

ORDER SHEET
IN THE HIGH COURT OF SINDH AT KARACHI

Special STRA 40 of 2025

DATE	ORDER WITH SIGNATURE OF JUDGE(S)
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- 1. For orders on office objection.
- 2. For hearing of main case.

13.11.2025

Mr. Imtiaz Ali Solangi, advocate for the applicant.

On the last date, following order was passed:

“30.10.2025

Mr. Imtiaz Ali Solangi, advocate for the applicant

The operative part of the impugned order reads as follows:-

“4. We have heard the learned representatives from both the sides and have carefully examined the available record of the case. The perusal of show cause notice shows that the sole allegation against the appellant registered person was that it had claimed input tax credit on the basis of invoices of the blacklisted suppliers. The assessing officer is of the view that that input tax credit on the basis of invoices issued by the supplier prior to suspension/blacklisting is not admissible. He alleged that the appellant has made purchases from the suppliers who were blacklisted. The suppliers of the registered person were also active at the time of transactions made. The assessing officer in his order has recorded that the appellant provided FBR active taxpayer list status, copies of invoices for the purchases made during the period, proof of payments/copies of cheques and bank statement and payments ledger. The assessing officer without pointing out any deficiency in the documents provided by the appellant disallowed the input tax credit. The issue of claim of input tax credit on the basis of invoices issued by the suppliers prior to suspension has been decided by the Hon'ble Supreme Court vide judgment dated 18.05.2018 passed in Civil Petition No.682 of 2017 in the case titled as Commissioner Inland Revenue, Zone-II Faisalabad Vs M/s Sky Pak Enterprises, Faisalabad and has laid to rest the controversy with regard claim of input tax on the basis of invoices issued by the blacklisted person the following manners: -

"2. Before us, the learned counsel has read from the provisions of section 21 (3) of the Act, which is reproduced as follows:

(3) During the period of suspension of registration, the invoices issued by such person shall not be entertained for purposes of sales tax refund or input tax credit, and once such person is blacklisted, the refund or input tax credit claimed against the invoices issued by him, whether prior or after such blacklisting shall be rejected through a self- speaking appealable order and after affording an opportunity of being heard to such person.

A bare reading of the said provision shows that it is attracted to that transaction that take place after the event of suspension of a supplier of goods under alleged fake invoices. The event of

blacklisting follows suspension. Consequently, any transaction which is either prior to or after blacklisting of the supplier is liable to rejection provided that such transaction has taken place after the date of suspension of the supplier. In the present case, the petitioner has not been able to make out before any of the three for a below a case that the suspension of the alleged issued of fake invoices took place prior to the relevant period July, 2008 September, 2009.

5. The suppliers of the registered person at the time of transaction were active. Therefore, in view of the ratio settled by the Hon'ble Supreme Court in judgment referred to hereinabove the action of the assessing office to disallow the input tax credit claimed on the basis of invoices issued by the suppliers who are active at the time of transaction is illegal, unjustified and not sustainable in the eye of law. Accordingly, the impugned order passed by the assessing officer is hereby annulled and the consequent sales tax demand is deleted.

6. Appeal is disposed of as indicated above.”

Prima facie, it is observed by the learned Tribunal that the transactions were made at a time prior to suspension, blacklisting etc. Reliance has also been placed on the judgment of the Supreme Court cited therein. In view hereof, learned counsel's assistance was sought however he fails to demonstrate any question of law arising therefrom, ILet Commissioner Inland Revenue, Zone-1 MTO be present in person on the next date to assist.

To come up on 13.11.2025.”

Today, Mr. Zulfikar Ali Syed, Commissioner Inland Revenue, Zone-I, MTO, Karachi, is present and states that reference application may be dismissed as withdrawn. Order accordingly.

A copy of this decision may be sent under the seal of this Court and the signature of the Registrar to the learned Appellate Tribunal, as required per section 47(5) of the Sales Tax Act, 1990.

Judge

Judge