THE FEDERAL TAX OMBUDSMAN
ISLAMABAD

COMPLAINT NO.10477/KHI/ST/2025

Dated: 13.05.2025* R.O Karachi

Mr. Muhammad Ashfaq, CNIC 4220191010083 ...Complainant
Prop Mecca Traders
Shop # 9, Panjetani House,
Siddiq Wahab Road, Timber Market,
Karachi.

Versus

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

Dealing Officer	:	Mr. Badruddin Ahmad Quraishi, Advisor
Appraising Officer	:	Mr. Muhammad Nazim Saleem, Advisor
Authorized Representative	:	Mr. Shiraz Khan, Advocate
Departmental Representative	:	Nemo

FINDINGS/RECOMMENDATIONS

The complaint mentioned above was filed in terms of Section 10(1) of the Federal Tax Ombudsman Ordinance, 2000 (FTO Ordinance) against illegal misuse of password ID and fraudulent filing of the sales tax return for the tax period April 2025 on 01.05.2025 introducing fake supplies of Rs. 133.125 million through Annexure C with GST impact of Rs. 23.962 million by cyber criminals.

BACKGROUND

2. Briefly, the complainant is a senior citizen, 68 years old, registered in sales tax w.e.f 05.08.2008 as a commercial importer. This incident of huge tax fraud came to light when the complainant tried to file his sales tax return for April 2025. It was found that some cyber criminals illegally misused his password ID and fraudulently updated 181 Form on 29.04.2025 and filed the sales tax return for the tax period April 2025 on 01.05.2025, introducing fake supplies of Rs. 133.125 million through Annexure C with GST impact of Rs. 23.962 million to Mst Raeesa, CNIC 4230114471022 Prop of Rafi

*Date of registration with FTO Secretariat

Enterprises, a taxpayer of RTO Quetta. The cybercriminal also changed the email address and mobile number, etc. of the complainant. The complainant immediately informed the CCIR, RTO-1 Karachi, CIR Zone IV, RTO-1 Karachi, I & I -IR, Karachi vide letters dated 05.05.2025 & 12.06.2025 for appropriate action but did not get any response; hence this complaint to delink the fraudulent sales and restrict the department from taking any coercive action.

3. The complaint was referred to the Secretary of Revenue Division, CCIR RTO-1 Karachi, the commissioner Zone-IV, RTO-1 Karachi, and CEO PRAL, for comments on Section 10(4) of the FTO Ordinance read with Section 9(1) of the Federal Ombudsmen Institutional Reforms Act, 2013. Accordingly, this issue of alleged cybercrime with huge loss of revenue was investigated by examining documents related to IP addresses, fake filing of annexure C and sales tax return for tax period April 2025 using internet connection/ IP address on behalf of the complainant, login data & forward transactions procured from PRAL, sales tax returns of beneficiaries from RTO-1 Karachi and RTO Quetta. As a result, the facts extracted from the investigation/records and the conclusion arrived are described in the paragraphs as follows

4.

<u>INVESTIGATION TO IDENTIFY THE CYBER CRIMINAL</u> who illegally misused his password ID and fraudulently updated 181 Form on 29.04.2025 and filed the sales tax return for the tax period April 2025 on 01.05.2025, introducing fake supplies of Rs. 133.125 million through Annexure C with GST impact of Rs. 23.962 million to Mst Raeesa, CNIC 4230114471022 Prop of Rafi Enterprises, a taxpayer of RTO Quetta:

5. The Senior Manager PRAL submitted information, which is reproduced below:

> *" I am directed to refer to your letter No. FTO-10477/KHI/IT/2025, dated 14.05.2025, regarding the subject.*
> *The following information regarding Mr. Muhammad Ashfaque (CNIC: 42201-9101008-3/ NTN: 0274271-3) is submitted in accordance with the letter requirements:*
> *<u>Sales Tax Return - April 2025</u>*
> *The Sales Tax and Federal Excise Return under Section 26(1) for the month of April 2025 was submitted on 01/05/2025 at 3:13:54 PM*
>
> *Annex-C Details*
> *Details regarding invoice insertion and Annex-C submission for April 2025 are provided in the attached Excel sheet.*
>
> *Login History*
> *A comprehensive login/logout history, including corresponding IP addresses, is available in the attached Excel file for verification*
>
> *Online Registration Modification (Form 181 - Income Tax)*

An online modification request via Form 181 was submitted on 29/04/2025 at 10:32:07 PM. The IP address used for this submission can be verified through the login/logout history in the attached file

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Changes in Particulars
On 29/12/2021 at 4:53:28 PM (+05:00), the taxpayer's cell number was changed from 923222578654 to 923012578654, using IP 111.88.51.220.
On 29/04/2025 at 10:32:33 PM, the following changes were made:
Cell number: from 00923012578654 to 00923456499347,
Email: from hunainsauwala@gmail.com to Ashfaq8643@yopmail.com, IP used: 103.74.21.26
Later, on 29/04/2025 at 11:04:27 PM, the following updates occurred:
Cell number: from 00923456499347 to 00923012578654,
Email: from Ashfaq8643@yopmail.com to hunainsauwalaa@gmail.com IP used: 223.123.87.182.
On 04/05/2025 at 3:34:33 PM, the email address was changed from hunainsauwalaa@gmail.com to ashfaqsauwala@gmail.com, using IP 39.34.139.110."

6. The suspected IP address of the fraudsters / cyber criminals 223.123.87.182 :43336 used from 11:01:48 PM to 11:16:24 PM on 29.04.2025 was traced to Battagram KPK. The internet provider is Zong (CM Pak Ltd), which has been asked to provide complete details of the subscriber, but no response was received despite multiple issuances of notices. Another suspected IP address of the fraudster, 182.177.28.58:62123 used from 1:19:42 PM to 1:59:24 on 01.05.2025, was traced to Islamabad with the internet provider PTCL /Zong. In addition, another suspected IP address is 134.209.239.213:64510, used from 3:03:32 PM to 3:14:01 on 01.05.2025, was traced to Frankfurt, Germany, with internet provider Digital Ocean LLC, most probably using a VPN. The FBR, PRAL, and I& I-IR do not have the capacity to find the original subscriber/criminal using VPN as it is a highly sophisticated technical job, and destination of more than one country may be used by the cybercriminal.

7. **FLOW CHART OF SUPPLY CHAIN INTRODUCING FAKE SUPPLIES OF RS. 133.125 M, GST 23.962 M (FORWARD TRANSACTIONS)**

Mecca Traders, Prop Md. Ashfaq
CNIC 4220191010083 RTO-1 Karachi
April 2025

↓

Rafi Enterprises Prop Raeesa
CNIC 4230114471022 RTO Quetta
April 2025

8. Goods/ Products supplied

HS Code 4805.9190 paper and paperboard, in rollss or sheet : Others

Beneficiary

9. **Mst Raeesa Prop of Rafi Enterprises CNIC 4230114471022**

Registered for Sales Tax. w.e.f. 09-DEC-22 as Importer/Exporter/Exporter/Distributer with business address: Shop No 202, Gold City Mall, Quetta, Tax Office RTO QUETTA

Registration Status Income Tax: Active

Sales Tax: -BLACKLISTED w.e.f 09-DEC-22

As per the sales tax return for April 2025, Mst Raeesa has claimed the fake invoices in Annexure A. On intimation of this fraudulent transaction from this forum vide letter dated 02.06.2025, the concerned Commissioner immediately took action and blacklisted the STRN of Mst Raeesa Prop of Rafi Enterprises CNIC 4230114471022. As a result, after adjustment of the input tax by Mst. Raeesa in same month of April 2025, the same fraudulent transaction could not be transferred further in the supply chain. The immediate/ prompt action by the Commissioner Quetta is highly appreciable in protecting the loss of Govt revenue in the supply chain. However, the concerned Commissioner of RTO Quetta is required to take further action, including registration of FIR as per Standard Operating Procedures (SOPs) to deal with Cases Involving Fake / Flying Invoices outlined in Sales Tax General Order No.12 of 2023 dated 07.09.2023, especially in terms of para 4; the relevant portion of which is reproduced below:

> *"The officers, on having established the case of tax fraud in using lake / flying invoices, shall not stop short of registering an FIR against the perpetrators of such tax fraud under the relevant legal provisions and shall vigorously pursue their cases during the prosecution stage"*

10. The beneficiary of this fake transactions M/s Rafi Enterprises Prop Mst Raeesa CNIC 4230114471022, a taxpayer of RTO Quetta 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 beneficiary was 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:

11. Illegal misuse of password ID and fraudulent filing of the sales tax return for the tax period April 2025 on 01.05.2025, introducing fake supplies of Rs. 133.125 million through Annexure C with GST impact of Rs. 23.962 million, resulting in multiple issues in filing of sales tax returns of subsequent tax periods, tantamount to maladministration under section 2(3)(i)(a)(b)(c) & (ii) of the FTO Ordinance.

RECOMMENDATIONS:

12. FBR to direct:

i) the Chief Commissioners -IR, RTO Quetta, to ensure legal proceedings for conviction against the crime of tax fraud by M/s Rafi Enterprises Prop Mst Raeesa CNIC 4230114471022 in terms of para 4 of 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" as discussed in paras 9 & 10;

ii) the Director General I & I to dig out the cybercriminals either within or outside the company who used the IP addresses for the introduction of fake supplies in the supply chain for conviction under the law, including building capacity to find the original subscriber/criminal using VPN as discussed in paras 5 & 6; and

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

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

Dated: 07 AUG 2025

Approved for reporting