



BUREAU OF CUSTOMS

MAKABAGONG ADUANA, MATATAG NA EKONOMIYA



PROFESSIONALISM INTEGRITY ACCOUNTABILITY

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09 June 2023

CUSTOMS MEMORANDUM CIRCULAR
NO. 100-2023

TO : ASSISTANT COMMISSIONER
ALL DEPUTY COMMISSIONERS
ALL DIRECTORS AND DIVISION CHIEFS
ALL DISTRICT AND SUB-PORT COLLECTORS
ALL OTHERS CONCERNED

SUBJECT : TARIFF CLASSIFICATION DISPUTE RULING

This refers to the herein attached Tariff Commission Circular Dispute Ruling (TCC DR) No. 22-036 issued on 02 June 2023 pursuant to Paragraph 2 of Section 1100 of Republic Act No. 10863 otherwise known as Customs Modernization and Tariff Act (CMTA) on the shipment of "LEM-320-ST 3030 Controller Extension Board", consigned to Multi-Line Building Systems, Inc. (Import Entry/ Customs Reference No. C-115800, NAIA) the dispositive portion of which states that:



WHEREFORE, premises considered, subject article is hereby classified as follows:

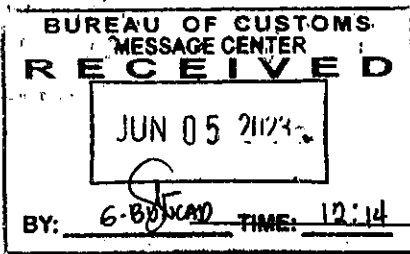
Product	AHTN 2022 Code	2022 MFN Rate	2022 ACFTA Rate
LEM-320-ST 3030 CONTROLLER EXTENSION BOARD	8538.90.19	1% ad valorem	Zero*
*Subject to submission of Certificate of Origin (CO) Form "E"			

For information and guidance.

For record purposes, please confirm the dissemination of this circular throughout your offices within fifteen (15) days from receipt thereof.

BIENVENIDO Y. RUBIO
Commissioner
JUN 18 2023



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REPUBLIC OF THE PHILIPPINES
TARIFF COMMISSION

RE: REQUEST FOR TARIFF CLASSIFICATION
DISPUTE RULING ON "LEM-320-ST 3030
CONTROLLER EXTENSION BOARD" CONSIGNED
TO MULTI-LINE BUILDING SYSTEMS, INC.

TCC (DR) NO. 22-036

(Import Entry/Customs Reference No. C-115800,
NAIA)

6/8
8:50

Issued on: 02 June 2023

TARIFF CLASSIFICATION DISPUTE RULING

Before this Commission is a request for Tariff Classification Dispute Ruling (TCDR), pursuant to Paragraph 2 of Section 1100 of Republic Act No. 10863, otherwise known as the Customs Modernization and Tariff Act (CMTA), on the shipment of LEM-320-ST 3030 Controller Extension Board imported by Multi-Line Building Systems, Inc. (Importer/Consignee) from China. The request of the Importer/Consignee for TCDR was accepted by this Commission on 12 October 2022.

The shipment of the said article, declared under ASEAN Harmonised Tariff Nomenclature (AHTN) 2022 subheading 8531.90.90, with a Most Favoured Nation (MFN) rate of duty of zero, was processed under Import Entry/Customs Reference No. C-115800 at the Bureau of Customs (BOC), Ninoy Aquino International Airport (NAIA). The BOC contested the declared heading and reclassified subject article under AHTN 2022 subheading 8537.10.19, with an MFN rate of duty of 5% *ad valorem*.

Hence, this request for Tariff Classification Dispute Ruling.

Pursuant to Section 7.3 of Commission Order No. 2018-01, this Commission requested the concerned BOC District Collector on 16 November 2022 for comments on the request for TCDR on LEM-320-ST 3030 Controller Extension Board. In a letter dated 01 December 2022, Atty. Halleck A. Valdez, Deputy Collector for Assessment, BOC-NAIA, submitted BOC's comment, through a memorandum (with supporting documents) prepared by Mr. Norsalem Raymond M. Mama-o, Officer-in-Charge, Paircargo Assessment Composite Division; Ms. Leabel U. Basa, Acting Chief, Formal Entry Unit, Paircargo; Ms. Claire Ann Mojica, Acting Customs Operations Officer (COO) V; and Ms. Maria Sheila Monina F. Ubay, COO III, stating the reasons why subject article was reclassified from the declared AHTN 2022 subheading 8531.90.90 (with an MFN rate of duty of zero) to AHTN 2022 subheading 8537.10.19 (with an MFN rate of duty of 5% *ad valorem*). The reasons for this reclassification decision, as stated in the memorandum, were as follows:

"The consignee/broker classified the above-mentioned goods under HS code 85319090 at a 0% duty rate as they were claiming that the said item is solely used for that particular equipment \whereas, based on the brochure submitted, it should be classified specifically under tariff heading 85371019 at 5% duty rate as the heading stated "switchboards and control panels".

Furthermore, based on the General Rules for the Interpretation of the Harmonized System, the classification of goods shall be governed by the first principle. "The titles of Sections, Chapter 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."

While evaluating the submissions from the Importer/Consignee and the BOC, the Commission determined that additional information was needed to properly classify the subject article. Hence, on 21 December 2022, the Commission requested the Importer/Consignee to submit the following additional information:

- a) complete schematic diagram (fire alarm system) indicating the connections between subject article and other devices, such as sounders, detectors, control panel, etc.;
- b) confirmation whether subject article is programmable, preprogrammed or both; and



- c) use/function of the loop extension module and confirmation whether it is capable of controlling other devices.

On 20 January 2023, the Commission received the requested information via electronic mail (email) from Mr. Allan R. De Mesa, Engineering Manager of Multi-Line Building Systems, Inc. Further, due to inconsistent information provided on the country of origin [i.e., "USA" in TC Form 2 and "China" in the BOC Single Administrative Document (SAD) and commercial invoice], the Commission requested the Importer/Consignee to provide the correct country of origin for the subject shipment. Mr. De Mesa's email confirming China as the correct country of origin was received on 11 April 2023.

In the evaluation of disputes on tariff classification, Section 8 of Commission Order No. 2018-01 provides that this Commission, if it deems necessary, shall conduct a hearing to clarify the facts necessary to resolve the pending disputes in tariff classification. In the present case, however, this Commission found that the submissions of the Importer/Consignee and the BOC were sufficient to make a correct determination on the tariff classification of the subject article. A hearing, therefore, is no longer necessary.

After due examination of the submitted technical specifications and photograph of the product, it is established that subject article is a loop expander module (LEM) consisting of a single-layer printed circuit board (PCB) assembly populated with both active and passive components, and port connectors. It serves as an additional signaling line circuit (SLC) loop which connects the fire alarm control panel (FACP) to field devices that are capable of communicating a unique identification number or address, such as addressable heat detectors, addressable smoke detectors, and addressable manual pull station. The unique identification number or address allows for the location of the addressable devices to be individually identified at the FACP.

Subject article has a nominal voltage rating of 24 V direct current (DC) and is intended to be installed inside the fire alarm control cabinet together with the LCM-320 Loop Control Module. It is used to expand the specific models of FACP's to a second loop and to expand each LCM-320 Loop Control Module used on compatible FACP models.

The Importer/Consignee considered classification of the subject article under parts of heading 85.31 of the AHTN 2022 which covers *electric sound or visual signalling apparatus (for example, bells, sirens, indicator panels, burglar or fire alarms), other than those of heading 85.12 or 85.30*. The pertinent Harmonized System (HS) Explanatory Notes (EN) regarding the parts of this heading state that:

"Subject to the general provisions regarding the classification of parts (see the General Explanatory Note to Section XVI), parts of the goods of this heading are also classified here [emphasis added]."

On the other hand, the BOC considered classification of subject article under heading 85.37 of the AHTN 2022 which covers *boards, panels, consoles, desks, cabinets and other bases, equipped with two or more apparatus of heading 85.35 or 85.36, for electric control or the distribution of electricity, including those incorporating instruments or apparatus of Chapter 90, and numerical control apparatus, other than switching apparatus of heading 85.17*. The pertinent HS EN for this heading state that:

"These consist of an assembly of apparatus of the kind referred to in the two preceding headings (e.g., switches and fuses) on a board, panel, console, etc., or mounted in a cabinet, desk, etc. They usually also incorporate meters, and sometimes also subsidiary apparatus such as transformers, valves, voltage regulators, rheostats or luminous circuit diagrams.

The goods of this heading vary from small switchboards with only a few switches, fuses, etc. (e.g., for lighting installations) to complex control panels for machine-tools, rolling mills, power stations, radio stations, etc., including assemblies of several of the articles cited in the text of this heading.

x x x

PARTS

Subject to the general provisions regarding the classification of parts (see the General Explanatory Note to Section XVI), parts of the goods of this heading are classified in heading 85.38."

It should be noted that both of the HS EN mentioned above provide guidance on the classification of parts of the machines and devices of the aforementioned headings (i.e., 85.31 and 85.37) by referring to the general provisions regarding the classification of parts, which is Note 2 to Section XVI.

Note 2 to Section XVI of the AHTN 2022 states that:

"Subject to Note 1 to this Section, Note 1 to Chapter 84 and Note 1 to Chapter 85, parts of machines (not being parts of the articles of heading 84.84, 85.44, 85.45, 85.46 or 85.47) are to be classified according to the following rules :

(a) Parts which are goods included in any of the headings of Chapter 84 or 85 (other than headings 84.09, 84.31, 84.48, 84.66, 84.73, 84.87, 85.03, 85.22, 85.29, 85.38 and 85.48) are in all cases to be classified in their respective headings;

(b) Other parts, if suitable for use solely or principally with a particular kind of machine, or with a number of machines of the same heading (including a machine of heading 84.79 or 85.43) are to be classified with the machines of that kind or in heading 84.09, 84.31, 84.48, 84.66, 84.73, 85.03, 85.22, 85.29 or 85.38 as appropriate. However, parts which are equally suitable for use principally with the goods of headings 85.17 and 85.25 to 85.28 are to be classified in heading 85.17, and parts which are suitable for use solely or principally with the goods of heading 85.24 are to be classified in heading 85.29;

(c) All other parts are to be classified in heading 84.09, 84.31, 84.48, 84.66, 84.73, 85.03, 85.22, 85.29 or 85.38 as appropriate or, failing that, in heading 84.87 or 85.48."

In addition, the General EN to Section XVI for Parts state that:

*"In general, parts which are suitable for use solely or principally with particular machines or apparatus (including those of heading 84.79 or heading 85.43), or with a group of machines or apparatus falling in the same heading, are classified in the same heading as those machines or apparatus subject, of course, to the **exclusions** mentioned in Part (I) above. Separate headings are, however, provided for :*

- (A) Parts of the engines of heading 84.07 or 84.08 (heading 84.09).*
- (B) Parts of the machinery of headings 84.25 to 84.30 (heading 84.31).*
- (C) Parts of the textile machines of headings 84.44 to 84.47 (heading 84.48).*
- (D) Parts of the machines of headings 84.56 to 84.65 (heading 84.66).*
- (E) Parts of the office machines of headings 84.70 to 84.72 (heading 84.73).*
- (F) Parts of the machines of heading 85.01 or 85.02 (heading 85.03).*
- (G) Parts of apparatus of headings 85.19 or 85.21 (heading 85.22).*
- (H) Parts of apparatus of headings 85.25 to 85.28 (heading 85.29).*
- (I) Parts of apparatus of heading 85.35, 85.36 or 85.37 (heading 85.38) [emphasis added].*

The above rules do not apply to parts which in themselves constitute an article covered by a heading of this Section (other than headings 84.87 and 85.48); these are in all cases classified in their own appropriate heading even if specially designed to work as part of a specific machine. This applies in particular to :

- (1) Pumps and compressors (headings 84.13 and 84.14).*
- (2) Filtering machinery and apparatus of heading 84.21.*
- (3) Lifting and handling machinery (heading 84.25, 84.26, 84.28 or 84.86).*
- (4) Taps, cocks, valves, etc. (heading 84.81).*
- (5) Ball or roller bearings, and polished steel balls of a tolerance not exceeding 1 % or 0.05 mm, whichever is less (heading 84.82).*

(6) Transmission shafts, cranks, bearing housings, plain shaft bearings, gears and gearing (including friction gears and gear-boxes and other speed changers), flywheels, pulleys and pulley blocks, clutches and shaft couplings (heading 84.83).

(7) Gaskets and similar joints of heading 84.84.

(8) Electric motors of heading 85.01.

(9) Electrical transformers and other machines and apparatus of heading 85.04.

(10) Electric accumulators assembled into battery packs (heading 85.07).

(11) Electric heating resistors (heading 85.16).

(12) Electrical capacitors (heading 85.32).

(13) Electrical apparatus for switching, protecting, etc., electrical circuits (switches, fuses, junction boxes, etc.) (headings 85.35 and 85.36).

(14) Boards, panels, consoles, desks, cabinets and other apparatus for electric control or the distribution of electricity (heading 85.37) [emphasis added].

x x x"

The Commission has determined that subject article is not the control panel (or controller) of a fire alarm system. It is just a part/component of a fire alarm system's control panel which serves as additional signalling line circuit loop to connect the fire alarm control panel to field devices. Hence, its classification under headings 85.31 (as a part of a fire alarm system) and 85.37 (as a control panel) is not proper, and thus another heading should be considered.

Heading 85.38 of the AHTN 2022 covers parts suitable for use solely or principally with the apparatus of heading 85.35, 85.36 or 85.37. The pertinent HS EN to this heading state that:

"Subject to the general provisions regarding the classification of parts (see the General Explanatory Note to Section XVI), this heading covers parts of the goods of the three preceding headings.

The heading includes, for example, boards for switchboards, generally of plastics or metal, without their instruments, provided they are clearly recognisable as parts of switchboards."

Thus, the Commission determined that subject loop expander module, being a component or part of a control panel, is more appropriately covered under heading 85.38 of the AHTN 2022.

Based on the information received from the Importer/Consignee and the BOC, and the clarifications provided by the foregoing Section Note and HS EN, subject article is properly classified under AHTN 2022 subheading 8538.90.19 by virtue of Rules 1 and 6 of the General Rules for the Interpretation (GRI) of the HS (Section 1610 of the CMTA).

WHEREFORE, premises considered, subject article is hereby classified as follows:

Product	AHTN 2022 Code	2022 MFN Rate	2022 ACFTA Rate
LEM-320-ST 3030 CONTROLLER EXTENSION BOARD	8538.90.19	1% ad valorem	Zero

This is for compliance by the BOC pursuant to Section 1100 of the CMTA.

So Ordered.

FOR THE COMMISSION

MariLou P. Mendoza
Digitally signed

MARILOU P. MENDOZA
Chairperson

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