02838-271425 E-mail id- adj-mundra@gov.in</p>	
---	--	---

A. File No.	:	GEN.ADJ/ADC/6/2026-Adjn-O/o Pr. Commr-Cus-Mundra
B. SCN No.	:	168/2025-26/ADC/ZDC/MCH dated 16.01.2026
C. Passed by	:	Dipak Zala, Additional Commissioner of Customs, Customs House, AP&SEZ, Mundra.
D. Noticess(s)/Importer:	:	M/s. ABC Renewable Energy Private Limited (IEC: AATCA1605P)
E. DIN	:	20260171MO000000B95F

(Show Cause Notice under Section 28(4) of the Customs Act, 1962)

Whereas it appears that:

1.1 An intelligence collected and developed by the officers of Directorate of Revenue Intelligence, Regional Unit, Jaipur (herein after referred as "DRI" for the sake of brevity) indicated that M/s ABC Renewable Energy (RJ-01) Private Limited (hereinafter referred to as "the importer") has imported "Static Var Generator (SVG)" (hereinafter referred to as "the imported goods") by wrongly classifying the same under CTH 85437099, paying BCD@7.5% and IGST @18%, however, Static VAR Generator is correctly classifiable under CTH 85044090, which attracts BCD @20% and IGST @18%. Thus, it appears that the importer evaded/short paid customs duty by misclassifying the imported goods under CTH 85437099 instead of its correct CTH 85044090 in order to evade appropriate Basic Customs Duty. This had also resulted in the short payment of other Customs levies viz. SWS and IGST as BCD forms part of the assessable value for computation of these duties.

1.2 Based on the above intelligence, summons under Section 108 of the Customs Act, 1962 bearing DIN No. 202411DDZ40000555C8D dated

14.11.2024, DIN No. 202411DDZ4000000F1C7 dated 27.11.2024, DIN No. 202412DDZ4000000EABD dated 11.12.2024 and DIN No. 202412DDZ4000011111C dated 27.12.2024 (**All four summonses RUD No 1**) were issued to M/s ABC Renewable Energy (RJ-01) Private Limited (IEC-AATCA1605P), Plot No. 47, 48, 49, Street No. 1, Unipace Business Centre, Street No. 1, 2nd Avenue, Patrika Nagar, Hyderabad, Telangana- 500081, to submit documents and to tender statement.

2. In response to summons dated 27.12.2024, Shri Shourabh Roy, Senior Manager-Asset Operations of M/s ABC Renewable Energy (RJ-01) Private Limited appeared on 15.01.2025 as an authorized representative of the importer and his statement was recorded under Section 108 of the Customs Act, 1962 (**RUD No 2**), wherein he, inter alia, stated that: -

- M/s ABC Renewable Energy (RJ-01) Private Limited had installed a 300 MW solar plant in Phalodi, Baap, Badisid Rajasthan; that they had imported two Static VAR Generators for installing the same at this plant.
- Being Senior Manager-Asset Operations, he was responsible for asset operations of M/s. ABC Renewable Energy (RJ-01) Private Limited, technical, compliance and commercial operations.
- M/s ABC Renewable Energy (RJ-01) Private Limited had imported Static VAR Generator and Solar Modules/ Solar Panels.
- M/s ABC Renewable Energy (RJ-01) Private Limited had imported 2 sets of Static VAR Generator TSVG-30/33-W -C and Static VAR Generator TSVG-50/33-W -C vide Bill of Entry No. 4632502 dated 22.07.2024, filed at Mundra port (INMUN1), which were supplied by M/s. TBEA XI'AN Electric Technology Co., Ltd. China.
- On being asked about name and contact details of overseas supplier M/s. TBEA XI'AN Electric Technology Co. Ltd, he stated that he by using email id shourabhr@brookfieldrenewable.in used to contact overseas supplier on their email: huaxingyuan@tbea.com.
- On being asked about issuance of Purchase Order (PO) to foreign supplier, he stated that they had entered into purchase order with foreign supplier for import of Static VAR Generator and submitted copy of one purchase orders (PO) No.7021-000767-2, dated 05.06.2024, issued by M/s ABC Renewable Energy (RJ-01) Private Limited to M/s. TBEA XI'AN Electric Technology Co. Ltd. for import of 2 Static VAR Generators.
- On being asked to state end use of the Static VAR Generator imported by them from M/s. TBEA XI'AN Electric Technology Co. Ltd., China he stated that that in an electric power system, reactive power plays an important role to maintain the stability of the grid. Static VAR Generator widely known as SVG is one of the devices which is being used for the compensation of Reactive Power in the electrical system. The compensation device based on voltage source converter had played a qualitative leap in reactive power compensation. It no longer uses large capacity capacitors and inductors, but realizes reactive transformation through power electronic devices of high-frequency and high-power. By using full-controlled PWM with carrier phase-shifting technology, compensate reactive power of load.

Applications of Static VAR Generator (SVG)

When the grid voltage is higher, the SVG send out the inductive reactive power to pull down the grid and when the grid voltage is lower, the SVG send out the capacitive reactive power to lift the grid.

SVG can complete the conversion from rated capacitive reactive power to rated inductive reactive power in a very short time. This unparalleled response speed is fully capable of compensating load impact. The response time of SVG is less than 5ms.

SVG can suppress voltage flicker up to 5:1 or even higher. Because of the fast response speed of SVG, increasing the device capacity can continue to improve the ability to suppress voltage flicker.

SVG's are high performance, compact, flexible, modular that provide an instantaneous and effective response to power quality problems in low or high voltage electric power systems. They enable longer equipment lifetime, higher process reliability, improved power system capacity and stability, and reduced energy losses, complying with most demanding power quality standards and grid Codes. Components of the SVG:- The SVG solution comprised of the below items-

1. Disconnect switch.
2. Soft start unit.
3. Surge Arrestor.
4. Reactor, power unit.
5. Control system & protection system.
6. Auxiliary system.

- On being asked to explain the primary functions of Static VAR Generator (SVG) imported by them, he stated that Static VAR Generator (SVG) imported by them uses switchable power electronic devices (such as IGBTs) to form a self commutation bridge circuit, which is connected in parallel to the power grid through a reactor. The amplitude and phase of the output voltage on the AC side of the bridge circuit are appropriately adjusted, or the AC side current is directly controlled. Quickly absorb or emit the required reactive power to achieve rapid dynamic adjustment of reactive power. As an active compensation device, it can not only track the impulse current of impulse loads, but also track and compensate for harmonic currents.

The voltage source inverter consists of two parts: a DC capacitor and an inverter bridge, where the inverter bridge is composed of switchable semiconductor devices IGBT.

In work, by adjusting the switching of IGBT devices in the inverter bridge, the amplitude and phase of the voltage from DC inverter to AC can be controlled. Therefore, the entire device is equivalent to a phase modulated power supply. By detecting the

required reactive power in the system, it is possible to quickly generate reactive power of equal magnitude and opposite phase, achieving on-site balance of reactive power and maintaining real-time high power factor operation of the system.

1. Static reactive power generator, English description: static var generator, Abbreviated as SVG. Also known as dynamic reactive power compensation device, or static synchronous compensator. It refers to a device that uses a self commutation power semiconductor bridge converter for dynamic reactive power compensation.

2. In the power system, in order to reduce the power loss caused by the large amount of reactive current provided by the distribution network to the load, corresponding voltage level reactive power compensation devices need to be installed at each power receiving point to improve the transmission capacity of the power grid and save energy. At present, many industrial and mining enterprises use capacitor switching compensation, but the configuration of capacitor compensation is relatively low, and the stability of switching compensation devices is poor.

In other words, a Static VAR Generator (SVG) uses power electronics to provide reactive power compensation in a dynamic and precise manner.

- that the Static VAR Generator (SVG) imported by M/s ABC Renewable Energy (RJ-01) Private Limited does not contain any moving part and all the parts of imported Static VAR Generator (SVG) are stationary.
- That the Static VAR Generators imported by them contains IGBTs.
- On being asked to state how a reactive power is compensated by the SVG imported by them, he stated that SVG compensates reactive power by lagging voltage and current in the Grid.
- On being asked to state whether the output of plant/ grid both voltage and current after attaching SVGs parallel to it, is fluctuating or constant, he stated that SVG will try to maintains voltage near to rated voltage (fixed voltage).
- M/s ABC Renewable Energy (RJ-01) Private Limited was directed to comply with the Central Electricity Authority (CEA) regulation to install SVGs for maintaining reactive power requirements of the grid, accordingly, demand for the same was raised by their Mumbai office to procurement (SCM) team.
- Static VAR Generator (SVG) imported by M/s ABC Renewable Energy (RJ-01) Private Limited, are made up by using power electronics such as IGBTs, Inductors, Capacitors etc.
- that the Static VAR Generators imported by them are a solid-state device.
- On being asked to state whether imported SVG was capable of reactive power compensation by way of conversion and control of electric power/ voltage without mechanical movement, he stated that yes, the imported SVG is capable of reactive power compensation by way of conversion and control of electric

power/ voltage without mechanical movement.

- On being asked who was responsible for filing of Bills of Entry, deciding CTH, payment of customs duty etc. on import of Static VAR Generator (SVG) by M/s ABC Renewable Energy (RJ-01) Private Limited, he stated that SCM/Procurement team of M/s. ABC Renewable Energy (RJ-01) Private Limited was responsible for filing of Bills of Entry, deciding of CTH of the imported goods as well as payment of Customs duty.
- On being asked to state what was the CTH declared by them in the Bill of Entry no. 4632502 dated 22.07.2024 filed for "Static VAR Generator", imported by them he stated that in the Bills of Entry No. 4632502 dated 22.07.2024, they had declared description of the imported goods as "Static Var Generator-TBEA TSVG-30/33-W-C and TBEA TSVG-50/33-W-C and CTH as "85437099".
- He was shown relevant page of HSN Explanatory notes of Customs Tariff covering CTH 8504 and on being asked to state whether the "Static Var Generator-TBEA TSVG-30/33-W-C and TBEA TSVG-50/33-W-C" imported by M/s ABC Renewable Energy (RJ-01) Private Limited appears to be a Static Convertor and merit classification under CTH 85044090, he after reading HSN Explanatory notes of Customs Tariff covering CTH 8504, stated that their imported item i.e. Static VAR Generator TSVG-50/33 and 30/33 is relevant with the electrical transformers, static converters and rectifiers as mentioned in the CTH 8504, therefore as per his understanding it merit classification under CTH 85044090.
- On being asked why M/s ABC Renewable Energy (RJ-01) Private Limited had declared CTH 85437099 for the Static VAR Generator in the Bill of Entry, he stated that they had declared CTH 85437099 in the Bill of Entry on the basis of Country of Origin Certificate provided to them by the supplier wherein CTH 85437099 was mentioned. He further stated that no particular entry was found available in the tariff, so they filed Bill of Entry on the basis of CTH provided by the supplier.
- On being asked about payment of differential duty arise due to correct classification of Static VAR Generator imported by them, he stated that they had imported Static VAR Generator for the first time on 22.07.2024 and had classified the same under HS code 85437099 of the Indian Customs Tariff Act, 1975; that the said classification was adopted on the basis of their interpretation of the law as well as general practice being followed in the market for import of Static VAR generators; that on receipt of summons of DRI Jaipur on 27.12.2024, they conducted an internal review of the classification in consultation with tax advisors and concluded that HS Code 8504 4090 would be a more specific and appropriate classification for the Static VAR Generator imported by them. Accordingly, the company had admitted that the imported "Static VAR Generator TSVG-50/33 and TSVG-30/33" is correctly classifiable under HS Code 8504 4090; that as the effective rate of duty for HS Code 8504 is 10% as per Sr No. 13 of Notification No 18/2022-Customs dated 02.02.2018, they had decided to deposit the differential duty of Rs.17,12,036.16/- along with applicable interest of Rs. 1,39,308.15/-(considering the date of payment of differential duty as 05.02.2025).

3. The Static VAR Generator imported by M/s ABC Renewable Energy (RJ-01) Private Limited were supplied by M/s. TBEA Xi'an Electric Technology Co. Ltd., China, therefore summons DIN No. 202504DDZ4000000EB25 dated

25.04.2025, DIN No. 202505DDZ40000287643 dated 09.05.2025 and DIN No. 202505DDZ4000000C4E4 dated 30.05.2025 (**RUD No 3**) under Section 108 of the Customs Act, 1962 were issued to M/s. TBEA Xi'an Electric Technology Co. Ltd. In response to summons dated 30.05.2025, Shri Vaibhav Kaushik, Consultant (Sales), of M/s. TBEA Xi'an Electric Technology Co. Ltd. appeared on 03.06.2025 and his statement was recorded under Section 108 of the Customs Act, 1962 (**RUD No 4**), wherein he, inter alia, stated that: -

- M/s. TBEA Xi'an Electric Technology Co. Ltd., No. 70, Shanglinyuan 4th Road, High Tech, Zone Xi'an, China is engaged in manufacturing of Static VAR Generators. The sister concern of M/s. TBEA Xi'an Electric Technology Co. Ltd. namely M/s. TBEA Solar India Pvt. Ltd. is situated at Industrial Area, Talaguppe, Karnataka, Bidadi-562109, which manufactures Solar Invertors.
- He is Country Head Consultant (Sales) in TBEA Xi'an Electric Technology Co. Ltd. and he work as a link between M/s. TBEA Xi'an Electric Technology Co. Ltd., China and Indian Solar Developers, where he approach potential Indian solar developers with their products (Solar Invertors & Static VAR Generators) for marketing purpose and if the developer is interested in the product, the further dealing between Indian Developer and M/s. TBEA Xi'an Electric Technology Co. Ltd. is handled by him which includes deciding of price, schedule of supply, finalization of payment terms and details in export documents etc.
- M/s. TBEA Xi'an Electric Technology Co. Ltd. supply Static VAR Generators to various Indian importers including M/s ABC Renewable Energy (RJ-01) Private Limited; that they manufacture Static VAR Generators of various type of MVAR of capacities 30 MVar, 35 MVar, 40 MVar, 45 MVar, 50 MVar, 55 MVar, and 60 MVar.
- that for every supply of Static VAR Generators by M/s. TBEA Xi'an Electric Technology Co. Ltd. to Indian customer/importer, they had executed a purchase order/ agreement with them; that the PO were exchanged among Indian Developer/importer and M/s. TBEA Xi'an Electric Technology Co. Ltd.
- On being asked to state end use of the Static VAR Generator supplied by them he stated that in an electric power system, reactive power plays an important role to maintain the stability of the grid. Static VAR Generator widely known as SVG is one of the devices which is being used for the compensation of Reactive Power in the electrical system. The compensation device based on voltage source converter had played a qualitative leap in reactive power compensation. It no longer uses large capacity capacitors and inductors, but realizes reactive transformation through power electronic devices of high-frequency and high-power. By using full-controlled PWM (Pulse Width Modulation) with carrier phase-shifting technology, compensate reactive power of load.

Applications of Static VAR Generator (SVG)

When the grid voltage is higher, the SVG can send out the inductive reactive power to pull down the grid; when the grid voltage is lower, the SVG can send out the capacitive reactive power to lift the grid.

SVG can complete the conversion from rated capacitive reactive power to rated inductive reactive power in a very short

time. This unparalleled response speed is fully capable of compensating load impact. The response time of SVG is less than 5ms.

SVG can suppress voltage flicker up to 5:1 or even higher. Because of the fast response speed of SVG, increasing the device capacity can continue to improve the ability to suppress voltage flicker.

SVG's are high performance, compact, flexible, modular that provide an instantaneous and effective response to power quality problems in low or high voltage electric power systems. They enable longer equipment lifetime, higher process reliability, improved power system capacity and stability, and reduced energy losses, complying with most demanding power quality standards and grid Codes.

- On being asked about the primary functions of Static VAR Generator (SVG) supplied by M/s. TBEA XI'AN Electric Technology Co. Ltd., China to various Indian importers (solar developers), he stated that SVG uses switchable power electronic devices (such as IGBTs) to form a self-commutation bridge circuit, which is connected in parallel to the power grid through a reactor. The amplitude and phase of the output voltage on the AC side of the bridge circuit are appropriately adjusted, or the AC side current is directly controlled. Quickly absorb or emit the required reactive power to achieve rapid dynamic adjustment of reactive power. **As an active compensation device, it can not only track the impulse current of impulse loads, but also track and compensate for harmonic currents. Thus, it appears that SVG also regulate voltage and current.**

The voltage source inverter/convertor consists of two parts: a DC capacitor and an inverter bridge, where the inverter bridge is composed of switchable semiconductor devices IGBT

In work, by adjusting the switching of IGBT devices in the inverter bridge, the amplitude and phase of the voltage from DC inverter to AC can be controlled. **Therefore, the entire device is equivalent to a phase modulated power supply.** By detecting the required reactive power in the system, it is possible to quickly generate reactive power of equal magnitude and opposite phase, achieving on-site balance of reactive power and maintaining real-time high power factor operation of the system.

1. Static reactive power generator, English description: static var generator, Abbreviated as SVG. Also known as dynamic reactive power compensation device, or static synchronous compensator. It refers to a device that uses a self commutation power semiconductor bridge converter for dynamic reactive

power compensation.

2. In the power system, in order to reduce the power loss caused by the large amount of reactive current provided by the distribution network to the load, corresponding voltage level reactive power compensation devices need to be installed at each power receiving point to improve the transmission capacity of the power grid and save energy. At present, many industrial and mining enterprises use capacitor switching compensation, but the configuration of capacitor compensation is relatively low, and the stability of switching compensation devices is poor.

In other words, a Static VAR Generator (SVG) uses power electronics to provide reactive power compensation in a dynamic and precise manner.

- that Static VAR Generator (SVG) supplied by M/s. TBEA XI'AN Electric Technology Co. Ltd., China does not contain any moving part. All the parts of Static VAR Generator (SVG) are stationary.
- That Static VAR Generator (SVG) supplied by M/s. TBEA XI'AN Electric Technology Co. Ltd., China is combination of power electronics devices namely IGBTs, Capacitors and Inductors.
- that the Static VAR Generators supplied by M/s. TBEA XI'AN Electric Technology Co. Ltd., China to Indian importers/customers are solid state device.
- that the auxiliary systems are component of the SVG supplied by M/s. TBEA XI'AN Electric Technology Co. Ltd., China.
- He was shown printout of document wherein specific details of Static VAR Generator were mentioned. This document was received by the department from M/s. TBEA XI'AN Electric Technology Co. Ltd., China and on being asked to offer his comments on it, he appended his dated signature on this paper in token of having seen /read the same and stated that he agreed with the contents of this document and agreed that the said documents has been issued by M/s. TBEA XI'AN Electric Technology Co. Ltd., China.
- He was shown printout of operational principle for Static VAR Generators (SVG) downloaded from website of M/s. TBEA XI'AN Electric Technology Co. Ltd., China and on being asked to offer his comments on it, he appended his dated signature on this paper in token of having seen /read the same and stated that agreed with the contents of this document and agreed that the said document belongs to M/s. TBEA XI'AN Electric Technology Co. Ltd., China.
- **that as per his understanding of the functioning of Static VAR Generators and prevalent practice at M/s. TBEA XI'AN Electric Technology Co. Ltd, the correct CTH/HSN of Static VAR Generators is 85044090, as the Static VAR Generators functions similar to Static Convertor.**
- He was shown printout of commercial invoice SA20240615002 dated 15.06.2024 (PO No. 4200001742) issued by M/s. TBEA XI'AN Electric Technology Co. Ltd., China to M/s. Ostro Bhesada Wind Private Ltd. wherein the imported goods namely Static VAR Generator had been classified under CTH 85044090 by the supplier M/s. TBEA XI'AN Electric Technology Co. Ltd.,

China and on being asked to offer his comments on it, he stated that the first shipment of Static VAR Generator by M/s. TBEA XI'AN Electric Technology Co. Ltd., China was supplied to M/s. UPC Renewables (90 MVar), wherein the HSN Code of the Static VAR Generator was declared as 85044090 by them. **He further stated that while dealing with all the Indian importers for supply of Static VAR Generator, they used to intimate them both the HSN i.e. 85044090 and 85437099 in conversations with advice to confirm the applicability of HSN code from their Customs House Agent or from Customs Manuals and we used to mention the HSN code in export document, as per instructions of customers/importers.**

- That as per instructions of M/s. Ostro Bhesada Wind Private Limited, they had declared the HSN code as 8504 4090, which is the correct HSN for the subject goods.
- On being asked why M/s. TBEA XI'AN Electric Technology Co. Ltd. was suggesting/referring two HSN codes (85437099 and 85044090) to the Indian Customers/importers of Static VAR Generator when they were clear in understanding that the correct CTH/HSN of Static VAR Generator is 85044090, he stated that they were clear that the Static VAR Generator falls under CTH 85044090, however as suggested by M/s Adani Green Energy Limited for the first time they had declared CTH 85437099 in the consignments of M/s Adani Green Energy Limited (As suggested by Shri Suneel Jaiswal vide mail dated 03.08.2023); that there is difference in applicable Customs duty on these two CTH, as BCD@20% was applicable on CTH 85044090 whereas CTH 85437099 is having BCD@7.5% and as there is difference in applicable duty, they had started referring two HSN codes (85437099 and 85044090) to their buyers with instructions to verify the same and decide HSN code and had mentioned the CTH in export documents as suggested by the importer. He further stated that their all shipments to Indian Importer were CIF based and they were not liable to pay any duty or tax in India on the goods which were exported by M/s. TBEA XI'AN Electric Technology Co. Ltd. As per Purchase orders, all the duty and taxes on the imported goods were to be borne by the Indian importers only, therefore M/s. TBEA XI'AN Electric Technology Co. Ltd. was not deriving any benefits from declaring HSN 85437099.
- On seeing two invoices No. SA20250210001 dated 10.02.2025 & SA20250121001 dated 21.01.2025 respectively issued by M/s. TBEA XI'AN Electric Technology Co. Ltd., China in respect of Static VAR Generator exported to M/s. Fourth Partner Energy Pvt. Ltd. and M/s. Kleio Solar Power Private Limited he stated that as per M/s. TBEA XI'AN Electric Technology Co. Ltd., China, the Static VAR Generators are correctly classifiable under HSN 8504 4090 and in these cases Indian Importer also agreed with M/s. TBEA XI'AN Electric Technology Co. Ltd., China, and accordingly, they had declared HSN code as 85044090 in the shipping documents.
- On being asked to state reasons / grounds for classifying the same exported goods "Static VAR Generator" under different HSN/ CTH code i.e. 85437099 and 85044090 while exporting to Indian Importers, he stated that the exports shipments of M/s. TBEA XI'AN Electric Technology Co. Ltd., China to Indian importers are on CIF basis and they are not liable for any duty or tax in Indian Territory; that they recommended use of HSN code 85044090 to India importers but sometimes Indian importers insist for declaration of HSN code as 85437099 and just to continue their business with them, they either mention other HSN code or sometime did not mention any HSN code in the shipping documents as

per request of Indian importer.

4. Whereas, Shri Shourabh Roy, Senior Manager-Asset Operations of M/s ABC Renewable Energy (RJ-01) Private Limited vide letter 14.01.2025 (**RUD No 5**) submitted that they had imported "Static VAR Generator" for the first time on 22.07.2024 and had classified the same under HS code 8543 7099 of the Indian Customs Tariff Act, 1975; that the said classification was adopted on the basis of their interpretation of the law as well as general practice being followed in the market for import of Static VAR generators; that on receipt of summons of DRI Jaipur on 27.12.2024, they conducted an internal review of the classification in consultation with tax advisors and concluded that HS Code 8504 4090 would be a more specific and appropriate classification for the Static VAR Generator imported by them. He also submitted a demand draft of Rs. 18,51,345/- (differential duty of Rs.17,12,036/- alongwith applicable interest of Rs.1,39,309/-) claiming benefits of Sr.No. 13 of Notification no. 22/2018- Customs dated 02.02.2018. Further, Shri Shourabh Roy vide letter 29.01.2025 (**RUD No 6**) submitted that they had made payment of Rs.18,51,345/- on the ICEGATE portal through voluntary payment mandate and submitted copy of Challan no. 1030945604 dated 28.01.2025 with regard to payment of Rs. 18,51,345/- and the importer had requested for closure of the matter.

5. On scrutiny of the import data of M/s ABC Renewable Energy (RJ-01) Private Limited and from the statement recorded as discussed in paras supra, it appears that the importer had wrongly classified imported Static VAR Generator under CTH 85437099 instead of its correct CTH 85044090 to evade payment of customs duty in one Bill of Entry. The details of the same is as under: -

Sr. No.	Bill of Entry No.	Bill of Entry Date	Goods Description	Qty	Assessable Value (Rs.)
1	4632502	22.07.2024	TBEA MAKE DYNAMIC STATIC VAR GENERATOR UNIT 30MVAR, MODEL: TSVG-30/33-W-C	1	19742425
			TBEA MAKE DYNAMIC STATIC VAR GENERATOR UNIT 50MVAR, MODEL: TSVG-50/33-W-C	1	33016775
Total				2	5,27,59,200

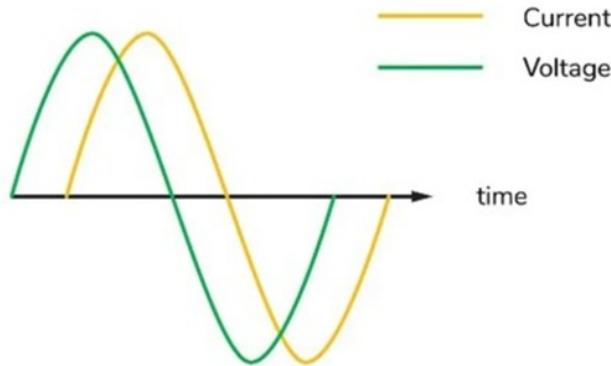
6. Classification of the Static VAR Generator (SVG) and its functions: -

6.1 A Static VAR Generator (SVG) is a power electronic device used in electrical power systems to regulate and control active power and reactive power (measured in VARs, or Volt-Ampere Reactive) and improve power quality.

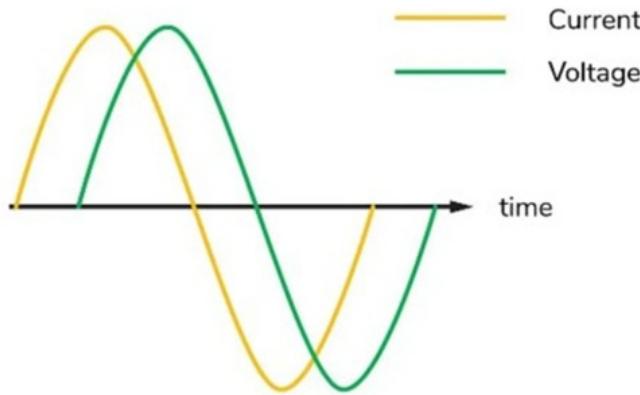
It is a device used in electrical power systems to provide fast acting reactive power compensation. It regulates the voltage, power (active and reactive) level, enhances system stability, and improves power factor by dynamically absorbing or generating reactive power, depending on the grid's needs. It helps in maintaining the voltage stability of the grid by generating or absorbing reactive power, depending on the grid's needs. The basic principle of SVG is that Voltage Source Inverter (Voltage Sourced Converter, VSC for short) connects to power grid (load) through a shunt reactor or transformer and by adjusting the inverter AC output voltage amplitude and phase, or controlling the amplitude and phase of the AC current, SVG absorb or release reactive power rapidly and thus achieve the goal of fast dynamic adjusting reactive power.

When the power grid (load) is generating inductive or capacitive current, it makes load current lagging or leading the voltage.

(a) When grid is generating Inductive power, where current lags voltage, SVG detects the phase angle difference and generates a leading current into the grid making the phase angle of current almost the same as that of voltage on the transformer side, which makes fundamental power factor to unity.



(b) Similarly, when grid is generating Capacitive power, where current leads voltage, SVG detects the phase angle difference and generates a lagging current into the grid making the phase angle of current almost the same as that of voltage on the transformer side, which makes fundamental power factor to unity.



SVG is also capable of correcting load imbalance and compensating part of harmonic currents. It is a device used in electrical power systems to provide fast acting reactive power compensation. It regulates the voltage level, enhances system stability, and improves power factor by dynamically absorbing or generating reactive power, depending on the grid's needs. It helps maintain the voltage stability of the grid by generating or absorbing reactive power, depending on the grid's needs.

6.2 Components of a Static VAR Generator (SVG):

Static VAR Generator (SVG) is a power electronic device which has various components which allow it to function properly. The key components of a Static VAR Generator are as under:-

- i. **Voltage Source Inverter:** The core component of Static VAR Generator is the voltage-source inverter (VSI). The VSI converts DC power into AC power and is controlled by a sophisticated control system. The control system constantly measures the power system parameters, such as voltage and current, and adjusts the SVG's operation accordingly.
- ii. **External Controller:** The external controller takes the measurement of active power and reactive power of the HV(High Voltage) bus bar from a separate potential transformer.
- iii. **Thyristor-switched capacitor (TSC):** A component that compensates for reactive power in electrical systems. It consists of a power capacitor, a bidirectional thyristor valve, and usually a current limiting reactor.
- iv. **Thyristor-controlled reactor (TCR):** A component that is often used with a TSC in an SVG. The reactor can be air- or iron-cored.
- v. **Harmonic filter:** A component that may be used in an SVG.
- vi. **Power Electronic Devices:**
 - **IGBTs (Insulated Gate Bipolar Transistors):** The primary switching devices used in SVGs for controlling the flow of reactive power. They enable rapid switching, allowing the SVG to respond quickly to changes in grid conditions.

- **Diodes:** Used to facilitate current flow during different operational states, providing a path for reverse current.

viii. **Energy Storage Elements:**

- Capacitors:** Store electrical energy and discharge it to supply reactive power when needed. They play a crucial role in managing the voltage levels by providing a source of reactive power.
- Inductors:** Sometimes included to manage reactive power by absorbing excess reactive power and providing additional filtering

6.3 Role/ Functions of a Static VAR Generator (SVG):

- **Voltage Regulation:** SVGs dynamically control reactive power, stabilizing the General Rules of Interpretation voltage.
- **Fast Response:** Unlike traditional compensators (like capacitor banks or synchronous condensers), SVGs are fast-acting, capable of responding to sudden changes in load or generation, thus improving the transient stability of the grid.
- **Power Factor Correction:** By controlling reactive power, SVGs help maintain a good **power factor**, reducing power losses and avoiding penalties for industrial users.
- **Improving Power Quality:** SVGs can reduce issues like voltage sags, voltage swells, and flickers, improving the overall **power quality**.

Thus, the SVG consists of a three phase voltage source converter (VSC) with a DC link capacitor. The VSC uses insulated gate bipolar transistors (IGBTs) as switching devices. The SVG controller senses the system voltage and current and adjusts the VSC output to provide the required reactive power. When the system voltage drops, the SVG injects capacitive reactive power by increasing the VSC output voltage. Similarly, when the system voltage rises, the SVG injects inductive reactive power by reducing the VSC output voltage.
[\(https://www.powerqualitystatcom.com/How-does-a-static-var-generator-work-id42758337.html\)](https://www.powerqualitystatcom.com/How-does-a-static-var-generator-work-id42758337.html)

6.4 How a Static VAR Generator (SVG) Works: Functional Sequence of SVG

A Static VAR Generator's functional sequence can be broken down into these key steps:

(a) Sensing and Measurement

The SVG's control system constantly measures the grid's voltage at the point of common coupling (PCC) using voltage and current transformers (VTs and CTs). This data provides the real-time information needed to assess the grid's reactive power requirements.

(b) Control System Analysis

The measured voltage and current data are fed into the SVG's

control system, which is typically a fast-acting digital signal processor (DSP). The control system compares the actual grid voltage to a pre-set reference voltage. The difference, or error signal, determines the amount and direction of reactive power needed.

(c) PWM Signal Generation

Based on the error signal, the control system generates a series of high-frequency pulses known as **Pulse Width Modulation (PWM) signals**. These signals are the "instructions" for the power switches (IGBTs) in the voltage source converter. The width and timing of these pulses are precisely controlled to generate an output voltage waveform that is either in phase with the grid voltage (for generating reactive power) or out of phase (for absorbing reactive power).

(d) Voltage Source Converter (VSC) Operation

The Pulse Width Modulation (PWM) signals are sent to the **Voltage Source Converter (VSC)**, which is the heart of the Static VAR Generator (SVG). The VSC is typically a six-pulse or twelve-pulse inverter built with high-speed power electronic switches, most commonly **Insulated Gate Bipolar Transistors (IGBTs)**. The SVG's **Voltage Source Converter (VSC)**, which contains the IGBT switches, serves a dual purpose. While its primary function is to generate or absorb reactive power, it also acts as a rectifier. It draws a small amount of active power from the AC grid and converts it to DC to charge the DC link capacitor. The DC current in an SVG's DC link is created by a process of **AC-to-DC conversion** from the very electrical grid it's connected to. The SVG doesn't have an independent DC power source like a battery; it draws a small amount of **active (real) power** from the grid itself to maintain the voltage on its internal **DC link capacitor**. The DC link capacitor inside an SVG stores a small amount of energy to keep the internal voltage source stable. The capacitor is a **short-term energy buffer**, not a long-term power source. The VSC converts the DC voltage from the DC link capacitor into a three-phase AC voltage (**DC-to-AC conversion**). Thus, it appears that the Static VAR Generator (SVG) has a main unit called the Voltage Source Converter (VSC). This converter performs two main conversions:

1. AC to DC conversion: The VSC first takes a small amount of power from the AC grid and converts it into DC power. This DC power charges the DC link capacitor, which stores energy and keeps the voltage stable.
2. DC to AC conversion: The VSC then converts this stored DC power back into three-phase AC power. By adjusting this output, the SVG can generate or absorb reactive power to

stabilize the grid.

(e) Reactive Power Exchange

The magnitude and phase of the AC voltage generated by the VSC determine the reactive power flow.

- **Voltage Support (Capacitive Mode):** If the grid voltage is low, the SVG's control system makes the VSC generate an output voltage **larger in magnitude** than the grid voltage. This causes the SVG to inject reactive power into the grid, raising the voltage.
- **Voltage Regulation (Inductive Mode):** If the grid voltage is high, the VSC generates an output voltage **smaller in magnitude** than the grid voltage. This causes the SVG to absorb reactive power from the grid, lowering the voltage.

(f) Harmonic Filtering

The rapid switching of the IGBTs in the VSC can introduce harmonics into the power system. To mitigate this, an **L-C filter** (or similar filter) is connected between the VSC and the grid. This filter smooths the output voltage waveform and ensures that the power injected or absorbed is a pure sinusoidal wave.

(g) Continuous Feedback

The entire process is a continuous closed-loop control system. The control system receives continuous feedback from the voltage and current sensors, allowing for rapid and precise adjustments to the reactive power output in real-time, typically within milliseconds. This makes the SVG a highly effective tool for dynamic voltage support and power quality improvement.

6.5 Applications of Static VAR Generator (SVG):

- **GRID Voltage Support:** To maintain stable voltage levels in transmission and distribution networks.
- **Power Factor Correction:** In industrial facilities to minimize losses and avoid penalties from utility companies.
- **Renewable Energy Integration:** SVGs are used in wind farms and solar power plants to stabilize the grid voltage during fluctuating power output.
- **Heavy Industrial Loads:** Used in industries with heavy inductive loads like steel plants, cement factories, and paper mills.

A Static VAR Generator (SVG) is also known as a Static Synchronous Compensator (STATCOM) as depicted in the below attachment.

Static Var Generator (SVG/STATCOM) Products

Cable Installation & Substation	+
Electrical Power & Control	+
Power Quality Engineering & Solution	+
Engineering Excellence Centre	+
Other Portfolio	+
Services & Maintenance	

Static Var Generator (SVG/STATCOM) Products

SVG works as a current source, which alerts the power factor of the grid with the reactive current generated by itself. SVG by CPT will check the load current through the external CT, and performs computing through the external DSP to analyze the reactive content of the load current. After that, it controls the PWM signal generator based on the settings to send control signals to the internal IGBT. In this way, it generates reactive compensation current to implement dynamic reactive power compensation.

CPT offers the SVG/STATCOM for both LV and MV voltage levels.

Voltage Regulation Mode and Var Control Mode (V-I Characteristic)

- The working range or operating area of STATCOM is limited only by the maximum voltage and current ratings of the converter.
- A STATCOM provides smooth voltage control over a wide range of operating conditions, has high dynamic and very fast response time, and always provides the maximum reactive current at any value of voltage.
- Product Features, Benefits and Functions
 - Voltage ranges available from 220 Vac to 33 kVac
 - Indoor and outdoor installation
 - Equipped with all switching devices, relay protection and control schematic diagram
 - Power factor control with auto/manual modes
 - Surge arrester, Switch-disconnector and Earthing switch for safety reasons are optional.
 - System study and summarize in a written report
 - Harmonic analysis results
 - Voltage rise calculations based on energization of filter/capacitor bank stages
 - Free-standing cubicle
 - Bottom or Top cable entry
 - Index of protection degree as IP 21 or upon request
 - Multiple combination by SVG+AHF for compensation or SVG+SVC for reactive power compensation
- Technical characteristic
 - Cooling method by Forced air cooling, water cooling
 - Selection of harmonics up to the 50th harmonic
 - Line filtering current rating, Industrial cabinet design
 - Load balancing and Reactive power compensation
 - Reactive power compensation: $\cos\phi=0.99$
 - Three-phase unbalance compensation
 - Capacitive and inductive compensation: -1 to +1
 - The complete response time of SVG is less than 15 ms, and the dynamic response time is less than 50 μ s, making SVG a top
 - Free of over-compensation, under-compensation, and harmonic resonance. The compensation capacity is equal to the installed capacity and is not affected by voltage drop.

(<https://www.cptthailand.com/en/our-business/power-quality-engineering-solution/static-var-generator-svgstatcom-products>)

7. From the above stated details, facts, functions and working principle of **Static VAR Generator (SVG)**, it appears that **SVG is a type of Static Convertor/works similar to Static Converter**. The characteristics and classification of Static Converter under the Customs Tariff is discussed in the paras below: -

7.1 A Static Converter is a device that converts electrical energy from one form to another (i.e. from Active power to Reactive power and vice versa) without using moveable mechanical components. It relies on solid-state electronic components such as diodes, transistors, and thyristors for the conversion process. The key functions of a Static Converter are as under: -

I. Voltage Conversion:

- Static converters can step up (increase) or step down (decrease) the voltage to meet specific needs.
- Example: Power adapters for charging mobile devices.

II. Frequency Conversion:

- They can also adjust the frequency of the electrical

supply, useful in industrial processes.

- Example: Frequency converters for running motors at different speeds.

III. AC/DC Conversion:

- Alternating Current (AC) is converted to Direct Current (DC), or vice versa, depending on the application.
- Example: Solar inverters convert DC from solar panels to AC for household use.

7.2 Types of Static Converters

1. Rectifiers

- **Function:** Convert AC to DC.
- **Example:** Used in most electronic devices like smartphones and laptops to convert wall outlet AC into DC power for the device's battery.
- **Types:** Half-wave, full-wave, and bridge rectifiers.

2. Inverters

- **Function:** Convert DC to AC.
- **Example:** Solar inverters in renewable energy systems, Uninterruptible Power Supply (UPS) for backup power.
- **Types:** Pure sine wave inverters (high-quality AC) and modified sine wave inverters.

3. DC-DC Converters

- **Function:** Adjust the voltage level of DC power (step-up or step-down).
- **Example:** Used in electric vehicles (EVs) to manage battery voltage and regulate power to different components.
- **Types:** Buck converters (step-down), boost converters (step-up), and buck-boost converters.

4. AC-AC Converters

- **Function:** Change the voltage level or frequency of AC power.
- **Example:** Industrial applications like controlling motor speed or voltage in large machinery.
- **Types:** Cycloconverters and solid-state frequency changers.

7.3 How Static Converters Work

- **Solid-State Electronics:**

- Static converters use semiconductor devices like diodes (for rectification), transistors (for switching), and thyristors (for high-power applications).
- No moving parts, which ensures long lasting and reliable operation.

7.4 Applications of Static Converters

- **Power Supply Systems:**

- Converters are integral to power supplies in electronics, ensuring consistent and reliable power delivery.
- Example: Desktop computers, where the power supply unit (PSU) converts AC to DC and regulates voltage levels.

- **Renewable Energy Systems:**

- Inverters are key in converting the DC generated by solar panels or wind turbines into usable AC for homes and businesses.
- Example: Grid-tie inverters for solar panels, allowing excess energy to be fed into the GRID.

- **Electric Vehicles (EVs):**

- DC-DC converters manage battery power and adjust voltage for various components, improving efficiency.

- Example: Boost converters increase the voltage to power the electric motor.

- **Industrial Automation:**

- AC-AC converters are used in motor control and machinery, allowing precise control of speed and power output.
- Example: Variable frequency drives (VFDs) used in HVAC (Heating, Ventilation, and Air Conditioning) systems to control motor speeds.

7.5 How Static Converters falls under heading 8504.40

Static converters use semiconductor devices like diodes (for rectification), transistors (for switching), and thyristors (for high-power applications) and it had no moving parts, which ensures long-lasting and reliable operation. Further, according to the **Explanatory Notes** for **HSN 8504**, the heading specifically includes:

Static Converters such as:

- **Rectifiers:** These convert alternating current (AC) into direct current (DC). Examples include battery chargers and power supply units in electronic devices.
- **Inverters:** These convert DC into AC. Commonly found in solar power systems and backup power systems like UPS.
- **DC-DC Converters:** Convert DC power from one voltage level to another. For instance, step-down converters (buck) or step-up converters (boost) used in devices like electric vehicles, laptops, etc.
- **AC-AC Converters:** Convert AC from one voltage, power (active and reactive) or frequency to another, such as frequency converters used in industrial motor control.

In view of the above stated facts about Static Converters and Explanatory Notes for HSN 8504, it appears that Static Converters are Classified Under 8504.40 because of the following reasons: -

- a. **Explicit Mention in Explanatory Notes:** The heading specifically includes "static converters" within its scope.
- b. **Technical Definition:** Static converters, by definition, perform energy conversion without moving parts, aligning with the intent of Heading 8504.
- c. **Versatility:** The variety of functions such as rectification, inversion, voltage stepping, power regulation and frequency conversion all fall under this category.

Heading 8504 also covers devices like electrical transformers and inductors, which, like static converters, deal with transforming or conditioning electrical power without the use of mechanical processes. This grouping reflects the logic of including static converters in this category, as they are all related to electromagnetic energy conversion or control. Therefore, Static Converters are appropriately classifiable under HSN 8504. Further, depending on the specific type of static converter, the classification can be further detailed under subheadings "8504.40-"Static Converters."

Thus, Static Converters (rectifiers, inverters, AC-AC Converters etc.) are classifiable under HSN Code 8504.40.

8. Similarity in Functions, Components and Application of Static Converters and Static VAR Generators (SVG) and their classification under HSN 8504.40

It appears that Static VAR Generators (SVGs) are a specific type of Static Converter, which is well supported by their similar operational principles, components, and functionalities. The SVG embody the fundamental principles of static conversion while serving a specialized role in reactive power management within electrical power systems. **Thus, a Static VAR Generator (SVG) is a type of static converter and therefore merits classification under HSN 8504.** A detailed explanation depicting similarity between Static VAR Generators (SVGs) and Static Converter is provided as under: -

i. Definition Alignment

- **Static Converter:** A static converter is defined as a device that alters electrical parameters (voltage, power, current, frequency). It is a device that converts electrical energy (including active and reactive energy) from one form to another without using moving mechanical parts and using static parts like Diodes, Thyristor etc. This includes various types of power electronic devices used in electrical engineering.
- **SVG:** An SVG fits this definition as it employs solid-state devices (like IGBTs and diodes) to manage reactive power in electrical systems, operating without any mechanical

components.

ii. **Functionality**

- **Energy Management:** Both static converters and SVGs are designed to convert or control electrical energy. SVGs specifically focus on reactive power compensation, which is a crucial aspect of voltage/ power stabilisation, regulation and management while static converters also do the same functions. **There is also conversion of AC to DC and DC to AC during the maintenance of the grid power.**
- **Real-Time Control:** SVGs dynamically adjust reactive power/ voltage output in response to changing grids conditions, similar to how other static converters manage power/ voltage flow.

iii. **Components**

- **Similar Components:** SVGs share many components with other static converters, including:
 - Power electronic devices (IGBTs, diodes)
 - Capacitors and inductors for energy storage and filtering
 - Control systems for real-time monitoring and adjustment

iv. **Application Context**

- **Grid Support:** SVGs are utilized in electrical grids to improve power/ voltage quality and stability, much like other types of static converters that serve various applications (e.g., motor drives, renewable energy systems).

v. **Common Control Strategies**

- **Advanced Control Techniques:** Both static converter and Static VAR Generator (SVG) employ similar control strategies, such as digital signal processing and algorithmic control, to optimize their performance based on system demands.

Thus, it appears that Static VAR Generators (SVGs) are a specific type of Static Converter and merit classification under CTH 8504.

9 . Static VAR Generators (SVG) are correctly classifiable under CTH

8504

From above discussion, it is aptly clear that the “Static VAR Generator (SVG)” is a type of Static Convertor and merit classification under CTH 8504. M/s ABC Renewable Energy (RJ-01) Private Limited had wrongly classified the “Static VAR Generator (SVG)” under CTH 85437099 in the Bills of Entry filed by them instead of its correct CTH 85044090 to evade payment of appropriate customs duty. The classification of any product under Customs Tariff is governed by the General Rules for the Interpretation of Import Tariff. The discussion for deciding correct classification, General rules of interpretation and HSN explanatory notes is as follows: -

9.1 General Rules of Interpretation 1 -This rule states that classification shall be determined according to the terms of the headings and any relevant Section or Chapter Notes. The following points apply in the instant case:

- **Chapter 85** of the Harmonized System covers **Electrical Machinery and Equipment** and includes devices like transformers, static converters, and electrical inductors.
- **Static VAR Generators (SVGs)** convert electrical energy in terms of **reactive power** and voltage management, aligning with the description of static converters
- Thus, the heading that is most relevant to the SVG is **8504**, which reads:
 - **Heading 8504:** *Electrical transformers, static converters (for example, rectifiers) and inductors.*
- SVGs fit within this general description as they are **solid-state devices** designed for **reactive power compensation**, which inherently involves the conversion and control of electrical power/ voltage without mechanical movement (static).

Thus, **under General Rules of Interpretation 1**, SVGs clearly fall under **HSN 8504**, which is specific to static converters.

(ii) General Rules of Interpretation 3: Classification of Goods Classifiable Under Multiple Headings

- **GRI 3(a) and 3(b)** indicate that since static converters (like SVGs) have a specific classification under 8504, **HSN 8543** would be less specific in comparison. Therefore, Static VAR Generator merit classification under HSN 8504.

(iii) General Rules of Interpretation 4: Goods Not Covered by Specific Headings

- Since SVGs have a clear and relevant heading in**HSN 8504**, **GRI 4** is not applicable. If there were no specific classification, then only 8543 could be considered, but this is not the case here.

(iv) General Rules of Interpretation 6 – Subheading Classification

- After identifying the correct heading (8504), General Rules of Interpretation 6 requires selecting the appropriate subheading. Within HSN 8504, the specific subheading that applies to SVGs is:

Possible Subheadings for SVG under 8504:

- **8504.40:** This subheading covers **static converters** (including inverters, rectifiers, voltage stabilizers, regulators etc).
- **8504.90:** This subheading covers **parts** of the apparatus of heading 8504, which might apply if only components of an SVG are being classified, rather than a complete unit.

Thus, on detailed analysis of functionality, components and use of the Static VAR Generator and by applying the General Rules of Interpretation of Import Tariff, it appears that the Static VAR Generator merits classification under **HSN Code 8504.40** for customs purposes.

9.2 Explanatory Notes of HSN heading 8504.40

The explanatory notes of Chapter 8504 further clarify the inclusion of SVGs in heading 8504.40. According to these notes, static converters include devices such as rectifiers, inverters, and other electronic devices that perform power conversion without mechanical parts. Since SVGs operate using solid state electronics (like IGBTs) to **convert and control electrical power/ voltage without mechanical movement (static)** and manage reactive power, thus they satisfy the definition of static converters.

The explanatory notes of heading 8504.40 is reproduced here for reference in step wise manner along with drawing similarities with SVG.

- “*The apparatus of this group are used to convert electrical energy in order to adapt it for further use. They incorporate converting elements (e.g., valves) of different types.*” This is the function of the SVG as apparatus used for converting the electric energy (active and reactive) for further use.
- “*They may also incorporate various auxiliary devices (e.g., transformers, induction coils, resistors, command regulators, etc.). Their operation is based on the principle that the converting elements act alternately as conductors and non-conductors.*” The SVG consist of the various components like IGBTs, diodes etc. The operation of Voltage Sourced Converters and IGBTs (Insulated Gate Bipolar Transistors) which

is integral part of the SVG is indeed based on the principle of alternating between conductive and non-conductive states of semiconductors, allowing them to control and manage electrical power efficiently.

- “The fact that these apparatus often incorporate auxiliary circuits to regulate the voltage of the emerging current does not affect their classification in this group, nor does the fact that they are sometimes referred to as voltage or current regulators.” **Thus, though the auxiliary circuits, are integral to the operation of Static Var Generators, enhance the performance, safety, and reliability of SVGs by providing control, monitoring, protection, communication, and feedback capabilities.** This further indicates that the broader categorization of the apparatus using the principle above has to be classified here irrespective of the auxiliary circuits.

According to these notes, static converters falling under subheading 8540.40 include devices such as rectifiers, inverters, and other electronic devices that perform power conversion without mechanical parts. Since SVGs operate using solid-state electronics (like IGBTs) to manage electric (reactive) power, they satisfy the classification under 8504.40.

Based on the General Rules of Interpretation of import tariff and the explanatory notes of HSN heading 8504, it appears that the appropriate classification for a Static VAR Generator (SVG) is under HSN Code 8504.40.

9.3 The details of Static Var Generators (SVG) available on exporter/ supplier web site.

M/s ABC Renewable Energy (RJ-01) Private Limited had imported Static VAR Generator from M/s TBEA Xi'an Electric Technology Co, Ltd., China. The operational principle for Static VAR Generator (SVG) (**RUD No.- 07**) provided at the official website of TBEA Xi'an Electric Technology Co, Ltd., China is appended as under:-

“SVG, also known as Static Compensation (STATCOM), is the latest technology in dynamic reactive compensation field. The basic principle of SVG is that **Voltage source inverter** (Voltage Sourced Converter, VSC for short) connect to power grid through a shunt reactor or transformer, by adjusting the inverter AC output voltage amplitude and phase, or directly control the amplitude and phase of the AC current, absorb or release

*reactive power rapidly, achieve the goal of fast dynamic adjusting reactive power. When using direct current control, the AC side current can be controlled directly, which can not only track the impact current of compensating load, but also track the harmonic current. The system is a power source, and SVG could equivalent to another power source. After the two power sources are connected through a transformer or reactor, **SVG is equivalent to a controllable current source with adjustable output current.**"*

From the operational principle of SVG as appended above, it appears that the imported goods i.e. Static VAR Generator is one type of Electric Static Converter falling under CTH 850440 as defined in HSN.

9.4 Further, the classification of Static VAR Generator is to be determined in accordance with Note 4 of Section XVI of the Customs Tariff Act, 1975 (pertaining to Chapter 84 and 85). The Note 4 is reproduced as under:-

(4) Where a machine (including a combination of machine) consists of individual components (whether separate or interconnected by piping, by transmission devices, by electric cables or by other devices) intended to contribute together to a clearly defined function covered by one of the headings in Chapter 84 or Chapter 85, then the whole to be classified in the heading appropriate to that function.

As per the above Section note (4) a functional machine consisting of individual components is to be classified under the heading that provides for the overall function of the machine. **The primary function of the Static VAR Generator is to convert and supply electrical power and current (either leading or lagging).** This function is essentially the one of electric Converter. The function of converting electrical energy in order to adapt it for further use falls within tariff heading 8504. Further, reference is drawn to the explanatory notes of WCO for CTH 8504 which is reproduced below:

"ELECTRICAL STATIC CONVERTERS

The apparatus of this group are used to convert electrical energy use. They incorporate converting elements (e.g., valves) of in order to adapt it for further different types. They may also incorporate various auxiliary devices (e.g., transformers, induction coils, resistors, command regulators, etc.). Their operation is based on the principle that the converting elements act alternately as conductors and non-conductors.

The fact that these apparatuses often incorporate auxiliary circuits to regulate the voltage of the emerging current does not affect their classification in this group, nor does the fact that they are sometimes referred to as voltage or current

regulators.

This group includes: (A) Rectifiers by which alternating current (single or polyphase) is converted to direct current, generally accompanied by a voltage change. (B) Inverters by which direct current is converted to alternating current. (C) Alternating current converters and cycle converters by which alternating current (single or polyphase) is converted to a different frequency or Voltage. (D) Direct current converters by which direct current is converted to a different voltage."

-

-

Thus, it appears that the functioning of Static VAR Generator is similar to Electric Static Converter and based on the above explanation also the appropriate classification of the Static VAR Generators is 85044090.

10. Why Static VAR Generators is not classifiable under 8543:

M/s ABC Renewable Energy (RJ-01) Private Limited had wrongly classified the imported Static VAR Generator (SVG) under CTH 85437099 paying BCD@7.5% whereas Static VAR Generator (SVG) rightly merits classification under CTH 85044090 wherein BCD@20% is payable (BCD@10% is payable as per Serial No. 13 of Notification No. 57/2017-Customs dated 30.06.2017 as amended by Notification No. 22/2018-Customs dated 02.02.2018). The CTH 8543 deals with Electrical machines and apparatus having individual functions, not specified or included elsewhere in Chapter 85 of the Customs Tariff. Therefore, it appears that Chapter 8543 which is a residual entry includes only those machines and apparatus which have individual functions and which are not included elsewhere in Chapter 85, whereas it appears that Static VAR Generators are capable of multiple functions namely regulating control of Voltage and Current, releasing and absorbing active/ reactive power etc. and thus, it appears that SVGs do not represent machines with individual functions that are not included elsewhere and therefore, SVG cannot be classified under HSN 8543.

11. Evidences showing that Static VAR Generator is classifiable under CTH 85044090

During investigation various evidences were gathered which shows that Static VAR Generator is a type of Static Converter and merit classification under HSN 8504. The same are discussed as under: -

11.1 Details of "Static VAR Generator" received from M/s. TBEA XI'AN

Electric Technology Co. Ltd., China (RUD No- 08)

M/s ABC Renewable Energy (RJ-01) Private Limited had imported the Static VAR Generator from M/s. TBEA XI'AN Electric Technology Co. Ltd., China. During investigation, M/s. TBEA XI'AN Electric Technology Co. Ltd. had provided a sheet stating details of Static VAR Generator and from this sheet, it appears that the Static VAR Generator is a specific type of Static Converter specifically designed to dynamically control and compensate for reactive power in an electrical system. The contents of the sheet are enumerated as under: -

A "static var generator" (SVG) is essentially a type of "static converter" that is specifically designed to dynamically control and compensate for reactive power in an electrical system, meaning it uses power electronics to precisely inject or absorb reactive power as needed, while a general static converter can be used for a wider range of power conversion tasks like voltage level adjustments or frequency changes, not necessarily focused on reactive power control alone; both utilize power electronic devices like IGBTs to achieve their functions, but the SVG has a more specialized control system to manage reactive power compensation based on real-time monitoring of the power grid.

- *Function:*

A static converter is a general term for a device that converts AC power using power electronics, while a static var generator is a specific type of static converter primarily used for reactive power compensation.

- *Control:*

A static var generator has advanced control systems to dynamically adjust the reactive power based on system conditions, whereas a general static converter might have simpler control mechanisms depending on its application.

- *Application:*

A static var generator is typically used to improve power factor and voltage stability in electrical grids, while a static converter can be used for various applications like motor speed control, DC power conversion etc.

A Static Var Generator (SVG) is a type of static converter because it uses power electronics to provide reactive power compensation in a dynamic and precise manner. SVGs are also known as Static Compensators (STATCOM).

Thus, it appears that Static VAR Generator is a type of Static Converter

and therefore, merit classification under CTH 85044090.

11.2 Details regarding operational principle for Static VAR Generators (SVG) available at the supplier's (TBEA Xi'an Electric Technology Co, Ltd., China) official website.

“SVG, also known as Static Compensation (STATCOM), is the latest technology in dynamic reactive compensation field. The basic principle of SVG is that Voltage source inverter (Voltage Sourced Converter, VSC for short) connect to power grid through a shunt reactor or transformer, by adjusting the inverter AC output voltage amplitude and phase, or directly control the amplitude and phase of the AC current, absorb or release reactive power rapidly, achieve the goal of fast dynamic adjusting reactive power. When using direct current control, the AC side current can be controlled directly, which can not only track the impact current of compensating load, but also track the harmonic current. The system is a power source, and SVG could equivalent to another power source. After the two power sources are connected through a transformer or reactor, SVG is equivalent to a controllable current source with adjustable output current.”

11.3 Shri Vaibhav Kaushik, Consultant (Sales), of M/s. TBEA Xi'an Electric Technology Co. Ltd. had accepted in his statement dated 03.06.2025 recorded under Section 108 of the Customs Act, 1962 that as per his understanding of the functioning of Static VAR Generators and prevalent practice at M/s. TBEA XI'AN Electric Technology Co. Ltd, **the correct CTH/HSN of Static VAR Generators is 85044090, as the Static VAR Generators functions similar to Static Convertor.** The relevant paras of his statement dated 03.06.2025 is reproduced as under: -

Question 13: *In view of the specifications, functions and details as stated by you above, please state what should be CTH/HSN of Static VAR Generators supplied by M/s. TBEA XI'AN Electric Technology Co. Ltd., China?*

Answer: *I state that as per my understanding of the functioning of Static VAR Generators and prevalent practice at M/s. TBEA XI'AN Electric Technology Co. Ltd, the correct CTH/HSN of Static VAR Generators is 85044090, as the Static VAR Generators functions similar to Static Convertor.*

11.4 Classification of Static VAR Generator under CTH 85044090 by other Indian importers (RUD No. -09).

On verification of import data of Static VAR Generators, it is noticed that the main supplier M/s TBEA XI'AN Electric Technology Co., Ltd, China has

been exporting “Static VAR Generators” in India to various other importers by classifying the same under CTH 85044090. For example: - M/s Ostro Bhesada Wind Private Limited (IEC-AACCO1260H) vide BE No. 4480078 dated 12.07.2024 filed at port INNSA1 i.e. Nhava Sheva, Maharashtra imported Static VAR Generator by classifying the same under CTH 85044090, where the supplier of the product was M/s TBEA XI'AN Electric Technology Co., Ltd, China. Further, M/s TBEA XI'AN Electric Technology Co., Ltd, China, had also supplied Static VAR Generator to importer M/s Fourth Partner Energy Private Limited (IEC-910020108), wherein in the Invoice and Bill of Lading issued by M/s TBEA XI'AN Electric Technology Co., Ltd, China, the CTH mentioned was 85044090. The compliance certificate/document issued to M/s TBEA XI'AN Electric Technology Co., Ltd, China for the supply of these goods, which has been uploaded on e-sanchit under Bill of Entry No. 6979067 dated 30.11.2024, and imported by M/s Fourth Partner Energy Private Limited, clearly describes the product “Static VAR Generator” as a “Converter”, which would fall under CTH 8504. Further, M/s TBEA XI'AN Electric Technology Co., Ltd, China, had also supplied Static Var Generator (SVG) to M/s Kleio Solar Power Private Limited, Hyderabad under commercial invoice no. SA20250121001 dated 21.01.2025 wherein CTH for Static Var Generator (SVG) was mentioned as 85044090 and accordingly Bill of Entry No. 8278668 dated 10.02.2025 was filed by the importer declaring CTH 85044090.

11.5 Thus, from the above stated facts, it appears that Static VAR Generator rightly merits classification under CTH 85044090 and M/s ABC Renewable Energy (RJ-01) Private Limited had wrongly classified the imported items “Static VAR Generator (SVG)” under CTH 85437099 and paid BCD @ 7.5% instead of its correct and proper CTH 85044090 wherein BCD @20% was payable (BCD@10% is payable as per Serial No. 13 of Notification No. 57/2017-Customs dated 30.06.2017 as amended by Notification No. 22/2018-Customs dated 02.02.2018).

11.6 M/s ABC Renewable Energy (RJ-01) Private Limited vide letter dated 29.01.2025 as discussed at para 4 supra, submitted that they have paid the differential Customs duty along with interest and submitted copy of corresponding challan. From the challan, it appears that the importer had made payment of differential customs duty amounting to Rs.17,12,036/- along with interest of Rs.1,39,309/-. Vide letter dated 14.01.2025, the importer had submitted that they wish to claim the exemption benefit under Sr. No. 13 of Customs Notification No.22/2018 dated 02.02.2018 wherein the effective rate of BCD is 10%. It is pertinent to mention that vide Notification No. 22/2018-Cus. dated 02.02.2018, Sr. No. 13 was inserted in Notification No. 57/2017-Customs dated 30.06.2017 wherein BCD@10% was prescribed for all goods falling under CTH 850440, other than charger or power adapter and solar

inverter. The relevant Sr. No. 13 is appended as under: -

(1)	(2)	(3)	(4)	(5)
13	850440	All goods other than the following goods, namely (a) charger or power adapter; (b) solar inverter	10%	-

From the above, it appears that benefit of Serial No. 13 of Notification No. 57/2017-Customs dated 30.06.2017 as amended by Notification No. 22/2018-Cus. dated 02.02.2018 is available to the imported goods classifiable under CTH 850440. As discussed in paras supra, the imported Static VAR Generator is correctly classifiable under CTH 85044090, therefore, benefit of Sr. No. 13 of Notification No. 57/2017-Customs dated 30.06.2017 as amended is available to M/s ABC Renewable Energy (RJ-01) Private Limited in the instant case. Therefore, duty is to be demanded from M/s ABC Renewable Energy (RJ-01) Private Limited at effective rate of BCD @ 10% along with the applicable SWS and IGST.

11.7 M/s ABC Renewable Energy (RJ-01) Private Limited had mentioned HSN code of Static VAR Generator as 9999 in the Purchase Orders (PO) No. 7021-000767-2, dated 05.06.2024 (**RUD No. 10**) issued to M/s TBEA XI'AN Electric Technology Co., Ltd, China for import of Static VAR Generator. However, the importer had declared CTH 85437099 in the Bill of Entry no. 4632502 dated 22.07.2024 filed before Customs authority, even though on scrutiny of corresponding Commercial Invoice, packing list and Bill of Lading pertaining to this Bill of Entry filed at Mundra port (**RUD No. 11**), it appears that there is no mention of any CTH of the imported goods in these documents except in the Country of Origin Certificate.

12. From the above, it is evidently clear that the goods imported by M/s ABC Renewable Energy (RJ-01) Private Limited declaring as "Static VAR Generator" were used in the Solar Power Plants. Further, it is pertinent to mention that the importer had wrongly declared CTH 85437099 in the Bill of Entry filed by them paying BCD@7.5%, whereas Static VAR Generator would correctly merit classification under 85044090 wherein effective BCD@10% is payable. The importer by wrongly classifying the subject imported goods/declaring wrong CTH had evaded Customs duty amounting to Rs. 17,12,036/- as detailed in attached Annexure-A and summarized as under: -

Sr. No.	Name of Port	Total Assessable	Total Customs	Total Customs	Differential Duty	Annexure of Diff. Duty
---------	--------------	------------------	---------------	---------------	-------------------	------------------------

		Value (Rs.)	Duty Payable (Rs.)	Duty Already Paid (Rs.)	Payable (Rs.)	Calculation
2	Mundra Sea Port (INMUN1)	52759200	16344800	14632764	1712036	Annexure-A
	Total	5,27,59,200	1,63,44,800	1,46,32,764	17,12,036	

13. Whereas, it appears that as detailed above the imported Static VAR Generator (SVG) is a specific type of Static Converter and merit classification under CTH 85044090. The importer had wrongly classified the imported Static VAR Generator (SVG) under CTH 85437099 in the Bill of Entry filed by them instead of its correct CTH 85044090 to evade payment of appropriate customs duty. Further, it is pertinent to mention that as stated by Shri Vaibhav Kaushik, Consultant (Sales), of the Supplier M/s. TBEA Xi'an Electric Technology Co, Ltd. that they had recommended HSN code 85044090 to India importers but Indian importers insisted for declaration of HSN code as 85437099 in export documents for imported Static VAR Generator. Thus, it appears that M/s ABC Renewable Energy (RJ-01) Private Limited was aware of the fact that correct classification/CTH of the imported Static VAR Generator is 85044090, however with malafide intention to pay lower rate of BCD/evade customs duty, the importer has wrongly classified the imported Static VAR Generator under CTH 85437099. The offence committed by M/s ABC Renewable Energy (RJ-01) Private Limited would have gone un-noticed but for the timely investigation initiated by DRI.

14. The investigation revealed that M/s ABC Renewable Energy (RJ-01) Private Limited had imported 2 (Sets) No's Static VAR Generator as detailed in para 5 supra by wrongly classifying the same under CTH 85437099 instead of its correct classification under CTH 85044090 as discussed in paras supra. By above stated wrong classification of the imported Static VAR Generator, the importer had evaded payment of customs duty aggregating to Rs.17,12,036/- (Rupees Seventeen Lakhs Twelve Thousand Thirty Six only) as detailed in Annexure -A attached with this Investigation Report. The abstract of the import of Static VAR Generator made by the importer and the differential duty payable is as under: -

Sr. No.	Item Description	Total Quantity (Nos)	Total Assessable Value (Rs.)	Differential Customs Duty Payable (Rs.)	Annexure of Diff. Duty Calculation
1.	Static VAR Generator	2	5,27,59,200/-	17,12,036/-	A
	TOTAL	2	5,27,59,200/-	17,12,036/-	

15. The importer had imported total one consignment of Static VAR Generators as detailed in attached Annexure-A by wrongly classifying the same under CTH 85437099. As discussed in paras supra, it is evident that the importer was fully aware of the fact that the Static VAR Generator (SVG) are a specific type of Static Converter and merit classification under CTH 85044090 and the subject goods imported by them were meant to be used in the Solar Power Plants. The importer was aware of the correct name, CTH and even the exact end-use of the subject imported goods, however despite being fully aware of the correct name, CTH and use of the imported goods, these were wrongly classified under CTH 85437099 in the Bill of Entry as detailed in attached Annexure-A to evade payment of appropriate customs duty.

16. M/s ABC Renewable Energy (RJ-01) Private Limited had subscribed to a declaration as to the truthfulness of the contents of the Bills of Entry in terms of Section 46(4) of the Customs Act, 1962 in all their import consignments. Further, consequent upon the amendment to Section 17 of the Customs Act, 1962 vide Finance Act, 2011, 'Self-Assessment' has been introduced in Customs. Section 17 of the Customs Act, 1962 effective from 08.04.2011, provides for self-assessment of duty on imported goods by the importer by filing a Bill of Entry, in the electronic form. Section 46 of the Customs Act, 1962 makes it mandatory for the importer to make an entry for the imported goods by presenting a Bill of Entry electronically to the proper officer. As per Regulation 4 of the Bills of Entry (Electronic Integrated Declaration and Paperless Processing) Regulation, 2018 (issued under Section 157 read with Section 46 of the Customs Act, 1962), the Bills of Entry shall be deemed to have been filed and self-assessment of duty completed when, after entry of the electronic declaration (which is defined as particulars relating to the imported goods that are entered in the Indian Customs Electronic Data Interchange System) in the Indian Customs Electronic Data Interchange System either through ICEGATE or by way of data entry through the service centre, a Bills of Entry number is generated by the Indian Customs Electronic Data Interchange System for the said declaration. Under the scheme of self-assessment, it is the importer who must be doubly ensure that he declares the correct classification/CTH of the imported goods, applicable rate of duty, value, benefit of exemption notification claimed, if any, in respect of the imported goods while presenting the Bill of Entry. **Thus, with the introduction of self-assessment by amendment to Section 17, w.e.f. 8th April 2011, it is the added and enhanced responsibility of the importer to declare the correct CTH, description, value, notification, etc. and to correctly determine and pay the duty applies in respect of the imported goods while presenting the Bills of Entry**, however, in the instant case the importer has completely failed

in discharging his responsibility by mis-classifying the Static VAR Generator under CTH 85437099 instead of its correct CTH 85044090 and thereby evading payment of customs duty amounting to Rs.17,12,036/-.

17. The relevant provisions of law relating to the import of goods in general, the policy and rules relating to the liability of the goods to confiscation and penalty for improper importation under the provisions of Customs Act, 1962 and other relevant laws for the time being in force, are summarized as under: -

17.1 Provisions of Customs Act, 1962

Section 2 (22)- “*Goods*” includes (a)- Vessels, aircraft & vehicles; (b) stores; (c) Baggage; (d) currency & negotiable instruments; and (e) any other kind of movable property.”

Section 2 (23)- “*import*”, with its grammatical variations and cognate expressions, means bringing into India from a place outside India;

Section 12- Dutiable goods – “(1) Except as otherwise provided in this Act, or any other law for the time being in force, duties of Customs shall be levied at such rates as may be specified under the Customs Tariff Act, 1975 or any other law for the time being in force, on goods imported into India or exported from India.”

Section 17- Assessment of duty

1. An importer entering any imported goods under section 46, or an exporter entering any export goods under section 50, shall, save as otherwise provided in section 85, self-assess the duty, if any, leviable on such goods.
2. The proper officer may verify the 12 [the entries made under section 46 or section 50 and the self-assessment of goods referred to in sub-section and for this purpose, examine or test any imported goods or export goods or such part thereof as may be necessary.

[Provided that the selection of cases for verification shall primarily be on the basis of risk evaluation through appropriate selection criteria.]

(3) For [the purposes of verification] under sub-section (2), the proper officer may require the importer, exporter or any other person to produce any document or information, whereby the duty leviable on the imported goods or export goods, as the case may be, can be ascertained and thereupon, the importer, exporter or such other person shall produce such document or furnish such information.]

(4) Where it is found on verification, examination or testing of the goods or otherwise that the self-assessment is not done correctly, the proper officer may,

without prejudice to any other action which may be taken under this Act, re-assess the duty leviable on such goods.

(5) Where any re-assessment done under sub-section (4) is contrary to the self-assessment done by the importer or exporter 16[**] and in cases other than those where the importer or exporter, as the case may be, confirms his acceptance of the said re-assessment in writing, the proper officer shall pass a speaking order on the re-assessment, within fifteen days from the date of re-assessment of the Bills of Entry or the shipping bill, as the case may be.

(6) Where re-assessment has not been done or a speaking order has not been passed on re-assessment, the proper officer may audit the assessment of duty of the imported goods or export goods at his office or at the premises of the importer or exporter, as may be expedient, in such manner as may be prescribed.

Explanation – For the removal of doubts, it is hereby declared that in cases where an importer has entered any imported goods under section 46 or an exporter has entered any export goods under section 50 before the date on which the Finance Bill, 2011 receives the assent of the President, such imported goods or export goods shall continue to be governed by the provisions of section 17 as it stood immediately before the date on which such assent is received.

Section 28. Recovery of [duties not levied or not paid or short-levied or short-paid] or erroneously refunded. –

(1).....

(2).....

(3).....

(4) 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 wilful 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.

Section 28AA. Interest on delayed payment of duty:

(1) Notwithstanding anything contained in any judgment, decree, order or direction of any court, Appellate Tribunal or any authority or in any other provision of this Act or the rules made there under, the person, who is liable to pay duty in accordance with the provisions of section 28, shall, in addition to such duty, be liable to pay interest, if any, at the rate fixed under sub-section (2), whether such payment is made voluntarily or after determination of the duty under that section.

(2) Interest at such rate not below ten percent and not exceeding thirty-six per cent per annum, as the Central Government may, by notification in the Official Gazette, fix shall be paid by the person liable to pay duty in terms of section 28 and such interest shall be calculated from the first day of the month succeeding the month in which the duty ought to have been paid or from the date of such erroneous refund, as the case may be, up to the date of payment of such duty.

Section 46- Entry of goods on importation:

(1) The importer of any goods, other than goods intended for transit or transhipment, shall make entry thereof by presenting [electronically] [on the customs automated system] to the proper officer a Bill of Entry for home consumption or warehousing [in such form and manner as may be prescribed] :

Provided that the Principal Commissioner of Customs or Commissioner of Customs may, in cases where it is not feasible to make entry by presenting electronically on the customs automated system, allow an entry to be presented in any other manner:

Provided further that if the importer makes and subscribes to a declaration before the proper officer, to the effect that he is unable for want of full information to furnish all the particulars of the goods required under this sub-section, the proper officer may, pending the production of such information, permit him, previous to the entry thereof (a) to examine the goods in the presence of an officer of customs, or (b) to deposit the goods in a public warehouse appointed under section 57 without warehousing the same.

(2) Save as otherwise permitted by the proper officer, a Bill of Entry shall include all the goods mentioned in the bill of lading or other receipt given by the carrier to the consignor.

(3) The importer shall present the Bill of Entry under sub-section (1) before the end of the next day following the day (excluding holidays) on which the aircraft or vessel or vehicle carrying the goods arrives at a customs station at which such goods are to be cleared for home consumption or warehousing:

Provided that a Bill of Entry may be presented 10[at any time not exceeding thirty

days prior to] the expected arrival of the aircraft or vessel or vehicle by which the goods have been shipped for importation into India:

Provided further that where the Bill of Entry is not presented within the time so specified and the proper officer is satisfied that there was no sufficient cause for such delay, the importer shall pay such charges for late presentation of the Bill of Entry as may be prescribed.]

(4) 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].

(4A) The importer who presents a Bill of Entry shall ensure the following, namely:—

- (a) the accuracy and completeness of the information given therein;
- (b) the authenticity and validity of any document supporting it; and
- (c) compliance with the restriction or prohibition, if any, relating to the goods under this Act or under any other law for the time being in force.]

(5) If the proper officer is satisfied that the interests of revenue are not prejudicially affected and that there was no fraudulent intention, he may permit substitution of a Bill of Entry for home consumption for a Bill of Entry for warehousing or vice versa.

Section 110AA. Action subsequent to inquiry, investigation or audit or any other specified purpose..

Where in pursuance of any proceeding, in accordance with Chapter XIIA or this Chapter, if an officer of customs has reasons to believe that—

- (a) any duty has been short-levied, not levied, short-paid or not paid in a case where assessment has already been made;
- (b) any duty has been erroneously refunded;
- (c) any drawback has been erroneously allowed; or
- (d) any interest has been short-levied, not levied, short-paid or not paid, or erroneously refunded,

then such officer of customs shall, after causing inquiry, investigation, or as the case may be, audit, transfer the relevant documents, along with a report in writing—

- (i) to the proper officer having jurisdiction, as assigned under section 5 in respect of assessment of such duty, or to the officer who allowed such refund or

drawback; or

(ii) in case of multiple jurisdictions, to an officer of customs to whom such matter is assigned by the Board, in exercise of the powers conferred under section 5,

and thereupon, power exercisable under sections 28, 28AAA or Chapter X, shall be exercised by such proper officer or by an officer to whom the proper officer is subordinate in accordance with sub-section (2) of section 5]

Section 111 – Confiscation of improperly imported goods, etc. -The following goods brought from a place outside India shall be liable to confiscation-

(m):- any goods which do not correspond in respect of value or in any other particular with the entry made under this Act or in the case of baggage with the declaration made under Section 77 in respect thereof, or in the case of goods under transhipment, with the declaration for transhipment referred to in the proviso to sub-section (1) of Section 54.

Section 112. Penalty for improper importation of goods, etc.-

Any person, -

(a) who, in relation to any goods, does or omits to do any act which act or omission would render such goods liable to confiscation under section 111, or abets the doing or omission of such an act, or

(b) ----

Shall be liable, -

(i) ----

(ii) in the case of dutiable goods, other than prohibited goods, subject to the provisions of Section 114A, to a penalty not exceeding ten per cent of the duty sought to be evaded or five thousand rupees, whichever is higher:

Section 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:

Section 125. Option to pay fine in lieu of confiscation. - (1) Whenever confiscation of any goods is authorised by this Act, the officer adjudging it may,

in the case of any goods, the importation or exportation whereof is prohibited under this Act or under any other law for the time being in force, and shall, in the case of any other goods, give to the owner of the goods39/or, where such owner is not known, the person from whose possession or custody such goods have been seized,] an option to pay in lieu of confiscation such fine as the said officer thinks fit:

[Provided that where the proceedings are deemed to be concluded under the proviso to sub-section (2) of section 28 or under clause (i) of sub-section (6) of that section in respect of the goods which are not prohibited or restricted, [no such fine shall be imposed]:

Provided further that] , without prejudice to the provisions of the proviso to sub-section (2) of section 115, such fine shall not exceed the market price of the goods confiscated, less in the case of imported goods the duty chargeable thereon.

[(2) Where any fine in lieu of confiscation of goods is imposed under sub-section (1), the owner of such goods or the person referred to in sub-section (1), shall, in addition, be liable to any duty and charges payable in respect of such goods.]

17.2 THE GENERAL RULES FOR THE INTERPRETATION OF IMPORT TARIFF - Classification of goods in this Schedule shall be governed by the following principles:

Rule 1: The titles of Sections, Chapters and Sub-Chapters are provided for ease of reference only; for legal purposes, classification shall be determined according to the terms of the headings and any relative Section or Chapter Notes and, provided such headings or Notes do not otherwise require, according to the following provisions

2. (a) Any reference in a heading to an article shall be taken to include a reference to that article incomplete or unfinished, provided that, as presented, the incomplete or unfinished articles has the essential character of the complete or finished article. It shall also be taken to include a reference to that article complete or finished (or failing to be classified as complete or finished by virtue of this rule), presented unassembled or disassembled.

(b) Any reference in a heading to a material or substance shall be taken to include a reference to mixtures or combinations of that material or substance with other materials or substances. Any reference to goods of a given material or substance shall be taken to include a reference to goods consisting wholly or partly of such material or substance. The classification of goods consisting of more than one material or substance shall be according to the principles of rule 3.

3. When by application of rule 2(b) or for any other reason, goods are, *prima facie*, classifiable under two or more headings, classification shall be effected as follows:

(a) The heading which provides the most specific description shall be preferred to headings providing a more general description. However, when two or more headings each refer to part only of the materials or substances contained in mixed or composite goods or to part only of the items in a set put up for retail sale, those headings are to be regarded as equally specific in relation to those goods, even if one of them gives a more complete or precise description of the goods.

(b) Mixtures, composite goods consisting of different materials or made up of different components, and goods put up in sets for retail sale, which cannot be classified by reference to (a), shall be classified as if they consisted of the material or component which gives them their essential character, in so far as this criterion is applicable.

(c) When goods cannot be classified by reference to (a) or (b), they shall be classified under the heading which occurs last in numerical order among those which equally merit consideration.

4. Goods which cannot be classified in accordance with the above rules shall be classified under the heading appropriate to the goods to which they are most akin.

5. In addition to the foregoing provisions, the following rules shall apply in respect of the goods referred to therein:

(a) Camera cases, musical instrument cases, gun cases, drawing instrument cases, necklace cases and similar containers, specially shaped or fitted to contain a specific article or set of articles, suitable for long-term use and presented with the articles for which they are intended, shall be classified with such articles when of a kind normally sold therewith. This rule does not, however, apply to containers which give the whole its essential character;

(b) Subject to the provisions of (a) above, packing materials and packing containers presented with the goods therein shall be classified with the goods if they are of a kind normally used for packing such goods. However, this provision does not apply when such packing materials or packing containers are clearly suitable for repetitive use.

6. For legal purposes, the classification of goods in the sub-headings of a heading shall be determined according to the terms of those sub headings and any related sub headings Notes and, mutatis mutandis, to the above rules, on the understanding that only sub headings at the same level are comparable. For the purposes of this rule the relative Section and Chapter Notes also apply, unless the context otherwise requires.

17.3 The Foreign Trade (Development and Regulation) Act, 1992

Section 11: Contravention of provision of this Act, rules, orders and exports and import policy:- (1) No export or import shall be made by any person except in accordance with the provisions of this Act, the rules and orders made thereunder and the export and import policy for the time being in force.

(2) Where any person makes or abets or attempts to make any export or import in contravention of any provision of this Act or any rules or orders made thereunder or the export and import policy, he shall be liable to a penalty not exceeding one thousand rupees or five times the value of the goods in respect of which any contravention is made or attempted to be made, whichever is more.

(3) Where any person, on a notice to him by the Adjudicating Authority, admits any contravention, the Adjudicating Authority may, in such class or classes of cases and in such manner as may be prescribed, determine, by way of settlement, an amount to be paid by that person.

(4) A penalty imposed under this Act may, if it is not paid, be recovered as an arrear of land revenue and the Importer-exporter Code Number of the person concerned, may, on failure to pay the penalty by him, be suspended by the Adjudicating Authority till the penalty is paid.

(5) Where any contravention of any provision of this Act or any rules or orders made thereunder or the export and import policy has been, is being, or is attempted to be, made, the goods together with any package, covering or receptacle and any conveyances shall, subject to such requirements and conditions as may be prescribed, be liable to confiscation by the Adjudicating Authority.

(6) The goods or the conveyance confiscated under sub-section (5) may be released by the Adjudicating Authority, in such manner and subject to such conditions as may be prescribed, on payment by the person concerned of the redemption charges equivalent to the market value of the goods or conveyance, as the case may be.

Foreign Trade (Regulation) Rules, 1993

Rule 11: Declaration as to value and quality of imported goods:-On the importation into, or exportation out of, any Customs ports of any goods, whether liable to duty or not, the owner of such goods, shall in the Bills of Entry or the Shipping Bill or any other documents prescribed under the Customs Act, 1962 (52 of 1962), state the value, quality and description of such goods to the best of his knowledge and belief and in case of exportation of goods, certify that the quality and specification of the goods as stated in those documents, are in accordance with the terms of the export contract entered into with the buyer or consignee in

pursuance of which the goods are being exported and shall subscribe a declaration of the truth of such statement at the foot of such Bills of Entry or Shipping Bill or any other documents.

Rule 14: *Prohibition regarding making, signing of any declaration, statement or documents:- No person shall make, sign or use or cause to be made, signed or used any declaration, statement or document for the purposes of obtaining a license or importing any goods knowing or having reason to believe that such declaration, statement or document is false in any material particular.*

(2) No person shall employ any corrupt or fraudulent practice for the purposes of obtaining any licence or importing or exporting any goods.

Demand of Differential Duties of Customs short levied and short paid by reason of mis-statement and suppression of facts:

18. The facts and evidences discussed in detail in paras supra reveal that the importer was aware of the fact that imported Static VAR Generator (SVG) are a specific type of Static Converter and merit classification under CTH 85044090 as they were the ultimate users of the imported goods. Shri Shourabh Roy, Senior Manager-Asset Operations of M/s ABC Renewable Energy (RJ-01) Private Limited, in his statement dated 15.01.2025 recorded under Section 108 of the Customs Act, 1962, admitted that the imported Static VAR Generator is classifiable under HSN Code 85044090. Further, Shri Vaibhav Kaushik, Consultant (Sales), of M/s. TBEA Xi'an Electric Technology Co. Ltd. had accepted in his statement dated 03.06.2025 recorded under Section 108 of the Customs Act, 1962 that as per his understanding of the functioning of Static VAR Generators and prevalent practice at M/s. TBEA XI'AN Electric Technology Co. Ltd, the correct CTH/HSN of Static VAR Generators is 85044090, as the Static VAR Generators functions similar to Static Convertor. The importer was aware that a number of other importers had also classified the subject imported goods under CTH 85044090. Thus, it appears that M/s ABC Renewable Energy (RJ-01) Private Limited was aware of the fact that correct classification/CTH of the imported Static VAR Generator is 85044090 wherein BCD@20% is payable (BCD@10% is payable as per Serial No. 13 of Notification No. 57/2017-Customs dated 30.06.2017 as amended by Notification No. 22/2018-Customs dated 02.02.2018), however with intent to evade payment of applicable duties of customs, the importer had wrongly classified the Static VAR Generator under CTH 85437099 and paid BCD@7.5% only, in the Bill of Entry no. 4632502 dated 22.07.2024 filed at Mundra Port (INMUN1).

19. It appears that the supplier M/s TBEA XI' AN Electric Technology Co., Ltd, China had exported "Static VAR Generators" in India to other importers by

classifying the same under CTH 85044090. M/s Ostro Bhesada Wind Private Limited vide Bill of Entry No. 4480078 dated 12.07.2024 imported Static VAR Generator under CTH 85044090 and importer M/s Fourth Partner Energy Private Limited (IEC-910020108), also imported Static VAR Generator vide Bill of Entry No. 6979067 dated 30.11.2024 from M/s TBEA XI'AN Electric Technology Co., Ltd, China wherein in the Invoice and Bill of Lading the CTH was mentioned as 85044090. The compliance Certificate/document issued to M/s TBEA XI'AN Electric Technology Co., Ltd, China for the supply of these goods, which has been uploaded on e-sanchit under Bill of Entry No. 6979067 dated 30.11.2024 filed by M/s Fourth Partner Energy Private Limited, clearly describes the product "Static VAR Generator" as a "Converter". Further, M/s TBEA XI'AN Electric Technology Co., Ltd, China, had also supplied Static Var Generator (SVG) to M/s Kleio Solar Power Private Limited, Hyderabad under commercial invoice no. SA20250121001 dated 21.01.2025 wherein CTH for Static Var Generator (SVG) was mentioned as 85044090 and accordingly Bill of Entry No. 8278668 dated 10.02.2025 was filed by the importer declaring CTH 85044090. It is pertinent to mention that the supplier M/s. TBEA Xi'an Electric Technology Co, Ltd., China had suggested to all the Indian importers that the Static VAR Generator merit classification under 85044090, however, as per the request of Indian importers the supplier M/s. TBEA Xi'an Electric Technology Co, Ltd. had mentioned CTH 85437099 in export documents for Static VAR Generator supplied to them. From the above, it appears that M/s ABC Renewable Energy (RJ-01) Private Limited had, with deliberate intent, wrongly classified the imported goods in the Bills of Entry filed before the Customs authorities and thereby, short paid the customs duty. M/s ABC Renewable Energy (RJ-01) Private Limited failed to declare the true nature of the imported goods before the Customs authorities, that the imported Static VAR Generator is a type of Static Converter and failed to determine correct classification as per the nature of the imported goods. These acts of omission and commission clearly shows wilful mis-declaration and suppression of facts on the part of importer M/s ABC Renewable Energy (RJ-01) Private Limited. Therefore, Section 28(4) of the Customs Act, 1962, invoking extended period for demand of duty is amply applicable in the instant case.

20. Thus, the facts and evidences discussed in paras supra clearly establish that the importer resorted to wilful mis-statement and mis-declaration of the CTH of the imported goods with an intent to evade payment of the applicable customs duty on the above mentioned "Static VAR Generator" imported by them. The importer had wrongly classified the imported goods under CTH 85437099 even though the importer was fully aware of the fact that the Static VAR Generator merit classification under CTH 85044090, as the supplier had suggested to the importer that the correct CTH of the Static VAR Generator is 85044090. Thus, the importer had contravened the provisions of

Section 46 of the Customs Act, 1962 in as much as the importer had not disclosed the correct classification of the imported goods before the customs authorities. Therefore, Section 28(4) of the Customs Act, 1962, invoking extended period for demand of duty is amply applicable in the instant case. An Annexure-A containing details of "Static VAR Generator" imported by M/s ABC Renewable Energy (RJ-01) Private Limited by wrong classification have been prepared and hence the differential duty evaded by them totally aggregating to Rs.17,12,036/- (Rupees Seventeen Lakhs Twelve Thousand Thirty Six only) leviable on "Static VAR Generator" imported and cleared under Bill of Entry as listed in attached Annexure- A, by wrongly classifying under CTH 85437099 and short paid/not paid by M/s ABC Renewable Energy (RJ-01) Private Limited is, therefore, liable to be demanded and recovered from them as per provisions of Section 28(4) of the Customs Act, 1962 along with applicable interest under Section 28AA of the Customs Act, 1962.

21. Whereas, from the discussion in paras supra, it is evident that the Static VAR Generator imported by M/s ABC Renewable Energy (RJ-01) Private Limited were used by them in the Solar Power Plants. The importer was aware of the correct name, classification/CTH and even the exact end-use of the imported goods, however, despite being fully aware of the correct name, classification/CTH and end use of the imported goods, these were wrongly classified under CTH 85437099 in the Bill of Entry filed before customs authority instead of their correct classification under CTH 85044090 by M/s ABC Renewable Energy (RJ-01) Private Limited, to evade payment of appropriate Customs duty. It appears that importer resorted to misclassification deliberately and intentionally to evade the payment of appropriate customs duty. Further, as per provisions of Section 46 of the Customs Act, 1962, the importer had to file Bill of Entry mentioning therein the correct classification/CTH of the goods imported and shall, at the foot thereof, make and subscribe to a declaration as to the truthfulness of the contents of Bill of Entry. However, it appears that M/s ABC Renewable Energy (RJ-01) Private Limited had subscribed to false/ wrong declarations and had deliberately wrongly declared the CTH of the imported goods. Thus, by the above acts of omission and commission M/s ABC Renewable Energy (RJ-01) Private Limited had contravened the provisions of Section 46 of the Customs Act, 1962 and Section 11 of the Foreign Trade (Development and Regulation) Act, 1992 read with Rules 11 & 14 of the Foreign Trade (Regulation) Rules 1993, in as much as the importer had not disclosed the correct classification/CTH of the imported goods before the Customs authorities while filing the Bill of Entry at the time of the importation of the subject goods. The same was done to evade the payment of applicable Basic Customs Duty leviable thereon under Section 12 of the Customs Act, 1962, at the rates specified in the first Schedule to the Customs Tariff Act, 1975. This has also resulted in short-payment of other Customs levies viz. Social Welfare

Cess and IGST as BCD forms part of assessable value for computation of these duties. This act of mis-classification of the subject imported goods by M/s ABC Renewable Energy (RJ-01) Private Limited had rendered 2 No's (Sets) of Static VAR Generators totally valued at **Rs. 5,27,59,200/-** (as detailed in Annexure-A) liable to confiscation as per the provisions of Section 111(m) of the Customs Act, 1962.

22. The aforesaid acts of omission and commission tantamount to mis-declaration and suppression of facts by M/s ABC Renewable Energy (RJ-01) Private Limited with intent to evade payment of duty. The wrong classification of the subject imported Static VAR Generators resulted into short payment of customs duty amounting to Rs.17,12,036/- as detailed in table of Para 14 supra. The aforesaid acts of omission and commission tantamount to wilful mis-declaration and suppression of facts by the importer with intent to evade payment of duty. For these acts of omission and commission, M/s ABC Renewable Energy (RJ-01) Private Limited appears to have rendered themselves liable to penalty under Section 112(a)(ii) and /or 114A of the Customs Act, 1962.

23. Shri Shourabh Roy, Senior Manager-Asset Operations in his statement dated 15.01.2025 stated that SCM/Procurement team of M/s ABC Renewable Energy (RJ-01) Private Limited was responsible for filing of Bills of Entry, deciding of CTH of the imported goods as well as payment of Customs duty. He was the person who had dealt with Purchase Order and with the foreign supplier with regard to import/purchase of Static VAR Generator. Thus, it appears that he was the main person responsible for deciding the classification of the imported Static VAR Generator and also in approving its mis-classification under CTH 85437099 in the Bill of Entry filed for seeking home clearance of Static VAR Generator from the customs authority. As discussed in paras supra, it is clear that the supplier M/s. TBEA Xi'an Electric Technology Co, Ltd. had suggested CTH 85044090 to all the Indian importers, however the importer had misclassified the imported Static VAR Generator under CTH 85437099. It has been duly established during the course of investigation that Shri Shourabh Roy, Senior Manager-Asset Operations was directly responsible for ensuring the correct classification of imported goods in the Bill of Entry filed with the Customs authority. Further, as a senior official overseeing import documentation and compliance, it was incumbent upon him to exercise due diligence and ensure adherence to the provisions of the Customs Act, 1962, however, Shri Shourabh Roy by wilfully or negligently wrongly classifying the imported goods under incorrect CTH 85437099, facilitated the evasion of customs duty legitimately payable on the imported goods. The wrong/incorrect classification resulted in misdeclaration in terms of classification, attracting the

provisions of Section 111(m) of the Customs Act, 1962, under which the imported goods become liable for confiscation. In view of the above facts, Shri Shourabh Roy, Senior Manager-Asset Operations by virtue of his position and responsibilities, is found to have contravened the provisions of the Customs Act, 1962 and is therefore liable to penalty under Section 112(a)(ii) of the Customs Act, 1962, for his active involvement and failure in exercising due diligence in classification of imported Static VAR Generator, which resulted in evasion of customs duty amounting to Rs.17,12,036/-.

Voluntary payments made during the investigation:

24. During investigation, M/s ABC Renewable Energy (RJ-01) Private Limited had deposited Rs.17,12,036/- (Rupees Seventeen Lakhs Twelve Thousand Thirty Six only) towards differential duty and Rs.1,39,309/- (Rupees One Lakh Thirty Nine Thousand Three Hundred Nine only) towards interest vide challan as mentioned below. Therefore, the payment made by the importer is required to be appropriated against the demand of differential duty and interest. The details of payments made are as under: -

Sr. No.	Challan No. & Date	Bills of Entry No. & Date	Differential Duty (Rs.)	Interest (Rs.)	Total (Rs.)	Remarks
1	1030945604 dated 28.01.2025	4632502 dated 22.07.2024	1712036	139309	1851345	RUD No. -12
Total			17,12,036	1,39,309	18,51,345/-	

25. Now, therefore, M/s ABC Renewable Energy (RJ-01) Private Limited (IEC- AATCA1605P), Plot No. 47, 48, 49, Street No. 1, Unipace Business Centre, Street No. 1, 2nd Avenue, Patrika Nagar, Hyderabad, Telangana- 500081 are hereby called upon to show cause in writing to the **Additional Commissioner of Customs, Customs House, Mundra** having office situated at office of the Pr. Commissioner of Customs, 5B, Port User Building, Adani Ports & SEZ, Mundra, Kutch, Gujarat – 370421 within 30 (thirty) days from the date of receipt of the notice, as to why:-

(a) The classification under CTH 85437099 of the “Static VAR Generators” imported under Bill of Entry listed in column no. 03 of Annexure- A should not be rejected and the same should not be classified under CTH 85044090 and the Bill of Entry should not be re-assessed accordingly;

(b) The differential amount of Customs duty aggregating to Rs.17,12,036/- (Rupees Seventeen Lakhs Twelve Thousand Thirty Six only) as detailed in Annexure- A to this Notice leviable on the imported Static VAR Generators covered under Bill of Entry listed in column no. 03 of Annexure- A, should not be demanded and recovered from them under Section 28(4) of the Customs Act, 1962, along with applicable interest under Section 28AA of the Customs Act, 1962;

(c) 2 No's (Sets) of Static VAR Generators totally valued at Rs. 5,27,59,200/- imported under Bill of Entry listed in column no. 03 of Annexure- A should not be confiscated as per provisions of Section 111(m) of the Customs Act, 1962.

(d) The amount of Rs.18,51,345/- deposited towards differential duty and interest (as discussed in para 24 above) during investigation should not be appropriated towards demand of customs duty and interest as in para (b) above.

(e) Penalty should not be imposed on them under Section 112(a)(ii) and/or Section 114A of the Customs Act, 1962.

25.1 Now, therefore, Shri Shourabh Roy, Senior Manager-Asset Operations in M/s ABC Renewable Energy (RJ-01) Private Limited is hereby called upon to show cause in writing to the **Additional Commissioner of Customs, Customs House, Mundra** having office situated at office of the Pr. Commissioner of Customs, 5B, Port User Building, Adani Ports & SEZ, Mundra, Kutch, Gujarat – 370421 within 30 (thirty) days from the date of receipt of the notice, as to why:

(i) Penalty should not be imposed upon him under Section 112(a)(ii) of the Customs Act, 1962 for his acts of omission and commission, as discussed above.

26. Noticees are required to submit a written reply to the Adjudicating Authority within 30 days from the date of receipt of this notice. In their written reply, the noticees may also indicate as to whether they would like to be heard in person. In case, no reply is received within the time limit stipulated above or any further time which may be granted and/or if nobody appears for personal hearing when the case is posted for the same, the case will be decided ex-parte on the basis of evidence on record and without any further reference to the noticee.

27. All the relied upon documents as enlisted in '**Annexure-B**' to this notice are enclosed.

28. This Show Cause Notice is issued without prejudice to any other actions that may be taken against the persons involved in the subject case, under the provisions of the Customs Act, 1962 or any other Allied Acts for the time being in force. The department reserves its right to issue addendum/ corrigendum to show cause notice or to make any additions, deletions amendments or supplements to this notice, if any, at a later stage. The department also reserves its right to issue separate Notice/s for other Noticees, offences etc. related to the above case, if warranted.

Zala Dipakbhai Chimanbhai
ADDITIONAL COMMISSIONER
ADC/JC-III-O/o Pr Commissioner-customs-mundra

GEN.ADJ/ADC/6/2026-Adjn-O/o Pr. Commr-Cus-Mundra

To,

- i) **M/s. ABC Renewable Energy (RJ-01) Private Limited,**
Plot No. 47, 48, 49, Street No. 1,
Unipace Business Centre, Street No. 1,
2nd Avenue, Patrika Nagar, Hyderabad,
Telangana- 500081,
- ii) **Shri Shourabh Roy**, Senior Manager-Asset Operations
in M/s ABC Renewable Energy (RJ-01) Private Limited,
Plot No. 47, 48, 49, Street No. 1,
Unipace Business Centre, Street No. 1,
2nd Avenue, Patrika Nagar, Hyderabad,
Telangana- 500081

Copy to:

1. The Additional Director General, DRI, Jaipur
2. The Assistant Commissioner, EDI, Customs Mundra (For uploading on Mundra Customs Website).

Encl.:

- (i) Annexure-A regarding Differential Duty Calculation.
- (ii) Annexure-B along with RUD No. 1 to 12.