THE FEDERAL TAX OMBUDSMAN
ISLAMABAD

COMPLAINT NO.0413/KHI/IT/2025

Dated: 08.01.2025* R.O Karachi

Mr. Aamir Abdul Majeed, Proprietor ...Complainant
M/s Aamir Impex, CNIC 4220105148493
Shop # 7, Yousuf Grand Square,
Block-8, Clifton, Karachi.

Versus

The Secretary, ...Respondent
Revenue Division,
Islamabad.

Dealing Officer	:	Mr. Badruddin Ahmad Quraishi, Advisor
Appraisal Officer	:	Mr. Muhammad Tanvir Akhtar, Advisor
Authorized Representative	:	Mr. Shiraz Khan, Advocate
Departmental Representative	:	Mr. Azam Nafees, AD, I& I Karachi Mr. Khan Md. Abro, AD, RTO-1 Khi Mr. Ahmed Ali, IRAO, RTO-1 Karachi Mr. Mehdi Hassan, Ex OIR, RTO-1 Karachi

FINDINGS/RECOMMENDATIONS

The complaint mentioned above was filed in terms of Section 10(1) of the Federal Tax Ombudsman Ordinance, 2000 (FTO Ordinance) against fraudulent sales tax registration on 07.03.2022, subsequently filing fake sales tax returns introducing fake supplies of Rs. 648.600 million involving sales tax of Rs. 110.262 million and claiming input tax of Rs.168.300 million in monthly sales tax return for December 2022 accusing the complainant of alleged 'Tax Fraud' leading to suspension & blacklisting of sales tax registration and finally issuing show cause notice u/s 11E of the Sales Tax Act 1990 (the Act) on 17.12.2024 to impose sales tax liability of Rs. 496.502 million alongwith default surcharge and penalty.

BACKGROUND:

2. Briefly, as per the recent "Taxpayers Profile Inquiry" (extracted on 11.03.2025), the complainant is an

*Date of registration with FTO Secretariat individual proprietor under the business name "Aamir Impex" with business as wholesale & retail trade and registered in income tax since 10.04.2006. As per the complaint, the complainant has been declaring income as a partner of an AOP "M/s Damaz Jewels" NTN 8971347-3 business address shop no. 7, Yousuf Grand Square, Block 8, Clifton Karachi and he was not liable to be registered in sales tax due to nature of his income. However, this incident of huge tax fraud came to light when all of a sudden, the complainant received a notice u/s 37 of the Act on 08.08.2023 from the Directorate of I & I Karachi for an abnormal sales tax profile seeking sales tax records for five years. The complainant immediately vide letter dated 28.08.2023 approached the CCIR 28.08.2023 for investigation against hacking of his credentials of IRIS and fake sales tax registration. Thereafter, the complainant also requested for re-issuance of the password of IRIS on 29.08.2023. While the issue remains pending with the Directorate of I & I Karachi; the complainant received a pre-suspension notice on 25.09.2023 from the Commissioner Zone-III, RTO-1 Karachi. It was alleged that during physical verification on 14.09.2023, Mr. Amir Abdul Majeed was present at the given address but he was running his business as a partner of an AOP "M/s Damaz Jewels". The complainant furnished a detailed reply on 04.10.2023 explaining the hacking of his password and fake sales tax registration. However, the STRN of the complainant was suspended vide order dated 19.12.2023 declaring M/s Aamir Impex as a fake unit which was registered to deceive the national exchequer by issuing fake and flying sales tax invoices and finally the STRN was also blacklisted vide order dated 05.01.2024 by the Commissioner, Zone-III, RTO-1 Karachi. Thereafter, the ACIR, Unit-4, Zone-III, RTO-1 Karachi issued a show cause notice u/s 11E of the Sales Tax Act 1990 (the Act) on

17.12.2024 to impose tax liability of Rs. 496.502 million alongwith default surcharge and penalty; hence this complaint with the request for detailed investigation against fake sales tax registration, delinking of illegal STRN, canceling illegal notice u/s 11E of the Act and baring the Deptt to lodge FIR against the complainant.

3. The complaint was referred to the Secretary, of Revenue Division for comments on Section 10(4) of the FTO Ordinance read with Section 9(1) of the Federal Ombudsmen Institutional Reforms Act, 2013. In response, the DR appeared and submitted copies of the Directorate of I & I Karachi letter dated 19.09.2023 addressed to CCIR, RTO-1 Karachi recommending suspension of STRN, copies of notices, suspension & blacklisting order.

4. Arguments of parties heard and record perused.

5. Accordingly, this issue of fake fraudulent sales tax registration, subsequently introducing fake supplies of Rs. 648.600 million involving sales tax of Rs. 110.262 million and claiming input tax of Rs.168.300 million in monthly sales tax return for December 2022, cybercrime and loss of huge revenue was investigated by examining documents related to illegal compulsory sales tax registration by the Commissioner Zone-III, RTO-1 Karachi vide order dated 07.03.2022, fake filing of sales tax returns for tax period December 2022 using internet connection/ IP address of Punjab on behalf of the complainant, forward transactions procured from PRAL, sales tax returns of beneficiaries from different field offices and parties' arguments. It appears that this cybercrime involving huge loss of Govt. revenue has been conducted by a gang of cybercriminals facilitated by the employees (present and/or past) of PRAL & FBR who have direct or indirect access to the whole computerized system. This gang operated in networks, initially

compulsorily illegally registered the complainant in sales tax using his CNIC through Commissioner Zone III, RTO-1 Karachi, and introduced fake supplies of Rs. 648.600 million involving sales tax of Rs. 110.262 million and claiming input tax of Rs.168.300 million in monthly sales tax return for December 2022. Therefore, it is necessary to find out the main beneficiaries of the supply chain at the end of the tunnel where input tax was adjusted by a manufacturer or trader through scrutiny of the forward transactions i.e. purchases and sales in Annex A and Annex C of their sales tax returns, Accordingly, the facts extracted from the investigation/records and the conclusion arrived are described in paras as follows:

ILLEGAL COMPULSORY SALES TAX REGISTRATION OF THE COMPLAINANT BY THE COMMISSIONER

8. As per the Commissioner Zone-III, RTO-1 Karachi report dated 04.02.2025, the complainant was compulsorily registered in the sales tax as a Distributor/Retailer/ Other on 07.03.2022. An examination of the documents in this regard reveals that the complainant with the business name "Aamir Jewelers" alongwith 09 other jewelers were compulsorily registered in sales tax for which written approval was given on 05.03.2022 in a typed order sheet by the then Commissioner Zone-III, RTO-1 Karachi who then directed in writing to issue notice for compulsory registration. A notice u/s 14 of the Act to file form of registration was issued on 16.02.2022 to the complainant Aamir Abdul Majeed of Amir Jewelers NTN 2625701-7 Shop no.3, Plot No. 309-C, 310-C Block 2, PECHS, Main Tariq Road, Karachi for compliance on 23.03.2022 and an order for compulsory sales tax registration was issued on 07.03.2022 (fifteen days before the due date). The order for compulsory registration dated 07.03.2022 shows the following remarks:

> "2. *Whereas it has been reported by the Zonal Survey Team that you are liable to be registered under the sales tax Act 1990 as it is evident from your business profile that your business activity comes at the ambit of Tier-1 Retailer as defined under a retailer whose shop installed Air Conditioner and payment terminal (Debit/Credit Card) machine.*
>
> 3. *In the light of above-mentioned facts and circumstances of the case, the Commissioner Inland Revenue, Zone-III, RTO-1 Karachi has approved compulsory registration in respect of M/s Amir Jewellers, NTN 2625701-7 u/s 14 of the Sales Tax Act 1990 read with Rule 06(1) of Chapter -1 of the Sales Tax Rules 2006."*

9. Thus, an **online** notice for compulsory registration on 16.02.2022 with the allegation of being a Tier-1 retailer u/s 2(43A)(f) of the Act for acquiring point of sale (POS) for accepting payment through debit or credit cards for compliance on 23.03.2022. On non-compliance, the complainant was compulsorily registered in sales tax vide order dated 07.03.2022 fifteen days before the due date. No survey report as mentioned in para 2 of the compulsory registration order dated 07.03.2022 or third-party information related to the acquisition of a point of sale for accepting payment through debit or credit cards from the Board or any other source was found placed on record. Further, no evidence of service of notice dated 16.02.2022 and compulsory sales tax registration order dated 07.03.2022 in terms of section 56 of the Act was produced.

10. On the contrary, the documents submitted by the AR of the Complainant reveal that M/s Aamir Jewelers, an unregistered firm with Shop no.3, Plot No. 309-C, 310-C Block 2, PECHS, Main Tariq Road, Karachi was established on 28.10.2005 with three partners (family members) including the complainant. This partnership agreement was dissolved/terminated on 30.06.2009. This business premises Shop no.3, Plot No. 309-C, 310-C Block 2, PECHS, Main Tariq Road, Karachi was given on rent to Mr. Abdul Ghani, CNIC 42101-9179434-5 who has been running his own business under business name "Al-Ghani Artificial Collection" who has already been

registered in sales tax w.e.f 08.03.2022 and presently the status of income tax remains as active and sales tax as operative.

11. Further, the income tax returns of the complainant were examined in detail specially to find out the nature of his business. The income tax returns for Tax years of the complainant filed online in IRIS depict the following particulars:

SL NO.	TAX YEAR	PARTICULARS OF INCOME	
1	2021	Income from property Share from AOP (Damaz Jewels NTN 8971347-3)	900,000 362,445
2	2022	Income from property Share from AOP (Damaz Jewels NTN 8971347-3)	720,000 372,648
3	2023	Income from property Share from AOP (Damaz Jewels NTN 8971347-3)	720,000 372,648
4	2024	Income from property Share from AOP (Damaz Jewels NTN 8971347-3)	900,000 415,619

Hence, it is confirmed beyond doubt that the complainant was liable neither for sales tax registration nor was qualified for Tier -1 Retailer u/s 2(43A) of the Act as he was deriving rental income and shares from AOP. Further, as per the Director, Directorate of I & I Karachi letter dated 19.09.2023 (Para 5), addressed to the CCIR, RTO-1 Karachi, M/s Aamir Impex is a fake business unit registered to deceive the national exchequer by issuing fake/flying sales tax invoices. So, the question arises who registered this fake unit to deceive the national exchequer by issuing fake/flying sales tax invoices? The answer is very simple. It was the then Commissioner Zone-III, RTO-1 Karachi who illegally compulsorily registered the complainant in sales tax contrary to law & procedure, the principle of natural justice, and the trite maxim of *audialtermpartem*, hence, unlawful *per se* for which the then Commissioner Zone-III, RTO-1 Mr. Kazi Afzal Karachi owes an explanation.

12. Further, had the Commissioner been serious about the acquisition by the complainant of a point of sale for accepting

payment through debit or credit cards alleged to be qualifying for a Tier-1 retailer u/s 2(43A)(f) of the Act; the then Commissioner would have enforced the installation of POS by invoking penalty in terms of serial no.25A of Section 33 of the Act on failure to integrate business with Board's computerized system (POS). However, after compulsory registration, no further notice was issued to ensure the installation of POS. The Commissioner had no survey report or third-party information for the acquisition by the complainant of a debit or credit card machine. No efforts were made to enforce the installation of POS, meaning thereby the complainant was illegally compulsorily registered in sales tax by the Commissioner.

13. The present "Taxpayers Profile Inquiry" (extracted on 11.03.2025 shows that the complainant is an individual proprietor under the business name "Aamir Impex" with business address shop no. 7, Yousuf Grand Square, Block 8, Clifton Karachi and registered in income tax since 10.04.2006. Whereas, the "Taxpayers Profile Inquiry" extracted on 16.02.2022 and furnished by the deptt shows the business name as "Aamir Jewelers" with Shop no.3, Plot No. 309-C, 310-C Block 2, PECHS, Main Tariq Road. This premise Shop no.3, Plot No. 309-C, 310-C Block 2, PECHS, Main Tariq Road has already been given on rent to Mr. Abdul Ghani, CNIC 42101-9179434-5 who has been running his own business under the business name "Al-Ghani Artificial Collection". Mr. Abdul Ghani, CNIC 42101-9179434-5 been running his own business under the business name "Al-Ghani Artificial Collection" before the date of compulsory registration of the complainant on 07.03.2022. This change of particulars in IRIS from Aamir Jewelers Shop no.3, Plot No. 309-C, 310-C Block 2, PECHS, Main Tariq Road, Karachi to Amir Impex with shop no. 7, Yousuf

Grand Square, Block 8, Clifton Karachi is required to be investigated by the I & I wing of the FBR.

FILING OF SALES TAX RETURNS MISUSING CNIC OF THE COMPLAINANT BY CYBER CRIMINALS.

14. After the illegal sales tax compulsory registration of the complainant on 07.03.2022, the gang of cyber criminals filed Annexure C and sales tax returns for tax periods March 2022 to April 2023 on behalf of the complainant as per the details below:

ST ANNEX C

Sr.	Registration No	Tax Period	Annex c Submission Date	Case Stage	Annexc Submitted by Reg No	Annexc Submitted by Name
1	4220105148493	202212	03/15/2023 13:03:16	Sent/Submitted	4220105148493	AAMIR ABDUL MAJEED
2	4220105148493	202301	07/06/2023 10:39:27	Sent/Submitted	4220105148493	AAMIR ABDUL MAJEED
3	4220105148493	202302	07/06/2023 10:39:55	Sent/Submitted	4220105148493	AAMIR ABDUL MAJEED
4	4220105148493	202303	07/06/2023 10:40:29	Sent/Submitted	4220105148493	AAMIR ABDUL MAJEED
5	4220105148493	202304	07/06/2023 10:41:01	Sent/Submitted	4220105148493	AAMIR ABDUL MAJEED
6	4220105148493	202305	12/16/2023 15:30:58	Temporarily Saved Transaction	4220105148493	AAMIR ABDUL MAJEED

SALES TAX RETURNS OF MR. AAMIR ABDUL MAJEED (NTN 2625701)

Sr.	Tax Period	Submission Date	Input	Output	Accumulated Credit	Accumulated Debit	Credit C/F	Sales Tax
1	202203	12/12/2022 3:03:59 PM	0	0	0	0	0	0
2	202204	12/12/2022 3:04:19 PM	0	0	0	0	0	0
3	202205	12/12/2022 3:04:34 PM	0	0	0	0	0	0
4	202206	12/12/2022 3:04:52 PM	0	0	0	0	0	0
5	202207	12/12/2022 3:05:07 PM	0	0	0	0	0	0
6	202208	12/12/2022 3:05:22 PM	0	0	0	0	0	0
7	202209	12/12/2022 3:05:38 PM	0	0	0	0	0	0

8	202210	21/02/2023 9:24:41 AM	0	0	0	0	0	0
9	202211	21/02/2023 9:25:31 AM	0	0	0	0	0	0
10	202212	15/03/2023 1:35:13 PM	168300000	110262000	168300000	110262000	58038000	0
11	202301	06/07/2023 10:39:40 AM	0	0	58038000	0	58038000	0
12	202302	06/07/2023 10:40:16 AM	0	0	58038000	0	58038000	0
13	202303	06/07/2023 10:40:41 AM	0	0	58038000	0	58038000	0
14	202304	06/07/2023 10:41:10 AM	0	0	58038000	0	58038000	0

15. As can be observed from the above table, after compulsory sales tax registration on 07.03.2022, there has been no activity till November 2022. Thereafter after a lapse of eight months, the cybercriminal filed nine sales tax "NULL" returns for March 2022 to September 2022 on 12.12.2022. Similarly, filed sales tax NULL returns for October & November 2022 on 21.02.2023. The fake criminal activity was initiated after one year of compulsory registration by introducing an output tax of Rs.168,300,000 against fake sales on 15.03.2023 in December 2022 and claiming an input tax of Rs. 168,300,000 against the fake purchase from Rehan Hyder (MOOSACO) RTO-1 Karachi CNIC 4210151773171.

16. **LOGIN HISTORY OF FILING OF SALES TAX RETURNS WITH IP ADDRESS**

Name	Tax Period	Submission Date	User IP
AAMIR ABDUL MAJEED	202203	12/12/2022 3:03:59 PM	119.159.249.61:6813
AAMIR ABDUL MAJEED	202204	12/12/2022 3:04:19 PM	119.159.249.61:6813
AAMIR ABDUL MAJEED	202205	12/12/2022 3:04:34 PM	119.159.249.61:6813
AAMIR ABDUL MAJEED	202206	12/12/2022 3:04:52 PM	119.159.249.61:6813
AAMIR ABDUL MAJEED	202207	12/12/2022 3:05:07 PM	119.159.249.61:6813
AAMIR ABDUL MAJEED	202208	12/12/2022 3:05:22 PM	119.159.249.61:6813
AAMIR ABDUL MAJEED	202209	12/12/2022 3:05:38 PM	119.159.249.61:6813

AAMIR ABDUL MAJEED	202210	2/21/2023 9:24:41 AM	119.159.249.61:28002
AAMIR ABDUL MAJEED	202211	2/21/2023 9:25:31 AM	119.159.249.61:28002
AAMIR ABDUL MAJEED	202212	3/15/2023 1:35:13 PM	119.159.249.61:21463
AAMIR ABDUL MAJEED	202301	7/6/2023 10:39:40 AM	119.159.249.61:27305
AAMIR ABDUL MAJEED	202302	7/6/2023 10:40:16 AM	119.159.249.61:27305
AAMIR ABDUL MAJEED	202303	7/6/2023 10:40:41 AM	119.159.249.61:27305
AAMIR ABDUL MAJEED	202304	7/6/2023 10:41:10 AM	119.159.249.61:27305

17. As can be observed from login history, the sales tax returns were filed using IP addresses 119.159.249.61:6813, 119.159.249.61:28002, 119.159.249.61:21463 and 119.159.249.61:27305. This IP address 119.159.249.61 has been located in Punjab with ISP provider PTCL. Further, this IP address is the same as what has been used in COMPLAINT NO.7550/KHI/ST/2024 dated 23.01.2025 in the case of Muhammad Nassem Proprietor Sultan Medical Store which finally traced to the following person:

Name	:	Yasir Latif s/o Muhammad Latif
CNIC	:	3310546479883
NTN	:	3702514-7
Jurisdiction	:	RTO Islamabad
Address:	i.	House No.13, Street-3, Jandiala Road, Mohalla Mairajpura, Sheikhupura
	ii.	Khas Sumandri Chak 41 GB (Chak No. 410 P.O) Jagdio Faisalabad Sheikhupura

Mr. Yasir Latif s/o Muhammad Latif is **an employee of PRAL Islamabad posted as a Facilitation Officer at PRAL Help Line Centre, Islamabad**. He is an accused person in FIR No. 01/2023 dated 19.05.2023 lodged by the Directorate of Intelligence & Investigation (Inland Revenue) Karachi related to tax fraud of Rs.11.692 billion for generating fake input tax against inactive/dead sales tax registered units. After arrest, as per his confessional statement u/s 164 Cr.P.C. before the Judicial Magistrate XXI, Karachi East on 02.08.2023, he used to provide passwords and information on inactive units and make changes in data particularly mobile numbers and email IDs against receipt Rs. 10,000 to 15,000. Further, he also admitted in generating input of billions of Rs. against various user IDs /passwords and uploading their Annexure C. In addition, in another tax fraud case (M/s Misbah Enterprises of RTO Hyderabad, the accused Mr. Yasir Latif s/o Muhammad Latif was granted bail FIR no.02/2023 vide order no. Spl. Cr.Bail Application No.40/2024 dated 23.05.2024. Therefore, it can be safely concluded that Mr. Yasir Latif CNIC 3310546479883 is a member of a cybercrime criminal gang who is involved in this tax fraud case. He was summoned for his statement vide notice dated 31.10.2024 but he failed to appear on the due date. However, the Director General I & I Inland Revenue is required to investigate further in details to nab the real culprits /cybercriminals.

18. **BACKWARD & FORWARD TRANSACTIONS**

Rehan Hyder (MOOSACO) RTO-1 Khi
CNIC 4210151773171
output tax Rs. 168,300,000 (Dec. 22)

↓

Aamir Abdul Majeed RTO-1 Khi
CNIC 4220105148493
Input tax Rs. 168,300,000 &
Output tax Rs. 110,262,000 (Dec 22)

↓

Farzana Arshad Anwar (A.K. International)
RTO-1 Khi
CNIC 4210119667130
Input Tax Rs. 110.262,000 (Dec 22)

19. The case of Farzana Arshad Anwar (A.K. International) RTO-1 Karachi CNIC 4210119667130 has already been investigated in complaint no. 5481/KHI/IT/2023 dated 01.11.2023. In compliance, the Directorate of Intelligence & Investigation (Inland Revenue) Karachi vide letter dated 14.02.2024 submitted a comprehensive report proposing appropriate legal proceedings including proceedings of suspension/blacklisting of registration. As per an investigation conducted by the Directorate of Intelligence & Investigation (Inland Revenue) Karachi; the following common facts were observed during the investigation of the supply chain:

i. Huge purchases and supplies were declared with nil / negligible capital

ii. Multiple, distinct, and various commodities were declared in the supply chain

The above-mentioned factors give more credence to the fact that the Registered taxpayers were engaged in paper transactions. The details of the **ultimate beneficiaries** are as follows:

Name/Business Name	NTN	Jurisdiction	Status As on 24.03.2025	Total Sales	Sales Tax
Mughal Ceramics	3410151686567	RTO Gujranwala	Blacklisted as on 07.06.2003	532,000	95,760
GWC.A	7997310	RTO Lahore	Blacklisted as on 22.08.2019	433,338,000	78,000,840
Muhammad Hanif	3550301360723	RTO Lahore	Blacklisted as on 15.07.2022	648,600,000	110,262,000
Faheem Enterprises	3630205098497	RTO Multan	Operative	3,281,557	590,681
Universal Traders	3630327556279	RTO Multan	Operative	236,174	42,510
Ahad Enterprises	3630218301039	RTO Multan	Operative	223,177	40,173
Ahsan & Fahad Traders	3630211107163	RTO Multan	Suspended w.e.f 12.02.2015	2,071,690	372,903
Climax Star Garments	3460350699275	RTO Sialkot	Operative	8,852,800	1,504,976
JMS Tradewell International	0708968	RTO Sialkot	Operative	11,787,600	2,003,892
Sanjut Industries	3673118	RTO Sialkot	Operative	11,778,580	2,002,359
Aqua City Enterprises	1759097	RTO Sialkot	Operative	11,781,880	2,002,920

JNM Leather	8899894	RTO Sialkot	Operative	11,786,500	2,003,705
Histro Leather	3460378326131	RTO Sialkot	Operative	20,596,400	3,501,388
Archers International	3460382914167	RTO Sialkot	Operative	17,688,000	3,006,960
Gul Group Industries	3460355781709	RTO Sialkot	Operative	5,896,000	1,002,320
Gold Panel International	0679670	RTO Sialkot	Operative	10,024,300	1,704,131
Zaryab Asad	3460322082983	RTO Sialkot	Operative	5,889,400	1,001,198
M/s Distil Industries	3460352702139	RTO Sialkot	Operative	2,959,000	503,030
Demark International	5301981	RTO Sialkot	Operative	2,970,000	504,900
Sufi Waheed Leather	7315558	RTO Sialkot	Operative	11,787,600	2,003,892
Muhammad Kashif	4240172431937	RTO-I Karachi	Blacklisted w.e.f 22.05.2024	648,600,000	110,262,000

As can be observed from the above table, despite a red alert issued by the Directorate of Intelligence & Investigation (Inland Revenue) Karachi vide letters dated 07.02.2024 to field offices Multan and Sialkot which are available on record, the status of beneficiaries from Multan and Sialkot remains operative in sales tax even after one year. It appears that no action has been taken by the RTO Sialkot and Multan. This conduct shows neglect, inattention, delay, incompetence, inefficiency, and ineptitude, in the administration or discharge of duties and responsibilities. The concerned Commissioners of Multan and Sialkot owe an explanation for such gross negligence over tax fraud even after timely intimation by the Directorate of Intelligence & Investigation (Inland Revenue) Karachi.

20. **PROCEEDINGS AGAINST BENEFICIARY M/S FALCON INTERNATIONAL FORMERLY KNOWN AS M/S A.K. INTERNATIONAL**

Prop: Farzana Arshad Anwar, CNIC 4210119667130

When the Commissioner was asked to provide an updated current status and details of proceedings initiated against the main beneficiary Ms. Farzana Arshad Anwar, CNIC 4210119667130; the Commissioner Zone-IV, RTO-1 Karachi vide letter dated 24.02.2025 submitted that a show cause notice (SCN) had been issued on 13.01.2025 confronting fake sales of Rs. 3.754 billion involving sales tax of Rs. 638.324 million and claim of fake input tax of Rs. 666.467 million on receipt of a report from Directorate of Intelligence & Investigation (Inland Revenue) Karachi letter dated 20.09.2023. The perusal of SCN dated 13.01.2025 reflects gross neglect, inattention, delay, incompetence, inefficiency and ineptitude, in the administration or discharge of duties and responsibilities on the part of RTO-1 Karachi listed below:

i. The report from the Directorate of Intelligence & Investigation (Inland Revenue) Karachi letter identifying the tax fraud was received on 21.09.2023. The STRN was suspended on 30.09.2023 and blacklisted on 16.10.2023 but the SCN u/s 11E of the Act to recover the output sales tax of Rs. 638.324 million and fake input tax of Rs. 666.467 million was issued on 27.12.2024 i.e; after more than one year.

ii. A copy of the SCN reminder was issued on 13.01.2025. Perusal of the reminder dated 13.01.2025 reveals that it was issued by an Inland Revenue Audit Officer who did not have any authority to issue the SCN in view of honorable Sindh High Court decision dated 23.11.2022 in CP No.D-1356/2022 wherein the Honourable High Court confirmed the decision of the FBR dated 28.10.2015 that the Officers of Audit Cadre in IRS shall not be posted as Unit-In-Charge in field formation and shall not be assigned assessment related function and duties. The aggrieved party challenged the decision of the Honourable High Court of Sindh (SHC) but the Honurable Supreme Court has not suspended the order of SHC yet meaning thereby that the judgment of the SHC is in the field. Therefore, it can be concluded without any iota of doubt that the showcause notice issued by IRAO was illegal, Coram non-judice and abinitio void. Thus, when the showcause notice issued by IRAO is patently illegal, Coram non judice, and abinitio void, the subsequent order will also be abinitio void because such order has as little legal foundation as the void SCN on which they were founded in view of decision of the Larger Bench of the honourable Supreme Court of Pakistan in "Yousuf Ali Vs Muhammad Aslam Zia & Others" cited as PLD 1958 Supreme Court 104 which states:

> *"if on the basis of a void order subsequent orders have been passed either by the same authority or by other authorities, the whole series of such orders, together with*

the superstructure of rights and obligations built upon them, must, unless some statute or principle of law recognizing as legal the changed position, of the parties is in operation, fall to the ground because such orders have as little legal foundation as the void order on which they are founded."

The basic principle laid down by this decision has also been followed in several cases cited as 2007 SCMR 818, 2007 SCMR 729, 2003 SCMR 549, 2003 YLR 1277, PLD 1982 Lahore 1 etc.

iii. Thus, the question arises whether it is **a deliberate attempt to sabotage the legal proceedings against tax fraud of more than one billion initiated by an authority not legally authorized to issue the SCN** in violation of honorable Sindh High Court decision dated 23.11.2022 in CP No.D-1356/2022 read with the direction of the FBR dated 28.10.2015 that the Officers of Audit Cadre in IRS shall not be posted as Unit-In-Charge in field formation and shall not be assigned assessment related function and duties? To reinforce the earlier direction, FBR issued a reminder vide letter no. F.No. 1 (9)2008-MiR-III / 148962 dated 02.10.2023 instructing all field formations of Inland Revenue to adhere to FBR's instructions issued vide Notification No.2467-IR-1/2015 dated 28.10.2015 whereby it has been clarified that the officers of the said cadre shall not be posted as Unit Incharge in field formations i.e. they shall not be assigned assessment related duties and functions

iv. The Member (Ops) must initiate a fact-finding inquiry for this lapse in delaying /concluding and spoiling the legal proceedings in a tax fraud case of more than one billion rupees identified by the Directorate of Intelligence & Investigation (Inland Revenue) Karachi for further proceedings under E & D Rules.

21. As can be observed from the detailed analysis, tax fraud was committed in a comprehensive planned manner. Most of the units that benefited from this tax fraud were registered in sales tax during the second half of the year 2022. Not a single penny was paid in sales tax during these tax periods and the tax fraud was committed through adjustments. An abnormal profile can be observed in every unit. Huge purchases and supplies were declared with nil / negligible capital. Multiple, distinct, and various commodities were declared in the supply chain. There has been no physical movement of goods. No payment was made in terms of section 73 of the Sales Tax Act 1990 which confirms that these transactions were only paper transactions.

Role of I& I Karachi

22. The Directorate of Intelligence & Investigation (Inland Revenue) Karachi vide letter dated 14.02.2024 submitted a comprehensive report proposing appropriate legal proceedings including proceedings of suspension/blacklisting of registration of ultimate beneficiaries in compliance to recommendation in the case of Ms. Farzana Arshad Anwar, CNIC 4210119667130 (M/s A.K. International /Falcon International) in complaint No. 5481/KHI/IT/2023. The Director I & I Karachi also issued red alert notices to RTO Gujranwala, Lahore, Multan, Sialkot, and RTO-1 Karachi on 06.02.2024 & 07.02.2024. However, the Director I & I Karachi vide letter dated 14.02.2024 requested this forum to close the matter without finding out the real culprit who orchestrated the whole tax fraud involving more than Rs. 1 billion. No IP addresses/cell nos / change in particulars in IRIS of the criminals were investigated which is very surprising from a well-reputed wing of the FBR. The identification of the real culprit is absolutely necessary to confirm the innocence of the complainant. Therefore, the DG I & I is required to take up this issue and identify the real culprits for further legal action as per law.

CONCLUDED SUMMARY / ANALYSIS

23. As already discussed in the above-mentioned paras 8 to 13, the complainant was illegally compulsorily registered in sales tax by the then Commissioner Zone-III, RTO-1 Karachi on 07.03.2022 when he was deriving his income on account of rental property and share income from an AOP. The income tax returns e-filed in IRIS for Tax Years 2021 by the complainant further confirmed that the Complainant was not liable for sales tax registration. Further from the detailed investigation, it can be observed that the ultimate beneficiaries of these fake transactions as confirmed by the

Directorate of Intelligence & Investigation (Inland Revenue) Karachi vide letter dated 14.02.2024 are Registered Persons from RTO Gujranwala, Lahore, Multan, Sialkot, and RTO-I Karachi. The IP address 119.159.249.61 from where the return was filed introducing fake supplies has been traced to Mr. Yasir Latif s/o Muhammad Latif, an ex-employee of PRAL Islamabad posted as a Facilitation Officer at PRAL Help Line Centre, Islamabad who was granted bail in FIR no.02/2023 vide order no. Spl. Cr.Bail Application No.40/2024 dated 23.05.2024. Therefore, the offense framed against the complainant was not committed by the complainant and the complainant is innocent; hence the blacklisting listing order dated 05.01.2024 is required to be revoked. Accordingly, the show cause notice dated 17.12.2024 issued u/s 11E of the Act on 17.12.2024 to impose tax liability of Rs. 496.502 million alongwith default surcharge and penalty is required to be withdrawn.

24. The whole tax fraud was well planned before its execution in three phases.

(i) In the first phase, several units all over the country were registered in sales tax during the second half of the year 2022 including the complainant.

(ii) In the second phase, the dormant sales tax registered units were identified. As can be observed in the instant case, after sales tax registration on 07.03.2022 there has been no activity till November 2022. Thereafter after a lapse of eight months, the cybercriminal filed nine sales tax "NULL" returns for March 2022 to September 2022 on 12.12.2022. Similarly, filed sales tax NULL returns for October & November 2022 on 21.02.2023.

(iii) In the third phase, the cybercriminals started criminal activities and introduced an output tax of Rs.168,300,000 against fake sales on 15.03.2023 in December 2022 and claimed an input tax of Rs. 168,300,000 against the fake purchase from Rehan Hyder (MOOSACO) RTO-1 Karachi CNIC 4210151773171 on 15.03.2023.

25. All the beneficiaries mentioned above knowingly and deliberately purchased fake invoices, without any actual physical movement / transaction of goods and without payment as

prescribed under section 73 of the Act, to evade sales tax. The beneficiaries were fully aware of the purchase of fake/flying invoices, without the physical transfer of any goods, with the intent to evade payment of tax. The present loose and liberal enforcement regime has emboldened these unscrupulous registered persons to indulge, without the fear of being caught, in the lucrative business of the use of fake/flying invoices. The edifice of sales tax law is erected on the glorious principle of self-assessment where complete trust is reposed in the taxpayers for submitting true & faithful declarations. To deter misutilization of such trust, the law also has an in-built penal & prosecution mechanism. Therefore, the Deptt after having established the case of tax fraud against all the ultimate beneficiaries in using fake/flying invoices, shall not stop short of registering an FIR against the perpetrators of such tax fraud under the relevant legal provisions but should vigorously pursue their cases during the prosecution stage.

FINDINGS:

26. Illegal compulsory sales tax registration by the Commissioner without knowledge of the complainant, filing of sales tax returns on behalf of the complainant by the cyber criminals introducing fake supplies of Rs. 648.600 million involving sales tax of Rs. 110.262 million and claiming input tax of Rs.168.300 million in monthly sales tax return for December 2022, accusing the complainant of alleged 'Tax Fraud' leading to suspension & blacklisting of sales tax registration and finally issuing show cause notice u/s 11E of the Sales Tax Act 1990 (the Act) on 17.12.2024 to impose sales tax liability of Rs. 496.502 million causing administrative excesses tantamount to maladministration under section 2(3)(i)(a)(b)(c) & (ii) of FTO Ordinance.

RECOMMENDATIONS:

27. FBR to direct:-

i) the Chief Commissioners -IR, RTO Gujranwala, RTO Lahore, RTO Islamabad, RTO Multan, RTO Multan and RTO-1 Karachi to ensure legal proceedings for conviction against the crime of tax fraud by the ultimate beneficiaries Registered Persons/cybercriminals as per law and as already pointed out by Directorate of Intelligence & Investigation (Inland Revenue) Karachi vide letter dated 14.02.2024 and discussed in para 19 & 25

ii) the Director General I & I to;

a. investigate and find out the cyber criminals including those present within PRAL and FBR for conviction under the law in addition to the criminal identified in para 17 in the instant case as well as in the case of Ms. Farzana Arshad Anwar, CNIC 4210119667130 (M/s A.K. International /Falcon International) in complaint No. 5481/KHI/IT/2023 as discussed in para 22;

b. investigate the backward transactions as shown in the flow chart in the case of Rehan Hyder (MOOSACO) RTO-1 Karachi CNIC 4210151773171 for legal action as per law;

c. to seek access to IP data more than one year old as available to other agencies from the competent Authority to overcome the technical limitation for necessary investigation, especially in tax fraud cases;

iii) the Member-IR (Ops) to:-

a. call for an explanation from the then Commissioner Zone-III, RTO-1 Karachi for illegal compulsory sales tax registration of the complainant as discussed in para 8-12;

b. call for a fact-finding inquiry for lapses as pointed out in para 20 for further proceedings under E & D Rules;

c. call for an explanation from the Chief Commissioner and concerned Commissioners of RTO Multan and Sialkot for not responding to date despite a red alert issued by the Directorate of

Intelligence & Investigation (Inland Revenue) Karachi on 07.02.2024 as discussed in para 19 & 22;

iv) the Commissioner Zone-III, RTO-I Karachi in view of discussions in detail in paras 8-12 to:

a. revoke the blacklisting order dated 05.01.2024,

b. withdraw show cause notice u/s 11E of the Act dated 17.12.2024 to impose sales tax liability of Rs. 496.502 million,

c. deregister the STRN of the complainant in terms of Rule 11 of Sales Tax Rules 2006 after seeking application of cancellation of registration from the complainant in Form STR- 3, as the offense was not confirmed in the light of facts, evolved after a detailed investigation;

v) All concerned Chief Commissioners to furnish a report to FBR (Member Ops) within 60 days; and

vi) FBR to furnish a comprehensive report to this forum within 90 days.

(Dr. Asif Mahmood Jah)
(Hilal-i-Imtiaz) (Sitara-i-Imtiaz)
Federal Tax Ombudsman

Dated: 16: 4: 2025
Azeem

Approved for reporting