

**THE AUTHORITY ON ADVANCE RULINGS  
IN KARNATAKA  
GOODS AND SERVICES TAX  
VANIJYA THERIGE KARYALAYA, KALIDASA ROAD  
GANDHINAGAR, BENGALURU - 560 009**

**Advance Ruling No. KAR ADRG 01/ 2019**

**Dated : 22<sup>nd</sup> January, 2019**

Present:

1. **Sri. Harish Dharnia,**  
Additional Commissioner of Central Tax, . . . . Member (Central Tax)
2. **Dr. Ravi Prasad M.P.**  
Joint Commissioner of Commercial Taxes . . . . Member (State Tax)

1.	Name and address of the applicant	M/s Xiaomi Technology India Private Limited, Orchid - Block E, Embassy Tech Village, Devarabisanahahalli, Marathalli Outer Ring Road, Bangalore - 560 103
2.	GSTIN or User ID	29AAACX1645B1ZK
3.	Date of filing of Form GST ARA-01	17-05-2018
4.	Represented by	Sri Shivarajan K, Chartered Accountant
5.	Jurisdictional Authority - Centre	The Commissioner of Central Tax, South Commissioner ate, Bengaluru
6.	Jurisdictional Authority - State	LGSTO-15, Bengaluru
7.	Whether the payment of fees discharged and if yes, the amount and CIN	Yes, discharged fee of Rs.5,000/- under CGST Act and Rs 5,000/- under SGST Act vide CIN No. HDFC 18052900083690 dated 16.05.2018

**ORDER UNDER SUB-SECTION (4) OF SECTION 98 OF CENTRAL GOODS AND SERVICE TAX ACT, 2017 AND UNDER SUB-SECTION (4) OF SECTION 98 OF KARNATAKA GOODS AND SERVICES TAX ACT, 2017**

1. M/s Xiaomi Technology India Private Limited, Orchid - Block E, Embassy Tech Village, Devarabisanahahalli, Marathalli Outer Ring Road, Bangalore - 560 103 having GSTIN number 29AARCS5667D1ZQ, have filed an application for Advance Ruling under Section 97 of CGST Act,2017,

KGST Act, 2017 & IGST Act, 2017 read with Rule 104 of CGST Rules 2017 & KGST Rules 2017, in form GST ARA-01 discharging the fee of Rs.5,000-00 each under the CGST Act and the KGST Act.

2. The Applicant is a Private Limited Company, registered under the Goods and Services Act, 2017, claims to be primarily engaged in trading of electrical and electronic goods such as Mobile Phones, Power Banks, Air Purifiers & other lifestyle products; imports as well as domestically procure the said Power Banks and sells the same under the brand name 'Mi Power Bank', through a chain of distributors / retailers within India and makes the supply of Power Banks mainly from the State of Karnataka and also sells the same from various other States across India.

3. The Applicant submits that the Power Bank is a device used to charge mobile phones, tablets & other compatible electronic devices. It hosts mainly three components i.e. The Battery, The Circuitry (charge management system & voltage boost converter) and The outer shell. The first component battery, used in the said power bank, is a lithium ion polymer battery, which can be connected to a USB port of a computer or a battery charger i.e. adaptor, to store the electrical energy. The second component is the circuitry which is equipped with an Integrated Chipset, consists of a charge management system and a voltage boost converter. The Charge Management System detects the type of charger being used to charge the Mi Power Bank and adjusts the charging current accordingly. The Voltage Booster Converter is a DC-to-DC power converter that steps up voltage from its input supply to its output i.e load. It is a class of switched-mode power supply (SMPS) containing at least two semiconductors (a diode and a transistor) and at least one energy storage element i.e. a Capacitor, inductor or the two in combination. Filters made of Capacitors (sometimes in combination with inductors) are added to the output and input to reduce voltage ripples. The said converter detects the device being charged by the Mi Power Bank and adjusts the current to ensure the optimum level of current & voltage output, as per the load demand. The third component is a protective shell used for encasing the other components. It is of aluminum / polycarbonate and is flame retardant.

4. The Applicant further submits that the Mi Power Bank performs the function of charging i.e it provides regulated output to compatible devices such as mobile phones, tablets, Bluetooth speakers etc., It performs mainly two activities while charging the said compatible devices namely (i) Accumulation of electrical energy and (ii) converts energy from DC-to-DC to provides regulated output based on the load demand.

5. In view of the above, the applicant sought advance ruling in respect of the following question:

*Whether the "Power Bank", traded by the Applicant, is classifiable under Heading 8504 40 90 as 'Static Converter - Others' ?*

**PERSONAL HEARING: / PROCEEDINGS HELD  
ON 29.05.2018 & 28.06.2018.**

6. The Applicant authorized Sri Shivarajan K, Chartered Accountant and the said authorized representative appeared for personal hearing proceedings on 29.05.2018, before this authority and submitted that they have been classifying their product 'Power Bank' right from the pre-GST regime under the entry 8504 40 90 as 'Static Converters - Others' with respect to imports as well as domestic procurement; the most relevant chapter for determining the HSN of Power Bank under Customs Tariff Act 1975 shall be chapter 85 and the tariff entries relevant to the classification in the instant case are '8504 40 90' in respect of static converters that are taxable at 18% of GST and '8507 60 00' in respect of electrical accumulators that are taxable at 28% of GST.

7. The Applicant further submitted that the terms used in the tariff are technical or scientific in nature and it is a well settled principle of interpretation that where a word is used in tariff entry in a technical or scientific sense, then it must be construed according to its technical or scientific meaning. The applicant, based on the explanatory notes to the Harmonised Commodity Description and Coding System, under Chapter 8504, states that a static converter is an apparatus or a device that converts electric energy in order to adapt it for further use. A static converter essentially converts electric charge of a known frequency and voltage (input) into one having different frequency and voltage (output), which can be higher or lower than the known frequency of input. The Applicant, also relying on the same explanatory notes with regard to Electrical Accumulators, states that it is a device that accepts, stores and release electrical energy and hence it is essentially a battery.

7.1 The Applicant contends that the Power Bank consists primarily of a battery and a static converter. While the battery accumulates the electric energy, it is the converter which essentially converts the electric charge of a known frequency and voltage (input) into one having different frequency

and voltage (output) and provide regulated output to the devices. Therefore in terms of Section Note 4 to the Section XVI of Customs Tariff Act 1975, the Power Bank has 2 or more components (i.e. static converters and batteries), has a clear defined function of charging a device and accordingly Power Bank is classifiable under tariff entry 8504 40 90 as 'Static Converter - Others'. The applicant, in support of their argument, submitted copy of Technical Research Report, issued by the Indian Institute of Technology (Banaras Hindu University), Varanasi wherein it is reported that "Power Bank can be considered as static converter and not only a charge accumulator".

7.2 The applicant, without prejudice to the above argument, put forth another argument, submitting that the Power Bank essentially performs dual function i.e. accumulation of energy & conversion of energy from DC to DC providing regulated output current; the principal function of the Power Bank is to ensure the charging of device; mere lithium-ion battery would not suffice to charge a device unless the battery is supported by a converter. Therefore the Power Bank has to be classified as per the converter contained therein, which performs the principal function of charging, in terms of Section Note 3 to the Section XVI of the Customs Tariff Act 1975.

7.3 The applicant wishes to draw the attention towards the rule 3(b) of General Rules of Interpretation of Customs Tariff and contends that the Power Bank shall be classified on the basis of the component contained therein i.e. converter, which gives its essential character and principal function and also enables the purchaser to charge devices of multiple voltage/current ratings. They further submit that function of the Power Bank is akin / similar to Uninterrupted Power Supply System (UPSS) which is classifiable under 8504 as static converter, explaining the construction / circuitry & working of the said UPS System. They also intend to rely on the judgement of the Hon'ble Supreme Court upholding the view of the Hon'ble bench of CEGAT, New Delhi in the case of Luminous Electronics Pvt. Ltd., [2001 (129) ELT 605] wherein it is held that the UPSS is classifiable as Static Converter under tariff heading 8504. They also refer to the Circular No.104/2003-Cus. Dated 9-12-2003, issued by the then CBEC, New Delhi wherein the UPSS was classified under tariff heading 8504 of Customs Tariff Act 1975 as well as The C.Ex., Tariff Act 1985. The Static Converter (UPSS) also is classified under 8504 in the GST regime and the explanatory notes to the Harmonised Commodity Description and Coding System to heading 85.04 supports the said classification of the UPSS.

7.4 In view of the above, the applicant prays to clarify the classification of the Power Bank under tariff heading 8504, in the light of their analysis / arguments supra, technical report of IIT, Varanasi and judicial precedence on UPSS.

### **FINDINGS & DISCUSSION:**

8. We have considered the submissions made by the Applicant in their application for advance ruling as well as the submissions made by Sri. Shivarajan K, Chartered Accountant, the authorized representative, during the personal hearing. We have also considered the issues involved on which advance ruling is sought by the applicant and relevant facts of the issue involved.

8.1 The Applicant, filed the instant application dated 17.05.2018 for advance ruling, seeking clarification as to ***Whether the "Power Bank", traded by the Applicant, is classifiable under Heading 8504 40 90 as 'Static Converter - Others' ?***

8.2 The Applicant, in the instant case, sought for the clarification with regard to the classification of their product "Power Bank". The Power Bank consists of three components i.e. the charge management system, the battery and the voltage booster system, all contained within an outer shell. The said product is intended to store the electricity and supply it when required and hence the name Power Bank. However, for effective usage of the said Power Bank, ancillary circuitries are employed which contribute to the function of the battery in the Power Bank. The ancillary circuitries are (i) Charge Management System, which is used to detect the type of charger being connected to charge the battery in Power Bank and to adjust the current accordingly and (ii) Voltage Booster System, which is used to detect the device connected to the Power Bank and to obtain output as per the load demand. Both the circuits are essentially enhancing the function of the main part i.e. Battery. Therefore the principal function of the said product is to store the electricity and supply the same i.e to charge the devices, connected to it.

8.3 Therefore it is clear from above that the principal function of the instant product is to store the electricity in the battery of the said product and to supply the same when required. Hence it is pertinent to mention here that the battery in the Power Bank is the main / core part of the device and without the battery the Power Bank would not function in the required

manner. The charge management system is an ancillary circuitry for charging the battery and the voltage boost converter is also an ancillary circuitry to draw the current from the battery at the relevant rating, depends on the load of the device connected. The Power Bank can also be used in the absence of the said voltage booster system, in which case only the prescribed / pre determined rate of current only can be drawn.

8.4 It is pertinent to mention here that the principal function of the Power Bank at any point of time is to charge the device connected to it, but not for any conversion. In fact the input to the said Power Bank is the D.C., which is output of the adaptor that is connected to the power line and the output of the power bank is the required rated current based on the load of the connected device. The ancillary circuitry of voltage booster system is engaged only to draw the current based on the load connected to it, which may be variable. In view of the above, the principal function of Power Bank is only to charge, even though the additional circuitry is embedded in it for drawing required rated current depends on the load.

8.5 The reasons for categorizing UPSS as a Static Converter falling under Chapter Heading 8504 have been discussed in detail in the cited case of M/s Luminous Electronics Pvt. Ltd., Vs CCE, New Delhi. The Applicant concludes with the argument that as the functions and components of UPSS are similar to that of Power Bank under examination, the Power Bank also merits classification under Chapter Head 8504 similar to that of UPSS. We proceed to examine the functions and components of UPSS vis-à-vis a Power Bank.

The principal function of a UPSS is to act as an uninterrupted source of electric power. The electric energy stored in the battery of the UPSS is converted into A.C. power, by the inverter in it, and supplied. However it is not essential to have a battery in the UPSS and instead a generator could be used as a source of D.C. power. Therefore the battery is not the component defining the nature of UPSS. The mechanism of conversion of the DC power into AC power before supply constitutes the principal function of a UPSS. Accordingly it is classified as a Static Converter under Chapter Heading 8504. On the contrary a Power Bank, despite having a small circuitry of charging mechanism and voltage booster system, is used essentially to charge devices connected to it. The Power Bank can not function in the required / intended manner, in the absence of the battery. Therefore the principal function of Power Bank is to store the electric energy and supply

when required. It is thus in the nature of an accumulator and is classifiable under Chapter Heading 8507.

In the light of this discussion we feel that the ratio of the case law cited supra is not applicable to this issue.

8.6 Further the explanatory notes to the Harmonised Commodity Description and Coding System to heading 85.07 states the following:

*Electric accumulators remain classified here even if presented without their electrolyte.*

*Accumulators containing one or more cells and the circuitry to interconnect the cells amongst themselves, often referred to as "battery packs", are covered by this heading, whether or not they include any ancillary components which contribute to the accumulator's function of storing and supplying energy, or protect it from damage, such as electrical connectors, temperature control devices, and protective housings. They are classified in this heading even if they are designed for use with a specific device.*

It is clearly evident from the above explanatory note that accumulators are covered under heading 8507 whether or not they include any ancillary components which contribute to their function of storing and supplying electric energy. Further the accumulators are classified under the heading 85.07 even if they are designed for use with a specific device. Therefore, even though the battery in the said "Power Bank" is attached to the ancillary circuitry of "Voltage Booster System", for effective function of the said battery, the principal function of the said Power Bank remains the same i.e storing and supplying of electric energy and hence the said product merits classification of the heading 85.07, as an accumulator.

8.7 In this regard, we draw attention to the Notification No.24/2018-Central Tax(Rate) dated 31.12.2018, effective from 01.01.2019, which classifies the "Power Banks" under heading 8507, vide S.No.376AAA covering "Lithium-ion accumulators (other than battery) including lithium-ion power bank". This notification also supports the view of this authority.

9. In view of the foregoing, we rule as follows

**RULING**

The "Power Bank", traded by the Applicant, is classifiable under Heading 8507 as Accumulator and not as Static Converter.

  
(Harish Dharnia)  
Member

  
(Dr. Ravi Prasad. M. P.)  
Member

Place : Bengaluru,  
Date : 22.01.2019

To,

The Applicant

Copy to :

The Principal Chief Commissioner of Central Tax, Bangalore Zone, Karnataka.

The Commissioner of Commercial Taxes, Karnataka, Bengaluru.

The Commissioner of Central Tax, Bangalore South Commissionerate, Bengaluru.

The Asst. Commissioner, LGSTO-25 A ,Bengaluru.

Office Folder.

