CUSTOMS, EXCISE & SERVICE TAX APPELLATE TRIBUNAL
BANGALORE

REGIONAL BENCH - COURT NO. 1

Customs Appeal No. 21095 of 2018

(Arising out of Order-in-Appeal No.83/2018 dated 12.02.2018 passed by the Commissioner of Customs (Appeals), Bangalore.)

M/s. Carrier Airconditioning and Refrigeration Ltd.
Narsinghpur, Kereki Dhaula Post,
Gurgaon - 122 004.
Haryana

Appellant(s)

VERSUS

The Commissioner of Customs
BMTC Building, Above BMTC Bus Stand,
Domlur,
Bangalore - 560 071.

Respondent(s)

APPEARANCE:

Mrs. Shradha Pandey, Advocate for the Appellant.

Shri Vikalp Jain, Superintendent, Authorised Representative for the Respondent.

CORAM:

HON'BLE MR. P.A. AUGUSTIAN, MEMBER (JUDICIAL)
HON'BLE MRS. R. BHAGYA DEVI, MEMBER (TECHNICAL)

Final Order No. 20753 /2026

DATE OF HEARING: 08.06.2026
DATE OF DECISION: 08.06.2026

PER : R. BHAGYA DEVI

Briefly the facts are that the appellant had filed Bill of Entry No. 7136054 dated 21.10.2014 and No. 7437667 dated 20.11.2014 for the items imported and declared as 'Toshiba Split Air Conditioners' consisting of indoor and outdoor units classifying the same under 8415 9000 of the Customs Tariff Act, 1975 claiming the benefit of Notification No. 46/2011-Cus. dated 11.09.2014. However, the department alleging that the goods are rightly classifiable under Customs Tariff Heading 8415 1010, denied the benefit of the above Notification and demanded the differential customs duty.

2. The Learned Counsel submitted that the appellant is engaged in manufacture and selling of air conditioners and other appliances and import parts for the said manufacturing activity. It is submitted that the appellant had imported only the indoor and outdoor units of air conditioners working on Variable Refrigerant Flow (VRF) Technology. It is submitted that the air conditioners working on VRF Technology is an expansion of multi-split system, which incorporates a system to control the amount of refrigerant flowing to each of the indoor units, enabling the use of many indoor units of differing capacities and configurations connected to a single outdoor unit. It is her contention that what was imported was only indoor units and outdoor units and other major parts such as input unit, pipe system for refrigeration, controllers, expansion valves, distribution branches, heat recovery system and air filters and filtration systems which are the essential parts of a VRF Technology were not imported; hence, they were rightly classified under CTH 8415 9000 as parts of split air conditioners. Relying on the decision of the Tribunal in the case of **M/s. One Care Medical Centre Vs. The Commissioner of Customs, Chennai-II** vide **Final Order No. 40470/2025 dated 23.04.2025**, it is submitted that the goods were rightly classifiable under 8450 9000.

3. The Learned Authorised Representative (AR) for the Revenue reiterating the findings of the impugned order submitted that the goods are rightly classifiable under 8415 1010 as spilt system.

4. Heard both sides. We find that the items imported in Bill of Entry No. 7136054 dated 21.10.2014, the description of the products are Toshiba Split Air Conditioners Model (Outdoor Unit and Indoor Unit) and the Model No. MMY-MAP 1604 for the

outdoor unit and Model No. MMD-AP0246B for the indoor unit. Similarly for the Bill of Entry No. 7437667 dated 20.11.2014, the description is parts of air conditioners (outdoor unit) Model No. MMY-MAP 1604 T8P and Model No. MMY-MAP 1204 T8P and the appellant vide letter dated 05.11.2014 had written to the Deputy Commissioner of Customs ICT, Bangalore referring to invoice No. 1021459 where they have imported 11 packages which include indoor and outdoor units which are part of VRF system where the model numbers are as follows:

- **MMD-AP0186BHP-E**
- **MMD-AP0566BHP-E**
- **MMY-MAP1604T8P**
- **MMD-AP0246BHP-E**

4.1 We find that from the purchase orders all the above models are of VRF Technology. It is also a fact that the appellant had imported only the indoor and outdoor units. The Commissioner in the impugned order rejected the classification under 8415 9000 on the ground that the word VRF Technology has not been mentioned in any of the import documents and since the goods have been imported under a single invoice, the same are classified under 8415 1010. This argument does not hold good in view of the fact that the purchase orders clearly establish the fact that these models are based on VRF Technology and also, we find that as already discussed above except for the indoor and outdoor units, no other crucial parts have been imported which are essential for the installation of the spilt system. In view of the above, the items imported can only be considered as parts to be classified under CTH 8415 9000.

5. We also find that in a similar set of facts in the case of another appellant who had imported similar items of indoor and outdoor units from the same supplier, the Tribunal classified the imported goods under CTH 8415 9000 in the case of **M/s. One Care Medical Centre** (supra), which was relied upon by the appellant is extracted below:

"5. The case of the Revenue is that as per Explanatory Notes, sub-heading 8415.90 includes both indoor units and outdoor units for split system, air conditioning machines of subheading, 8415.10 when presented separately, 8415.10 covers 'Air conditioners of Windows or Wall types, Self contained or Split system, Split system type air conditioners are ductless and utilize a separate operator for each area to be cooled and in split system, outdoor unit is refrigerating/condensing unit and indoor units are evaporate units. The above made the Revenue to assume that when outdoor units/indoor units of split system classifiable under CTH 8415.10 are imported separately, then only they would qualify to be classified under 8415.90 as 'parts'. The importer in the present case have in their self-declaration clarified that the outdoor units and indoor units were imported in combination with one outdoor unit attached to multiple indoor units and hence, the goods in question cannot be considered as parts falling under CTH 8415.90 and thus, the benefit of FTA Notification.046/2011 as claimed is not available to them. Regarding classification, the outdoor units were alleged to be of more than 2-ton capacity as per technical specifications/catalogue furnished by the importers, the goods were multi-split air conditioners working on Variable Refrigerant Flow [VRF] technology. Here, one outdoor unit is attached to multiple indoor units of various capacities, depending upon the requirement of the room to be air conditioned and the indoor and outdoor units would have separate power supply units, unlike a split system covered under CTH 8415.10. Catalogue/technical specifications also provided that both the outdoor and indoor units were equipped with heat pump and both the units were capable of being used for both heating as well as cooling purposes. Hence, the Revenue felt that Air conditioner of two ton and above capacity with reversible heat pump would fall under CTH 8415 8110; other air conditioners of 2-ton and above having refrigerating unit, i.e. outdoor units of more than 2-ton capacity would fall under CTH 8415 8210; AC of 2-ton and above not having refrigerating unit/indoor units or evaporate units would fall under 8415 8310; and hence, the imported goods were more appropriately classifiable under CTH 8415 8110.

6. It was also the case of the Revenue that Air Conditioner of both indoor and outdoor units which are imported in combination

as a complete set, though without refrigerating pipes and 'Y' joint which are essential parts for connecting outdoor and indoor units, the absence of which would not change the basic functions of a split air conditioner since these items were never imported along with air conditioners, but mostly supplied as accessories.

7. In the impounded Order-in-Appeal, it is held by the Commissioner (Appeals) that going by the function, it could not be said that non-presence of the two items would not make an otherwise complete air conditioner as parts of the same, according to Rule 2 of General Rules of Interpretation of Import Tariff, any reference in a heading to an article shall be taken to include a reference to that article incomplete, unfinished, provided that, as presented, the incomplete or unfinished has the essential character of the complete or finished articles.

8. Per contra, this was countered by the importer, firstly by placing reliance on the very clarification issued by CBIC in Circular No. 666/57/2002–CX dated 25.09.2002, wherein, the following six items are listed as essential components required to complete one refrigeration cycle, namely: - (i) Evaporate/cooling coil, (ii) Condenser coil, (iii) Motor, (iv) Fan or blower for circulating the air (v) Compressor; and (vi) Capillary line (expansion valve). Admittedly, the importer has not imported components, like capillary line and control system as well, which is also a crucial for a VRF Air Conditioner system.

9. At this juncture, ld. Advocate has placed reliance on an order of Mumbai Bench in the case of A.V. Global Corporation Pvt. Ltd. & Others Vs Commissioner of Customs, Nhava Sheva & Ors. [Order No.A/85491- 85498/2022 dt. 28.02.2022 reported in 2022 (382) ELT 65 (Tri.-Mumbai)] wherein, the co-ordinate Bench has specifically considered the classification of indoor and outdoor units used in CMVRF air conditioners and held that the items in question would fall under CTH 8415 9000 as parts of air conditioners. Our attention was also drawn to a recent decision/order of this very Chennai Bench in Mitsubishi Electronic India Pvt. Ltd. Vs CC Chennai [Final Order No.40365/2023 dated 30.05.2023 reported in 2023 (6) TMI 319-CESTAT CHENNAI], wherein the said decision of A.V. Global Corporation (supra) has been followed to hold that the imported indoor and outdoor units

of VRFAC system are rightly classable under CTH 8415 9000 as 'parts'."

6. In view of the above, since in the instant case also only the indoor and outdoor units have been imported by the appellant, the same are rightly classified under CTH 8415 9000.

Appeal is allowed with consequential relief, if any, as per law.

(Operative portion of the order was pronounced
in Open Court on conclusion of hearing.)

(P.A. AUGUSTIAN)
MEMBER (JUDICIAL)

(R. BHAGYA DEVI)
MEMBER (TECHNICAL)

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