

S.MURUGAPPAN

ADVOCATE, HIGH COURT

ASSISTED BY:

J. RAGINI, B.A., B.L.,
K.NANCY, B.COM., B.L. (HONS.),
M.S.HARSHA PRABHU, L.L.M.

CONSULTANTS:

GST, CUSTOMS,
FOREIGN TRADE LAWS,
FOREIGN EXCHANGE MANAGEMENT ACT.

OPINION

1. **QUERIST:**

M/s. Larsen & Toubro Limited,
(Power & Transmission Distribution IC),
Mount Poonamallee Road,
Manapakkam,
Chennai – 600 089.

2. **FACTS:**

Querist is importing regularly Lithium Battery Energy Storage System for their solar power projects for execution at different places for various customers. The system consists of Lithium-ion battery modules connected serially and also has BMS (Battery Management System). These are being classified under heading 8507 of the Schedule to the Customs Tariff Act 1975.

3. **QUERY:**

Querist would like to know the correctness of the classification adopted and also the rate of basic Customs Duty that will be applicable for these goods.

4. **OPINION:**

4.1 In the sample invoice made available, the goods are described as mentioned below.

“LI-ION BATTERY WITH BMS TYPE : LFP, SYSTEM VOLTAGE 665.6 V,
CURRENT RATING IC,

CAPACITY 0.532 MWH, AS PER PO NO.EF915PO0000004 DATED 17TH
JUNE’2020

TERM OF SALE: CIF, CHENNAI SEA PORT, INCOTERMS 2020”

4.2 The product manual, under ‘Product Description’ provides the following details of this battery system.

Introduction

NESP Series system is a high-voltage lithium battery system, which can be widely used in emergency power supply, data center, household, utility and photovoltaic energy storage as well as peak shaving and frequency regulation. Both the lithium-ion batteries and the BMS adopt a standard modular design. The system configuration can be customized on request, delivering advantages in flexibility, reliability, low cost, safety and long life.

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NESP Series lithium battery energy storage system is of leading technology, reliable quality and sufficient verification. The battery cell is produced by fully automated lithium battery production line, which has a superior energy storage application base, a wide range of uses, and sound verification in many project applications. BMS design is tailored to the technical characteristics of lithium batteries to realize the use of mature high voltage lithium battery products.

NESP series is a product of the integration of advanced lithium battery manufacturing technology, high current active balancing battery management technology, large-scale lithium battery grouping technology, and massive data monitoring technology, which is the core of engineering and implementation of energy storage systems.

NESP series is a system consists of a number of battery modules in serial and parallel connection to deliver high-voltage and large-capacity, and various technical means are used to ensure the high security, high reliability, long life, easy maintenance and scheduling of the entire system.

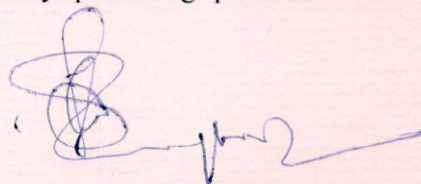
Features

Modular design: The battery module and BMS adopt unified standard modular design to ensure the universality of the system. Flexible configuration, multiple battery modules can be in serial for expanding voltage and capacity. Module design makes the whole system friendly for installation and maintenance.

High safety: The grouping structure, ventilation and thermal management design ensures the consistency of temperature of each cell in each battery module during operation. Double backup and double protection mechanisms are adopted to ensure the charging safety of the system.

Long-life design: Long-life and high-quality cells are automatically selected during production, thus the consistency of the cells in grouping is ensured. The combination of passive and active balancing of the battery modules ensure the consistency of each cell during system operation, leading to extended battery life and improved system safety and reliability.

Smart BMS: Through data interaction between BMS and monitoring system, system data is collected and managed in a unified manner, enabling flexible scheduling and rapid response. The BMS ensures that the battery is always running well through monitoring the battery in real time, automatically balancing, automatically patrolling protection and power data requests.



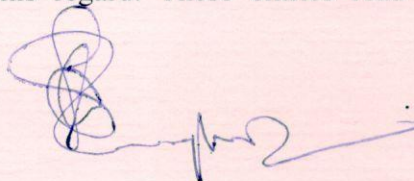
Components

The major components of NESP rack are Battery Module (Type A / Type B), Control Box, Cabinet and BMS. The BMS is based on 3 Level architecture, and the corresponding hardware is composed of BMU, BCU and BAMS, respectively. The BMU is preinstalled in battery module and BCU in control box, thus only the BAMS need to be installed at site.

- 4.3 Lithium-ion batteries are specifically covered under heading '8507 60 00' as on date and the statutory rate applicable for these goods is 20% basic Customs Duty. The main heading for 8507.60 at four-digit level is "**8507**" with the description "Electric accumulators, including separators therefor, whether or not rectangular (including square)". The HSN Explanatory Notes state the following with regard to the scope of this heading.

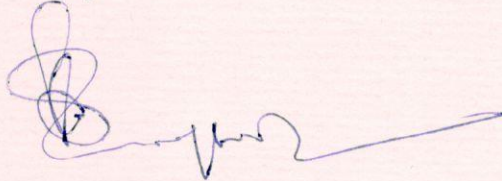
"Accumulators containing one or more cells and the circuitry to interconnect the cells amongst themselves, often referred to as "battery packs", are covered by this heading, whether or not they include any ancillary components which contribute to the accumulator's function of storing and supplying energy,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

- 4.4 From the above, it can be seen that the modules/cells serially/parallelly connected with ancillary components that contribute to the accumulator's function of storing and supplying energy will be covered under the same heading i.e., 8507. In the installation manual it is stated, "The BMS ensures that the battery is always running well through monitoring the battery in real time, automatically balancing, automatically patrolling protection and power data requests". Accordingly, the Lithium-ion Battery System with the ancillary controlling equipment referred to as BMS will be classifiable under heading 8507 60.
- 4.5 As on date, the current rate of duty applicable for goods falling under this heading is 10% basic Customs Duty in terms of Notification 50/2017 dated 28.06.2017. Serial Nos.528A, 528B and 528C of the table attached to the above notification will be relevant in this regard. These entries read as follows:

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S.No.	Chapter or Heading or sub-heading or tariff item	Description of goods	Standard rate	Integrated Goods and Services Tax	Condition No.
528A	8507	Battery pack for use in the manufacture of electrically operated vehicle or hybrid vehicle	15%	-	9]
528B	8507 60 00	Lithium ion battery or battery pack of cellular mobile phones	15%	-	-
528C	8507 60 00	All goods other than the following, namely:- (i) goods mentioned against S.Nos.528A and 528B; (ii) Power Bank	10%	-	-]

4.6 As the subject battery system is for setting up of solar power plant, Sl.Nos.528A and 528B will not apply. Consequently, in terms of Sl.No.528C(i) these Li-ion batteries will be eligible for 10% basic Customs Duty.



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Disclaimer:- The above opinion is provided based on the information and documents made available to us by the querist and further based on the laws and rules prevalent as on date and the understanding of such provisions by the author and is meant for the private use of the person to whom it is provided without assuming any liability for any consequential action taken based on the views expressed here.