



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



No. C-22/KAPE/DC-PCT/2026

Dated: 28-09-2026

PUBLIC NOTICE No. 62/2026

SUBJECT: **CLASSIFICATION OF SECURITY THREAD FOR BANK NOTE UNDER PAKISTAN CUSTOMS TARIFF(PCT).**

The Classification Centre, Collectorate of Customs Appraisalment-(East) has finalized the reference received from Collectorate of Customs Airports Karachi vide letter No. SI/MISC/81/2026/AFU/JIAP dated 17-03-2026 for determination of classification of "SECURITY THREAD USED IN BANK NOTE PAPER" under PCT 5404.9000 against PCT heading 3920.6200.

Background of the Dispute:

2. M/s. Security paper Limited has imported the consignments of "SECURITY THREAD USED IN BANK NOTE PAPER" vide Goods Declaration No. KPAF-HC-50410-03-02-2026 under PCT heading 5404.9000, whereas per department contention goods are to be classified in PCT heading 3920.6200.

Importer's Point of View:

3. As per importer's representation the subject goods are security threads used in the manufacture of banknotes and consist of a continuous synthetic polyester strand/strip having an apparent width of approximately 1.2mm and thickness of 28 ± 2 microns. The product is manufactured from polyester, a synthetic man-made polymer, and is supplied in continuous form rather than as a conventional sheet or film. The explanatory scope of Heading 5404 covers synthetic monofilament and strips and the like of synthetic textile materials having an apparent width not exceeding 5mm, while Heading 3920 covers non-cellular and non-reinforced plastic plates, sheets, film, foil and strip, subject to the relevant exclusions applicable to narrow strips. Given the apparent width of the subject security thread of only 1.2mm, its continuous strand/strip construction and its polyester composition, the product possesses the essential characteristics of the narrow synthetic strip contemplated under Heading 5404 rather than an ordinary plastic strip of Heading 3920. The Customs Laboratory Test Report dated 12-02-2026 has also identified the sample as a security thread in the form of a translucent plastic strip with "State Bank of Pakistan 10" printed thereon, composed of polyester and coated with a thin layer of polyethylene. The laboratory findings therefore confirm polyester as the principal / base material, with polyethylene serving only as a thin coating. The product is further described as a double-layer laminated polyester security thread, approximately 1.2mm in width and 28 ± 2 microns in thickness, exhibiting yellow fluorescence under ultraviolet light on both sides and specifically designed for incorporation into banknote paper as a security feature. Considering its material composition, continuous narrow-strip form, dimensions, construction, laboratory findings and specific use in banknote production, the appropriate classification of the subject Security Thread is considered to fall under HS Heading 5404, rather than Heading 3920.

Chief (TPS)

Muhammad Aun Baitar
Chief (TPS)
Webmaster

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Department Point of View:

4. Department is of point of view that imported item are metalized plastic strip manufactured from poly ethylene terephthalate and therefore correctly classified in PCT Heading 3920.6200 instead of the declared PCT Heading 5404.9000.

Product Analysis: test report

security thread for bank

the sample declared as security thread, on test is found to be a transparent plastic strip with "STATE BANK OF PAKISTAN 10" PRINTED ON IT, COMPOSED OF POLYESTER, IT IS COATED WITH THIN LAYER OF POLYETHYLENE. AS PER MANUFACTURER LITERATURE IMPORTED ITEM HAS apparent width of 1.2mm

TEST REPORT AND MANUFACTURER LITERATURE CONFIRMED THAT IMPORTED ITEM IS SECURITY THREAD USED IN BANK NOTE PAPER COMPOSED OF POLYESTER, IT IS COATED WITH THIN LAYER OF POLYETHYLENE FURTHER IT HAS apparent width of 1.2mm.

Nature and Characteristics of the Goods

1.1. The subject goods are security threads specifically designed and manufactured for incorporation into banknote paper as a security feature. The goods are supplied in continuous lengths in the form of a narrow, flat strand / strip, having an apparent width of approximately **1.2mm** and thickness of approximately **28 ± 2 microns**.

1.2. As per the Customs Laboratory Test Report dated **12-02-2026**, the submitted sample has been identified as a **security thread**, described as a translucent plastic strip bearing the marking "**State Bank of Pakistan 10**", composed principally of **polyester** and coated with a thin layer of **polyethylene**.

1.3. The laboratory finding is material for classification because it establishes that the principal substrate of the subject goods is polyester, i.e. a synthetic polymer material, while the polyethylene constitutes only a thin coating applied to the polyester substrate. The physical identity of the goods is therefore that of a continuous, narrow polyester-based security strip/thread and not that of an ordinary plastic sheet or film.

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Points for Consideration:

5. The following tariff headings were examined by the Classification Committee:
1--- 5404.900
2---3926.6200

Legal Analysis:

1. Nature and Characteristics of the Goods

The subject goods are security threads specifically manufactured for incorporation into banknote paper as a security feature. The product consists principally of a synthetic

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polyester monofilament/continuous narrow strip, having an apparent width of approximately 1.2mm and a thickness of approximately 28 ± 2 microns.

The security thread is supplied in continuous form and is specifically designed for incorporation into banknote paper. Its physical characteristics, composition and intended application distinguish it from conventional plastic sheets, films or strips.

2. **Classification under Heading 5404**

Heading 5404 covers synthetic monofilament of which no cross-sectional dimension exceeds 1 mm, as well as strips and the like of synthetic textile materials of an apparent width not exceeding 5mm.

The subject security thread is manufactured from polyester, a synthetic polymer, and is supplied in the form of a continuous, narrow strip having an apparent width of only 1.2mm. Its physical form and dimensions are consistent with the narrow strips contemplated under Heading 5404.

Accordingly, having regard to the composition, construction and dimensions of the product, classification under Heading 5404 is appropriate.

3. **Distinction from Heading 3920**

Heading 3920 generally covers non-cellular plates, sheets, film, foil and strip of plastics, which are not reinforced, laminated, supported or similarly combined with other materials. The tariff provisions, however, distinguish narrow strips of synthetic textile materials falling within the specified dimensional parameters of Chapter 54.

The subject security thread has an apparent width of 1.2mm and is manufactured from polyester in a continuous narrow-strip form. It is therefore distinguishable from ordinary plastic film or strip contemplated under Heading 3920. Its classification should be determined with reference to the specific tariff treatment applicable to narrow strips of synthetic textile materials under Chapter 54.

4. **Findings of the Customs Laboratory**

The Customs Laboratory Test Report dated 12-02-2026 identifies the sample as a security thread and describes it as a translucent plastic strip bearing the marking "*State Bank of Pakistan 10*". The report further identifies polyester as the principal material and polyethylene as a thin coating applied to the polyester substrate.

The laboratory findings therefore establish that polyester constitutes the principal / base material of the security thread, while the polyethylene serves as a coating. The presence of a thin polyethylene coating does not alter the essential nature of the product as a polyester-based security thread.

5. **Composition, Dimensions and Intended Use**

The product is a double-layer, polyester-based security thread with an apparent width of approximately 1.2mm and a thickness of approximately 28 ± 2 microns. It exhibits yellow fluorescence under ultraviolet light on both the recto and verso sides and is specifically manufactured for incorporation into banknote paper.

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Its narrow continuous construction, polyester composition, specific dimensions and specialized use as a banknote security feature are material characteristics for determining its tariff classification. These characteristics distinguish the product from ordinary plastic sheets, films and strips falling within Heading 3920.

Classification Opinion:

6. The classification of the imported goods, described as a *polyester-based security thread for incorporation into banknote paper*, is examined with reference to the *General Rules for the Interpretation of the Harmonized System (GRIs)*, the relevant *Chapter Notes*, the wording of the respective headings, and the *Explanatory Notes to Heading 5404*.

1. Applicable General Rules for Interpretation

Under *General Interpretative Rule 1*, classification is determined according to the terms of the headings and any relevant Section or Chapter Notes. The heading terms and the applicable legal Notes therefore constitute the primary basis for classification.

In the present case, the classification is resolved at the heading level by applying GRI 1 in conjunction with *Note 10 to Chapter 39* and the terms of *Heading 5404*.

Once Heading 5404 is determined to be applicable, GRI 6 is relevant for determining the appropriate subheading, applying the same principles used for the interpretation of the headings at the subheading level.

2. Relevant Provisions of Chapter 39

General Note VII-39-12 relating to Chapter 39 provides that the expression "*plates, sheets, film, foil and strip*" used in Headings 3920 and 3921 is to be understood in accordance with Note 10 to Chapter 39.

Note 10 to Chapter 39 expressly provides:

"In headings 3920 and 3921 the expression 'plates, sheets, film, foil and strip' applies only to plates, sheets, film, foil and strip *other than those of Chapter 54*."

This Note is decisive in determining the scope of Headings 3920 and 3921. It excludes from those headings any strip which is otherwise classifiable under Chapter 54. Accordingly, the fact that the subject goods contain plastic material does not, by itself, warrant classification under Heading 3920 where the goods meet the specific description of a strip covered under Heading 5404.

3. Relevant Provisions of Chapter 54 and Heading 5404

Chapter 54 covers "*Man-made filaments; strip and the like of man-made textile materials*." Heading 5404 specifically provides for:

"*Strip and the like (for example, artificial straw) of synthetic textile materials of an apparent width not exceeding 5mm.*"

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The heading therefore covers synthetic textile strips where the goods are in the form of strip or the like and their apparent width does not exceed 5mm.

The Customs Laboratory Report and manufacturer's literature establish that the imported security thread is principally composed of *polyester*, with a *thin polyethylene coating*, and has an apparent width of approximately *1.2mm*.

Polyester falls within the definition of synthetic fibres in Chapter 54, which includes polymers produced by polymerization of organic monomers, including polyesters.

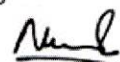
4. Explanatory Notes to Heading 5404

The Explanatory Notes to Heading 5404, under paragraph (2), clarify the scope of "*strip and the like, of synthetic textile materials*." They describe the strips covered by the heading as flat strips having a width not exceeding 5 mm, whether produced by extrusion or cut from wider strips or sheets.

The Explanatory Notes further explain that the heading also covers strips which are folded, flattened, compressed or twisted, provided that their apparent width does not exceed 5mm. Where the width is not uniform, the average width is to be taken into account.

These provisions confirm that the determining physical criterion for the relevant strip provision is the **apparent width**, with the maximum prescribed width being 5mm. The subject security thread, having an apparent width of *1.2mm*, falls well within this prescribed limit.

The Explanatory Notes are recognized by the World Customs Organization as the official interpretation of the Harmonized System and an indispensable complement to the HS nomenclature.



5. Application of the Rules to the Imported Goods

The imported product is a specialized *security thread manufactured for incorporation into banknote paper*. Its principal material is polyester, while the polyethylene is present only as a thin coating. The product is supplied as a continuous, narrow strip and has an apparent width of approximately 1.2mm.

Its characteristics correspond with the description of *strip of synthetic textile materials* under Heading 5404. The fact that the product is coated with polyethylene does not alter the relevant classification where its principal/base material and essential form remain those of a synthetic textile strip.

Most importantly, *Note 10 to Chapter 39 expressly excludes from Headings 3920 and 3921 strips which are classifiable under Chapter 54*. Thus, once the subject goods are found to satisfy the specific description of Heading 5404, classification under Heading 3920 is excluded by operation of the legal Note.

Accordingly, applying GRI 1, the goods are appropriately classified in Heading 5404. The relevant subheading is thereafter determined in accordance with GRI 6.

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6. Conclusion and Classification

The Customs Laboratory Test Report and manufacturer's literature establish the following essential characteristics of the imported goods:

- i) the product is a **security thread** intended for incorporation into banknote paper;
- ii) its principal/base material is **polyester**, a synthetic material covered by Chapter 54;
- iii) it is supplied in the form of a **continuous narrow strip**;
- iv) it has an **apparent width of approximately 1.2mm**; and
- v) it carries a thin **polyethylene coating** which does not alter its essential character as a polyester based synthetic strip.

These characteristics satisfy the specific description of **Heading 5404**, which covers strips and the like of synthetic textile materials having an apparent width not exceeding 5mm.

The application of **GRI 1**, Coupled with **Note 10 to Chapter 39**, leads to the exclusion of the goods from Heading 3920 and their classification under Heading 5404. **GRI 6** is then applied for classification at the subheading level.

Accordingly, on the basis of the *terms of the heading, relevant Chapter Notes, Explanatory Notes to Heading 5404, laboratory findings, manufacturer's literature, material composition and apparent width*, the imported polyester-based security thread is appropriately classified as under:

PCT Heading 5404.9000 Conclusion:

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7. The Classification Committee holds by application of GRI 1 coupled with **Note 10 to Chapter 39**, the imported **"SECURITY THREAD USED IN BANK NOTE PAPER"** appropriately classified under Heading 5404. GRI 6 is then applied for classification at the subheading level.

8. This Public Notice is issued in terms of Chapter-II (Classification) of CGO 12/2002 dated 15-06-2002 and appeal against this determination lies with the Board in terms of Rule 2 of the Pakistan Rules provided in the preamble of the First Schedule to the Customs Act, 1969.

Sd/-

(Muhammad Nauman Tashfeen)

Additional Collector/-

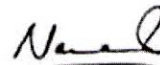
Secretary to the Classification Committee

Copy for information to:

1. Member (Customs-Policy), FBR, Islamabad.
2. Member (Customs-Operations), FBR, Islamabad.
3. Member (Customs-Legal & Accounting), FBR, Islamabad.
- ✓ 4. Member (FATE), FBR, Islamabad with the request to publish this ruling on FBR website.
5. The Chief (Tariff & Trac), Federal Board of Revenue, Islamabad.
6. The Chief Collector of Customs (Appraisalment) South, Karachi.
7. The Chief Collector of Customs (Enforcement) Islamabad.
8. The Chief Collector of Customs (Exports / IOCO), Custom House, Karachi.
9. The Chief Collector of Customs (Appraisalment) Central, Custom House, Lahore.

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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.
14. The Chief Collector of Customs (Baluchistan), Custom House, Quetta.
15. The Collector, Collectorate of Customs Appraisement-West/PMBQ/East/SAPT, Custom House, Karachi Members of the Classification Committee.
16. The Director, Directorate of Customs (Valuation), 7th Floor, Custom House, Karachi.
17. The Director, Directorate of Reforms & Automation (R&A), Custom House, Karachi with the request to incorporate this ruling in WeBOC.
18. All Collectors / Directors of Customs.
19. The Collector, Collectorate of Customs (Airports), Jinnah International Airport, Karachi.
20. The Karachi Chamber of Commerce & Industry, Karachi.
21. The Federation of Pakistan Chambers of Commerce and Industry, Karachi.
22. The Karachi Customs Agents Association, Karachi.
23. M/s. Security Papers Limited,
24. Notice Board.



(Muhammad Nauman Tashfeen)

Additional Collector/

Secretary to the Classification Committee

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