



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



C. No. (28) KAPE-DC(PCT)2016

Dated: 22.04.2017

**Public Notice No. 07 /2017 (Classification)**

Subject: **DETERMINATION OF CLASSIFICATION OF TVM MACHINE AND ALLIED EQUIPMENTS IMPORTED VIDE GD No. 19846 DATED 11.12.2014 BY M/s INBOX BUSINESS TECHNOLOGIES (PVT) LTD**

**FACTS:**

The Model Customs Collectorate, (Preventive), Lahore, forwarded a reference to Classification Centre for classification of 'Ticket Vending Machine (TVM) and allied equipments', imported by M/s Inbox Business Technologies (Pvt.) Ltd, Lahore, declared under HS Code 8470.9000. The goods were initially assessed under declared HS Code. However, later on, during the audit conducted by the team constituted by Chief Collector (Central), it was pointed out that equipments mentioned at Sr. 1 & 3 of the invoice are appropriately classifiable under HS Code 8476.8900. The Collectorate then contented importer's contention for classification under HS Code 8470.9000 is not correct and as per literature, TVM is a smart device to recharge smart cards on 24/7 basis in metro train stations, ferry ports and shopping centers, accepts banknotes, coins and credit cards and as per EN to HS Code 84.76 is to be classified under HS Code 8476.8900. On adjudication, Adjudicating Authority referred the case to Classification Committee for determination of the appropriate classification. Hence, this reference. The classification committee held meetings on 24.09.2016, 29.10.2016, 11.11.2016, 25.11.2016, 09.12.2016 and 06.01.2017 with stake holders and several subsequent in-house meetings to decide the matter.

**ISSUE:**

2. The examination of the case revealed that there are two issues involved in this case and these are:

- (a) Whether the product 'Ticket Vending Machine along and all allied equipments' is appropriately classifiable under HS Code 8470.9000 as claimed by the importer, or under PCT Heading 8476.8900 as proposed by the clearance Collectorate or under any other relevant Heading of the First Schedule to the Customs Act, 1969 (Pakistan Customs Tariff)? and
- (b) Whether the product "Ticket Vending Machine and allied equipments" is a single machine with its accessories classifiable in a single HS Code or the machine and other equipments are separate units performing separate functions and are classifiable under their respective Headings.

**PRODUCT ANALYSIS:**

3. According to details provided by the Collectorate and the importer to Classification Center, the consignment consists of following machines:

- (i) **Bulk Initialization Machine for RFID Card / Tokens:** This machine is bulk initialization Encoder machine which encodes binary and different media codes on blank RFID (Radio Frequency Identification Devices) cards / tokens. The machine transfers data from central computer to the blank RFID cards through software. This is the first operation in series of operations involved in automated ticket vending system.
- (ii) **Top-up / RFID Token Recharging Machine:** This hand-held machine recharges the RFID cards /tokens. It is widely used in vehicles, at desktops and as a hand-held device. This device is named as 'Recharger Device' at the manufacture's website (KENTKART). As per the information available on manufacturer's website, it incorporates a processor, RAM, flash drive and various readers like smart card, external card, magnetic swipe, contactless and contact-type readers. As per the literature available, this machine is also able to accept credit / debit cards and contact-less mobile payment applications. However, during the meeting of the Committee, the representative of the importer showed the video of the impugned machine which performs the function of recharging the RFID card/ token and issuing tickets against cash payments made to the operator.
- (iii) **Ticket Vending Machine (TVM):** It is an automatic ticket issuing machine. It is used for issuing tickets as well as recharging RFID smart cards on 24/7 basis. This is a smart device designed for metro, train stations, ferry ports, shopping centers and the like places. The multilingual TVM accepts banknotes, coins for issuing tickets and also performs loading RFID smart cards. During the transaction process, it assists passengers verbally and visually. It also accepts payments against credit/ debit cards.
- (iv) **Hand-held Ticket Validator:** This is a hand-held machine used as a Validator by an inspector in Public Transport Automated Fare Collection operations. This machine can be programmed to inspect smartcard usage in public transport network.

- (v) **Turnstile:** This is a mechanical gate consisting of revolving horizontal arms fixed to a vertical post, allowing only one person at a time to pass through. This mechanical gate is usually attached with a machine i.e. Validator which scans the RFID Card /tickets and after validation allows the person to pass through the designated way.
- (vi) **Turnstile Validator:** This is a machine which is attached with the Turnstile and authenticates RFID cards / tickets and communicates electronically to Turnstile to allow the person to pass through it. This is installed at both entry and exit points. This machine can be programmed to charge tariff on the basis of time, zone, distance traveled etc.
- (vii) **Driver Console Onboard Computer Video Surveillance System:** This is an Automatic Vehicle Management System which is used to provide vehicle tracking accurately and reliably along with other functions. This machine also records the following information in the prescribed format and the back-end-system can produce MIS reports based on the data recorded by this machine:
- (a) Acceleration and Deceleration,
  - (b) Breaking (All kind of brakes),
  - (c) Gear Shifting for automatic transmission,
  - (d) Fuel Information,
  - (e) Engine RPM,
  - (f) Bus Speed,
  - (g) Doors Control (Open / Close) Information,
  - (h) Bus Saloon Temperature,
  - (i) Engine Temperature and
  - (j) Battery On / Off Status.

The Driver Console is also capable of displaying messages and playing voice recordings to timely inform passengers of the next approaching station as well as to make any other announcements.

#### **Law & Analysis:**

4. The referring Collectorate is of the opinion that all Allied equipments imported with TVM being accessories of TVM machine are appropriately classifiable with TVM under its Code 8476.8900 in the light of ENs to Section (XVI) as reproduced below:

“Accessory instruments and apparatus (e.g. manometers, thermometers, level gauges or other measuring or checking instruments, output counters, clockwork switches, control panels, automatic regulators) presented with the machine or apparatus, if they are designed to measure, check, control or

regulate one specific machine or apparatus (which may be a combination of machines (see Part VI below) or a functional unit (see Part VII below). However, accessory instruments and apparatus designed to measure, check, control or regulate several machines (whether or not of the same type) fall in their own appropriate heading.”

The importer on the other hand admitted that they also had erroneously classified goods under one HS Code 8470.9000 which is for ‘calculating machines and pocket-size data recording, reproducing and displaying machines with calculating functions; accounting machines, postage-frank machines, ticket-issuing machines and similar machines incorporating a calculating device; cash registers’, whereas; the goods are appropriately classifiable under their respective headings. The Committee considered the first issue i.e. whether the goods are classifiable under one HS Code or in respective headings as per functions of the individual machines.

5. The Committee examined the functions of each machine and held that the imported machines / equipments are designed to perform individual functions and are covered under different PCT Headings of the Pakistan Customs Tariff (First Schedule to the Customs Act, 1969). These are not composite machines consisting of two or more machines fitted together to form a whole system and also not “other machines designed for the purpose of performing two or more complementary or alternative functions” as has been provided in Section Note 3 of Section XVI of the HS, which states;

‘Unless the context otherwise requires, composite machines consisting of two or more machines fitted together to form a whole and other machines designed for the purpose of performing two or more complementary or alternative functions are to be classified as if consisting only of that component or as being that machine which performs the principal function’

As such, these are separate machines performing different functions independently and are therefore, to be classified under their respective headings. Appropriate classification of each machine is discussed below.

(i) **Bulk Initialization Machine for RFID:**

The Collectorate classified the machine under HS 8476.8900 being accessories to the TVM. The importer, on the other hand, contended that this machine is Bulk initialization encoder whose function is to transcribe data on to data media i.e blank cards/ tokens in coded form and are rightly classifiable under HS Code 8471.

As regards Bulk Initialization Machine for RFID Card / Tokens, Classification Committee is of the opinion that the subject equipment cannot be treated as accessory / apparatus as the said item is an independent machine capable of transcribing data in

coded form and is an encoding machine/ encoder. As machines for transcribing data onto data media in coded form, and machines for processing such data, are specifically covered under Heading 8471 in terms of Explanatory Notes pertaining to machines for transcribing data [XVI-8471-6]. Hence, subject machine is appropriately classifiable under PCT Heading 8471.9090.

(ii) **Top up / Refund Machine / RFID Token Recharging Machine:**

The Collectorate classified the impugned machine under HS Code 8476.8900 being accessory / apparatus to the TVM. The Committee deliberated on the issue and observed that this machine cannot be treated as accessory / apparatus of machine of HS 84.76. The importer, on the other hand contested that this machine is a card recharger with calculating functions and is not a coin operated ticket issuing machine, hence the instant machine is out of the ambit of HS Code 8476.8900. The importer further contended that on the basis of calculating functions the subject machine is classifiable under HS Code 8470.9000. As the machine is a hand-held device which performs the function of re-charging RFID cards/ tokens and issue tickets against payments and this machine is also able to accept credit / debit cards and contact less mobile payment applications, hence impugned machine is appropriately classifiable under HS Code 8470.9000 as ticket issuing machine are specifically covered in EN pertaining to HS Code 84.70 [XVI-8470-3]

(iii) **Ticket Vending Machine:**

The department's contention on classification of impugned machines is that the TVM is appropriately classifiable in HS Code 8476.8900 as the machine is automatic machine providing tickets and accepts coins/cash / magnetic card. The importer, on the other hand, is of the view that the machine (TVM) issues tickets and at the same time saves data and calculates amount with internal calculating device in addition to printing of tickets and, these functions exclude this machine from HS Code 8476.8900 as the same is appropriately incorporated in HS Code 8470. Classification Committee after thoroughly considering heading 84.70 and 84.76 has observed that the line of demarcation between the said headings is that the machine of 84.76 are automatic, meaning thereby that the dispensation / vending of the goods does not require an operator. The person / buyer in need of product uses the machine himself to get the product, whereas, 84.70 covers those machines like cash register etc. which need an operator. The machine in question is not only an automatic ticket dispensing machine but also capable of accepting bank notes and coins as well, as

specifically mentioned in EN of HS 8476. Hence, the machine is appropriately classifiable under PCT heading 8476.8900.

The committee also considered the view point of the importer that functions like issuing tickets, saving data and calculation performed by TVM exclude it from the ambit of HS Code 84.76 and observed that functions like calculating and saving data are also performed by vending machines of HS Code 84.76 as every vending machine performs these functions. Similarly, as far as function of issuing ticket is concerned, the committee considered that the ticket issued by TVM is basically the merchandise provided by this machine against payment of bank notes /coins and since these functions are exclusively covered in HS 84.76, the committee opined that importers contention is not tenable.

(iv) **Hand Held Validator:**

The department reiterated its earlier version that this machine is also an accessory / apparatus of TVM and is to classified with that machine, whereas the importer contended that this is a hand-held device for inspecting / validating RFID smart cards/ tokens/ tickets. The Committee observed that the subject machine is hand-held product used to check/read the smart cards / tokens / ticket issued. Such types of machines are more appropriately covered under Heading 8471 as provided in Explanatory Notes [XVI-8471-5] and is correctly classifiable under PCT Heading 8471.9090.

(v) **Turnstile:**

Classification Committee endorsed the opinion of the importer that subject item cannot be treated as accessory instrument or apparatus of TVM as contended by the Collectorate, rather the committee observed it is an independent apparatus which is basically an access control unit for letting-in or letting-out the people from a Railway Station, Bus Station, Ferry Terminal and the like. Since the electro mechanical apparatus are excluded from the scope of Heading 85.30 as per ENs, the goods in question being electro mechanical access control unit, are correctly classifiable under HS Code 8608.0000

(vi) **Turnstile Validator:**

So far as the product Validator is concerned, the same is a device used to check the smart cards / tokens / ticket issued. The Committee observed that the subject machine is used to check/read the smart cards / tokens / ticket issued. Such types of machines are more appropriately covered under Heading 8471 as provided in

Explanatory Notes [XVI-8471-5] and is correctly classifiable under PCT Heading 8471.9090.

(vii) **Onboard Video Surveillance System:**

The Collectorate initially contested that this machine is also an accessory to the TVM classifiable under HS Code 8476.8900. However, later on they changed their stance and submitted that this machine is classifiable under HS Code 8417.6290 being apparatus for transmission or reception of voice, images or other data. Importer on the other hand contested that principle function of this multi-purpose machine is data processing which works in conjunction with main data processing unit hence the same is appropriately classifiable under HS Code 8471.9090. While discussing the Onboard Video Surveillance System, the Committee observed that the same are designed for recording video and audio on public transport vehicles (bus, minibus, metro, ferry, tram etc.). The catalogue further confirms the product as position / data reporting system as well as video surveillance system. Having main characteristics of a position / data reporting system, which is in fact a tracking system, hence, the subject system is classifiable, under HS Code 8525.6060 through application of GRI-3(c). The contention of the Collectorate as mentioned in their comments that this machine is classifiable under HS Code 8417.6290 is not tenable as HS Code 85.17 covers apparatus for transmission or reception of voice, images or other data other than transmission or reception apparatus of heading 8525 and since the tracking devices are specified under HS Code 8525.6060, it is outside the scope of HS Code 85.17. Similarly, the committee also found the contention of the importer of classifying this machine in HS Code 8471.9090 not tenable as this HS Code covers automatic data processing machine whereas the subject machine is a multi purpose Onboard Video Surveillance System having principal function of tracking.


**HOLDING:**

13. In view of the above discussion, Classification Committee held the classification of impugned items as under:

- (i) Bulk Initialization Machine for RFID Card / Tokens is classifiable under PCT Heading 8471.9090, in application of GRI I;
- (ii) Top up / Refund Machine / RFID Token Recharging Machine is also a ticket issuing machine and is classifiable under PCT Heading 8470.9000, in application of GRI I;
- (iii) Ticket Vending Machine (TVM) is classifiable under PCT Heading 8476.8900, in application of GRI I;

- (iv) Hand-held Validator is classifiable under PCT Heading 8471.9090, in application of GRI 1;
- (v) Turnstile with card reader is classifiable under PCT Heading 8608.0000, in application of GRI 1;
- (vi) Hand-held Validator is classifiable under PCT Heading 8471.9090, in application of GRI 1; and
- (vii) Video Surveillance System is classifiable under PCT Heading 8525.6060, in application of GRI 3 (C);

14. The above ruling is based upon the documents / literature provided by the applicant / Collectorate 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 by the applicant or the Collectorate.

  
 (Muhammad Haris Ansari)  
 Additional Collector-I  
 Chairman Classification Committee

**Distribution:**

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11. Karachi Chamber of Commerce & Industry, Karachi.
12. M/s Inbox Business Technologies (Pvt.) Ltd, 5<sup>th</sup> Floor Dawood Centre, M.T. Khan Road, PIDC, House, Lahore.
13. Karachi Customs Agents Association, Custom House, Karachi.
14. Notice Board.
15. Master File.