THE FEDERAL TAX OMBUDSMAN
ISLAMABAD

COMPLAINT NO.01683/KHI/ST/2026

Dated 13.10.2025* R.O. Karachi.

Mr. Shakeel Ahmed Paracha, ... Complainant
M/s Emad Tea Trading Company,
NTN No. 2134181
Plot No. C-18A, Estate Avenue, SITE,
Karachi

Versus

The Secretary
Revenue Division
Islamabad. ....Respondent

Dealing Officer	: Mr. Badruddin Ahmad Quraishi, Advisor
Appraisal Officer	: Mr. Muhammad Tanvir Akhtar, Advisor
Authorized Representative	: Mr. M.A. Qazi, Adv
Departmental Representative	: Mr. Babu Ali Baloch, IRO, CTO, Karachi Mr. Muhammad Ali Baig, OIR, CTO, KHI

FINDINGS/RECOMMENDATIONS

The complaint has been filed under Section 10(1) of the Federal Tax Ombudsman Ordinance, 2000 (FTO Ordinance), for allegedly hacking of the user ID & password of the complainant and unauthorized revision of sales tax return for the tax period October 2025 on 09.11.2025, introducing fake supplies of Rs. 415,645,796 with GST impact of Rs. 74,816,243; thus, consuming the entire carry-forward input tax credit of the complainant

2. Briefly, the Complainant is an AOP, registered for sales tax in FBR on 12.02.2010 under the business names of M/s. Emad Tea Trading as Manufacturing/Manufacture of other food products. Tea is a third-schedule item, and sales tax is charged @ 18% on the notified MRP of Rs. 1200 per kg. The complainant supplies 90% of

*Date of registration in FTO Secretariat the tea to unregistered persons. The timeline details of the complaint are as follows:

i. *On 09.11.2025, the complainant filed a sales tax return for October 2025 declaring unregistered sales through Annexure C amounting to Rs. 60,783,169, with output tax charged on an MRP basis amounting to Rs. 16,303,655, and carry-forward sales tax credit amounting to Rs. 59,949,773.*

ii. *On the same day, i.e, 09.11.2025, the cybercriminal unauthorizedly revised the return of October 2025 and introduced fake sales amounting to Rs. 415,645,796 with GST impact of Rs. 74,816,243 to a R.P. M/s Palwasa Enterprises (Pvt) Ltd, Regd. No. H-390048, a taxpayer of CTO Karachi, thus consumed the entire carry-forward sales tax credit of the complainant.*

iii. *Upon becoming aware of this fraudulent activity, the complainant posted debit entries with remarks that the invoices were fake and disclosed the same in Annexure I of the sales tax return for the relevant period.*

The complainant requested an independent inquiry into hacking & unauthorized access to the iRIS profile, removal of all fake invoices, restoration of carry-forward sales tax credit, and penal action against the cyber criminals.

3. The complaint was referred to the Secretary, Revenue Division, for comments, in terms of Section 10(4) of the FTO Ordinance read with Section 9(1) of the Federal Ombudsmen Institutional Reforms Act, 2013. In response, the Senior Manager System Support (ST), Development PRAL vide letter dated 02.03.2025 submitted the following information:

> "*I am directed to refer to your letter No. F. No. 1(1683)S(BDT-IR)/2026/16841-R, dated: 10.02.2026 regarding the subject.*
>
> *Please find enclosed following information regarding M/s Emad Tea Trading Co. (NTN: 2134181):*
>
> *1. Sales Tax return details for the tax period of October 2025.*
>
> *2. IP address information, along with time-stamp details reflecting the duration of activity during submission of the Sales Tax return for the relevant period.*
>
> *3. Annex-C details, including submission particulars.*

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4. Annex-A details as available in the system.

5. Login history of M/s Emad Tea Trading Co., including intermediary login records. along with corresponding IP address details. The IP addresses used for filing of the return may be cross-verified with the respective login timestamps.

6. For ISP verification purposes, the concerned department has provided the following publicly accessible link: https://www.ip2location.com/"

4. DETAILS OF SALES TAX RETURN FILED

NAME	TAX PERIOD	SUBJECT	TRANSACTION DATE	INTERMEDIARY REGISTRATION NO
M/S EMAD TEA TRADING CO.	OCT-2025	26(1) (Sales Tax and Federal Excise Return filed voluntarily)	11/03/2025 11:46:16	
M/S EMAD TEA TRADING CO.	OCT-2025	26(3) (Revised Sales Tax and Federal Excise Return)	11/10/2025 02:41:34	3320267467967
M/S EMAD TEA TRADING CO.	OCT-2025	26(3) (Revised Sales Tax and Federal Excise Return)	11/19/2025 17:17:52	

IP ADDRESS OF CYBER CRIMINAL

Bussiness Name	Tax Period	Submission Date	User IP
M/S EMAD TEA TRADING	202510	11/9/2025 1:28:25 PM	182.190.51.26:50083
M/S EMAD TEA TRADING	202510	11/11/2025 11:44:46 PM	--
M/S EMAD TEA TRADING	202510	11/22/2025 5:50:50 PM	223.123.111.159:19844

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ANNEXURE C FILING DETAILS

NAME	TAX PERIOD	SUBJECT	BUYER NTN	BUYER NAME
M/S EMAD TEA TRADING CO.	202510	26(3) (Revised Sales Tax and Federal Excise Return)	H390048	PALWASHA ENTERPRISES (PRIVATE) LIMITED
M/S EMAD TEA TRADING CO.	202510	26(1) (Sales Tax and Federal Excise Return filed voluntarily)		UNREGISTERED
M/S EMAD TEA TRADING CO.	202510	26(3) (Revised Sales Tax and Federal Excise Return)	H390048	PALWASHA ENTERPRISES (PRIVATE) LIMITED

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BUYER TYPE DESCRIPTION	VALUEOF SALES EXCLUDING STAX	SALETAX FED INST MODE	QUANTITY	INSERTED BY	INSERTED DATE
Registered		74,816,243		3320267467967	11/11/2025 23:40
Unregistered	60,783,169	16,303,655	74,420	2134181	11/08/2025 19:25
Registered		74,816,243		3320267467967	11/11/2025 23:40

ANNEXURE A OF THE BENEFICIARY BUYER

Tax Office	NTN	Business Name	Tax Period	Seller Tax Office	Invoice No.
CTO KARACHI	H390048	PALWASHA ENTERPRISES (PRIVATE) LIMITED	202510	RTO-II KARACHI	Total-Invoices-1840

Invoice Date	Inv. Period	HS CODE	PURCHASED TYPE DESCRIPTION	Rate Value	Sales Tax FED in ST Mode	Fixed Retail Value
10/31/2025 00:00:00	202510	0902.3000	3rd Schedule Goods	18	74,816,243	415,645,796

Examination of the login history obtained from the PRAL vide letter dated 02.03.2026 reveals that the location of IP addresses of the cyber criminals at the time of the instant Tax fraud are as follows:

IP Address 182.190.51.26:50083

Location Islamabad

Internet Service Provider: ptcl.com.pk

IP Address 223.123.111.159:19844

Location: Karachi

Internet Service Provider: zong.com.pk

The DG I & I is required to initiate further investigation to nab the cyber criminals with the help of the data mentioned above.

5. **FLOW CHART OF SUPPLY CHAIN INTRODUCING FAKE SUPPLIES**

Emad Tea Trading Co. (NTN: 2134181 (The complainant)

Fake supplies Rs. 415,645,796 with GST impact of Rs. 74,816,243

↓

M/s Palwasa Enterprises (Pvt) Ltd, Regd. No. H-390048,

Regd in sales tax on 29.08.2025, a taxpayer of CTO Karachi

6. In response to a notice from this forum, the CIR A & P Cell, CTO Karachi, submitted a report dated 05.01.2026 wherein she has already conducted a detailed inquiry and unearthed a highly organized and systemic sales tax fraud involving a chain of registered persons acting in collusion to generate & circulate billions of rupees in fake/flying invoices. As per the report of the CIR A & P Cell, CTO Karachi, dated 05.01.2026, the fraudulent network centres around M/s Palwasha Enterprises (Pvt) Ltd (the beneficiary of the instant tax fraud/complaint), which has emerged as the principal conduit for passing inadmissible input tax through **a structured carousel scheme**. The Key Findings are reproduced for further action by D.G. I & I-IR and concerned Field Offices:

i. Fraudulent Suppliers (Layering in the chain): Multiple suppliers, including the complainant, have been identified as "Layering Vehicles." Their primary function is to act as "Clean-up Operators". They take the input tax credit from units containing huge accumulated credits due to the nature of the supply of third schedule items, like the complainant or supply through POS to unregistered persons or other blacklisted units. Subsequently, they issue fake invoices to a newly registered clean unit for the purpose of tax fraud, *M/s Palwasa Enterprises (Pvt) Ltd, Regd. No. H-390048* (regd in sales tax on **29.08.2025**) before a system alert is triggered. The suppliers have transacted over Rs. 12.500 billion in fake purchases where input tax exceeds Rs. 2.260 **billion.**

ii. The intermediary like *M/s Palwasa Enterprises (Pvt) Ltd, Regd. No. H-390048* and the rest of the R.Ps involved in the chain adjusted 100% of its input tax against the mandatory 90% restriction u/s 8B of the Act.

iii. These are fake supplies without physical movement of goods and without compliance with payment u/s 73 of the Act. These are paper trades of unrelated commodities. The profile of M/s Palwasa Enterprises (Pvt) Ltd and its chain shows that they are dealing in a chaotic mix of related HS codes ranging from Textiles to Tea, Chemicals, Paper, and Autoparts.

iv. There has also been a fake purchase building from unregistered persons, sales dumping to dormant or non-filing NTN, dormant /sham buyers, and flying invoices to Beneficiaries.

7. The efforts made by the CIR A & P Cell, CTO Karachi, unearthing fake transactions over Rs. 12.500 billion with GST impact of Rs. 2.260 **billion** involving taxpayers from the LTO Islamabad, CTO Lahore, RTO Lahore, RTO Multan, and RTO Quetta are highly commendable. The CIR and his whole team deserve appreciation. The CIR A & P Cell, CTO Karachi, after identifying the culprits and beneficiaries vide letter dated 05.01.2026, intimated the CCIRs of LTO Islamabad, CTO Lahore, RTO Lahore, RTO Multan, and RTO Quetta. These Field Offices are required to take necessary action in compliance with the instruction of the Board dated 07.09.2023 in Sales Tax General Order No.12 of 2023 "Standard Operating Procedure (SOPs) to deal with cases involving flying and fake invoices" read with Board's letter no. 1(42)SA-M(IR-Ops)/2026/25980-R dated 03.03.2026, a Standard Operating Procedure (SOP) for exercising the powers conferred by Section 37A of the Sales Tax Act 1990-(Power to inquire, investigate offences warranting prosecution under this Act and Arrest of a person) against the beneficiaries identified by the CIR A & P Cell, CTO Karachi.

8. **FINDINGS:**

i. Examination of the trail of the supply chain read with the report of the CIR A & P Cell, CTO Karachi, dated 05.01.2026, discussed above, reveals that the cyber criminals operating in a network facilitated by the employees (present and/or past) of PRAL & FBR. This fraudulent activity cannot be conducted without active support of PRAL/FBR insiders who provide the information of dormant taxpayers, suspended/blacklisted taxpayers, taxpayers dealing with third schedule items having accumulated huge carry forward sales tax input tax credit, etc., for the introduction of fake supplies, causing loss of billions of Govt revenue and leaving the innocent taxpayers shattered.

ii. Moreover, the ultimate beneficiary of the tax fraud in the instant case is M/s Palwasa Enterprises (Pvt) Ltd, Regd. No. H-390048, regd in sales tax on 29.08.2025, a taxpayer of CTO Karachi. The CTO Karachi has already blacklisted this unit and, after a detailed investigation, identified all the beneficiaries in the supply chain for legal action by LTO Islamabad, CTO Lahore, RTO Lahore, RTO Multan, and RTO Quetta through a report dated 05.01.2026.

iii. Moreover, since the accumulated input carry forward of the complainant has already been passed on to the supply chain down the line, the request of the complainant for the removal of all fake invoices and restoration of carry-forward sales tax credit is premature until & unless the whole investigation is completed and the main mastermind is identified for appropriate legal action.

iv. Illegal misuse of the password ID of the complainant revising sales tax return for tax period October 2025 introducing fake sales amounting to Rs. 415,645,796 with GST impact of Rs. 74,816,243; thus, consuming the entire carry-forward credit of the complainant tantamount to maladministration under section 2(3)(i)(a)(b)(c) & (ii) of FTO Ordinance.

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RECOMMENDATIONS:

9. FBR to direct:

i) the Director General I & I-IR to investigate the beneficiary of tax fraud as already identified and discussed supra and dig out other cybercriminals, either within or outside the FBR/PRAL, who used the IP addresses for the introduction of fake supplies in the supply chain, for conviction under the law in compliance with the Board's letter no. 1(42)SA-M(IR-Ops)/2026/25980-R dated 03.03.2026 and propose preventive measures; and immediately share details of such cases with the relevant jurisdictions for legal action;

ii) The Chief Commissioners -IR, CTO Karachi, LTO Islamabad, CTO Lahore, RTO Lahore, RTO Multan, and RTO Quetta to assist DG I&I-IR in its investigation, as referred above and in finding out the other beneficiaries down the supply chain;

(iii) The IRS-BPR Team to recommend a system update to ensure that no such incident occurs in the future, e.g., business controls with respect to changes in the particulars of the registered person linked with the CNIC, mobile number, and biometrics, and authority for change at an appropriate supervisor to avert the chances of misuse of the ID and password; and

(iv) FBR to furnish a comprehensive report to this forum within 60 days.

Federal Tax Ombudsman Secretariat HQs Islamabad FTO

(M. Zafar Ul Haq Hijazi)
Federal Tax Ombudsman

Dated: 26 MAR 2026

Approved for reporting