

**CUSTOMS, EXCISE AND SERVICE TAX APPELLATE TRIBUNAL  
CHENNAI**

REGIONAL BENCH – COURT No. III

**Customs Appeal Nos. 40047 of 2015**

(Arising out of Order-in-Appeal C.Cus.No. 1737/2014 dated 25.09.2014 passed by Commissioner of Customs (Appeals), No. 60, Custom House, Rajaji Salai, Chennai – 600 001)

And

**Customs Appeal Nos. 40499 of 2015**

(Arising out of Order-in-Appeal C.Cus.II No. 213/2014 dated 21.11.2014 passed by Commissioner of Customs (Appeals-II), No. 60, Custom House, Rajaji Salai, Chennai – 600 001)

**Commissioner of Customs**

Chennai II Commissionerate,  
No. 60, Custom House,  
Rajaji Salai,  
Chennai – 600 001.

**...Appellant**

***Versus***

**M/s. Aran Kitchen World (India) Pvt. Ltd.**

No. 105, Raja Annamalaipuram  
Chennai – 600 028.

**...Respondent**

**APPEARANCE:**

For the Appellant : Mr. Sanjay Kakkar, Authorised Representative

For the Respondent : None

**CORAM:**

**HON'BLE MR. P. DINESHA, MEMBER (JUDICIAL)**

**HON'BLE MR. VASA SESHAGIRI RAO, MEMBER (TECHNICAL)**

**FINAL ORDER Nos. 40306-40307 / 2026**

DATE OF HEARING : 08.10.2025

DATE OF DECISION : 03.03.2026

**Per Mr. VASA SESHAGIRI RAO**

These two appeals are filed by the Revenue against (i) Order-in-Appeal C.Cus.No. 1737/2014 dated 25.09.2014 and (ii) Order-in-Appeal C.Cus.II No. 213/2014 dated 21.11.2014 passed by the Commissioner of Customs (Appeals), Chennai, both arising out of Order-in-Original No.

25143/2014 dated 07.05.2014 passed by the Deputy Commissioner of Customs (Special Valuation Branch), Chennai.

1.2 The facts briefly stated are that the respondent-importer, a joint venture company in which M/s. Aran World S.R.L., Italy holds 49% equity, imported modular kitchens in CKD/SKD condition during the period from August 2008 to December 2013. The imports were referred to the Special Valuation Branch to examine whether the relationship between the parties influenced the price under Rule 3(3) of the Customs Valuation Rules, 2007.

1.3 A total of 72 Bills of Entry were examined by the SVB. The SVB held that the parties were related under Rule 2(2)(i) and (iv) and rejected the declared value in respect of 11 Bills of Entry on the ground that the declared value per kg was significantly lower than earlier imports of the same importer, and thereby re-determining the value under Rule 4 based on contemporaneous imports of similar goods by the same importer and directing that for future imports where the declared value was less than Rs.300 per kg, the value should be aligned with contemporaneous imports or the minimum benchmark under DGOV's guidelines on furniture imports. The importer preferred appeals and by Order-in-

Appeal dated 25.09.2014 the Commissioner (Appeals) set aside the enhancement and accepted the declared value, holding that modular kitchens are not furniture and that weight-based valuation is impermissible, while the Department's separate appeal against acceptance of declared value in the remaining Bills of Entry was rejected by Order-in-Appeal dated 21.11.2014, leading to the present appeals by the Revenue.

2. The Ld. Authorized Representative Mr. Sanjay Kakkar, appeared for the Revenue. Despite the notices, none appeared on behalf of the Respondent-Importer in either of the appeals.

3.1 The Ld. Authorized Representative, appearing for the Revenue, submitted that the impugned order passed by the lower appellate/adjudicating authority is erroneous both on facts and in law and is liable to be set aside. He contended that the Impugned authority failed to correctly appreciate the nature of the goods and misapplied the provisions of the Customs Tariff and the Valuation Rules. According to him, the goods imported, though described as modular kitchen components, were in substance complete or substantially complete kitchen units having the essential character of furniture and therefore merit classification under

Chapter 94 of the Customs Tariff. He relied upon Rule 2(a) of the General Rules for Interpretation to submit that goods imported in unassembled or disassembled condition are to be classified as the complete article if they possess the essential character of the finished product. It was further argued that the HSN Explanatory Notes to Chapter 94 specifically include kitchen cabinets and fitted kitchen units within the ambit of furniture, and the lower authority erred in not giving due weight to these explanatory notes.

3.2 On valuation, the Ld. AR submitted that the declared transaction value was liable to be rejected in view of significant variation from contemporaneous import prices of identical or similar goods available in the NIDB data. He contended that the lower authority failed to properly examine these contemporaneous imports and wrongly accepted the declared value without adequate justification. It was further argued that the benefit extended to the importer was not in accordance with law and that the impugned order suffers from misinterpretation of both classification principles and valuation provisions. He therefore prayed that the impugned order be set aside and the Department's appeals be allowed.

3.3 The Department further contends that classification under Heading 9403.40 (“wooden furniture of a kind used in kitchen”) mandates application of DGOV furniture valuation guidelines.

4. None appeared on behalf of the Respondent–importer at the time of hearing, nor were any written submissions filed despite notices of hearing on different dates. Since the impugned orders have been passed in favour of the Respondent–importer, we proceed to decide the appeals on the basis of the records available and the reasoning contained in the impugned orders, which effectively reflect the stand accepted by the lower authority in favour of the Respondent. Accordingly, the findings and conclusions recorded in the impugned orders are treated as representing the position of the Respondent for the purpose of adjudication of the present appeals.

5. We have carefully heard the submissions of the learned Authorised Departmental Representative, examined the appeal records in detail, and considered the statutory provisions governing valuation.

6. Upon consideration, the following issues arise for determination: -

- i. Whether modular kitchens in CKD/SKD condition are classifiable as furniture under Chapter 94 and whether such classification permits application of DGOV furniture guidelines for valuation.
- ii. Whether rejection of declared value in 11 Bills of Entry under Rule 12 and redetermination under Rule 4 was legally justified.
- iii. Whether acceptance of declared value in remaining Bills of Entry was contrary to Rule 3(3).

We now proceed to examine the issues sequentially:

### **Classification under Chapter 94 and DGOV Guidelines**

7.1 We find that the primary reasoning adopted by the Commissioner (Appeals) for setting aside the enhancement is that modular kitchens, once installed, become immovable and therefore cannot be treated as "furniture" classifiable under Chapter 94 of the Customs Tariff. We note that in support of this conclusion, the lower appellate authority has relied upon the decisions of the Tribunal in *TELCO [1988 (37)E.L.T.432 Tri]* and *SAIL 1988 (37) 375 Tri*, to hold that goods which become fixed or attached to the earth cannot be regarded as movable furniture capable of sale in the market.

7.2 We observe at the outset that classification under the Customs Tariff is required to be determined at the time of importation and in the condition in which the goods are imported. The goods in the present case are imported in CKD/SKD condition as modular kitchen components consisting of cabinets, panels, shutters, drawers, cases and fittings. They are movable goods at the time of importation and are capable of being bought and sold as such. The subsequent act of installation at site does not determine their tariff classification. It is well settled that post-importation events are irrelevant for classification under the Customs Tariff.

7.3 We further note that Chapter 94 of the Customs Tariff covers "Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings." Heading 9403 covers "Other furniture and parts thereof," and sub-heading 9403.40 specifically covers "Wooden furniture of a kind used in the kitchen." Chapter Note 2 to Chapter 94 clarifies that cupboards and other unit furniture remain classifiable in Chapter 94 even if they are designed to be fixed to the wall or to stand one on the other. This statutory note directly addresses the very reasoning adopted by the Commissioner (Appeals).

7.4 We also observe that the HSN Explanatory Notes to Heading 94.03 expressly include kitchen cabinets and unit furniture within the scope of furniture. The HSN explains that “unit furniture” consists of matching elements designed to be fitted together according to space requirements and may be fixed to walls. Modular kitchen systems are a classic example of such unit furniture. The fact that they are assembled and fixed after import does not remove them from the ambit of Chapter 94.

7.5 We find that the reliance placed by the Commissioner (Appeals) on TELCO (*supra*) and SAIL (*supra*) is misplaced in the present context. Those decisions were rendered in the context of excise law where the issue was whether certain structures or installations embedded to earth retained the character of “goods” for the purpose of levy of excise duty. The principle applied in those cases was whether the article was movable and marketable after installation. The present case does not concern excisability or the test of marketability after erection. It concerns classification of imported goods in CKD/SKD condition at the time of import. The statutory scheme under the Customs Tariff, particularly Chapter Note 2 to Chapter 94, expressly contemplates furniture designed to be fixed to the wall. Therefore, the

analogy drawn from TELCO and SAIL cannot override the clear language of Chapter 94 and the HSN Notes.

7.6 We therefore find that the conclusion of the Commissioner (Appeals) that modular kitchens are not furniture merely because they are fixed upon installation is not legally sustainable. Modular kitchen units imported in CKD/SKD condition are appropriately classifiable under Heading 9403, more specifically under 9403.40 where predominantly wooden kitchen units are involved.

7.7 However, we also observe that classification under Chapter 94 by itself does not automatically justify application of DGOV furniture valuation guidelines in derogation of Section 14 of the Customs Act and the Customs Valuation Rules, 2007. Classification and valuation are distinct exercises governed by separate statutory provisions. Even if the goods fall under Chapter 94, valuation must strictly follow Rule 3 read with Rule 12 and subsequent rules. Administrative benchmark circulars cannot substitute the statutory valuation methodology prescribed under Section 14 and the Customs Valuation Rules, 2007 unless the transaction value is first rejected in accordance with Rule 12.

7.8 Accordingly, while we disagree with the reasoning of the Commissioner (Appeals) insofar as it holds that modular kitchens are not furniture under Chapter 94, we proceed to examine whether the rejection of transaction value and enhancement based on per kilogram comparison and DGOV guidelines was legally sustainable under the Valuation Rules.

### **Rejection of Transaction Value in 11 Bills of Entry**

8.1 On the issue of rejection of transaction value in 11 Bills of Entry, we observe that the finding of the adjudicating authority is founded essentially on two factors, namely, that the importer and the foreign supplier are related within the meaning of Rule 2(2) of the Customs Valuation Rules, 2007, and that in 11 consignments the declared value per kilogram was significantly lower when compared with earlier imports of the same importer. The adjudicating authority arrived at this conclusion by dividing the total CIF value of each consignment by its total weight and comparing the derived per kilogram figure with that of earlier consignments. We further find, on perusal of the Order-in-Original, that the adjudicating authority has expressly recorded that he "propose[d] to analyze their pricing pattern by calculating their declared value in Kgs as the valuation guidelines itself prefers analysis of value in

Kgs,” and thereafter prepared Table-A showing “Value per Kg” for each Bill of Entry. It is thus evident that the per kilogram value was not the invoiced unit of transaction, but a derived figure obtained by dividing the total CIF value by total weight.

8.2 We observe that the goods involved are modular kitchen components imported in CKD/SKD condition, consisting of multiple parts such as cabinets, shutters, panels, drawers, hardware fittings and accessories, each differing in size, finish, configuration and specification. The commercial invoices, as noted in the Order-in-Original itself, were raised against specific purchase orders and reflected article-wise or unit-wise pricing for modular components. The supplier did not invoice the goods on a weight basis. We find that the adjudicating authority converted the declared per piece values into a per kilogram value by simple arithmetical division and thereafter treated variations in such derived per kilogram figures as evidence of undervaluation. The conversion of article-wise transaction value into a mathematical per kilogram figure is therefore an analytical construct of the adjudicating authority and not the declared basis of sale.

8.3 We find that Rule 4 of the Customs Valuation Rules, 2007 permits redetermination only by comparison with identical or similar goods imported at the same commercial level and in substantially the same quantity. Such comparison requires establishment of identity or similarity under Rule 2(e) and Rule 2(f), and commercial comparability in terms of model, specification, configuration and sale conditions. In the present case, the comparison undertaken was internal, between different consignments of the same importer across different periods, without establishing that the goods compared were identical or similar in all material respects. A mechanical comparison of derived per kilogram figures, without adjustment for differences in design, customization, machining cost, finish or hardware components, does not satisfy the statutory requirement of comparability under the Rules.

8.4 We further observe that although the adjudicating authority has noted that the importer and the foreign supplier are related, Rule 3(3) requires examination of whether such relationship influenced the price. Apart from the variation derived per kilogram value and the observation that discounts ranged between 17% and 22% in certain consignments, no evidence has been brought on record of additional consideration, flow-back of funds, compensatory

arrangements or any other circumstance indicating that the relationship influenced the declared price. Commercial discounts per se are not impermissible unless shown to be abnormal or linked to extraneous consideration. In the present case, the explanation that certain consignments were project-based bulk procurements with simplified specifications was rejected primarily on the basis of weight-based comparison, without establishing identity or similarity of goods. In these circumstances, we find that the rejection of the declared value in the 11 Bills of Entry was not supported by a proper application of Rule 12 read with Rule 4 of the Customs Valuation Rules, 2007, and is therefore legally unsustainable.

#### **Acceptance of Declared Value in Remaining Bills of Entry**

9. On the issue of acceptance of declared value in the remaining Bills of Entry, we observe that Rule 3(3)(a) provides that transaction value shall be accepted if examination of the circumstances of sale indicates that the relationship did not influence the price, and that Rule 3(3)(b) test values are required only where rejection is otherwise contemplated. We find that the adjudicating authority examined pricing across 72 Bills of Entry over five years and found broad consistency except in 11 instances, which constitutes examination of circumstances of sale within the

meaning of Rule 3(3)(a). We further observe that the Department has not produced NIDB data or third-party contemporaneous imports demonstrating systematic undervaluation in respect of the remaining Bills of Entry, and that mere existence of relationship does not shift the burden of proof. We observe that in *Eicher Tractors Ltd., 2000 (122) ELT 321 (SC)*, the Hon'ble Supreme Court reiterated that transaction value is to be accepted unless specific grounds for rejection are made out in accordance with the Rules. We therefore find that acceptance of declared value in the remaining Bills of Entry was consistent with Rule 3(3)(a) and the law laid down by the Hon'ble Supreme Court.

10. In conclusion, we hold that modular kitchens imported in CKD/SKD condition are classifiable under Chapter 94 as furniture; however, the DGOV furniture guidelines cannot override provisions of Section 14 of the Customs Act, 1962 or the provisions of the Customs Valuation Rules, 2007. We further hold that the Department has not established valid grounds under Rule 12 for rejecting the declared transaction value in the 11 disputed Bills of Entry. We also hold that the acceptance of the declared value in the remaining Bills of Entry is consistent with Rule 3(3)(a) of the Customs Valuation Rules, 2007 and with the principles

laid down by the Hon'ble Supreme Court in *Eicher Tractors Ltd. v. CC [2000 (122) ELT 321 (SC)]*.

11. Accordingly, both the departmental appeals are dismissed and the Orders-in-Appeal dated 25.09.2014 and 21.11.2014 are upheld. Ordered accordingly.

(Order pronounced in open court on 03.03.2026)

Sd/-  
**(VASA SESHAGIRI RAO)**  
MEMBER (TECHNICAL)

Sd/-  
**(P. DINESHA)**  
MEMBER (JUDICIAL)

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