

Modified Vehicle Customs Classification: Supreme Court Says Original Design Controls PCT 87.02 or 87.03

The Supreme Court held that a five-seater motor car does not enter PCT Heading 87.02 merely because it is later stretched to carry ten or more persons; original manufacturer design, VIN data and reliable manufacturer evidence control the classification.

Supreme Court of Pakistan judgment analysis
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Case: Collector of Customs, Model Customs Collectorate, Peshawar v Shahid Muhammad and another
Proceeding: Civil Petition No. 4459 of 2023
Court: Supreme Court of Pakistan | Decided 18 August 2026
Bench: Chief Justice Yahya Afridi, Justice Muhammad Shafi Siddiqui and Justice Miangul Hassan Aurangzeb
Result: Appeal allowed; Peshawar High Court judgment set aside; PCT Heading 87.03 applied

The ruling in one sentence

The Supreme Court of Pakistan has held that a vehicle originally designed and manufactured as a five-seater motor car does not become a vehicle designed for ten or more persons under PCT Heading 87.02 merely because it is later stretched or structurally modified to add seats; for customs classification, the original manufacturer design, VIN record and reliable manufacturer evidence remain decisive.

The decision is Collector of Customs, Model Customs Collectorate, Customs House, Peshawar v Shahid Muhammad and another, Civil Petition No. 4459 of 2023. Justice Muhammad Shafi Siddiqui authored the judgment for a three-member bench comprising Chief Justice Yahya Afridi, Justice Muhammad Shafi Siddiqui and Justice Miangul Hassan Aurangzeb. The matter was heard and decided on 18 August 2026 and the judgment was approved for reporting.

Why the difference between PCT 87.02 and 87.03 mattered

The dispute concerned an imported stretched limousine bearing VIN No. 2C3KA53G97H610047. Its clearing agent declared it under Heading 87.02, which covers motor vehicles for the transport of ten or more persons, including the driver.

Customs examination found that the vehicle had originally been designed as a five-seater and was later stretched. The Department therefore assessed it under PCT 8703.2490. Heading 87.03 covers motor cars and other motor vehicles principally designed for the transport of persons, apart from vehicles falling under Heading 87.02.

The importer paid the assessed differential duty and taxes and obtained release of the vehicle. He later approached the Federal Tax Ombudsman, which directed the Federal Board of Revenue to have the classification question determined according to law.

The Deputy Collector of Customs (Adjudication), Peshawar maintained the Department's classification under PCT 8703.2490 on 3 October 2012. The Collector of Customs (Appeals) dismissed the importer's appeal on 27 December 2012.

The Customs Appellate Tribunal reversed those orders on 6 May 2014. It classified the limousine under PCT 8702.9090 and directed refund of the excess duty and taxes. The Peshawar High Court upheld the Tribunal on 5 October 2023 by answering the Department's reference under section 196 of the Customs Act, 1969 against Customs.

The Collector of Customs then approached the Supreme Court under Article 185(3) of the Constitution.

The central question was design, not the number of installed seats

The competing headings use related but materially different language. Heading 87.02 concerns vehicles for the transport of ten or more persons, including the driver. The relevant Harmonized System description and Explanatory Notes refer to vehicles designed for that transport capacity. Heading 87.03 concerns motor cars and other vehicles principally designed for transporting persons, other than vehicles within Heading 87.02.

The Supreme Court rejected a seat-count-only approach. The fact that ten or more persons can physically sit inside a vehicle after alteration does not itself answer how that vehicle was designed and manufactured.

The legally important question is whether the increased capacity was part of the original manufacturer's design or merely the result of a later private structural modification. A later alteration changes physical configuration, but it does not automatically rewrite the original design for tariff purposes.

Why the original five-seater design prevailed

The examination record described the limousine as a stretched vehicle originally designed as a five-seater. Customs obtained data from the manufacturer's website and decoded the VIN. That material connected the vehicle to an original five-seat configuration.

The importer relied on a sale certificate to support the higher seating capacity. The Court found that this was not an original manufacturer's certificate. It therefore could not displace the evidence identifying the vehicle's original design and construction.

The additional seating capacity resulted from later structural modification. It was not a characteristic with which the manufacturer had originally produced the vehicle. Read with the World Customs Organization Explanatory Notes, the evidence supported classification by original design rather than altered capacity.

The ruling therefore places emphasis on the provenance and quality of the documents offered to prove design. A paper showing how a modified vehicle was sold is not necessarily evidence of how the manufacturer originally designed it.

The Supreme Court followed its earlier Muhammad Shafiq ruling

The Court relied on Collector of Customs, Karachi v M/s Muhammad Shafiq, reported as 2022 SCMR 2107. That case also concerned the competing Headings 87.02 and 87.03 and a vehicle whose later claimed capacity did not match the manufacturer's original configuration.

In Muhammad Shafiq, the Court treated the word designed as critical. It examined the manufacturer, the certificate relied upon by the importer and the vehicle history showing a standard seating capacity of five. The manufacturer's certificate was identified as the relevant evidence for proving the vehicle's design.

The principle carried into the present case is direct: a five-seater motor car does not become a vehicle designed to carry ten or more persons merely because a private party later modifies its structure and adds seating.

This does not mean that every vehicle with ten or more seats belongs in Heading 87.03. A bus, coach or other vehicle genuinely designed and manufactured for ten or more persons may fall under Heading 87.02. The judgment addresses a different situation: a smaller motor car altered after manufacture and presented in a larger configuration.

Why the Peshawar High Court judgment could not stand

The Peshawar High Court had relied on the Sindh High Court judgment in Collector of Customs v M/s Muhammad Shafique, Special Customs Reference Application No. 1229 of 2015, decided on 29 January 2016.

That reliance was legally untenable because the Supreme Court had already set aside the Sindh High Court judgment in Muhammad Shafiq, 2022 SCMR 2107, before the Peshawar High Court decided the present customs reference in October 2023.

Once the controlling Supreme Court authority had reversed the precedent used by the High Court, the same High Court reasoning could not sustain an opposite classification on materially similar facts.

This part of the decision is also a practical reminder that a precedent search cannot end with the judgment cited by a party. Counsel and courts must verify whether that judgment was appealed, reversed, limited or otherwise displaced before treating it as current law.

The final order

The Supreme Court converted the civil petition into an appeal and allowed it. It set aside the Peshawar High Court judgment dated 5 October 2023.

The Court's reasoning establishes that the imported limousine remained classifiable under Heading 87.03 because it was originally designed and manufactured as a five-seater motor car. Its later stretched form and increased seating capacity were insufficient to bring it within Heading 87.02.

The judgment did not announce a new numerical test or a rule based on the vehicle's appearance at the port alone. It applied the words of the tariff headings and the Explanatory Notes to the evidence of original manufacture.

Evidence that should be collected in a vehicle-classification dispute

For an importer claiming Heading 87.02, the strongest evidence will ordinarily come from the original manufacturer and should clearly identify the vehicle as designed for ten or more persons. Depending on the case, useful material may include:

- the original manufacturer's certificate or specifications;
- the VIN decode and complete vehicle history;
- the original seating configuration and body type;
- homologation, type-approval or equivalent manufacturer records;
- contemporaneous catalogues or official technical data;
- photographs and examination findings at importation; and
- records explaining when, where and by whom any structural modification was made.

A certificate from a seller, modifier or later owner may prove the vehicle's condition at a later point. It will not necessarily prove the manufacturer's original design.

For Customs, the examination report should do more than count seats. It should identify the VIN, source the manufacturer data, record structural indicators of later modification and explain why the evidence supports one heading rather than the other.

The judgment does not make every modification irrelevant

The decision should not be overstated as saying that the condition of goods at importation never matters. Customs classification ordinarily requires examination of the goods presented and application of the relevant tariff language, rules and notes.

Here, the tariff distinction itself made original design material. The Court held that an increased seating capacity created by later private modification was not enough to satisfy a heading concerned with vehicles designed for ten or more persons.

Nor does the judgment prohibit an importer from proving that a vehicle was originally designed for the larger capacity. It identifies what kind of proof carries weight. Authentic manufacturer evidence can establish original design; a non-manufacturer sale certificate cannot automatically overcome contrary VIN and manufacturer data.

Practical effect for importers, clearing agents and Customs officers

Importers should obtain the manufacturer record before selecting a PCT heading for an unusual, stretched, converted or specially configured vehicle. Relying only on the seats visible at importation creates substantial risk where the VIN identifies a smaller original model.

Clearing agents should distinguish factory design from post-manufacture conversion in the Goods Declaration. If a vehicle has been altered, the declaration and supporting documents should accurately identify the alteration rather than present later capacity as though it were the original configuration.

Customs officers should preserve the complete evidentiary chain supporting classification: examination findings, photographs, VIN decoding, manufacturer data, certificates and the relevant Explanatory Notes. A conclusion that a vehicle is modified should be traceable to objective material.

For refund or appellate proceedings, the parties should frame the issue around the exact language of the competing headings. A general argument that the vehicle can carry ten persons is no substitute for evidence that it was designed to do so within the meaning of Heading 87.02.

Broader legal significance

The judgment supplies a clear and reusable rule for modified-vehicle customs disputes in Pakistan. Classification cannot be manipulated merely by increasing seating capacity after manufacture. Where the tariff language turns on design, the court will look behind the altered appearance to the original manufacturer configuration.

It also reinforces the hierarchy of evidence. VIN data and authentic manufacturer records are more probative of original design than a later sale certificate that did not originate from the manufacturer.

Finally, the judgment demonstrates the need to verify the subsequent history of authorities cited in tax and customs litigation. The High Court relied on a ruling that the Supreme Court had already set aside. That error directly affected the classification outcome.

Conclusion

Collector of Customs v Shahid Muhammad confirms that PCT classification of a modified passenger vehicle depends on the language of the tariff heading and reliable evidence of design. A vehicle born as a five-seater under Heading 87.03 does not cross into Heading 87.02 simply because it is later stretched and fitted with more seats.

For future disputes, the decisive record will be the one that proves original design: manufacturer specifications, VIN history and credible technical evidence. The visible number of seats after private modification is not, by itself, enough.

This commentary is independent legal analysis for research and general information. The complete judgment, current Pakistan Customs Tariff, applicable General Rules for Interpretation and the technical record of the particular vehicle should be checked before reliance in proceedings.