



GOVERNMENT OF PAKISTAN
COLLECTORATE OF CUSTOMS APPRAISEMENT (EAST)
CUSTOM HOUSE, KARACHI



No. C-198/KAPE/PCT/2022

Dated: 15/05.2024

PUBLIC NOTICE NO. 06/2024

SUBJECT: **DETERMINATION OF ACTUAL DESCRIPTION / CLASSIFICATION OF ELECTRIC VEHICLE IMPORTED VIDE GD NO. KPPI-HC-54226-07-02-2022 AND KPPI-HC-55981 DATED 04.05.2023.**

The Collectorate of Customs Appraisal Port Muhammad Bin Qasim Karachi vide letter C. No. Group-VII-75-2022-PQ dated 22.01.2024 forwarded a reference for determination of actual description / classification of 'Electric Vehicle' imported vide GD No. KPPI-HC-54226-07-02-2022 and KPPI-HC-55981 dated 04.05.2023.

Case Details:

Brief facts of the case as reported by the referring Collectorate are that M/s Qaswa Automobile (Private) Limited imported a consignment declared to contain "14 Seat Electric Sightseeing Bus" under PCT heading 8702.4090 attracting customs duty @ 20%. The importer claimed reduced rate of customs duty @1% under Serial No.4 of Part V(A) of the 5th Schedule to the Customs Act, 1969. This provision of exemption allows reduced rates of customs duty for 2-3 Wheelers, 4-Wheelers and Heavy Commercial Vehicles (CBUs) including "electric buses" in CBU condition classifiable under heading 8702.4090. The referring Collectorate was of the view that the imported vehicles though operated on electric power and used for transportation of more than ten persons correctly fall under the definition of "carts/golf carts"

While the term "electric buses" used in the exemption is limited to the those "electric buses" which are "heavy commercial vehicles" as mentioned in the preamble of Table-I of Part V(A) ibid, used as public transport and/or are usually meant for travelling of "passengers" from one place to another for relatively long distances or intercity movements of passengers. Therefore, while treating the goods as "electric carts" and not the "electric buses" the claimed exemption under 5th Schedule to the Customs Act, 1969 was regretted.

2. However, the referring Collectorate, on request of the importer, assessed the goods under Section 81 of the Customs Act, 1969 against bank guarantee and referred the dispute to the Classification Committee. Subsequently, the Classification Committee vide its letter dated 20.06.2022 returned back the case to the Collectorate with the opinion that the issue does not involve dispute of classification of goods but admissibility of exemption under 5th Schedule of the Customs Act, 1969. In the light of Classification Committee recommendation the case was


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referred to the Board by referring Collectorate. In response, the Board decided the case that vehicle with description like Sightseeing Bus or Electric Cart or Golf Car/Cart, etc. as afore-stated will be classified under PCT Code 8703. 1000. The goods were accordingly assessed by referring Collectorate. In the meanwhile, another identical consignment was imported by M/s. Sigma Motors Limited and claimed the same benefit of 5th Schedule of the Customs Act, 1969. The same treatment was extended by referring Collectorate to the said importer as in the case of M/s. Qaswa Automobiles (Private) Ltd. Being aggrieved, the importers filed Constitution Petition No. D-3582 of 2023 before the Honorable High Court of Sindh. The Honorable Court vide its judgment dated 11.12.2023 disposed of the case with the directives as under: -

"In such circumstances, we are left with no option but to refer the matter to the Classification Committee to determine the correct classification/ HS Code of the vehicle in question in terms of Para-2 of CGO 12 of 2002, and while doing so, they shall not be influenced by FBR's letter dated 24.11.2022. Let such exercise be carried out preferably within a period of 90 days from today, whereas, petitioner is aggrieved any further, he may avail an appropriate remedy as provided under the law, whereas, the fate of the amount secured pursuant to order dated 0707.2023 shall be subject for further order of the Court."

3. Hearings on the dispute were convened on 30.01.2024 and 06.03.2024 which were attended by representatives of the importers, departmental representatives from the Collectorate of Customs Appraisalment Port Muhammad Bin Qasim, Karachi and the members of Classification Committee. The main contentions of various stakeholders are detailed as under:

The Collectorate Of Customs Appraisalment Port Muhammad Bin Qasim Karachi:

4. The Collectorate of Customs Appraisalment Port Muhammad Bin Qasim, Karachi, presented their position on the classification of the imported vehicles in question and submitted as following:

- a) *The imported vehicles though operated on electric power and used for transportation of more than ten persons is correctly falls under the definition of "carts/golf carts" (PCT headings 8703.1000) which are used as a mean of transportation in limited area for very short distances in closed proximity like airports, shopping malls, universities or in play grounds/golf grounds depending on the seating capacity required.*

- b) *The term "electric buses" used in the exemption is limited to the those "electric buses" which are "heavy commercial vehicles" as mentioned in the preamble of Table-I of Part V(A) ibid, used as public transport and/or are usually meant for travelling of "passengers" (PCT headings 8702.4090) from one place to another for relatively long distances or intercity movements of passengers.*

M/s Qaswa Automobile (Private) Limited & M/s Sigma Motors Limited:

5. The importers, M/s Qaswa Automobile (Private) Limited and M/s Sigma Motors Limited, provided their stance on the classification of their consignment. The importers assert that their 14-seater Electric Sightseeing bus, which was imported from China, should be classified under PCT heading 8702.4090, they submitted the following in support of their claim;

- a. *That the consignment of the importers being 14-Seater Electric Sightseeing bus imported from China fall under PCT heading 8702.4090 and not under PCT heading 8703.1000.*
- b. *That the importers are entitled to the benefit of Electric Vehicle Policy 2020 and therefore their consignment is liable to be released under Serial No. 4 of Part V(A) Schedule 5 of the Customs Act, 1969 against payment of 1% customs duty.*

6. The committee observed that the issue primarily related to the applicability of benefit under Serial No.4 of Part V(A) of the 5thSchedule to the Customs Act, 1969. However the committee decided to proceed for determination of classification and pursue the relevant provisions of law dealing with the HS classification in the light of direction of honorable High Court of Sindh Karachi.

7. The classification committee considered the arguments and stance of both sides and examined the documents put forth and the relevant provisions of law dealing with the HS classification. Classification of any imported goods under Pakistan Customs Tariff is determined under the General Rules for interpretation (GIR) of the First Schedule to the Customs Act, 1969. The Committee considered the PCT headings relied upon by the importers and the referring Collectorate. The scheme of HS code 8702 is reproduced below:

87.02	Motor vehicles for the transport of ten or more persons, including the driver.
87.03	Motor cars and other motor vehicles principally designed for the transport of

	persons (other than those of heading 87.02), including station wagons and racing cars.
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8. As per Explanatory Notes to the PCT Heading 87.02:

*This heading covers **all** motor vehicles designed for the transport of ten persons or more (including the driver). The vehicles of this heading may have any type of motor (internal combustion piston engine, electric motor, combination of an internal combustion piston engine and one or more electric motors, etc.)*

9. As per Explanatory Notes to the PCT Heading 87.03:

This heading covers motor vehicles of various types (including amphibious motor vehicles) designed for the transport of persons; it does not, however, cover the vehicles of heading 87.02. The vehicles of this heading may have any type of motor (internal combustion piston engine, electric motor, gas turbine, combination of an internal combustion piston engine and one or more electric motors, etc.).

Holding:

10. After careful consideration of the arguments and documentation presented, the Committee determined that the subject Electric Vehicle, a 14-Seater Electric Sightseeing Bus, shall be classified under PCT heading 8703.1000. This classification aligns with the classification of vehicles principally designed for the transport of persons (other than those of heading 87.02), as the vehicle is not considered as heavy commercial vehicle for public transport across long distances. The committee found that the Electric Vehicle in question is not intended for intercity movements or long-distance transportation of passengers. Instead, it is more suited for short distances in specific locations such as shopping malls, airports, and tourist attractions similar to golf carts being classified under PCT heading 8703.1000. In contrast, PCT heading 8702.4090 covers motor vehicles for the transport of ten or more persons, including the driver, that are typically meant for long-distance or intercity travel as public transport.

Key Points of Determination:

- **Vehicle Design and Usage:** The committee concluded that the 14-seater Electric Sightseeing Bus, while operating on electric power, is principally designed for transporting passengers for short distances within specific locations such as airports, shopping malls, and tourist attractions.

- **Comparison with PCT Heading 8702:** PCT heading 8702 covers motor vehicles designed for the transport of ten or more persons, including the driver, usually for long distances and intercity movements as public transport. The 14-seater Electric Sightseeing Bus, however, does not align with these criteria since it is not intended for long-distance or intercity travel.
- **Similarities with Golf Carts:** The committee emphasized that the vehicle's operation and purpose are similar to golf carts and other similar vehicles typically classified under PCT heading 8703.1000. These vehicles are meant for transportation within limited areas over very short distances, and the committee noted the 14-seater Electric Sightseeing Bus falls under this category.
- **Support from WCO Opinions:** Classification opinions issued by the WCO corroborate our decision, providing additional guidance and evidence for the classification of the Electric Sightseeing Bus under PCT heading 8703.1000 (Ref: *WCO classification opinion: Four-wheeled vehicle equipped with a 351cc single cylinder internal combustion engine; 2015 Adoption*).
- **Application of GIR-1:** Under General Interpretation Rules (GIR-1), the classification aligns with the bus's usage and operational characteristics for short-distance transportation in confined areas.

11. Foregoing in view, the Committee is of the view that the subject "Electric Vehicle (14-Seater Electric Sightseeing Bus)" is classifiable under PCT headings 8703.1000 by application of GIR-I.

12. The above finding is specific to the product whose details/ specifications have been given above. Further, the ruling is based on the documents, literature and information provided by the referring Collectorate/importer and shall be treated as annulled if it is found at any subsequent stage that the same was obtained by providing incorrect, false, misleading or incomplete information.

13. This Public Notice is issued in terms of Chapter-II (Classification) of CGO 12/2002 dated 15.06.2002 and any appeal against this determination/decision shall lie to the Board.

-Sd-
(Amjad Aman)
Additional Collector
Chairman Classification Committee

Copy for information to:

1. Member (Customs-Policy), Federal Board of Revenue, Islamabad.
2. Member (Customs-Operations), Federal Board of Revenue, Islamabad.
3. Member (Customs-Legal & Accounting), Federal Board of Revenue, Islamabad.
4. Member (FATE), Federal Board of Revenue, Islamabad.
5. The Chairman, Customs Appellate Tribunal, Karachi.
6. The Chief Collector of Customs (Appraisalment) South, Custom House, Karachi.
7. The Chief Collector of Customs (Enforcement) South, Custom House, Karachi.
8. The Chief Collector of Customs (Exports), Custom House, Karachi.
9. The Chief Collector of Customs (Appraisalment) Central, Custom House, Lahore.
10. The Chief Collector of Customs (Enforcement) Central, Custom House, Lahore.
11. The Chief Collector of Customs (North), Custom House, Islamabad.
12. The Chief Collector of Customs (Khyber Pakhtunkhwa), Custom house, Peshawar.
13. The Chief Collector of Customs (Baluchistan), Custom House, Quetta.
14. The Collector, CoC Appraisalment (East), Custom House, Karachi.
15. The Collector, CoC Appraisalment (West), Custom House, Karachi.
16. The Collector, CoC (PMBQ), Karachi.
17. The Collector, CoC (SAPT), Karachi.
18. The Collector, CoC (AIIA) Allama Iqbal International Airport, Lahore.
19. The Collector, Collectorate of Customs (Adjudication I & II), Custom House, Karachi.
20. The Director, Reforms and Automation (R&A), Custom House, Karachi.
21. The Director (Reforms & Automation), Custom House, Karachi.
22. The Karachi Chamber of Commerce & Industry, Karachi.
23. The Federation of Pakistan Chambers of Commerce and Industry, Karachi.
24. The Karachi Customs Agents Association, Karachi.
25. M/s Qaswa Automobile (Private) Limited, Apartment No.1, 1st Floor, commercial Complex, Safari Villas-II, Bahria Town, Phase-VII, Bahria Town, Islamabad.
26. Notice Board.

Amjad Aman
22/5/2024

(Amjad Aman)
Additional Collector of Customs
Chairman Classification Committee

PLEASE CIRCULATE

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