

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

No. 7(31)KAPE/CLASSIFICATION/197

Dated: 17.07.2014

PUBLIC NOTICE NO. 04/2014 (A)

Subject: CLASSIFICATION RULING OF ARTIFICIAL LEATHER – CASES OF M/S A.T.S SYNTHETIC(PVT) LTD & M/S A.H.N SYNTHETIC (PVT) LTD

The tariff classification of various types of PVC/PU materials (Artificial Leather) manufactured by M/s A.T.S Synthetics (Pvt) Ltd. and M/s A.H.N. Synthetic (Pvt) Ltd. Lahore was determined under PCT Code 39.21 by Classification Committee vide Public Notice No. 5/2013 dated 21-05-2013. On a representation made by the said manufacturers, the Federal Board of Revenue, vide letter C.No. 3(2) Tar-1/91 dated 11-06-2013, directed the Classification Committee to re-examine its findings after giving proper opportunity of hearing to the applicants and laboratory testing of the goods.

02. In pursuance of the directives of the Federal Board of Revenue, the matter was taken up afresh by the Classification Committee and hearings were conducted on 24-10-2013, 18-04-2014, 22-04-2014 and 14-06-2014. The representatives of M/s A.T.S Synthetics (Pvt) Ltd. and M/s A.H.N. Synthetic (Pvt) Ltd. Lahore, officers of Large Taxpayers Unit, Lahore and members of this Committee attended the hearings. The samples of the goods provided by LTU, Lahore were got tested by the Classification Committee from Leather Research Centre, P.C.S.I.R, Karachi.

03. M/s Akhtar Ali & Associates, the representatives of manufacturers, assailed the previous findings of Classification Committee regarding the classification of the subject goods under HS Code 39.21 and pleaded that the same may be classified under HS Code 59.03, mainly on the following grounds:

- (i) PVC coated fabric having both compact and cellular plastic layers, especially when the compact layer is the top layer, is classifiable in PCT heading 59.03.
- (ii) US Customs have classified the subject goods under HS code 59.03.
- (iii) Identical/similar products are routinely cleared by Pakistan Customs under heading 59.03.

04. The representatives of Large Taxpayers Unit, Lahore argued that the applicant's goods were classifiable under PCT Code 39.21. The main arguments put forth by LTU in this regard are as under:-

- (i) By virtue of Explanatory notes to HS code 59.03 and Note 2(a)(5) of Chapter 59, the goods in question are excluded from the purview of Chapter 59 and are classifiable under Chapter 39.
- (ii) The essential character of the goods as per Rule 3(b) of GIR is also of plastics and various international manufacturers of PVC/ PU Leather and Artificial Leather declare the HS Code of their goods in 9.21 on their web sites.

05. The arguments put forth by the stakeholders, test reports of Leather Research Centre, P.C.S.I.R, Karachi and relevant explanatory/section/chapter notes of tariff were examined by the committee. The results of test reports pertaining to different samples forwarded to P.C.S.I.R are summarized below:-

	Description	No of Layers	Compact or Cellular	Laminated fabric
2	PVC Flexible Sheet	01	Single layer compact	N.A
	PU Fine Star Woven	02	Top layer compact Second layer cellular	Woven Fabric
3	PVC Nylex	02	Top layer compact Second layer cellular	Raised warp knitted fabric
4	PVC Flooring	01	Single layer compact	N.A
5	PVC Tongve	03	Top layer compact Second layer compact Third layer cellular	Raised warp knitted fabric
6	PU/PVC Nylex	02	Top layer compact Second layer cellular	Raised warp knitted fabric
7	PU/PVC Can Pack Micro/ Fab	02	Top layer compact Second layer cellular	Raised warp knitted fabric

With regard to the above findings of laboratory, the main contention of the manufacturers was that since the test reports indicate the presence of compact plastic layer along with cellular plastic layer therefore the following exclusion of Chapter 59 does not apply to the goods in question:

"(5) Plastic, sheets or strip of cellular plastic, combined with textile fabric, where the textile fabric is present merely for reinforcing purposes (Chapter 39)."

06. The Committee has given careful consideration to the above mentioned explanatory notes and the stakeholders' arguments. It is observed that as per the test results, item no 1 and 4 mentioned in the above table straightaway fall out of the ambit of HS code 59.03 because they do not contain textile fabric. As regards the remaining items, it is evident from the lab test reports that these contain both cellular and compact plastic layers and since the committee is satisfied that textile fabric has been used in the goods as merely for reinforcing purposes, therefore, the same qualify for classification under PCT Code 39.21 by virtue of the exclusion given under Note 2(a)(5) to Chapter 59. Moreover, this Committee is of the view that the essential character of the goods is that of Plastics and not of Fabrics and thus the same merits classification under Chapter 39 in the light of GIR 3(b) reproduced below:

"(b) Mixtures, composite goods consisting of different materials or made up of different components, and goods put up in sets for retail sale, which cannot be classified by reference to 3(a), shall be classified as if they consisted of the material or component which gives them their essential character, insofar as this criterion is applicable."

07. The subject PVC/PU materials (Artificial Leather) manufactured by M/s A.T.S Synthetics (Pvt) Ltd. and M/s A.H.N. Synthetic (Pvt) Ltd. Lahore are, therefore, classifiable under PCT Code 39.21 in terms of rule 1 & 3(b) of General Rules for Interpretation read with rule 1 of Pakistan Rules for Interpretation. This classification ruling is strictly in respect of the goods presented before the Classification Committee.

Wajid Ali

(Wajid Ali)
Additional Collector-I
Chairman Classification Committee

Copy for information:

1. PS to Member (Customs), Federal Board of Revenue, Islamabad.
2. PS to Member (IR-Operations), Federal Board of Revenue, Islamabad.
3. Chief Commissioner, Inland Revenue, Large Taxpayers Unit, Lahore.
4. Chief Collector of Customs (Appraisalment)-South, Custom House, Karachi.
5. Chief Collector of Customs (Enforcement)-South, Custom House, Karachi.
6. Chief Collector of Customs (Central), Custom House, Lahore.
7. Chief Collector of Customs (North), Custom House, Islamabad.
8. Commissioner, Inland Revenue, Zone-III, Large Taxpayers Unit, Lahore.
9. M/s A.T.S Synthetics (Pvt) Ltd., Lahore.
10. M/s A.H.N. Synthetics (Pvt) Ltd. Lahore.
11. Karachi Chamber of Commerce Industry, Karachi.
12. Karachi Customs Agents Association, 2nd floor Burhani Terrace, Opposite Custom House Karachi.
13. Notice Board.