THE FEDERAL TAX OMBUDSMAN
ISLAMABAD

COMPLAINT NO.2551/KHI/IT/2025
Dated: 14.02.2025 R.O. Karachi

Mr. Muhammad Shoaib Lakhani,
NTN 0904376-4,
Proprietor M/s Safa Steel,
6/2/A, LR-4, Ireland Road, Off Nishter Road,
Karachi ...*Complainant*

Versus

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

Dealing Officer	: Mr. Badruddin Ahmad Quraishi, Advisor
Appraisal Officer	: Mr. Muhammad Tanvir Akhtar, Advisor
Authorized Representative	: The complainant in person. Mr. S. Nazir Zaidi, ITP
Departmental Representative	: Mr. Sajid Khan, DCIR, LTO Karachi Mr. Azam Nafees, ADIR, I & I Karachi

FINDINGS/RECOMMENDATIONS

The complaint mentioned above was filed in terms of Section 10(1) of the Federal Tax Ombudsman Ordinance, 2000 (FTO Ordinance) initially against the illegal suspension of sales tax registration (STRN). Later on, additional grounds of complaint were filed against frequent hacking / unauthorized access to password ID and filing of returns/revised returns, deletion of original invoices, insertion of fake sales tax invoices, etc

2. Briefly, the Complainant is an individual and registered with the Department under the Sales Tax Act, 1990 (the Act) since 15.11.1997 under the business name of "Safa Steel" as a manufacturer of iron and steel products. According to the complaint, the Complainant, while filing his sales tax return, came to know that someone had gained access to the FBR web portal by hacking the user ID &

***Date of registration with FTO Secretariat**

password, and the following malicious actions were carried out on behalf of the Complainant:

i. Twice revision of sales tax return for the tax period August 2024
ii. deletion of 111 sales tax original invoices from Annexure C
iii. insertion of fake 381 sales tax invoices
iv. insertion of import in-bond entry in Annexure B

The complainant immediately reported this incident to the Commissioner-IR, Zone-V, LTO Karachi on 24.10.2024, followed by multiple reminders. The Commissioner temporarily suspended the STRN of the complainant to avoid any further misuse of ID & password vide order dated 06.11.2024 and committed to investigate the issue on an urgent basis. However, this commitment was not honoured, and the STRN status of the complainant remained suspended. As a result, the complainant could not file sales tax returns for September 2024 to January 2025, causing heavy financial losses and the stoppage of business activities/transactions. Moreover, on the intervention of this forum, the Commissioner, Zone-V, LTO Karachi, restored suspension status vide order dated 12.03.2025 so that the complainant resumed his business activities.

3. As soon as the status was restored, the cyber criminals again filed sales tax returns for tax periods October 2024 to January 2025 on 26.03.2025, introducing fake supplies and adding new businesses. The changes in the tax profile on the FBR Portal with respect to the Complainant by removing its business name, i.e.**, SAFA STEEL,** and adding three new business names in its tax profile, with the following details reflected in the Taxpayers' profile as follows:

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Sr.	Business/ Branch Name	Business/ Branch Address	Principal Activity
1	Sapphire	114-A, AKBER COLONY, NEAR SALAMAT- PURA STATION, DARAOGHAWALA, Lahore	131200-Manufacturing/Spinning, weaving and finishing of textiles/Weaving of textiles
2	Sapphire Store	6/2/A, L-4 IRELAND ROAD, OFF NISHTER ROAD, Karachi, Karachi South Saddar Town	403000-Importer/Exporter/Exporter/Distributer
3	Sapphire Lahore	114-A, AKBER COLONY, NEAR SALAMAT- PURASTATION, DARAOGHAWALA, Lahore	139213-Manufacturing/Manufacture of other textiles/Quilts, eiderdowns, cushions, pouffes, pillows, sleeping bags etc.
4	Farooq Enterprises	6/2/A, L-4 IRELAND ROAD, OFF NISHTER ROAD, Karachi, Karachi South Saddar Town	403000-Importer/Exporter/Exporter/Distributer

4. Later on, during proceedings before this forum, the complainant kept changing the password ID every month, but the cyber criminals kept hacking into the password ID and introducing fake sales through Annexure C of the sales tax return every month. The details of fake supplies and beneficiaries of input tax are as follows:

SAFA STEEL

July-25

Sales Invoices	CNIC / NTN OF BUYERS	NAMES OF BUYERS	VALUE OF SALES EXCL ST	SALES TAX	TAX OFFICE
497 SALES	4240185488289	ALAM	35,806,443/-	6,445,160/-	RTO-I KARACHI
2 SALES	3740587078623	IRFAN SARWAR	2,966,102/-	533,898/-	RTO ISLAMABAD
2 SALES	5410184677205	JAVED ALI	99,000,000/-	17,820,000/-	RTO QUETTA
17 SALES	7975069	KROS INTERNATIONAL	4,539,100/-	817,038/-	RTO LAHORE
10 SALES	4410757669252	MEERA	10,619,285/-	1,911,472/-	RTO-I KARACHI

Jun-25

SALE INVOICES	CNIC / NTN OF BUYERS	NAMES OF BUYERS	VALUE OF SALES EXCL ST	SALES TAX	TAX OFFICE
5 SALES	4230189031719	MURTAZA MUHAMMAD HUSSAIN	102,796,200/-	18,503,316/-	RTO QUETTA
13 SALE	7975069-7	KROS INTERNATIONAL	3,556,980/-	640,256/-	RTO LAHORE
3 SALE	4240170332407	MUHAMMAD NASEEM	522,520/-	94,054/-	RTO-I KARACHI
1 SALE	8398163-2	CRYSTAL TRADING & ENGINEERING SERVICES (PRIVATE) LIMITED	2,785,921/-	501,466/-	CTO ISLAMABAD

1 SALE	4250110373767	SYED ZAFFAR ALI	1,500,000/-	270,000/-	RTO-II KARACHI
2 SALES	3230329321863	MUHAMMAD IRFAN	3,222,222/-	580,000/-	RTO MULTAN
4 SALES	3520258206375	ABID AZIZ MALIK	13,962,222/-	2,513,200/-	RTO LAHORE
6 SALES	G038927-2	H A ENTERPRISES	2,809,318/-	505,677/-	RTO LAHORE
2 SALES	3450120322523	FARYAD ALI	46,820,000/-	8,427,600/-	RTO SIALKOT
4 SALES	7975626-6	USMAN ASLAM INTERNATIONAL (PRIVATE) LIMITED	4,224,200/-	675,872/-	CTO LAHORE

May-25					
SALE INVOICES	**CNIC / NTN OF BUYERS**	**NAMES OF BUYERS**	**VALUE OF SALES EXCL ST**	**SALES TAX**	**TAX OFFICE**
2 SALES	4230189031719	MURTAZA MUHAMMAD HUSSAIN	23,080,000	4,154,400	RTO Quetta
1 SALES	5440072431557	MUHAMMAD HAMAYUN	9,850,000	1,773,000	RTO Quetta
15 SALES	2120236659571	MAN AKBER	158,327,625	28,498,976	RTO Peshawar

Apr-25					
14 SALES	3520273135605	SYED HASSAN TAHIR ZAIDI	967,192,250	174,094,605	RTO Lahore

Jan-25					
25 SALES	4210166227505	MOHAMMAD USAMA	133,468,807	24,024,384	RTO-I KARACHI

Dec-24					
34 SALES	4210117200249	AHMED ALI	382,060,000	68,770,800	RTO Quetta

Nov-24					
2 SALES	3520273135605	SYED HASSAN TAHIR ZAIDI	81,280,000	14,630,400	RTO Lahore

Aug-24					
5 SALES	3450120322523	FARYAD TRADERS	45,098,200	8,117,676	RTO Sialkot
28 SALES	3310117080243	Mudassar Iqbal	788,889	142,000	RTO Lahore
38 SALES	3540415439929	Muhammad Rafique	1,588,888	286,002	RTO Lahore
59 SALES	3540405760873	Zubair & Co	2,185,302	447,001	RTO Lahore
1 SALES	3410125475547	BILAL	795,655	143,218	RTO Gujranwala
39 SALES	3520224497879	Arslan Ahmad But	617,482	123,501	RTO Lahore
199 SALES	3540409019101	Allah Rakha	4,289,901	858,001	RTO Lahore

5. 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 addition, each fake transaction was reported to the respective field office in writing from this forum for immediate suspension/blacklisting of the cybercriminal, along with other legal, civil & criminal proceedings in order to avoid loss of Govt revenue in the supply chain as directed in the SOP through Sales Tax General Order No.12 of 2023 dated 07.09.2023. In response, the following reports have been submitted:

i. The CCIR, RTO Quetta vide letter dated 18.06.2025, 31.07.2025 & 12.08.2025 submitted that STRN of Mr. Ahmed Ali CNIC 4210117200249, has been blacklisted vide order dated 12.06.2025. Similarly, the STRN of Mr. Murtaza Muhammad Hussain, CNIC 4230189031719, and Mr. Muhammad Humayun, CNIC 5440072431557, were suspended on 09.07.2025 & 28.07.2025, respectively. Further action under the provisions of the Sales Tax Act 1990 is in process.

ii. The CIR, Sialkot Zone vide letter dated 20.06.2025 & 13.08.2025 submitted that a SCN u/s 11E of the Act had been issued to M/s Faryad Grain & Rice Traders CNIC 3450120322523, but the registered person replied that his user ID & password had been misused and fake entries in sales tax return have been fed. The RP has also filed a complaint with the FTO, vide no. 12507/SKT/ST/2025.

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iii. The CIR RTO Gujranwala submitted a report dated 14.06.2025 stating that the proceedings u/s 11E have been initiated for recovery. The RP Mr. Bilal CNIC 3410125475547 has been suspended vide order dated 09.05.2025, and blacklisting proceedings are in process. Further, intimation has been sent vide letter dated 14.06.2025 to CIR Zone-1, RTO against Gujranwala Waste Management Company to whom the fake supplies were made, valuing Rs1,255,161 with GST 225,929.

iv. The CCIR RTO Lahore vide letter dated 21.04.2025 submitted that the STRN of Syed Hassan Tahir Zaidi was suspended vide order dated 15.04.2025.

v. The CCIR CTO Lahore vide letter dated 19.08.2025 has submitted that the beneficiary is not registered in sales tax meaning hereby the sales tax benefit cannot be passed on in the supply chain. Accordingly, no suspension proceedings or recovery proceedings under Sales Tax Act can be initiated.

6. FBR vide Sales Tax General Order No.12 of 2023 dated 07.09.2023 has issued a “Standard Operating Procedure (SOPs) to

deal with cases involving flying and fake invoices. These are as follows:

i. ***Immediate Suspension and blacklisting of STRN*** *on identification of the dubious/bogus/dummy registrations or use of fake/flying invoices by the registered persons in terms of section 2l of the Sales Tax Act. 1990 read with Rule 12(a) of the Sales Tax Rules, 2006, followed by a Show cause notice for blacklisting within 7 days as specified in Rule 12 (a)(vi) of the Sales Tax Rules 2006. During the process of blacklisting, the Commissioner concerned shall get the registered person's physical verification report to determine the existence (or non-existence of the firm), availability of reasonably sufficient manufacturing facilities, as the case may be, at the declared premises, etc. Blacklisting proceedings must not suffer any delay and the order for blacklisting must be issued in terms of rule l2(b) of the said Rules, within 90 days of the issuance of the show cause notice.*

ii ***Action Against Beneficiaries****: The officers shall identify the actual buyers/suppliers of fake/bogus firms to reach the real culprits. Immediate action must commence (under the relevant assessment, enforcement, and penal provisions) against beneficiary(s) of fake and flying invoices for recovery of the sales tax evaded or receipt of false refunds.*

iii. ***Registration of FIRs****: The officers, on having established the case of tax fraud 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 and shall vigorously pursue their cases during the prosecution stage. The officers shall, with the help of automated systems, find out the IP addresses. coordinates. etc. of the perpetrators of such crime and take statutory action accordingly.*

iv. ***Action against e-Intermediaries****: In view of Sub-section (5) of Section 52A of the Act, wherever, case is established with regard to use of fake/flying invoices, the officers shall also proceed against such e-intermediaries in terms of Section 37A of the Act as well as initiating proceedings for immediate suspension and subsequent cancellation of their licenses in accordance with the procedure prescribed in sales tax law.*

v, ***Action against Insiders***

vi. ***Other Jurisdictions****: The Chief Commissioner is to immediately share details of such cases with the relevant jurisdictions, clearly informing that such registered persons in their jurisdiction are engaged in buying/selling of fake/flying invoices, and that action must be taken against them in accordance with this SOP.*

vii. ***Reporting to the Board****, along with the detection of fraudulent activities related to the misutilization of invoices,*

7. Despite the written intimation of these fraudulent transactions from this August forum, the concerned Commissioners of the Field Offices failed to take immediate action as per a clear-cut SOP issued by the Board on the cases involving flying and fake invoices in terms of Sales Tax General Order No.12 of 2023 dated 07.09.2023 as discussed above. Perusal of the Taxpayers Profile Inquiry of the beneficiaries involved in this scam reveals that the status of most of the Registered persons remains operative despite repeated direction from this forum as per the details given below:

July 25

Sr. No	NAMES OF BUYERS	CNIC / NTN OF BUYERS	Tax Office	Status
1.	ALAM	4240185488289	RTO-I KARACHI	Operative
2.	IRFAN SARWAR	3740587078623	RTO ISLAMABAD	Operative
3.	JAVED ALI	5410184677205	RTO QUETTA	Operative
4.	KROS INTERNATIONAL	7975069	RTO LAHORE	Operative
5.	MEERA	4410757669252	RTO-I KARACHI	Operative

June 25

Sr. No	NAMES OF BUYERS	CNIC / NTN OF BUYERS	Tax Office	Status
1.	MURTAZA MUHAMMAD HUSSAIN	4230189031719	RTO Quetta	Suspended w.e.f 09.07.25
2.	KROS INTERNATIONAL	7975069-7	RTO LAHORE	Operative
3.	MUHAMMAD NASEEM	4240170332407	RTO-I KARACHI	Operative
4.	CRYSTAL TRADING & ENGINEERING SERVICES (PRIVATE) LIMITED	8398163-2	CTO ISLAMABAD	Operative
5.	SYED ZAFFAR ALI	4250110373767	RTO-II, Karachi	Operative
6.	MUHAMMAD IRFAN	3230329321863	RTO MULTAN	Operative

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7.	ABID AZIZ MALIK	3520258206375	RTO LAHORE	Operative
8.	H A ENTERPRISES	G038927-2	RTO LAHORE	Operative
9.	FARYAD ALI	3450120322523	RTO SIALKOT	Operative
10.	USMAN ASLAM INTERNATIONAL (PRIVATE) LIMITED	7975626-6	CTO LAHORE	IT: Active
	May 2025			
1.	MURTAZA MUHAMMAD HUSSAIN	4230189031719	RTO Quetta	Suspended w.e.f 09.07.25
2.	MUHAMMAD HAMAYUN	5440072431557	RTO Quetta	Suspended w.e.f 28.07.25
3.	MAN AKBER	2120236659571	RTO Peshawar	Operative
	April 2025			
1.	SYED HASSAN TAHIR ZAIDI	3520273135605	RTO Lahore	Blacklisted w.e.f 03.06.25
	Jan 2025			
1.	MOHAMMAD USAMA	4210166227505	RTO-I KARACHI	Operative
	December 2024			
1.	AHMED ALI	4210117200249	RTO Quetta	Blacklisted w.e.f 27.09.2008
	November 2024			
1.	SYED HASSAN TAHIR ZAIDI	3520273135605	RTO Lahore	Blacklisted w.e.f 03.06.2025
	August 2024			
1.	FARYAD TRADERS	3450120322523	RTO Sialkot	Operative
2.	Mudassar Iqbal	3310117080243	RTO Lahore	Operative
3.	Muhammad Rafique	3540415439929	RTO Lahore	Operative
4.	Zubair & Co	3540405760873	RTO Lahore	Operative
5.	BILAL	3410125475547	RTO Gujranwala	Operative
6.	Arslan Ahmad But	3520224497879	RTO Lahore	Operative
7.	Allah Rakha	3540409019101	RTO Lahore	Operative

The concerned Commissioners of RTO Lahore, RTO Gujranwala, RTO-1 Karachi, RTO-II Karachi, RTO Peshawar, RTO Multan, and CTO Islamabad owe an explanation for not taking any action against the beneficiaries despite written intimation from this forum vide letters as detailed below:

Sl. No.	Concerned Field Office	Date of intimation vide letter dated
1	CCIR RTO Lahore	26.08.2025, 01.08.2025, 07.07.2025, 27.05.2025, 10.04.2025
2	CCIR RTO Gujranwala	27.05.2025, 10.04.2025
3	CCIR RTO-1 Karachi	26.08.2025, 01.08.2025, 07.07.2025, 27.05.2025, 10.04.2025
4	CCIR RTO-II Karachi	01.08.2025
5	CCIR RTO Peshawar	07.07.2025, 02.07.2025
6	CCIR RTO Multan	01.08.2025
7	CCIR CTO Islamabad	01.08.2025
8	CCIR CTO Lahore	07.07.2025

Taking no legal action in terms of Sales Tax General Order No.12 of 2023 dated 07.09.2023, against the beneficiaries despite intimation from this forum, is tantamount to protecting & facilitating the cyber criminals involved in this instant tax fraud.

8. The beneficiaries 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.

9. PRAL vide letter dated 28.04.2025 submitted the following information, reproduced below:

> *"I am directed to refer to your letter No. 2551/Advisor/1T/2025/, dated 23.04.2025, regarding the subject. Based on the information received from the concerned department of PRAL, please find below the information requested in Para-4 (Sr. i-vi) of your above-referred letter:*
>
> *i. Submission status of all ST returns along with IP addresses, from 2021 to date (includes August 2024 to Feb 2025), and submission of original and revised Annexure-C from August 2024 to February 2025 along with IPs are given in the enclosed excel file (sheet named "Annex-C Submission"). Furthermore, all invoices insertion date along with their returns are also given in sheet named "Annex-C" of the enclosed excel file. excel file.*
>
> *ii. Login history of prior to August 2024 and post February 2025 sales tax return with IP addresses are given in the enclosed excel file.*
>
> *iii. iii. Copies of Annexures A, B, and C may kindly be obtained from the relevant field office as these documents are only accessible to concerned Commissioners.*
>
> *iv. Copies of ST returns and revised returns may kindly be obtained from the relevant field office as these documents are only accessible to concerned Commissioners.*
>
> *v. Data of change in particulars along with IP addresses is given in the enclosed.*
>
> *vi. Details of input tax claims made by beneficiaries based on the alleged fake sales during the period from August to December 2024 and January 2025 in the forward supply chain are also given in the enclosed excel file. Please note that the information about Ports, ISP and Coordinates of the IP addresses provided is not*

available with PRAL. This information may kindly be obtained from PTA authorities.

If any further information is required, kindly specify so that we shall provide accordingly."

10. 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 periods August 2024 onwards using internet connection/ IP address on behalf of the complainant, login data & forward transactions, sales tax returns of beneficiaries from field offices and parties' arguments. Accordingly, the facts extracted from the investigation/records, especially extraordinary efforts from a team of the Directorate of Intelligence & Investigation—Inland Revenue (I&I—IR), Karachi, and the conclusion arrived at are described in the following paragraphs:

11. **An unprecedented unique case of Tax Fraud** where cyber criminals have unrestricted/complete control over data manipulation, not once but multiple times

The cyber criminals gained access to the FBR web portal by hacking the user ID & password of the complainant, and filing revised sales tax returns for the tax period August 2024 twice, introducing fake sales, and changing the tax profile of the complainant on the FBR Portal. In response, the complainant changed his password and corrected his profile, but the cybercriminal again gained access to the complainant's user ID & password on the very next tax period, and subsequently again introduced fake sales. The complainant again changed his password and tax profile, but the cybercriminals continued to access the system, and this trend is still going on, with the latest incident being for the tax period of July 2025.

12. **Role of DG I & I-IR**

The role of the Directorate of I & I Karachi specially the DR from I & I has been very positive and highly encouraging. The concerned team of I & I Karachi made tremendous efforts to trace out the cyber criminals. As per the reports from DG IR, I & I dated 21.05.2025 and 22.08.2025, the cyber criminals have used unconventional hacking techniques to compromise the user ID and password credentials of the complainant. These methods represent a significant threat to the digital security of FBR data and indicate a coordinated effort by malicious actors to exploit system vulnerabilities for unauthorized access and potential tax fraud. The team from the Directorate of Intelligence & Investigation—Inland Revenue (I&I—IR), Karachi, successfully identified a group of cybercriminals operating from a small town of Kanganpur, Tehsil Chunian, District Kasur, Punjab. The miscreants had unlawfully gained access to the tax credentials of the complainant, M/s Safa Steel, and filed a manipulated sales tax return for the registered person for the tax period of August 2024, even though the original return had already been filed by the complainant on 21.09.2024. In addition, the cyber criminals managed to file two additional revised returns for the same tax period on 30.09.2024 & 02.10.2024 respectively and inserted fictitious sales data replacing the genuine sales figure originally declared by the complainant, causing at least a loss of Rs. 36 million on this account alone. The password associated with the complainant was not changed before the filing of the revised/ manipulated sales tax returns for M/s Safa Steel. This critical finding indicates that the cybercriminals were able to gain unauthorized access using the original password set by the complainant, confirming that the credentials were **compromised through hacking rather than internal negligence**. Further detection of nominal online payment of Rs 100/- against the revised return was made by the miscreants through CPRN ST-20240930-0101- 2085443 dated 30-09-2024 against the NTN of M/s Safa Steel. This token payment was deliberately made by the cybercriminals to mislead the tax system and circumvent the legal requirement of obtaining prior permission from the concerned Commissioner of Inland Revenue for filing a revised return, as stipulated under Section 26(3) of the Sales Tax Act, 1990. The Easypaisa Account was used for online payment of Rs 100/-. Information obtained from Telenor Microfinance Bank (Easy Paisa) and from the relevant Internet Service Providers (ISPs) identified a group of cyber criminals, which includes, among others, a registered Income Tax Practitioner (ITP), a tax consultant, and a law firm operating from Kanganpur, Tehsil Chunian, District Kasur, Punjab. These are Authorized Representatives of various individuals with FBR under section 223 of the ITO 2001. The concerned team from the I & I identified three individuals who unauthorizedly accessed and used the ID and password of the complainant to modify the login credentials and submitted a revised return on 30.09.2024. Accordingly, a FIR no. 03/2025 was registered on 16.06.2025, and the principal accused, Mr. Usman Ali s/o Muhammad Yar, CNIC 35101-1640075-5, was arrested from his shop '*Usman Bardana Merchant*' located near Rehman City, Main Lindiawala, Tehsil Chunian, District Kasur. The mobile phone recovered from the accused revealed data/evidence about the instant scam. During remand from the Honorable Special Judge (Customs & Taxation), strong incriminating material evidence emerged against the **mastermind, Mr. Shiraz Ahmed s/o Niaz Ahmed, CNIC 42401-**

4727198-9, who provided the tax credentials of the complainant. Accordingly, Sheraz Ahmed was formally nominated as a co-accused through an interim challan dated 18.07.2025. The honorable Special Judge, Customs Court-II, Karachi, upon admitting the challan, issued a non-bailable warrant for the arrest of Shiraz Ahmed, who is a habitual offender in tax fraud cases and was earlier arrested in FIR No. 02/2024-25 dated 18.11.2024 in the Rs525 billion tax fraud FTO complaint 2800/KHI/ST/2024 of Gravity Traders. He was also nominated in RTO-1 Karachi's FIR No. 01/2024 dated March 2024 (State Vs New Metro Footwear & Others). Shiraz Ahmed is presently on bail granted by the Hon'ble Sindh High Court in both of these cases.

13. Despite extraordinary efforts to apprehend the real culprits involved in the change of ID password by the complainant every month, the misuse of the ID password of the complainant did not stop, and it continued every month; the latest of tax period July 2025. Therefore, the involvement of the insiders who have direct access to the system, especially from the PRAL, cannot be ruled out. The repeated hacking of the password ID of the same taxpayer also reflects on the quality of security & sanctity of the data and the whole IT system. The critical system weaknesses include data integrity, inadequate data security, weak internal controls, and insufficient safeguards against tax fraud. The inadequate system controls include the manipulation of data, a lack of system alerts for unusual activity, inadequate HS code matching between input & output tax, quantitative reconciliation, and unauthorized changes in the taxpayers' profiles to facilitate the creation of fake transactions. In addition, there has been potential collusion between taxpayers and FBR/PRAL employees to exploit the vulnerabilities of the

system. In short, there are security vulnerabilities whereby the system is susceptible to data manipulation, backdoor entries, and unauthorized transactions. It appears that the whole IT system has collapsed and under complete control of cybercriminals who can do whatever they want without any trail or risk of being caught. These are very serious issues which must be tackled immediately for the survival of FBR IT structure.

FINDINGS:

14. Illegal use of the password ID of the complainant and fraudulent filing of the sales tax returns/ revised returns for the tax periods August 2024 onwards every month, deleting original invoices and introducing fake supplies through Annexure C resulting in multiple issues for filing of sales tax returns of subsequent tax periods tantamount to maladministration under section 2(3)(i)(a)(b)(c) & (ii) of FTO Ordinance.

RECOMMENDATIONS:

15. FBR to direct:

i) The Chief Commissioners -IR, RTO Lahore, CTO Lahore, RTO Gujranwala, RTO-1 Karachi, RTO-II Karachi, RTO Peshawar, RTO Multan, CTO Islamabad, RTO Islamabad, RTO Quetta, and RTO Sialkot:

a. to ensure legal proceedings for conviction against the beneficiaries of tax fraud, as pointed out in para 4, 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" and

b. to find out the other beneficiaries down the supply chain and immediately share details of such beneficiaries with the relevant jurisdictions for legal action as per the instruction of the Board dated 07.09.2023, by the respective Commissioners;

ii) The Member Ops-IR to issue an explanation call to the concerned Commissioners-IR of RTO Lahore, RTO Gujranwala, RTO-1 Karachi, RTO-II Karachi, RTO Peshawar, RTO Multan, and CTO Islamabad for not taking appropriate legal action in compliance with Sales Tax General Order No.12 of 2023 "Standard Operating Procedure (SOPs) to deal with cases involving flying and fake invoices despite intimation from this forum as discussed in para 7;

iii) The Director General I & I -IR to increase the efforts to apprehend the mastermind, Shiraz Ahmed s/o Mr. Niaz Ahmed, CNIC 42401-4727198-9, as already identified & pointed out in their report dated 22.08.2025 and other cybercriminals, including individuals from PRAL (if any), as discussed in paras 12 & 13 for conviction under the law;

iv) The CCIR, LTO Karachi, in coordination with the Director General I & I -IR and DG I.T. take immediate appropriate action to ensure the stoppage of the continuous hacking of ID passwords of the complainant every month, so that the complainant may resume his business in a normal way; and

v) 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: 16:9:2025
Akif

Approved for reporting