

Tax Bulletin

May 2025



Foreword



This publication contains brief commentary on Circulars, SROs and decisions of the adjudicating authorities issued during April 2025.

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Executive Summary

S.No.	Reference	Summary / Gist	Page No.
Direct Tax – Un-Reported Decisions			
1	Civil Petition No. 2135-L of 2020	<p>PENDING CASES DO NOT ATTRACT LIMITATION OF TIME UNDER SECTION 174 FOR RECORD RETENTION</p> <p>SC referred to the judgement reported as 2022 SCMR 1133, confirming that pending proceedings, record retention requirement extends beyond six years.</p>	08
2	ITA No.5730/LB/2024 (Tax Year 2022)	<p>PROVISIONS OF SECTION 109 CANNOT BE INVOKED, WHERE THE LAW EXPLICITLY PROVIDES EXEMPTIONS OR BENEFITS</p> <p>ATIR held that:</p> <p>The appellant's claim of exemption under Section 37 for properties held for long-term was bona fide and lawful.</p> <p>The transactions did not fall within the mischief of anti-avoidance provisions, as there was no tax avoidance intent.</p>	08
Direct Tax – Reported Decisions			
1	(2025) 131 TAX 271	<p>TRANSFER OF OWNERSHIP WITHOUT CONSIDERATION IS NOT A SALE</p> <p>It was held by SC that if the ownership of goods is exchanged for anything other than money, the transaction cannot be classified as a sale; instead, it would be considered an exchange or barter.</p>	09
2	(2025) 131 TAX 283	<p>REFERENCE CAN NOT BE FILED AGAINST RECTIFICATION APPLICATION</p> <p>SHC dismissed the reference of appellant on the basis that rectification orders do not fall within the ambit of appeal-disposing orders.</p>	10
3	(2025) 131 TAX 355	<p>NO VESTED RIGHT CLAIMED UNDER SECTION 37A ACCRUED AT THE TIME OF DISPOSAL OF SECURITIES</p> <p>LHC held that no vested right had accrued to the petitioner, as the transaction was not past and closed before the legislative amendment.</p>	11

S.No.	Reference	Summary / Gist	Page No.
Indirect Tax Notifications - Sales Tax Act, 1990			
Federal Sales Tax – Notifications/Circulars			
1	S.R.O. 578(1)/2025 dated April 8, 2025	FBR has made further amendments to the rule 14 of the Sales Tax Rules, 2006 and revised the Form – 7 of the sales tax return whereby a new Annexure C1 is introduced to obtain details of payments received during the period against local/domestic supplies made.	12
2	S.R.O. 577(1)/2025 dated April 8, 2025	Minimum ex-mill price of domestically produced white crystalline sugar is revised, linking it to the average national retail price published by PBS and reducing it by sixteen rupees every fortnight effective from April 1, 2025.	12
3	S.R.O. 608(1)/2025 dated April 18, 2025	Further amendments made to rule 11 and 12 of the Sales Tax Rules, 2006, to streamline de-registration and compliance procedures.	12
4	S.R.O. 709(1)/2025 dated April 22, 2025	All registered persons are required to electronically integrate their hardware and software systems with FBR and are required to commence integration, for corporates effective from May 01, 2025 and June 01, 2025 for non-corporates, via licensed integrators or PRAL. Such dates were later on extended to June 01, 2025 for corporate and July 01, 2025 for non-corporate respectively.	13
5	S.R.O. 746(1)/2025 dated April 29, 2025	For sales tax purposes, minimum retail price is fixed for cement based on the national average retail price published by Pakistan Bureau of Statistics via the weekly Sensitivity Price Indicator, effective from May 01, 2025.	13
6	Circular no. 1 of 2025 dated April 10, 2025	FBR has outlined the procedure for integration into digital invoicing system for the implementation of SRO 69(I)/2025 dated January 29, 2025.	13
Indirect Tax – Reported Decisions			
Sales Tax Act, 1990			
1	SST REFERENCE APPLICATION NO. 160 OF 2024 SINDH HIGH COURT	FOR IMPOSITION OF PENALTY AN ELEMENT OF MENS REA MUST BE PRESENT The SHC decided the reference application in favour of the applicant and set-a-side the impugned orders and held that since the show cause notice was issued under Section 11(1) and did not specify violation of section 26 of the ST Act, and given that no tax shortfall was established, penalty could not be imposed.	13

S.No.	Reference	Summary / Gist	Page No.
		The SHC emphasized that mens rea (guilty mind) is a necessary element for imposition of penalty unless the law explicitly states otherwise, which it does not in this case.	
2	2025 TAX 303 SINDH HIGH COURT	<p>APPLICABLE SALES TAX RATE ON IMPORTED GOODS SHOULD BE DETERMINED AT THE TIME OF FILING THE GOODS DECLARATION AND NOT AT THE TIME OF ESTABLISHMENT OF LETTER OF CREDIT, REGARDLESS OF THE SUBSEQUENT AMENDMENTS.</p> <p>The SHC dismissed the petition and held that under Section 6(1) of the ST Act, sales tax is determined at the time of filing the Goods Declaration, not at the time of establishment of Letter of Credit therefore, the 17% rate applies to the import.</p> <p>The petitioner's reliance on earlier judgments was rejected due to legal amendments clarifying the timing of tax liability. The secured amount was ordered to be credited to the Collectorate's account.</p>	14
3	2025 TAX 269 SUPREME COURT OF PAKISTAN	<p>SUBSEQUENT BLACKLISTING OF ACTIVE VENDORS IF COMPLIED WITH SECTION 73 OF THE ACT, DOES NOT AFFECT ADJUSTMENT OF INPUT TAX</p> <p>The Supreme Court of Pakistan has dismissed the department's claim for disallowance of input taxes based on subsequent blacklisting of the vendor and upheld the High Court's decision whereby it was held that the respondent's purchases were legitimate at that time, verified through official channels, and payments were processed properly under section 73 of the Act.</p>	14
Sindh Sales on Services Act, 2011 – Notifications			
1	No. SRB-3-4/16/2025 dated April 9, 2025	Through this notification, SRB has made further amendments to the rules 13-A and 42FF in form SST-03 of the Sindh Sales Tax on Services Rules, 2011 concerning the collection and reporting of sales tax effective from May 01, 2025.	16
2	No. SRB-3-4/17/2025 dated April 9, 2025	Through amendment in Rule 3 of the Sindh Sales Tax Special Procedure (Tax on Specified Services) Rules 2023, the collection agents are now required to declare collected tax in Table-I of Annex-C1 of SST-03 returns with the tariff heading, and to e-deposit the full amount (row 14b) into Sindh's account B-02384 by the 15th of the next month without any deductions. This notification is effective from May 01, 2025.	16

S.No.	Reference	Summary / Gist	Page No.
3	No. SRB-3-4/18/2025 dated April 9, 2025	<p>Corresponding to the above notification, similar amendment is also made in Rule 3 of the Sindh Sales Tax Special Procedure (Collection Agent) Rules 2024.</p> <p>The collection agents are now required to declare collected tax in Table-I of Annex-C1 of SST-03 returns with the tariff heading, and to e-deposit the full amount (row 14b) into Sindh's account B-02384 by the 15th of the next month without any deductions. This notification is effective from May 01, 2025.</p>	16
Punjab Sales on Services Act, 2012 – Reported Decision			
1	2025 TAX 319 LAHORE HIGH COURT	<p>IMPUGNED NOTICES ARE WITHOUT THE STRENGTH OF DUE INQUIRY, THEREFORE, CANNOT BE ALLOWED TO BREATHE IN THE FIELD ANYMORE.</p> <p>The Lahore High Court (LHC) held that the show-cause notices under Section 24(2) of the Punjab Sales Tax on Services Act, 2012, were issued without proper inquiry and in violation of procedural safeguards, including the petitioners' right to be heard.</p> <p>The LHC set aside the impugned notices, and the matter was remanded for a fair inquiry, allowing the petitioners to respond, with a decision to be made within 30 days.</p>	17

Income Tax Ordinance, 2001

A. Un-Reported Decisions

1. PENDING CASES DO NOT ATTRACT LIMITATION OF TIME UNDER SECTION 174 FOR RECORD RETENTION

**CIVIL PETITION NO. 2135-L OF 2020
SUPREME COURT OF PAKISTAN
COMMISSIONER INLAND REVENUE,
LAHORE AND OTHERS**

VS

**SALMAN BUTT AND OTHERS.
APPLICABLE SECTION: 174 OF THE
INCOME TAX ORDINANCE, 2001**

Brief Facts:

The Respondent (the taxpayer) filed a petition before LHC. LHC allowed the petition, however observed that proceeding of audit may continue but the respondent shall not be required by the petitioner (the department) to produce record, on account of lapse of statutory timeframe prescribed to retain document in terms of section 174(1) of the Ordinance. The department preferred an appeal before the SC against the decision of LHC.

Decision

The Respondent chose not to appear and an ex-parte order by the SC was passed as follows:

- No doubt a timeframe is prescribed under the law i.e. section 174(1) of the Ordinance for retaining the documents, however this is extended by the proviso and explanation (inserted via Finance Act, 2010), which mandates that records must be maintained until final disposal of any pending proceedings (including appeals, references, petitions, or ADR).
- In the present case, the deemed assessment pertained to Tax Year 2010, for which the reassessment

orders dated February 27, 2015 were passed within the legal timeframe.

- SC refer to the judgement reported as 2022 SCMR 1133, confirming that pending proceedings, record retention requirement extends beyond six years.
- SC converted the petition into an appeal, set aside the impugned order, and held that ongoing proceedings automatically extend the respondent's obligation to maintain records, so long as the initial notice was issued within the statutory timeframe.

2. PROVISIONS OF SECTION 109 CANNOT BE INVOKED WHERE THE LAW EXPLICITLY PROVIDES EXEMPTIONS OR BENEFITS

**ITA NO.5730/LB/2024
APPELLATE TRIBUNAL INLAND
REVENUE, LAHORE
MR.GHAZANFAR IQBAL AUJLA,
GUJRANWALA**

VS

**CIR, ZONE-I, RTO, GUJRANWALA
APPLICABLE SECTIONS: 37, 109
AND 122(5A) OF THE INCOME TAX
ORDINANCE, 2001**

Brief Facts:

The appellant (the individual) e-filed his return of income and declared exempt capital gain on sale of immovable properties disposed of in tax year 2022. Exemption was claimed in respect of capital gain on disposal of immovable properties, which were purchased in tax years 2007 and 2013. Later proceeding concluded under section 122(5A) read with section 109 of the Ordinance and the taxation officer made the addition under section 18 (1)(a) of the Ordinance by considered it as a business income.

Being aggrieved, the appellant filed appeal before ATIR

Arguments

The appellant argued that capital gain earned on disposal of immovable properties were exempt, as holding period was more than 9 to 15 years. The appellant further argued that burden is always on the department to prove through any material evidence on record that the properties in question were purchased with the intention and purpose of resale and for earning the business income.

Decision

ATIR decided the matter in favour of appellant as follows

- The department has failed to prove that the gains earned out of transactions made by the appellant, were actually the gains / profits earned out of business activity, as the properties sold after 9 to 15 years of holding.
- The properties were purchased with the expectation of long-term value appreciation, and their subsequent sale was part of a planned fund allocation strategy rather than an ongoing business activity. It is noted that this amount comprises exempt capital gains from the disposal of immovable properties during the year and, therefore, cannot be included as "Income from Other Sources."
- The sale of immovable property is inherently irregular and sporadic, usually occurring on an infrequent basis. Such specific transactions cannot be equated to regular business activities, which reinforce the distinction between the two types of income.
- Provisions of section 109 cannot be invoked solely because a transaction results in no tax, especially where the law explicitly provides exemptions or benefits.

B. Reported Decisions

1. **TRANSFER OF OWNERSHIP WITHOUT CONSIDERATION IS NOT A SALE BUT A BARTER TRANSACTION**

**(2025) 131 TAX 271
SUPREME COURT OF PAKISTAN
COMMISSIONER INLAND REVENUE,
LAHORE**

VS

**M/S AZAM TEXTILE MILLS LIMITED,
LAHORE**

**APPLICABLE SECTIONS:
122(1),133(1),153,53(6),153(7)(iii),169 AND 177 OF THE INCOME TAX ORDINANCE, 2001
SECTION 4 OF THE SALE OF GOODS ACT, (III OF 1930)**

Brief Facts:

The Respondent (the taxpayer), publicly traded on the stock exchange. Its business operations revolve around the manufacturing and selling of yarn, catering to local and international markets. For the tax year 2003, the taxpayer's tax return was selected for an audit in accordance with Section 177 of the Ordinance. The taxation officer identified several discrepancies in the taxpayer's records during the audit. One significant issue related to the transfer of raw materials to its associates. The taxation officer treated the inter-company transfer of raw materials as a sale. The Respondent contended that these were mere internal allocations without monetary consideration, thus not sales. The ATIR ruled in favor of the Respondent, holding the transactions lacked the essential element of monetary consideration. The Department challenged this finding under Section 133 before the LHC.

The LHC reaffirmed the ATIR's view that a "sale" necessitates monetary consideration. Drawing inference from section 4 of the Sale of Goods Act, 1930 and Section 153(7)(iii) of the Ordinance, the LHC concluded that the ledger entries reflected internal transfers, not sales, as no money was

exchanged. The LHC emphasized that mere entries or netting off amounts in financial statements do not establish the existence of a sale in the legal sense. Consequently, provision of section 153 were held inapplicable.

Being aggrieved, the department filed an appeal before the SC and question raised whether the transactions conducted by the Respondent, with its associated entity, M/s Saritow Spinning Mills Limited, qualify as “sales.”

Arguments

The Department argued that the transaction concerning the transfer of raw materials is to be treated as a sale, and should be assessed under Section 169 of the Ordinance to determine the respondent’s final tax liability.

The Department explained the rationale of its conclusion that if there had been no sales activities, the taxpayer would not have recorded the resulting net amounts as sales of raw materials in its Profit and Loss statements.

The respondent argued that its buying and sales operations were centralized within their structure. Cotton was procured in large quantities collectively, and once one of the group members made the payment, the cotton would then be allocated to other mills within the group based on their individual needs. The Respondent maintained that since these transfers occurred within the group, without any exchange of monetary consideration, it should not be classified as sales.

Decision

SC Decide the matter in favour of the responded as follows;

- A sale is recognized as occurring when the ownership of goods is transferred to the buyer and payment for these goods has been made. This payment must take the form of money, commonly referred to as the price of the goods.
- If the ownership of goods is exchanged for anything other than

money, the transaction cannot be classified as a sale; instead, it would be considered an exchange or barter.

- Section 4 of the Sale of Goods Act, 1930, which defines a sale as a transfer of goods in exchange for a price (money).
- Moreover, sub-section 7(iii) of Section 153 of the Ordinance, it is mandated that a sale must involve the receipt of consideration, which can be either cash or credit. In the present case, however, we observe a significant absence of this critical element of consideration. Accordingly, the provisions of section 153 are not applicable.

2. REFERENCE CAN NOT BE FILED AGAINST RECTIFICATION APPLICATION 2025 PTCL 298 = (2025) 131 TAX 283

**SINDH HIGH COURT
MUKESH KUMAR**

VS

**APPELLATE TRIBUNAL INLAND
REVENUE & OTHERS
APPLICABLE SECTIONS:
122(5A),132,133,135,136(1),221
OF THE INCOME TAX ORDINANCE,
2001
4 OF THE SALE OF GOODS ACT, (III
OF 1930)**

Brief Facts:

The Appellant had claimed amnesty in respect of undisclosed properties and non-payment of tax in terms of the Amnesty Scheme. Taxation officer concluded the proceeding under section 122(5A). Appellant filed the rectification application which was rejected.

The Appellant filed a reference application before SHC challenging the dismissal of rectification application.

Decision

SHC decided the matter against the appellant as follows:

Reference application lies only against an order “disposing of an appeal”. Since a rectification order does not dispose of an appeal and merely addresses apparent mistakes, it is not maintainable as a basis for a reference.

SHC referred to the judgement reported as 2023 PTD 1268, which clearly states that rectification orders do not fall within the ambit of appeal-disposing orders.

3. **NO VESTED RIGHT CLAIMED UNDER SECTION 37A ACCRUED AT THE TIME OF DISPOSAL OF SECURITIES (2025) 131 TAX 355**

**W.P. NO.20679/2023
LAHORE HIGH COURT
MANZURUL HAQ**

VS

**FEDERATION OF PAKISTAN, ETC.
APPLICABLE SECTIONS: 37A**

Brief Facts:

The Petitioner acquired securities in 2011, held for 12 years and sold in Tax Year 2023.

Petitioner (the taxpayer) filed petition before the LHC and source of grievance is against chargeability to tax under section 37A of the Ordinance on disposal of securities during the tax year 2023, thus challenged the amendment introduced through the Finance Act, 2022.

The petitioner argued that the securities were acquired in the year 2011, which were retained for over one year, hence, disposal thereof, after retaining those for over one year, cannot be subjected to capital gains under section 37A(1) of the Ordinance.

The respondent argued that no vested right could be claimed against the

statute, which right, before maturing into a past and closed transaction, could be withdrawn by legislature, which was done in this case. Further that no case of discrimination, otherwise arises in the context of the classification of the timing of purchase of securities and period of retention thereof.

Reliance was placed on the case reported as 2022 PTD 454 where decision is made on the point that each tax year is a separate unit of account and taxation, and law, to be applied thereto, shall be in the context of relevant tax year.

Decision

LHC dismissed the petition and decided the matter as follows:

- The petitioner relied solely on the precedent set in 2017 PTD 1069, arguing for exemption or protection under the earlier version of Section 37A of the Ordinance. That case interpreted Section 37A before the amendments made via Finance Act 2014 and 2015. The proviso that supported the judgment 2017 PTD 1069 was omitted in 2014, and thus is no longer applicable.
- The petitioner failed to show any statutory representation or promise (e.g., in tax rates or exemptions) that could justify a vested right.
- At the time of disposal of securities (the trigger for capital gains tax under Section 37A), the omitted proviso was no longer part of the law.
- No vested right could be claimed against the right of the legislature to tax, when neither any vested right had conclusively accrued, nor subject matter transaction graduated to achieve status of a past and closed transaction

Sales Tax Act, 1990

A. Notifications:

1. **S.R.O. 578(1)/2025 dated April 8, 2025**

Through this notification, FBR has made further amendments to the rule 14 of the Sales Tax Rules, 2006 and the form – 7 of the sales tax return to obtain details of payments received on local/domestic supplies.

A new Annexure-C1 titled as “payment received against domestic sales tax invoices” is introduced after Annexure C through which FBR has made it mandatory for the sales tax registered persons to submit specific details in respect of buyer, invoice reference, and payment received. This change is brought to monitor compliance of section 73 of the ST Act through FBR online integrated system on Iris.

2. **S.R.O. 577(1)/2025 dated April 8, 2025**

FBR has revised (for sales tax purposes) the minimum ex-mill value of domestically produced white crystalline sugar which will be set based on the average national retail price of refined sugar published by the Pakistan Bureau of Statistics (PBS) website, reduced by sixteen rupees for each fortnight starting on the 1st and 16th of every month effective from April 1, 2025

This has replaced the previous notification S.R.O. 1027(I)/2021 dated August 16, 2021 whereby the ex-mill value of white crystalline sugar was fixed at Rs. 72.22 per kg.

3. **S.R.O. 608(1)/2025 dated April 18, 2025**

Through this notification, FBR has made amendments in the Rules 11 and 12 of the Sales Tax Rules, 2006 related to the de-registration process and compliance measures. Key points include:

De-Registration (Rule 11) – The registered person who intends to get de-register from FBR, must apply online through the computerized system, as against the previous requirement to apply manually to the Commissioner having jurisdiction. The time limit for issuance of de-registration order from the date of application or from the date all dues are cleared, whichever is later, is reduced from ninety days to sixty days except in case an audit is conducted by the Commissioner as discussed below.

Moreover, the amended rule also specifies that after submitting the online application the registered person cannot file Annex-C, Annex-D, or the return and no input tax adjustments or refunds will be allowed during the period of de-registration. Further, no input tax adjustments or refunds will be granted to other registered persons based on invoices issued by the de-registered person during this period.

The updated sub-rule (2) specifies that in case the Commissioner intends to conduct audit for determination of liability, he may require requisite information and shall complete the audit within ninety days of the application (unless adjourned for a period of not exceeding ninety days), based on which he may require the applicant to furnish final return and payment. On submission of final return and payment, the system shall automatically deregister the applicant upon expiry of ninety days thereof.

Blacklisting and Suspension of Registration (Rule 12) – Several provisions are updated, such as restrictions on access to business premises and records, activities exceeding five times the declared capital and liabilities, transactions involving more than 10% purchases or supplies with suspended persons (except in specified cases), and non-filing of sales tax returns for consecutive months. The process for revoking suspension now requires action within thirty days of receiving a reply.

4. S.R.O. 709(1)/2025 dated April 22, 2025

Earlier under the Rule 150Q of the Sales Tax Rules, 2006, the electronic integration was made applicable for registered persons in only FMCG sector through SRO 28 dated January 10, 2024.

Through this notification, FBR has directed that all registered persons mentioned below must electronically integrate their hardware and software systems with the FBR's computerized system and shall generate electronic invoices. This integration must be done through a licensed integrator or PRAL.

- Corporate registered persons are required to commence integration from May 1, 2025, subsequently extended by FBR till June 1, 2025
- Non-corporate registered persons are required to start integration from June 1, 2025, subsequently extended by FBR till July 1, 2025.

5. S.R.O. 746(1)/2025 dated April 29, 2025

FBR has prescribed minimum retail price of cement based on the average national retail price published by the Pakistan Bureau of Statistics (PBS) via the weekly Sensitive Price Indicator (SPI). For the purpose of sales tax calculations and is determined for each fortnight, starting on the 1st and 16th of every month effective from May 5, 2025.

It may be noted that cement is covered under Third Schedule to the Sales Tax Act, 1990 which is subject to sales tax at the rate of 18% of retail price.

6. Circular no. 1 of 2025 dated April 10, 2025

FBR has outlined the procedure for integration into digital invoicing system for the implementation of SRO 69(I)/2025 dated January 29, 2025.

- Registered persons required to issue digital invoices must first connect their hardware and software systems to the FBR's computerized system through following authorized licensed integrators:

- o M/S Pakistan Revenue Automation Limited (Shall offer free of cost integration services.)
- o M/S Haball (Pvt) Ltd.
- o M/S EY Ford Rhodes.
- o M/s WebDNAworks (Pvt) Ltd.

Registered persons should visit the digital invoicing portal at www.iris.fbr.gov.pk, select their preferred licensed integrator, and initiate the integration process. Licensed integrators are instructed to promptly handle integration requests via the portal and follow the technical guidance provided for API integration.

B. Reported Decisions

1. FOR IMPOSITION OF PENALTY AN ELEMENT OF MENS REA MUST BE PRESENT.

**SST REFERENCE APPLICATION NO. 160 OF 2024
SINDH HIGH COURT**

Applicable provisions: Section 11(1) and 33(1) to the Sales Tax Act, 1990 (the Act)

Brief facts:

In the instant case, the applicant challenged the order passed by the Appellate Tribunal whereby the core legal issue was whether the assessing officer was justified in imposing a penalty under Section 33(1) of the ST Act, without establishing mens rea (intentional wrongdoing) since Section 33 is not a strict liability provision and no specific violation of Section 26 was proven. The penalty was based on a show cause notice issued under Section 11(1) of the ST Act for non-filing of sales tax returns.

The notice indicated violations related to Section 26, which pertains to filing requirements, and suggested penalties under Section 33. However, no shortfall in tax or actual tax evasion was established, and the applicant had no sales activity during the period in question.

Decision:

The Court has decided the reference application in favour of the applicant and set-aside the impugned orders.

The Court held that since the show cause notice was issued under Section 11(1) and did not specify violation of Section 26 of the ST Act, and given that no tax shortfall was established, penalty could not be imposed.

The Court emphasized that mens rea (guilty mind) is a necessary element for penalty unless the law explicitly states otherwise, which it does not in this case.

2. APPLICABLE SALES TAX RATE ON IMPORTED GOODS SHOULD BE DETERMINED AT THE TIME OF FILING THE GOODS DECLARATION AND NOT AT THE TIME OF ESTABLISHMENT OF LETTER OF CREDIT, REGARDLESS OF THE SUBSEQUENT AMENDMENTS.

**2025 TAX 303
SINDH HIGH COURT**

**M.A FLOUR MILLS (PVT) LIMITED
VS
THE FEDERATION OF PAKISTAN**

Applicable provisions: Sr. No. 6 of the Eighth Schedule to the ST Act, 1990.

Brief Facts:

M.A Flour Mills (Pvt) Limited, challenged the enhancement of sales tax from 10% to 17% on imported plant and machinery, which was introduced through Finance Supplementary Act, 2022. The petitioner argued that at the time of establishing the Letter of Credit, the applicable sales tax was 10%, and the goods arrived after the rate was increased to 17%, thus they should be liable only for the original 10%.

The petitioner sought relief to have the goods released at the original rate or, alternatively, to pay only 10% with the balance secured.

The core issue was whether the law, particularly Section 6 of the ST Act, allows for application of the increased sales tax rate after the goods had been imported and the Letter of Credit was established, considering the timing and manner of tax payment.

Decision:

The Court dismissed the petition and held that under section 6(1) of the ST Act, the applicable sales tax rate is determined at the time of filing the Goods Declaration, not at the time of Letter of Credit establishment, regardless of the rate specified at LC opening.

Consequently, the increased rate of 17% applies to the import. The court observed that the petitioner's reliance on earlier judgments was not applicable due to amendments in the law that explicitly clarified the timing of tax liability.

The Court denied the petitioner's request for relief, and the amount secured under the interim order was directed to be credited to the concerned Collectorate's account.

3. SUBSEQUENT BLACKLISTING OF ACTIVE VENDORS IF COMPLIED WITH SECTION 73 OF THE ACT, DOES NOT AFFECT ADJUSTMENT OF INPUT TAX.

**2025 TAX 269
SUPREME COURT OF PAKISTAN**

**THE COMMISSIONER INLAND
REVENUE
VS
M/S EAGLE CABLES (PVT) LTD**

Applicable provisions: Section 7 and 73 to the ST Act, 1990.

Brief Facts:

In the instant case, the department challenged the decision of Hon'ble High Court wherein the respondent claimed input tax on the invoices from certain suppliers, who were later blacklisted or suspended. The department contended that the input tax claims were based on fake invoices issued by black listed suppliers constituting a violation of section 8(1)(d) of the ST Act. However, the respondent argued that at the time of purchase, the suppliers' status was verified as active through the FBR's official website, and payments were made through legitimate banking channels complying with sections 7 and 73 of the ST Act.

Decision:

The Supreme Court dismissed the department's claim of violation of section 8(1)(d) of the Act by the respondent through claiming input tax on fake invoices and upheld the High Court's decision.

The Court observed that the respondent's purchases were legitimate at the time, verified through official channels, and payments were processed properly under section 73 of the Act.

The Court emphasized that, according to sub-section (3) of Section 21, entities who procured goods before suppliers' blacklisting and complied with legal requirements are entitled to input tax adjustments. Therefore, the department's demand for recovery was deemed unjustified, and the higher forums' affirmations were maintained.

Sindh Sales Tax on Services Act, 2011

A. Notifications:

1. No. SRB-3-4/16/2025 dated April 9, 2025

Through this notification, SRB has made further amendments to the rule 13-A and 42FF in form SST-03 of the Sindh Sales Tax on Services Rules, 2011 concerning the collection and reporting of sales tax effective from May 1, 2025.

Rule 13A – new annexure is introduced i.e. Annexure C1 whereby registered persons acting as collection agents under section 9(3) of the Act, must e-file Table-I of the Annex-C1 via the SRB portal by the specified deadline, detailing the amount of tax collected and other related information.

Rule 42FF - new sub-rule 10 has been added whereby collection agents collecting tax for medical practitioners and consultants must declare the collected tax in Table-I of Annex-C1 of their return Form SST-03, including the SNTN/NTN of the service provider.

The collected tax must be shown in row '14b' of the return and deposited without deductions or adjustments along with other payable taxes. Medical practitioners and consultants providing services through these collection agents are required to file their tax returns as per Chapter III of the Sindh Sales Tax on Services Rules, 2011, declaring the services in Annex-C and the full tax payable. The system will automatically fill Table-II of Annex-C1 based on the collection agent's declaration, granting the service provider the appropriate credit for the collected tax. For the format of the new Table-I and Table-II, please refer the [Notification](#).

2. No. SRB-3-4/17/2025 dated April 9, 2025

Through this notification, SRB has made further amendments to the rule 3 of the Sindh Sales Tax Special Procedure (Tax on Specified Services) Rules, 2023 effective from May 1, 2025 whereby collection agents are required to declare the collected tax in Table-I of Annex-C1 of their SST-03 return, indicating the relevant tariff heading.

The collected tax amount must be reflected in row 14b of the monthly return and e-deposited without deductions or adjustments into the Sindh Government's head of account "B-02384" by the 15th day of the following month.

3. No. SRB-3-4/18/2025 dated April 9, 2025

Subsequent to the above notification, SRB has made similar amendments to the rule 3 of the Sindh Sales Tax Special Procedure (Collection Agent) Rules, 2024 effective from May 1, 2025 whereby the collected tax must be declared in Table-I of Annex-C1 (Form SST-03), indicating the applicable tariff heading, and to e-deposit the full amount (row 14b) into Sindh's account B-02384 by the 15th of the next month without any deductions.

The key change is that the collection agents will now report collected tax separately in Table-I of Annex-C1, which is auto-filled into the system to help service providers claim credit. This replaces the earlier practice of declaring collected tax only in Annex-C.

Punjab Sales Tax on Services Act, 2012

A. Reported Decision

- 1. IMPUGNED NOTICES ARE WITHOUT THE STRENGTH OF DUE INQUIRY, THEREFORE, CANNOT BE ALLOWED TO BREATHE IN THE FIELD ANYMORE.**

**2025 TAX 319
LAHORE HIGH COURT
M/S RAHAT CAFE**

VS

GOVERNMENT OF PUNJAB

Applicable provisions: Section 24, 35, 52 and 53 to the Punjab Sales Tax on Services Act, 2012.

Brief Facts:

The taxpayer along-with other petitioners through the writ petition challenged the legality of show-cause notices issued to them by the respondent authority under Section 24(2) of the Act. These notices were issued based on alleged short payment or non-levy of sales tax, without prior proper assessment or inquiry.

The petitioners argued that the notices were issued without conducting a requisite due inquiry, as mandated by Section 52 of the Act, and without considering their objections or providing them an opportunity of hearing, which violated their constitutional rights under

Article 199 of the Constitution of Pakistan.

They also contended that the notices were issued without proper adherence to the procedural requirements of Sections 52 and 57 of the Act, which prescribe the necessity of an assessment process involving proper record examination, objections, and hearing. The respondent authority defended the notices, claiming they were issued due to concealment of sales and short payments.

Decision:

The Court held that the impugned show-cause notices issued under Section 24(2) of the Punjab Sales Tax on Services Act, 2012, were issued without the necessary prior inquiry and in violation of the procedural safeguards mandated by Sections 52 and 57 of the Act. The notices failed to consider the objections raised by the petitioners and did not provide them an opportunity to be heard, thereby infringing their fundamental rights under Article 10-A of the Constitution.

Consequently, the Court set aside the notices and remanded the matter back to the respondent authority, directing it to conduct a proper inquiry in accordance with law, allowing the petitioners to submit their replies and objections, and to decide the case through speaking orders within 30 days

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Yousuf Adil, Chartered Accountants provides Audit & Assurance, Consulting, Risk and Financial Advisory and Tax & Legal services, through over 725 professionals in four cities across Pakistan.

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