

No.C-46/KAPE/DC-PCT/2025

Dated: 02.02.2026

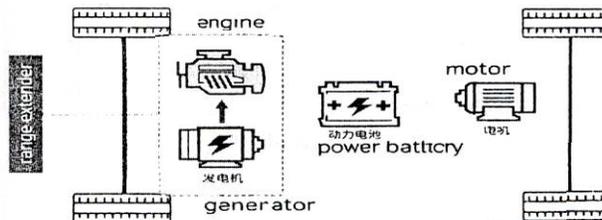
**PUBLIC NOTICE NO. 02/2026**

**Subject: CLASSIFICATION OF RANGE-EXTENDED ELECTRIC VEHICLES (REEVs) / EXTENDED-RANGE ELECTRIC VEHICLES IN CHAPTER 87**

The matter regarding appropriate classification of a new category of passenger motor vehicles more commonly known as **Range-Extended Electric Vehicles (REEVs) or Extended-Range Electric Vehicles (EREVs)** was placed before the Classification Committee in pursuance of references received from the Federal Board of Revenue vide letter No.1(3)Tariff-III/2018-Pt-I dated 31.10.2025 pertaining to vehicles imported by **M/s. Master Changan Motors, Deepal S05 REEV** and the **Forthing Friday REEV** of **M/s. Capital Smart Motors (Pvt.) Ltd.**, and allied representations received from various importers and all other stakeholders.

**(2) Architecture of the subject range-extended electric vehicles (REEVs):**

2.1 The Committee first analyzed the architecture of the subject Range-Extended Electric Vehicles (REEVs) which was characterized by the presence of a **plug-in high-voltage traction battery**, with vehicle propulsion being affected at all times and under all operating conditions **exclusively by one or more electric traction motors** driving the wheels. The Committee further observed that an internal combustion piston engine is installed for the purpose of operating an onboard electric generator to recharge the traction battery when its state of charge falls below a predetermined threshold. The internal combustion engine has **no mechanical linkage whatsoever with the gearbox, transmission, differential, drive shafts, or wheels**, and is physically incapable of transmitting mechanical torque to the wheels in any driving mode. Accordingly, at no stage does the internal combustion engine contribute mechanical power to wheel propulsion, and all tractive force is delivered entirely through electric means.



**Architecture of REEV**

Source: Master Changan Motors

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Uzma Asghar  
 Chief (TSA)  
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### **(3) Specifications of the Vehicle:**

3.1 For technical clarity and for completeness of the record, the relevant specifications of the subject vehicles are presented below in tabular form:

<b>Combined Specifications and Details</b>		
<b>Feature</b>	<b>Deepal S05 REEV (Master Changan Motors)</b>	<b>Forthing Friday REEV (Capital Smart Motors)</b>
<b>Vehicle Type</b>	Range-Extended Electric Vehicle (REEV)	Range-Extended Electric Vehicle (REEV)
<b>Primary Propulsion</b>	Electric Motor	Electric Motor
<b>Drivetrain</b>	Rear-Wheel Drive (RWD)	Front-Wheel Drive (FWD)
<b>Battery Type</b>	Lithium-ion	Lithium-ion
<b>Battery Capacity</b>	27.28 kWh	31.94 kWh
<b>Pure Electric Driving Range</b>	Up to 170 km	Approx. 80–85 km
<b>Total Driving Range (Combined)</b>	Up to 1,000 km	Up to ~1,150 km
<b>Internal Combustion Engine Presence</b>	Yes (Range Extender)	Yes (Range Extender)
<b>Engine Displacement</b>	1,497 cc	1,498 cc
<b>Engine Role</b>	Electricity generation only	Electricity generation only
<b>Fuel Type</b>	Petrol	Petrol
<b>Fuel Tank Capacity</b>	45 Liters	43 Liters
<b>Dimensions (L × W × H)</b>	4620 × 1900 × 1600 mm	4600 × 1860 × 1680 mm
<b>Wheelbase</b>	2880 mm	2715 mm
<b>Ground Clearance</b>	169 mm	180 mm

Source: Official Website of Manufacturers

### **(4) Background of the Dispute:**

4.1 Notwithstanding the architecture explained above, divergent interpretations and views emerged at the field level and among stakeholders as to whether the mere presence of an internal combustion engine, despite its non-propulsive function, warranted classification of the

subject vehicles as “Plug-in Hybrid Electric Vehicles” under Pakistan Customs Tariff (PCT) heading **8703.60**, or whether the same were classifiable as “Vehicles with only electric motor for propulsion” under PCT heading **8703.80**. This difference of opinion, arising out of the absence of an explicit distinction within the existing tariff structure for range extended configurations, gave rise to the present dispute and necessitated authoritative determination to ensure uniform application of the Pakistan Customs Tariff.

**(5) Scope of Disputed PCT Sub-headings:**

**5.1) PCT Subheading 8703.60 (Spark-Ignition Plug-in Hybrid Electric Vehicles):**

5.1.1 The PCT sub-heading 8703.60, explicitly covers passenger motor vehicles equipped with *both a spark-ignition internal combustion piston engine and an electric motor, each functioning as motors for propulsion and capable of being charged by plugging into an external source of electric power*. Prima facie, this sub-heading envisages vehicles in which mechanical propulsion may be affected by an internal combustion engine, the electric motor, or a combination of both. Vehicles falling within this category are therefore usually characterized by a dual-propulsion architecture, where both propulsion units actively participate in driving the vehicle under one or more operating modes.

**5.2) PCT Subheading 8703.80 (Vehicles with Only Electric Motor for Propulsion)**

5.2.1 In contrast, PCT 8703.80 usually applies to *passenger motor vehicles with only electric motor for propulsion, wherein mechanical propulsion is affected exclusively by one or more electric traction motors transmitting torque to the wheels*. Vehicles falling under this sub-heading may be powered by electrical energy stored in rechargeable batteries. Vehicles classifiable under this sub-heading are characterized by the fact that all tractive force is delivered electrically through the electric motor(s) transmitting torque to the wheels.

**(6) Proceedings of the Classification Committee:**

6.1 Accordingly, the matter was taken up by the Classification Committee for discussion and meetings in this regard were held on 17.11.2025, 27.11.2025, 23.12.2025, 30.12.2025 and 19.01.2026. While the representatives from Ms. Capital Smart Motors (Pvt.) Ltd., Ms. Master Changan Motors, Ms. Mega Company (Pvt.) Ltd. (local partner of Ms. BYD), Ms. Sazgar Engineering Works Ltd., Ms. Indus Motor Company Ltd., and the Engineering Development Board (EDB) presented their case, the Classification Committee closely examined the Terms of Headings under the Pakistan Customs Tariff in line with the Harmonized System (HS) 2022, the General Rules of Interpretation, the Harmonized System Explanatory Notes (2022), detailed technical literature, powertrain schematics, type approval certificates, New Energy Vehicle policy implementation, foreign classification rulings, and representations placed on record by all the stakeholders.

**(7) Submissions of the Importers in Favor of Classification under HS 8703.8090:**

7.1 The representatives of the importers, namely **M/s. Capital Smart Motors (Pvt.) Ltd.** and **M/s Master Motors**, submitted that the defining and decisive characteristic of REEV is that the mechanical propulsion of the vehicle is provided **exclusively by one or more electric traction motors** under all operating conditions. It was explained that although an internal combustion engine (ICE) is installed onboard, the same is mechanically isolated from the drivetrain, with no clutch, gearbox interface, driveshaft, differential, or any other mechanical linkage connecting the engine to the wheels. Consequently, the ICE is physically incapable of transmitting mechanical torque to the wheels during acceleration, cruising, regenerative braking, or extended-range operation, and therefore cannot be regarded as a “motor for propulsion” in either the literal or functional sense.

7.2 The importers further clarified that the sole function of the internal combustion engine in REEVs is to operate an electric generator for the purpose of producing an electrical energy to recharge the traction battery or to supply electricity to the electric motor when the battery state of charge falls below a prescribed threshold. It was contended that this function is identical in principle and effect to an **external charging source**, such as a grid connected charging station, and that the engine does not participate in propulsion in any manner. The presence of onboard fuel consumption, it was argued, does not equate to mechanical propulsion, which according to them remains the decisive criterion for classification under heading 87.03 of the Harmonized System.



7.3 The importers further relied on the precise wording of the HS 2022 sub-headings, that the subheadings **8703.40 to 8703.70** expressly require that **both the internal combustion engine and the electric motor** must function “as motors for propulsion”, meaning thereby that each must be capable of mechanically propelling the vehicle. Whereas, the internal combustion engine in REEVs is incapable of propelling the vehicle. Conversely, sub-heading **8703.80**, which covers vehicles with “**only electric motor for propulsion**”, was described to cover the propulsion and architecture of REEV.

7.4 In further support of their argument, the importers placed reliance on established international classification practice, contending that interpretation of the Harmonized System must remain uniform across World Customs Organization (WCO) Member Administrations. In this regard, reference was made, inter alia, to the United States Customs and Border Protection Ruling NY **N319232 dated 12.05.2021**, wherein the Nissan Kicks e-Power, having an identical range-extended architecture, was classified under HTSUS 8703.80 on the explicit ground that the internal combustion engine could not directly propel the wheels. Furthermore, the **EU Commission Implementing Regulation (EU) 2024/2754 dated 20.10.2024** was also quoted, which categorically includes vehicles propelled solely by electric motors, even where an internal combustion engine is installed exclusively as a range extender, within the electric vehicle

category. It was argued by the importers that these rulings demonstrate a consistent, objective, and internationally accepted interpretation of the term “**motor for propulsion**”.

7.5 Finally, the importers submitted that classification under the Harmonized System is governed strictly by objective technical characteristics and the legal text of the tariff, and not by domestic incentive schemes, environmental policy considerations, or broader technological labels such as “hybrid” employed in nontariff regulatory frameworks. Accordingly, it was asserted that Range-Extended Electric Vehicles are correctly classifiable under **PCT 8703.80** as vehicles with only electric motor for propulsion, in terms of General Rules of Interpretation 1 and 6.

#### **(8) Submissions of Other Industry Stakeholders against the Classification under HS 8703.8090:**

8.1 On the other hand, the major industry stakeholders, including **M/s. Mega Motor Company (Pvt.) Ltd. (authorized distributor of BYD vehicles), M/s. Sazgar Engineering Works Ltd., M/s. Indus Motor Company Ltd., the Pakistan Automotive Manufacturers Association (PAMA)** contended that the Range-Extended Electric Vehicles (REEVs) should be explicitly viewed, both conceptually and technologically, as **hybrid vehicles** rather than pure electric vehicles. It was stressed that the **energy system of such vehicles relies on a combination of electrical energy and a consumable fuel, and that propulsion is not independent of the onboard internal combustion engine operating as a generator.**

8.2 The substantial reliance was placed by the other stakeholders on **UN WP.29 Mutual Resolution No. 2 (M.R.2)**, which classifies various **propulsion systems for the purposes of international vehicle regulation and recognizes range-extender architecture as a form of series hybrid.** It was vehemently argued that Pakistan, being a contracting party to the **1958 Agreement**, has undertaken its responsibility to align its vehicle standards with WP.29 definitions, and that disregarding this classification would result in regulatory inconsistency between customs classification and vehicle homologation standards applied domestically.

8.3 The other Stake holder further stressed on the **Harmonized System Explanatory Notes (2022)**, which explicitly recognize a **series hybrids** as a category of Hybrid Electric Vehicles (HEVs). In this context, the stake holders vehemently argued that although **the internal combustion engine in a series hybrid does not mechanically drive the wheels, it nevertheless contributes energy that ultimately results in propulsion.** They maintained that the expression “**for the purpose of mechanical propulsion**” should be interpreted in a broader and functional manner, rather than in a narrow mechanical sense, and that **the ability to sustain electrical power for the electric motor should be regarded as a contribution to propulsion within the broader meaning of the term.**

8.4 They also raised the **environmental and policy related concerns** wherein emphasis was placed on how the REEV technology consumes fuel and generate emissions and may under certain usage patterns, produce higher carbon dioxide emissions than conventional

Plug-in Hybrid Electric Vehicles or fully electric vehicles. It was cautioned that classifying such vehicles as “pure electric vehicles” under **PCT heading 8703.80** could distort trade and environmental statistics, undermine the objectives of Pakistan’s **New Energy Vehicle (NEV) Policy**, which emphasizes on zero tailpipe emissions, and result in an unintended fiscal advantage for vehicles that do not deliver the full environmental benefits associated with the electric vehicles.

8.5 The majority of other stakeholders also relied upon **export declaration in their defense (i.e. Export GDs)** issued by the exporting countries, wherein REEVs have been manufactured / declared and cleared as a hybrid or plug-in hybrid vehicle. It was further emphasized that while the export declarations are not determinative, they nonetheless reflect the manufacturer’s own characterization of the subject vehicle according to its architecture, and demonstrate that, in international trade practice, **REEVs are not uniformly treated as pure electric vehicles**. According to the majority of the stakeholders, disregarding such export declarations could result in divergent treatment of identical goods across countries.

8.6 The Classification Committee further noted that although the local industry stakeholders while countering the viewpoint of the importers of REEV explicitly acknowledged that the Customs classification of REEV must be determined strictly on the basis of the tariff text / terms of heading and explanatory notes, independent of fiscal incentives or policy-driven exemptions applicable to electric vehicles. However, they later submitted that **EV-specific concessions have been consciously designed by the legislature for vehicles without reliance on consumable fuel, and that extending such concessions to REEVs through classification under heading 8703.80 would effectively expand the scope of EV benefits beyond legislative intent**, thereby undermining the distinction maintained in law and policy between electric vehicles and hybrid technologies.

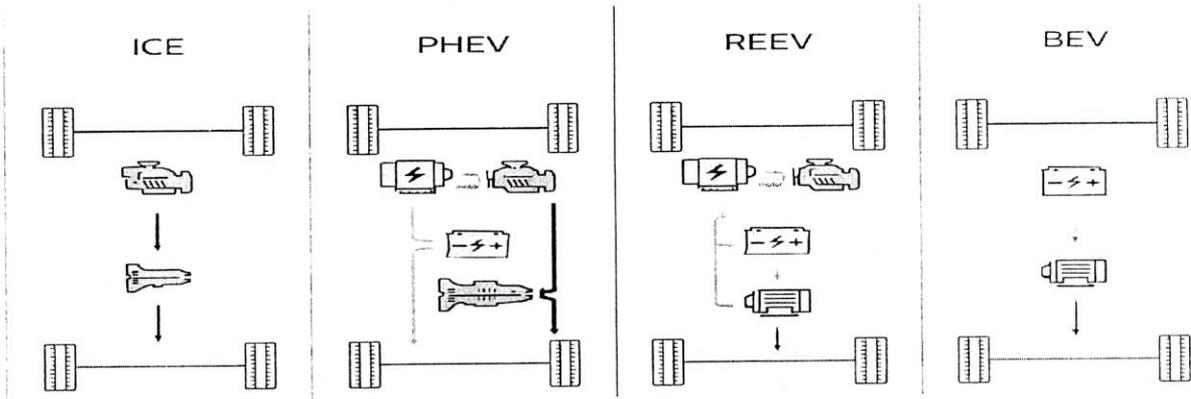
8.7 In conclusion, from the perspective of the local industry stakeholders, it was concluded that Range-Extended Electric Vehicles (REEVs) should be regarded as “**series hybrid vehicle**” in both technological and functional terms, rather than as conventional zero-emission electric vehicles. The local industry stakeholders maintained that, although wheel propulsion is effect through an electric motor, the overall energy system of REEV remains dependent on a consumable fuel through an onboard internal combustion engine operating as a generator, resulting in efficient fuel consumption and associated emissions. On this basis, they asserted that **REEVs are not equivalent to battery-only electric vehicles and, therefore, electric-vehicle-specific fiscal concessions and exemptions, which are intended for vehicles without reliance on fuel, should not be extended to REEVs**. The stakeholders further expressed the view that while taking into account the hybrid character of the technology and a purposive interpretation of propulsion under the tariff, **REEVs are more appropriately classifiable as plug-in hybrid electric vehicles and may be considered for classifiable under HS Code 8703.60**.

## 9) Examination and Analysis by the Classification Committee:

9.1 The Classification Committee observed that **the present general scheme of tariff/terms of heading, does not mention the term “hybrid” and specific reference with regards to categorization of vehicles as Hybrid is only found in the Explanatory notes.** The Harmonized System 2022 nomenclature, with the reference to heading 87.03, indicates that the vehicles are distinguished exclusively based **on the nature and source of mechanical propulsion** of the vehicle, i.e., the source(s) capable of transmitting torque to the wheels, given as under:

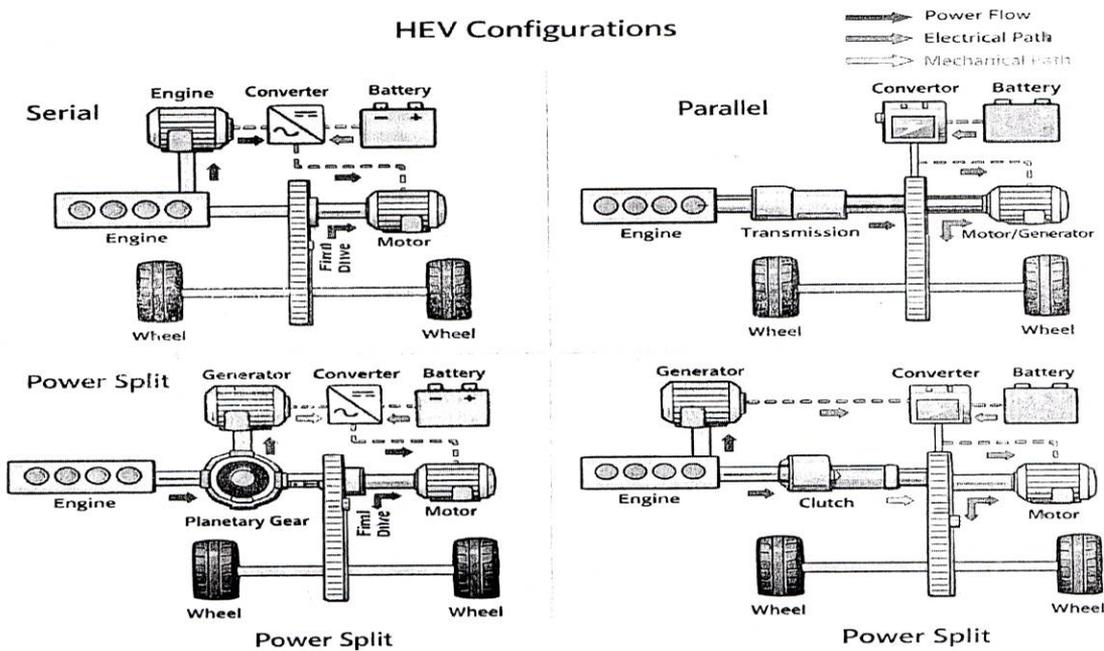
- a) Sub-headings **8703.2000 to 8703.3000** covers vehicles equipped with only a spark-ignition or compression-ignition internal combustion piston engine as the motor for propulsion;
- b) Sub-heading **8703.4000 (spark-ignition); and Sub-heading 8703.5000 (compression-ignition)** cover non plug-in vehicles, where both the internal combustion engine and the electric motor are mechanically linked to the drive train and can, independently or jointly, transmit torque to the wheels both therefore both qualify as “motors for propulsion”;
- c) Sub-heading **8703.6000 (spark-ignition); and Sub-heading 8703.7000 (compression-ignition)** cover plug-in vehicles, where both the internal combustion engine and the electric motor are mechanically linked to the drive train and can, independently or jointly, transmit torque to the wheels and hence both qualify as motors for propulsion;
- d) Finally, sub-heading **8703.80** in contrast, is a distinct provision covering vehicles with only electric motor for propulsion, where mechanical propulsion of the vehicle is effected exclusively by electric motor(s), irrespective of the presence of ancillary or auxiliary components not involved in mechanical propulsion.

9.2 For the purpose of technical clarity, the Committee also reviewed the recognized categories of hybrid vehicle architectures discussed in Harmonized System Explanatory Notes (2022). In “**parallel hybrid vehicles**”, the internal combustion engine and the electric motor are both mechanically connected to the drivetrain, and either power source; or both together, may propel the vehicle by transmitting torque directly to the wheels. In “**series-parallel or power-split hybrid vehicles**”, the drive train incorporates a power-split mechanism or transmission system through which the internal combustion engine and electric motor are mechanically integrated, allowing propulsion to be provided by the engine, the electric motor, or a combination of both, depending on operating conditions. In “**series hybrid vehicles**”, mechanical propulsion of the wheels is provided exclusively by an electric traction motor, while the internal combustion engine is not mechanically linked to the drivetrain and functions solely to generate electrical energy for the traction motor or to recharge the battery. For ease of understanding and completeness of the record, the following schematic representations illustrate drivetrain breakdown of vehicle types and hybrid are given,



Source: M/s. Capital Smart Motors (Pvt.) Ltd

### HEV Configurations



Source: WCO 60th Session of the HS Review Sub-Committee document NR1506Ea

9.3 In this context, the Committee further took the note that in **Series Hybrid configuration**, including Range-Extended Electric Vehicles, the internal combustion engine does not mechanically drive the wheels and instead operates solely to generate electrical energy for the electric traction motor. The Committee recognized that REEVs may appropriately be described as a form of series hybrid from a vehicle technology and regulatory standpoint. However, the Committee observed that under the Harmonized System, and specifically for the purposes of classification under heading 87.03, the decisive criterion is not the hybrid label or energy flow concept but whether the internal combustion engine functions as a motor for propulsion by transmitting mechanical torque to the wheels. As the internal combustion engine in a series hybrid, the REEV is mechanically isolated from the drivetrain and does not, under any operating condition, transmit mechanical torque to the wheels, it does not meet the tariff

requirement of functioning as a motor for propulsion. Consequently, notwithstanding the characterization of REEVs as series hybrids in technological terms, their propulsion architecture corresponds to vehicles having only electric motor for propulsion.

9.4 The Committee further observed that different vehicle technologies are distinguished by the manner in which **energy is converted and ultimately transmitted as mechanical power** to the wheels. In **conventional internal combustion engine vehicles**, chemical energy contained in fuel is converted through combustion into mechanical energy that is transmitted directly to the wheels via the drivetrain. In **hybrid vehicles**, both chemical energy from fuel and electrical energy from a battery are utilized, with mechanical propulsion being provided either by the internal combustion engine, the electric motor, or a combination of both, depending on the powertrain configuration. In **range-extended electric vehicle architectures**, although chemical energy is present in the form of fuel, it is first converted into electrical energy by an onboard generator, and mechanical propulsion of the vehicle is effected solely through electric traction motor(s), with no direct mechanical transmission of engine power to the wheels. In **fully electric vehicles**, propulsion is achieved exclusively through electric motors powered by energy stored in onboard batteries, without any use of consumable fuel. The Committee noted that while multiple forms of energy may coexist within a vehicle, the determining technical distinction across these architectures lies in the source and pathway through which mechanical energy is ultimately delivered to the wheels.

9.5 In examining the structure of the relevant subheadings, the Classification Committee carefully considered the phrase "**as motors for propulsion**" appearing in subheadings 8703.40 to 8703.70 and observed that the deliberate use of the plural term "motors" signifies a functional requirement that each propulsion unit must independently operate as a motor for propulsion. In this context, the Committee noted that the expression does not merely denote the presence of multiple power sources, but requires that both the internal combustion engine and the electric motor must be capable, under one or more operating modes, of mechanically transmitting torque to the wheels. The Committee further observed that an internal combustion engine which performs only an auxiliary or supportive function such as generating electrical energy for storage or supply to an electric motor cannot be regarded as operating "as a motor for propulsion" unless it directly contributes mechanical power to wheel movement. The determination, therefore, turns on the mechanical role performed by each unit in the propulsion chain, rather than on indirect energy contribution or overall vehicle energy balance.

9.6 The Committee also examined the relevant **Explanatory Notes to heading 87.03**, which describe Hybrid Electric Vehicles (HEVs) as vehicles combining an internal combustion piston engine and one or more electric motors, drawing energy for mechanical propulsion from both a consumable fuel and an electrical energy or power storage device, and which further recognize different hybrid configurations, including parallel, series, and power-split hybrids, as well as varying degrees of hybridization such as plug-in hybrids. The Explanatory Notes further distinguish Plug-in Hybrid Electric Vehicles as those capable of recharging their electric accumulators by connection to an external electrical power source, while separately defining Electric Vehicles as vehicles propelled by one or more electric motors powered by electric

accumulator packs. In considering this guidance, the Committee observed that the Explanatory Notes provide a descriptive and technical framework for understanding vehicle architectures and energy flow, but do not, in themselves, override or replace the legal criteria set out in the tariff headings and subheadings, which hinge on the nature and source of mechanical propulsion. The Committee therefore considered that the Explanatory Notes must be read in conjunction with the tariff text and the General Rules of Interpretation, particularly where distinctions are drawn between hybrid and electric vehicles on the basis of how propulsion is mechanically effected.

9.7 The Committee also observed that **export declarations (Export GDs)** cannot be treated as determinative for classification purposes, as such declarations are unilateral, jurisdiction-specific, and frequently influenced by domestic fiscal incentives, regulatory schemes, or trade policy considerations of the exporting country. It is a settled principle of customs law that classification under the Harmonized System must be determined independently by the importing administration, strictly on the basis of the legal text of the tariff, the General Rules of Interpretation, and the objective physical and functional characteristics of the goods at the time of import and cannot be governed by the tariff treatment adopted by another country or jurisdiction or by the manufacturer's commercial declaration.

9.8 The Committee also carefully examined other stakeholders' submissions and observed that while **UN WP.29 classifications and domestic fiscal or environmental policy frameworks** serves as an important regulatory and policy objectives, classification under the Harmonized System is however governed strictly by the legal text of the tariff and the objective technical characteristics of the goods, as mandated by the General Rules of Interpretation. The Harmonized System does not classify the vehicles on the basis of emissions profile, fuel consumption, or eligibility for domestic incentives, but on the basis of the nature and source of mechanical propulsion.

#### **(10) Reference to the World Customs Organization:**

10.1 However, the Committee keeping in view the divergent interpretations emerging among importers and other local industry stake holders and in the absence of an express and dedicated provision under the existing Harmonized System nomenclature to separately address REEVs, the matter was considered to involve an issue of international classification significance. Accordingly, after preliminary examination by the Classification Committee, the case was referred to the **Federal Board of Revenue** for seeking clarification and guidance at the level of the **World Customs Organization (WCO)** with, the following two options in order to ensure consistency with international classification practice and alignment with the globally accepted interpretation of the Harmonized System.:

- a) Classification of REEVs as plug-in hybrid electric vehicles (PHEV) under heading 87.03, subheading 8703.60 on the basis that they constitute "series hybrids" in broad technological terminology as the onboard ICE generator engine is contributing indirectly to mechanical propulsion by charging the battery; or

b) Classification of REEVs as electric vehicles under heading 87.03, subheading 8703.80 (specifically 8703.8090) as vehicles with “only electric motor for propulsion” because the internal combustion engine does not function as a motor for propulsion within the meaning of the headings and the Explanatory Notes.

10.2 The Federal Board of Revenue, after examining the technical configuration of the subject vehicles, the relevant provisions of the Pakistan Customs Tariff aligned with HS 2022, and the representations received from importers and other local industry stakeholders, forwarded a formal reference through the Pakistan Customs’ Permanent Mission to the WCO. The reference sought clarification regarding the correct classification of vehicles which are propelled exclusively by electric motor(s) but are equipped with an internal combustion engine solely for charging the traction battery, particularly in the context of whether such an engine could be regarded as a “motor for propulsion” within the meaning of heading 8703.60.

10.3 Upon receipt of the reference, Pakistan Customs’ Permanent Mission to the WCO vide letter dated 12.12.2025 informed that the matter examined by the **WCO Secretariat within the Directorate of Policy and Standards**, the WCO clarified that the earlier practice of issuing written classification opinions in response to direct references from individual Member administrations has been discontinued. Classification issues are now addressed solely through the Harmonized System Committee and the HS Review Sub-Committee, with authoritative interpretations reflected in their official records. Accordingly, the classification position conveyed in respect of Range-Extended Electric Vehicles is based on the documented conclusions of the HS Review Sub-Committee and not on any individual advisory opinion. It was also informed that the Director (Directorate of Policy and Standards, World Customs Organization) conveyed that, under the existing HS 2022 structure, vehicles of the subject type are classifiable under subheading 8703.80 as propulsion is effected exclusively by electric motor(s), and that their differentiation from fully electric vehicles has been addressed prospectively through the adoption of a new dedicated subheading 8703.81 under the HS 2028 amendment package, with classification remaining unchanged until the entry into force of HS 2028, subject to any domestic subheading that may be created at the national level.

10.4 It was further conveyed that the issue had already been examined during the **59th Session** of the HS Review Sub-Committee, as documented in papers NR1481Ea and NR1489Ec, wherein the United Kingdom raised concerns regarding vehicles equipped with an internal combustion engine that does not drive the wheels but is used solely to charge the battery supplying an electric motor. While it was acknowledged that such vehicles technically satisfy the wording of subheading 8703.80, as propulsion is effected exclusively by an electric motor, it was also noted that their technology and environmental profile differ from those of fully electric vehicles. The Sub-Committee observed that heading 87.03 differentiates vehicles strictly on the basis of propulsion, covering hybrid vehicles under subheadings **8703.40 to 8703.70** and vehicles with only electric motor for propulsion under subheading **8703.80**, and, in view of divergent views among Members, concluded that no amendment to the existing classification should be made at that stage, with the matter being retained for further technical examination and guidance from the Harmonized System Committee.

10.5 The matter was subsequently examined during the **60th Session** of the HS Review Sub-Committee, as recorded in documents **NR1506Ea**, **NR1506EAB1a**, and **NR1525Ec**, wherein the focus of discussion was whether an internal combustion engine used solely for charging the battery could be regarded as a “motor for propulsion” within the meaning of heading 87.03. The Sub Committee noted that the majority of delegations agreed that such an engine does not constitute a motor for propulsion, as it does not transmit mechanical torque to the wheels, and accordingly concluded that, under the existing structure of the Harmonized System, vehicles propelled exclusively by electric motor(s), including those equipped with an internal combustion engine used only for battery charging, fall under subheading 8703.80. It was further recorded that the need to distinguish such vehicles from fully electric vehicles would be addressed through prospective amendments to the Harmonized System, subsequently adopted as part of the HS 2028 amendment package.

10.6 The reply and supporting references received from the WCO were communicated by the Board to the Classification Committee and were formally placed on record. The Classification Committee examined the WCO’s guidance, together with the relevant HS Review Sub-Committee documents and took note that the position conveyed by the WCO represents a documented committee level conclusion.

#### **(11) Further Deliberations and Supporting International Rulings:**



11.1 In order to further deliberate upon this issue in light of the material related to WCO meetings and discussions, the Classification Committee scheduled another meeting on 30.12.2025. The EDB and all the other stakeholders were again invited to share their technical expertise in order for Classification Committee to reach an early resolution. All the stakeholders reiterated their opinions from their respective positions, specifically emphasizing on how the tariff and explanatory notes differentiates all “*motor for propulsion*” and where does REEV technology lie on the spectrum of all these types. The representatives of M/s. Sazgar Motors, M/s. Lucky Motors, and M/s. BYD Pakistan submitted that, although in a Range-Extended Electric Vehicle the immediate propulsion of the wheels is effected solely by an electric motor and the internal combustion engine contributes only indirectly by generating electrical energy, the question of classification under PCT heading 8703.8090 may arise depending upon the interpretation of the tariff text and the terms of the heading. However, they emphasized that, irrespective of such interpretative outcomes, REEVs are technologically distinct from other electric vehicles, as their underlying architecture is that of a Series Hybrid, and therefore warrant differentiation from pure electric vehicles.

11.2 In addition, the representatives from the **Engineering Development Board (EDB)** shared the following technical points regarding the architecture of REEV technology:

- a) A vehicle which consists of an engine which is **used to power both the motor and to charge the battery that shall be considered a hybrid vehicle.**

b) If the engine in REEV technology is **used solely to charge the battery and not to be used in transmission of torque**, then it should be classified with **Battery Electric Vehicles**.

c) The **external source** used to charge the battery, whether its **solar or fossil**, has not been specified as a basis to classify any of these technologies.

d) The legislature does not prescribe the nature of the external charging source whether grid electricity, renewable energy, or other means as a determinant for classification of vehicle technology. Reference was made to the **New Energy Vehicle Adoption Act, 2025**, under which any plug-in vehicle capable of operating solely on electric power for at least 50 kilometers on a single charge is defined as an Electric Vehicle for policy purposes.

e) It was also emphasized that, at the international level, the configuration of the **powertrain** and the mode of propulsion are regarded as the primary criteria for distinguishing **Electric Vehicles** from **Plug-in Hybrid Electric Vehicles**.

11.3 The matter was further examined in the light of previous discussions on this issue in March 2017 and September 2017 sessions of WCO and the binding tariff rulings of EU and US which are as follows:

- **"The tariff classification of an electric vehicle from Japan"** issued on May 12, 2021 which states that the applicable subheading for the **Nissan Kicks E-Power** will be **8703.80.0000, HTSUS**, which provides for "Motor cars and other motor vehicles principally designed for the transport of persons (other than those of heading 8702), including station wagons and racing cars: Other vehicles, with only electric motors for propulsion

- The classification rulings from **France**, dated **15.09.2025** for vehicles with following description: "*New, 5-door electric passenger vehicle. The vehicle cannot be connected to an external power source. It is equipped with a 140 kW (190 hp) AC synchronous electric motor that provides sole propulsion. The electric motor is powered as needed by a 1.97 kWh lithium-ion battery (346 volts) or by a thermal generator (1497 cc spark-ignition internal combustion engine) whose sole function is to supply power to the electric motor and battery. It is not connected to the vehicle's wheels*". and "*5-door electric passenger vehicle. The vehicle cannot be connected to an external power source. It is equipped with a 150 kW (204 hp) AC synchronous electric motor that provides all the vehicle's propulsion. The electric motor is powered as needed by a lithium-ion battery (200-413 Volts) or by a thermal generator (1497 cc spark-ignition internal combustion engine) whose sole function is to supply power to the electric motor and the battery. It has no connection to the vehicle's wheels that*" classified the vehicles under **8703.8000**.

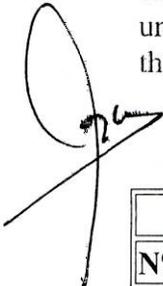
-The classification ruling from **Hungary**, dated **16.03.2024** for vehicles with following description: "*Nissan X-Trail e-POWER 2 WD passenger car that cannot be connected to an external electrical power source or charged. It has a 1,497 cm<sup>3</sup> spark-ignition internal combustion engine and a 204 hp electric synchronous motor, but only the electric motor can drive the vehicle independently. New vehicle for transporting people. The petrol engine produces electricity exclusively for charging the 1.73 kWh Li-ion battery and driving the*

wheels and has no mechanical connection to the wheels, is not capable of driving the vehicle independently, is not a drive motor. The wheels are driven exclusively by the built-in electric synchronous motor, and only the electric motor is used as a drive motor” classified the vehicle under 8703.8010

**(12) Amendments To The Nomenclature Appended As An Annex To The Convention Accepted Pursuant To The Recommendation Dated 26th June 2025 of the Customs Co-operation Council**

12.1 The Committee further took note that the issue of differentiation between REEVs and conventional zero emission electric vehicles has now been formally addressed at the international level through amendments to the Harmonized System. The International Convention on the Harmonized Commodity Description and Coding System (Brussels, 14 June 1983) acting under the World Customs Organization has adopted amendments to the nomenclature pursuant to the Recommendation of the Customs Co-operation Council dated 26 June 2025, with an entry into force w.e.f. 1<sup>st</sup> January, 2028. These amendments introduce a dedicated sub-heading under heading 8703.80 to specifically identify *vehicles propelled exclusively by electric motor(s) equipped with an internal combustion engine used solely for charging the electric accumulator*, thereby prospectively resolving the classification distinction while preserving the interpretation of the existing HS 2022 structure until the effective date.

12.2 In this regard, the following amendment to subheading 8703.80, as accepted under the HS 2028 amendment package, is reproduced verbatim for clarity and completeness of the record:



FRANÇAIS	ENGLISH
N° 8703.80	Subheading 8703.80
<b>Nouvelle rédaction :</b>	<b>Delete and substitute :</b>
– <i>Autres véhicules, équipés uniquement d’un moteur électrique pour la propulsion :</i>	– <i>Other vehicles, with only electric motor for propulsion :</i>
<b>8703.81</b> – Équipés d’un moteur à piston à allumage par étincelles ou d’un moteur à piston à allumage par compression (diesel ou semi-diesel) permettant de charger un accumulateur électrique, même pouvant être chargés en se branchant à une source externe d’alimentation électrique	<b>8703.81</b> – With a spark-ignition internal combustion piston engine or compression-ignition internal combustion piston engine (diesel or semi-diesel) for charging the electric accumulator, whether or not capable of being charged by plugging to external source of electric power
<b>8703.89</b> – Autres	<b>8703.89</b> – Other

12.3 The Committee observed that the adoption of the above amendment confirms that, under the existing HS 2022 structure, vehicles propelled exclusively by electric motor(s), including those equipped with an internal combustion engine used solely for charging the electric accumulator, remain classifiable under subheading 8703.80 until the entry into force of HS 2028. The amendment does not alter the legal interpretation applicable prior to 1 January, 2028, but

prospectively introduces a refined sub-heading framework to separately identify such range-extended configurations for future tariff purposes.

### **(13) Classification Ruling and Conclusion:**

13.1 The Classification Committee after careful consideration and by majority decision in terms of clause (vi) of Para 2 of the Customs General Order No. 12 of 2002 dated 15.06.2002 observed that in line with the information received from the World Customs Organization, further read in conjunction with the relevant tariff texts, the Harmonized System Explanatory Notes, the General Rules of Interpretation, and the technical specifications of the subject vehicles noted that *an internal combustion engine used solely for charging an electric accumulator does not constitute a "motor for propulsion"* within the meaning of heading 87.03. The Committee further noted that this interpretation has subsequently been expressed at the International level through amendments to the Harmonized System nomenclature accepted pursuant to the Recommendation of the Customs Co-operation Council dated 26 June, 2025, whereby sub-heading 8703.80 has been restructured under the HS 2028 amendment package to introduce a dedicated sub-heading (8703.81) *for vehicles equipped with an internal combustion engine used exclusively for charging the electric accumulator*. The Committee concluded that this amendment confirms the prevailing interpretative position under the HS 2022 structure, while prospectively providing a clearer and more explicit differentiation framework at the international level for such vehicles, including Range-Extended Electric Vehicles, under the Pakistan Customs Tariff.

13.2 Accordingly, after detailed deliberations of the Tariff texts, Harmonized System Explanatory Notes, General Rules of Interpretation, technical specifications, relevant international rulings, and the documented conclusions of the WCO and its subsidiary bodies, the Classification Committee through majority decision classified the M/s. Master Changan Motors' Deepal S05 REEV and the Forthing Friday REEV imported by M/s. Capital Smart Motors (Pvt.) Ltd.. on the following basis:

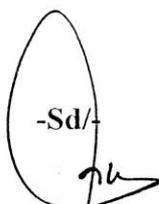
- 
- a) Classification under subheadings **8703.40 to 8703.70** requires **both the internal combustion engine and the electric motor** to function as a **motor for propulsion**;
  - b) In REEVs/EREVs, the internal combustion engine **does not** function as a motor for propulsion and is mechanically incapable of driving the wheels;
  - c) The subject vehicles are therefore correctly classifiable under **heading 87.03, sub-heading 8703.80**, specifically under **PCT 8703.8090**, in terms of **GRI 1 and 6**.

The Committee further noted that until the implementation of **HS 2028** or **creation of a specific national sub-heading**, classification of the subject vehicles shall continue to be governed by the existing HS 2022 structure.

13.3 It is highlighted that the above-referred classification determination is specific to the vehicles whose technical characteristics/specifications have been described above and not for general application. This ruling is specifically based on the documents and information placed on record and shall be treated as **cancelled** if it is found at any subsequent stage that the same was obtained by providing incorrect, false, misleading, or incomplete information or if the imported goods materially differ from the described configuration.

13.4 It is further clarified that the scope and admissibility of any fiscal concessions, exemptions, or incentives associated with a particular HS Code does not fall within the functional jurisdiction of the Classification Committee. The mandate of the Committee is confined strictly to the determination of the correct tariff classification of imported goods under the Pakistan Customs Tariff, in accordance with the General Rules of Interpretation, Section Notes, and Chapter Notes of the Harmonized System.

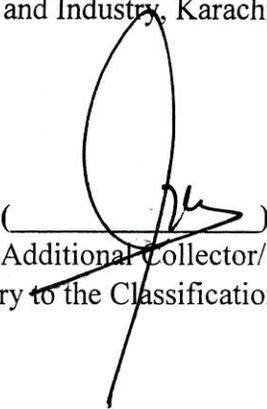
13.5 This Public Notice is issued in terms of Chapter-II (Classification) of the relevant Classification CGO No. 12 of 2002 dated 15.06.2002 and shall be followed by all field formations to ensure uniformity of assessment and any appeal against this determination shall lie with the Board in terms of Rule-2 of the Pakistan Rules provided in the preamble of the First Schedule to the Customs Act, 1969.

(  )  
Additional Collector/  
Secretary to the 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 Chief (Tariff & Trade), Federal Board of Revenue, Islamabad.
6. The Director General of Customs Exports & Input / Output Co-Efficient Organization (IOCO), Karachi.
7. The Chief Collector of Customs (Appraisalment) South, Custom House, Karachi.
8. The Chief Collector of Customs Appraisalment Balochistan, Custom House, Quetta.
9. The Chief Collector of Customs Appraisalment Punjab, Custom House, Lahore.
10. The Chief Collector of Customs Appraisalment (North), Custom House, Peshawar.
11. The Collector, Collectorate of Customs Appraisalment, Faisalabad.
12. All Collectors / Directors of Customs.

13. The Director, Reforms and Automation (R&A), Custom House, Karachi with the request to incorporate this ruling in WeBoC.
14. The Karachi Chamber of Commerce & Industry, Karachi.
15. The Federation of Pakistan Chambers of Commerce and Industry, Karachi.
16. The Karachi Customs Agents Association, Karachi.
17. Notice Board.

  
Additional Collector/  
Secretary to the Classification Committee