

ORDER SHEET
IN THE HIGH COURT OF SINDH AT KARACHI
Income Tax Reference Application Nos. 161, 162, 163 & 164 of 2016

DATE

ORDER WITH SIGNATURE OF JUDGE(S)

For hearing of main case.

15.10.2026

Mr. Mukesh Kumar Khatri, advocate for the applicant.

These references are pending since 2016 and while numerous questions had been proposed, learned counsel states that the issue before the Court is that of bad debts. He states that the issue has been dealt by the learned Tribunal in a perfunctory manner and entire judgment in such regard is comprised of paragraph-12 thereof, which reads as follows:-

“12. The claimed bad debts had been disallowed by the ACIR and confirmed by the CIR(A). We are of the opinion that bad debts are integral part of any running business. In the instant case as well, bad debt constitute fraction of aggregate turnover of business. Hence we are of the opinion that claimed bad debts if not exceeding by 0.5% of the aggregating business receipt in a year be allowed prior to proration u/s.67 of the Income Tax Ordinance as the conditions laid down u/s.29 had been made up. Therefore, appeals of the taxpayer are partly allowed on the issue.”

It is settled law that for the treatment and recognition of bad debts, certain procedure is to be followed including the finding that all efforts were in fact expended in such regard. It is stated that no such determination or finding is apparent from impugned judgment. Learned counsel further states that the observations are prima facie based on conjectures and surmises and the learned Tribunal has failed to appreciate the law or even the relevant record in such regard. In such circumstances, it is stated that the said constituent of the impugned judgment may not be sustained, be set aside and the matter remanded back to the learned Tribunal for adjudication afresh on the said issue of bad debts. 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 133(8) of the Income Tax Ordinance, 2001. Office is instructed to place copy of this order in the connected files.

Judge

Judge