



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



No. C-47/KAPE/DC/PCT/2025

Dated: 10.03.2026

PUBLIC NOTICE NO. 03/2026

SUBJECT: CLASSIFICATION OF 'POLYURETHANE (PU) ARTIFICIAL LEATHER

The Classification Centre, Collectorate of Customs Appraisement (East), Karachi, has finalized a reference initiated via letter No. 619/SC/FDM-Senate and further processed under reference No. C-47/KAPE/DC-PCT/2025 for the determination of the correct classification of "Polyurethane (PU) Artificial Leather".

Background of the Dispute:

2. Brief facts of the case are that the dispute originated vide letter No. 619/SC/FDM-Senate dated 19.09.2025 issued by President, Sarhad Chamber of Commerce & Industry addressed to Chairman, Senate Standing Committee on Finance, Islamabad regarding discrepancy in the description and HS Code of Polyurethane Leather, alleging that the department is exercising discretion in describing and assigning HS codes for PU leather. Therefore, the SCCI attached two samples of PU leather alongwith the letter to be forwarded to the department in order to (i) get the samples tested by Customs Laboratory and (ii) assign description and correct HS Codes to each sample. The SCCI also highlighted that the Collectorate had classified similar samples in the past vide Public Notice No. 04/2014(A). Consequently, the matter was escalated through the Senate Standing Committee on Finance & Revenue, led by Senator Saleem Mandviwalla, and forwarded to this department vide letter dated 03.10.2025. As a result, twenty-eight (28) samples were forwarded to the Classification Committee to resolve the discrepancy between Chapter 39 (Plastics) and Chapter 59 (Textiles).

Importer's Point of View:

3. The contention of the trade, represented by SCCI, is that the subject goods are classifiable under PCT heading 3921.1300 (or relevant sub-heading of 3921) on the following grounds:

- Commercial Identity:** The product is commercially known, traded, and invoiced as "Artificial Leather".
- Essential Character:** The goods consist of a Polyurethane (PU) plastic layer which imparts the essential character of the material, including its appearance, texture, and surface characteristics.
- Role of Textile Backing:** The underlying textile backing is incorporated solely to provide mechanical strength and dimensional support and does not contribute to the essential character of the finished goods.

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d) **Legal Exclusion:** Per Note 2(a)(5) to Chapter 59, plastic sheets or strips combined with textile fabric, where the textile is present merely for reinforcing purposes, are expressly excluded from Chapter 59 and must be classified under Chapter 39.

e) **General Interpretative Rules:** Classification is sought under GIR 3(b), which dictates that composite goods shall be classified as if they consisted of the material which gives them their essential character.

f) **Precedent:** Reference was made to Public Notice No. 04/2014(A), which previously ruled that such goods are classifiable under PCT 3921.

Departmental Point of View:

4. The Department initially examined whether the goods should fall under Heading 59.03, which covers "Textile fabrics impregnated, coated, covered or laminated with plastics". The Department was of the view that where the textile backing contributes more than mere reinforcement and provides essential structural utility, flexibility, and tensile strength, the goods remain classifiable in Chapter 59. To resolve the issue conclusively, the Classification Committee scheduled multiple hearings (latest held on 29.12.2025) to evaluate the physical composition of the goods, technical specifications, and laboratory findings.

Product Analysis:

5. The samples were forwarded to Custom House Laboratory by the Collectorate of Customs (Appraisalment), Port Muhammad Bin Qasim, Karachi. The said Laboratory tested the samples and reported the following results:

(1) GD No. KPPI-HC-41108-25-01-2025

Test Report

Test Report: The sample as received is in the form of one side soft off white color sheet. On test is found to be textile knitted raised fabric composed of polyester. It is coated/covered on upper side with pigmented synthetic polymer polyurethane- PU coated knitted raised fabric. Knitted raised fabric: 75% PU + coloring matter: 20% Filler: 05%

(2) GD No. KPPI-HC-46821-25-02-2025

Test Reports: (receipt:178261)

The sample is in the form of peach color cut piece of leather grain design surface sheet, on test is found to consist of non woven sheet composed of polyester. It is coated on one side with pigmented synthetic polymer polyurethane (PU) containing filler etc. PU + coloring matter: 47% Nonwoven: 29% Filler: 24%

(3) GD No. KPPI-TI-41110-25-01-2025

Test Report:

The sample as received is in the form of one side soft pink color sheet. On test is found to be textile non-woven fabric composed of polyester. It is coated/covered on upper side with pigmented synthetic polymer polyurethane- PU coated non-woven fabric. PU + coloring matter: 45% Nonwoven: 35% Filler: 20%

(4) GD No. KPPI-TI-46456-23-02-2025

Five samples were received, test reports and percentage composition of each sample is reported as below.

(1) The sample is in the form of one side brown and other side cream color sheet. On test is found to be non woven sheet composed of nylon. It is coated on one side with pigmented synthetic polymer polyurethane (PU) containing filler. PU + coloring matter: 57% Nonwoven: 35% Filler: 08%

(2) The sample is in the form of red color sheet. On test is found to be textile knitted raised fabric composed of polyester. It is coated on one side with pigmented synthetic polymer polyurethane (PU) containing filler. Knitted raised fabric: 64% PU + coloring matter: 26% Filler: 10%

(3) The sample is in the form of one side brown and other side light brown color sheet. On test is found to be textile knitted raised fabric composed of polyester. It is coated/impregnated on one side with pigmented synthetic polymer polyurethane (PU) containing filler. Knitted raised fabric: 90% PU + coloring matter + filler: 10%

(4) The sample is in the form of one side brown and other side cream color sheet. On test is found to be textile knitted raised fabric composed of polyester. It is coated/impregnated on one side with pigmented synthetic polymer polyurethane (PU) containing filler. Knitted raised fabric: 68% PU + coloring matter: 22% Filler: 10%

(5) The sample is in the form of one side leather grain design surface black color sheet. On test is found to be non woven sheet composed of nylon. It is coated on one side with pigmented synthetic polymer polyurethane (PU) containing filler. PU + coloring matter: 58% Nonwoven: 37% Filler: 05%.

6. The Classification Committee analyzed the product on the basis of laboratory reports, physical examination of samples and concluded that the goods exist in the physical form of solid sheets (artificial leather) composed of a PU layer combined with textile backing. It was further observed that determination of classification depends upon the essential character of the goods as derived from their structure and function. The reference to Public Notice No. 04/2014(A) was examined and found to relate to goods of materially different composition and, therefore, not applicable as a binding precedent in the present case.

Law and Analysis:

7. The Classification Committee examined the goods strictly in accordance with the General Rules for Interpretation (GIR) of the Harmonized System, read with the relevant Section Notes and Chapter Notes. As per HS Explanatory Notes to Chapter 39 (Page VII-39-12), the following goods are classifiable under Chapter 39:

- (a) Felt impregnated, coated, covered or laminated with plastics, containing 50% or less by weight of textile material, or felt completely embedded in plastics;
- (b) Textile fabrics and non-wovens completely embedded in plastics, or entirely coated or covered on both sides with plastics, provided that such coating or covering is visible to the naked eye;
- (c) Textile fabrics impregnated, coated, covered or laminated with plastics, which cannot, without fracturing, be bent manually around a cylinder of a diameter of 7 mm at a temperature between 15°C and 30°C.

8. Examination of the subject samples establishes that the goods do not satisfy the mandatory and cumulative conditions prescribed above, as the PU coating is applied on one side only, the textile fabric or non-woven is not completely embedded in plastic, and all samples can be bent around a cylinder of 7 mm without fracturing. Accordingly, the goods do not qualify for classification under headings 39.20 or 39.21.

9. Further, the HS Explanatory Notes under the heading "Textile and plastic combinations" (Page VII-39-13) clarify that textile fabrics, felt, or non-wovens are regarded as serving merely for reinforcing purposes only when applied to one face of plastic plates, sheets, or strips. However, this provision presupposes that the product must first qualify as a plastic plate, sheet, or strip to which the textile material is subsequently applied.

10. In the present case, the factual position is materially different, as the textile fabric or non-woven constitutes the base material, which is coated with Polyurethane. There is no independent, separable, or distinguishable plastic plate, sheet, or strip. Consequently, the textile component cannot be regarded as serving merely a reinforcing function, but instead forms an essential and defining component of the product.

11. The above interpretation is further supported by **Note 1(h) to Section XI, Note 3 to Chapter 56, and Note 2 to Chapter 59 which are as under;**

- **Note 1(h) to Section XI**

"Woven, knitted or crocheted fabrics, felt or nonwovens, impregnated, coated, covered or laminated with plastics, or articles thereof, of Chapter 39"

- **Note 3 to Chapter 56**

"Headings 56.02 and 56.03 cover respectively felt and nonwovens, impregnated, coated, covered or laminated with plastics or rubber whatever the nature of these materials (compact or

cellular). Heading 56.03 substance. also includes nonwovens in Headings 56.02 and 56.03 do not, however, cover :

(a) which plastics or rubber forms Felt impregnated, coated, covered or laminated with plastics or rubber, containing by the 50 bonding % or less weight of textile material or felt completely embedded in plastics or rubber (Chapter 39 or 40);

(b) Nonwovens, either completely embedded in plastics or rubber, or entirely coated or covered on both sides with such materials, provided that such coating or covering can be seen with the naked eye with no account being taken of any resulting change of colour (Chapter 39 or 40);

(c) Plates, sheets or strip of cellular plastics or cellular rubber combined with felt or nonwovens, where the textile material is present merely for reinforcing purposes (Chapter 39 or 40)"

• **Note 2 to Chapter 59**

2(a) Textile fabrics, impregnated, coated, covered or laminated with plastics, whatever the weight per square metre and whatever the nature of the plastic material (compact or cellular), other than :

1. Fabrics in which the impregnation, coating or covering cannot be seen with the naked eye (usually Chapters 50 to 55, 58 or 60); for the purpose of this provision, no account should be taken of any resulting change of colour;
2. Products which cannot, without fracturing, be bent manually around a cylinder of a diameter of 7 mm, at a temperature between 15 °C and 30 °C (usually Chapter 39);
3. Products in which the textile fabric is either completely embedded in plastics or entirely coated or covered on both sides with such material, provided that such coating or covering can be seen with the naked eye with no account being taken of any resulting change of colour (Chapter 39);
4. Fabrics partially coated or partially covered with plastics and bearing designs resulting from these treatments (usually Chapters 50 to 55, 58 or 60);
5. Plates, sheets or strip of cellular plastics, combined with textile fabric, where the textile fabric is present merely for reinforcing purposes (Chapter 39); or
6. Textile products of heading 58.11;

2(b) Fabrics made from yarn, strip or the like, impregnated, coated, covered or sheathed with plastics, of heading 56.04.

These collectively govern classification of textile and plastic combinations. Heading 59.03 covers textile fabrics impregnated, coated, covered, or laminated with plastics, other than those excluded by Note 2 to Chapter 59.

Conclusion:

12. After thorough examination of the physical samples, laboratory findings, and application of the General Rules for Interpretation, Section Notes, Chapter Notes, and HS Explanatory Notes, the Classification Committee has determined that:

a) Polyurethane Artificial Leather consisting of knitted or woven textile fabrics coated or laminated with Polyurethane is correctly classifiable under **Heading 59.03**; and

b) Polyurethane Artificial Leather consisting of non-woven textile substrate coated with Polyurethane is correctly classifiable under **Heading 56.03**, in terms of Note 3 to Chapter 56 read with Note 1(h) to Section XI.

13. This Public Notice is issued in terms of Chapter-II (Classification) of CGO 02/2025. This decision supersedes any previous contradictory practices at the clearance stage in respect of these specific samples only.

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(Ammara Durrani)

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.
5. The Chief (Tariff & TraCe), 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.
10. The Chief Collector of Customs North, Custom House, Islamabad.
11. The Chief Collector of Customs (Khyber Pakhtunkhwa), Custom House, Peshawar.
12. The Chief Collector of Customs (Baluchistan), Custom House, Quetta.
13. The Secretary (Tariff -I), FBR, Islamabad
14. All Collectors / Directors of Customs.
15. The Karachi Chamber of Commerce & Industry, Karachi.
16. The Federation of Pakistan Chambers of Commerce and Industry, Karachi.
17. The Karachi Customs Agents Association, Karachi.
18. The Sarhad Chamber of Commerce & Industry, Peshawar.
19. Notice Board.

(Ammara Durrani)

Additional Collector

Secretary to the Classification Committee