



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



C. No.186/KAPE/PCT/2021

Dated: 28.12.2022

PUBLIC NOTICE NO. 16/2022

Subject: **DETERMINATION OF CLASSIFICATION OF ALUMINUM WASTE AND SCRAP OF AUTO PARTS**

The Collectorate of Customs Appraisement, Port Muhammad Bin Qasim, Karachi vide letter C.No.Group-V-679-2021-PQ/1074 dated 21.12.2021 forwarded a reference for determination of appropriate classification of “Aluminum Waste and Scrap of Auto-Parts” imported by M/s Mughal Iron & Steel Industries Limited, Lahore (NTN No.3533975) vide GD No.KPPI-HC-38398 dated 01.12.2021. As per reference, the Collectorate was of the view that the impugned goods were fragmented pieces of auto-parts, without change in their actual composition, and classifiable under PCT Code 7602.0010 (--- of auto-parts). On the other hand, the importer M/s Mughal Iron & Steel Industries Limited, Lahore (NTN No.3533975) contended that the impugned goods were ‘Aluminum Scrap in Shredded state’ and the essential character of such article was changed, therefore, correctly classifiable under their declared PCT heading 7602.0090.

2. Hearings in the case were held on 07.03.2022, 13.08.2022, 22.10.2022, 12.11.2022 and 16.12.2022 which were attended on various occasions by representatives of the import, departmental representative from the Collectorate of Customs Appraisement, Port Muhammad Bin Qasim, Karachi and the members of the Classification Committee. The departmental representative reiterated the stance of the Collectorate contending that the goods on examination were found to be “waste & scrap of aluminum auto parts (cut into pieces)”, which was not contested by the importer as per department, hence classifiable under PCT Code 7602.0010. On the other hand, the representatives of the importer contested that waste and scrap of different articles, including motor vehicles, is fragmented (broken into pieces) at shredder plants to produce shredded scrap which is then magnetically segregated according to materials. After shredding, the waste and scrap of different articles (including auto-parts) it is traded and put up for sale as shredded scrap that reflects the essential character of goods; thus the essential

character of waste or any material, equipment, part etc. changes after the due process of shredding (fragmentation) and the goods should be assessed as presented to the customs. During the hearings, the representatives of the importer vehemently contested the examination report that the goods were found to be fragmented pieces of auto-parts. The representatives of the importer contended that the referring Collectorate was in possession of samples of impugned goods. On the other hand, the Collectorate categorically stated that there were no such samples available to be presented before the Classification Committee. Further, the representative of Collectorate asserted that the impugned goods were nothing but fragmented pieces of auto-parts.

3. The Classification Committee considered the stance of the Collectorate, arguments of importer and perused the available record. Further WeBOC clearance data of waste and scrap of aluminum auto-parts was also scrutinized which showed that the impugned goods are imported, declared/assessed under PCT Heading 7602.0010. In the instant case, the Committee observed that the actual dispute arose due to the physical examination of the goods and their physical attributes, on which the parties have divergent views. According to the referring Collectorate, the goods are ‘aluminum waste and scrap of auto-parts’ and the physical attributes of the impugned goods had neither been denied nor disputed, and that mere fragmentation of auto-parts into smaller pieces did not change the actual source of the goods. Contrary to it, the importer is of the view their goods are not drawn from waste and scrap of auto-parts; rather it comprises of majority of different articles, including motor vehicles, which lost their essential character during fragmentation/shredding process. The Classification Committee observed that the issue mainly and primarily relates to actual description of the goods. However, the Committee decided to proceed to examine the matter with respect to classification of such goods.

4. The Committee consulted the HS Code 76.02, Explanatory Notes and definition of definition of shredded, waste and scrap as given in the CGO 12/2002 dated 15.06.2002. It was observed that HS Code 76.02 covers “aluminum waste or scrap”. The said HS Code has been further divided into two PCT headings at three dash level as under:

76.02	Aluminium waste or scrap
7602.0010	- - - Of auto parts
7602.0090	- - - Other

5. The Committee observed that the national subheading under the HS Code 76.02 has been specifically created to classify aluminum waste or scrap depending upon their sources, i.e. ‘of auto-parts’ and ‘others’. The Committee noted that other countries have created national subheading of HS Code 76.02, according to their own requirements, like sources and/or types. The Committee observed that the USA and Japan have created subheadings as under:

The USA

7602.00.00	Aluminum waste and scrap
30	Used beverage container scrap
	Other:
91	Industrial process scrap including turnings, borings, shavings, filings, clippings, chips and other manufacturing wastes and residues
96	Other

Japan

7602.00	Aluminum waste and scrap
010	- Of aluminium, not alloyed
090	Of aluminium alloys

6. The Committee considered General Rules of Interpretation. According to Rule 1 of the General Rules for Interpretation, ‘classification shall be determined according to the terms of the headings and any relative Section or Chapter Notes’. Rule 6 states that the ‘classification of goods in the subheadings of a heading shall be determined according to the terms of those subheadings and any related Subheading Notes and, mutatis mutandis, to the above Rules, on the understanding that only subheadings at the same level are comparable and that for the purposes of this Rule the relative Section and Chapter Notes also apply, unless the context otherwise requires’.

7. In view of the foregoing, the Classification Committee is of the view that in the light of GIR 1 and 6, aluminum waste and scrap, identifiable to be comprising of ‘auto-parts’, is classifiable under PCT heading 7602.0010 (--- Of auto parts), and in case the source from where the aluminum waste and scrap was drawn is completely unidentified, due to physical nature of such waste and scrap, and the same comprises of a variety of mixed aluminum waste and scrap,

predominately of other than auto-parts, then such the aluminum waste and scrap shall fall under PCT heading PCT heading 7602.0090 (--- Other).

8. The above classification determination is specific to the product whose details/specifications have been given above. Further, the ruling is based on the documents and information provided by the 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.

9. Public Notice is issued in terms of Chapter-II (Classification) of CGO 12/2002 dated 15.06.2022.

(Mushtaq Ali Shahani)
Additional Collector of Customs/
Chairman Classification Committee

Copy for information to:

1. The Member Customs (Policy/Operations), Federal Board of Revenue, Islamabad.
2. The Member (Customs Legal & Accounting), Federal Board of Revenue, Islamabad.
3. The Member (FATE), Federal Board of Revenue, Islamabad with the request to publish this ruling on FBR website.
4. The Chief Collector of Customs (Appraisalment/Enforcement) South, Custom House, Karachi.
5. The Chief Collector of Customs (Appraisalment) Central, Custom House, Lahore.
6. The Chief Collector of Customs (Enforcement) Central, Custom House, Lahore.
7. The Chief Collector of Customs (North), Custom House, Islamabad.
8. The Chief Collector of Customs (Balochistan), Custom House, Quetta.
9. The Collectorate of Customs (Appraisalment-East/West/PMBQ), Karachi.
10. The Director, Reforms and Automation (R&A), Custom House, Karachi with the request to incorporate this ruling in WeBoC.
11. The Project Director, WeBoC*Glo*, Custom House, Karachi for necessary action.
12. M/s Mughal Iron and Steel Industries, 31-A, Shadman-1, Lahore.
13. The Federation of Pakistan Chambers of Commerce and Industry, Karachi.
14. The Karachi Chamber of Commerce & Industry, Karachi.
15. The Karachi Customs Agents Association, Karachi.
16. Notice Board.

(Mushtaq Ali Shahani)
Additional Collector of Customs/
Chairman Classification Committee