

ORDER SHEET
IN THE HIGH COURT OF SINDH AT KARACHI

SCRA 1235 of 2015

DATE	ORDER WITH SIGNATURE OF JUDGE(S)
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- 1. For orders on office objection/reply at “A”.
- 2. For hearing of main case.

05.10.2026

Sardar Zafar Hussain, advocate for the applicant

Learned counsel has proposed the following question for determination:-

“Whether the learned Appellate Tribunal has not erred in law to hold that as per SRO 499(1)2009 dated 13-06-2009 read with Section 181 of the Customs Act, 1969 (hereinafter referred to as the ‘Act’), the pitch of fine is based on the value as given in Section 179 instead of the customs value as defined under sub-section 13 of 25 of the Act?

Learned counsel states that pursuant to orders to substituted service, service is therefore effected through publication and relevant newspaper excerpt is available on file.

Counsel states that this is no case of first impression and identical matters have been decided, inter alia, vide order dated 28.09.2026 in SCRA 248 & 249 of 2015, which reads as follows.

“Pursuant to order dated 31.08.2026, Mr. Afzaal Ahmed, Collector of Customs, Appraisement West Karachi is present. Sardar Zafar Hussain advocate files vakalatnamas on behalf of applicant in both references which are taken on record. Learned counsel has addressed the observation in the earlier order to the satisfaction of the court.

Learned counsel proposed the following questions of law for determination.

- i. Whether on the facts and circumstances of the case, the learned Tribunal has correctly interpreted the SRO 499(1)/ 2009 dated 13.06.2009 as well as section 181 of the Customs Act, 1969?
- ii. Whether the customs value of whole of impugned imported goods shall not be taken as value for calculation of redemption fine in terms of the SRO 499(1) / 2009?

Learned counsel states that this is no case of first impression and the questions have been consistently decided in favour of the applicant department ineralia vide order dated 08.09.2021 in CP D 4917 of 2021. Paragraph 6 whereof reads as follows:

6. SRO 499 permits for the facility for redemption of qualifying confiscated items against payment of a redemption fine in addition to the payment of the

relevant duties and levies. However, this fine is calculated as a percentage on the customs value of the goods and not upon the differential in the quantum of duties / taxes adjudicated and the amount paid.

He also relied upon order dated 22.08.2023, passed in SCRA 561 of 2011, which reads as follows:

“Respondent has been served through publication; and service has been held good; however, nobody has turned up. In response to the order passed on the last date of hearing, Applicant’s Counsel has placed before us copy of SRO No. 1374(I)/1998 dated 17.12.1998 issued under Section 181 of the Customs Act, 1969.

Through this Reference Application, the Applicant Department has impugned Judgment dated 19.05.2011 passed by the Customs Appellate Tribunal Bench-II, Karachi in Customs Appeal No. K-664 of 2010 proposing the following Questions of Law:-

“i. Whether the Appellate Tribunal erred in law to hold that as per SRO No. 499 (I)/2009 dated 13.06.2009 read with 2nd proviso to Section 181 of the Customs Act, 1969, the pitch of fine is based on the „duties & taxes“ instead of customs value of the confiscated goods?

ii. Whether the Appellate Tribunal erred in law and failed to appreciate that the question before the honourable Court in the case of PTCL 2005 CS 343 where different then the questions of the appeal before the Tribunal?

iii. Whether the Appellate Tribunal erred in law and failed to appreciate that in an established case of mis-declaration and evasion it is prerogative of the adjudication authority to redeem the confiscated goods as per redemption fine which he deems appropriate as per circumstances of the case?

iv. Whether the impugned order passed by the Appellate Tribunal Bench-II, Karachi based on misreading / non-reading of evidence / record is sustainable under the law?”

Insofar as Question No. 1 is concerned, it appears that the Tribunal has partly allowed the Appeal of the Respondent¹, by placing reliance on the case reported as Weave and Knit (Pvt.) Ltd² whereby, a learned Division Bench of this Court was pleased to hold that quantum of fine in lieu of confiscation of goods has to be paid on the differential amount of duties and taxes, allegedly attempted to be evaded and not on the total assessed value of the goods. In the instant matter, the Respondents Appeal has been allowed only to this extent by the Tribunal.

Insofar the present case is concerned, it may be of relevance to note that subsequently, SRO No.1374(I)/1998 has been superseded by another SRO and presently SRO No. 499 (I)/2009 dated 13.06.2009 is in field. To the extent of validity and applicability of SRO 499 to the present case in hand, there appears to be no dispute. In SRO 1374 it was provided that minimum redemption fine has to be imposed on duties and taxes attempted to be evaded, whereas, in SRO 499 which is the applicable SRO in hand, fine is now to be imposed on the customs value of the goods. It could be seen that there is a material difference in the language employed in the two SRO’s, in respect of as to on what amount the redemption fine has to be imposed.

After going through both these SROs and the Judgment passed by this Court, it appears that Tribunal was misdirected in placing reliance on the case of M/s Weave and Knit (Pvt.) Ltd., (supra) inasmuch as the SRO under consideration before the learned Division Bench of this Court was materially different as it employed a different parameter for imposition of redemption fine in terms of Section 181 of the Act. Earlier it was on the duty and taxes attempted to be evaded, whereas, in the later SRO it is on the customs value of the goods. Insofar as reduction in the amount of penalty is concerned, though no reasoning has been assigned by the Tribunal, but an inference can be drawn

¹ By directing that redemption fine imposed in lieu of confiscation may be computed on the amount of duty and taxes involved with a further reduction of penalty from Rs. 80,000/- to Rs 25,000/-

² Weave and Knit (Pvt) Ltd., Karachi Vs. Additional Collector of Customs (PTCL 2005 CL 343)

that it has been so done as the quantum of fine was being reduced. Since, that quantum was incorrectly reduced, we do not see any reason to sustain the reduction of penalty as well.

The provisions of Section 181 of the Act and its proviso along with SRO 566(I)/2005 dated 6.6.2005 and SRO 574(I)/ dated 6.6.2005 (the earlier SRO's under section 181 *ibid*) and the powers of FBR to prescribe conditions in respect of confiscation and redemption fine came for scrutiny before the Hon'ble Supreme Court in the case of Collector of Customs, 1 By directing that redemption fine imposed in lieu of confiscation may be computed on the amount of duty and taxes involved with a further reduction of penalty from Rs. 80,000/- to Rs. 25,000/- 2 Weave and Knit (Pvt.) Ltd., Karachi Vs. Additional Collector of Customs (PTCL 2005 CL 343) SCRA 248 of 2015 and connected matter Page 3 of 3 Peshawar³, and it was held that the requirement to give option to pay fine in lieu of confiscation in respect of confiscated goods is not absolute and is subject to the Notification issued by FBR under Section 181, and the order of the Tribunal for imposition of redemption fine in lieu of outright confiscation of smuggled goods was held to be unlawful and in violation of section 181 *ibid*.

Accordingly, Question No. 1 is answered in the affirmative in favour of the Applicant Department and against the Respondent. In view of this, remaining questions need not be answered. The impugned order of the Tribunal stands set aside and this Reference Application stands allowed.

Let copy of this order be sent to Customs Appellate Tribunal, Karachi in terms of sub-section (5) of Section 196 of the Customs Act, 1969"

Learned counsel states that the aforementioned authority is squarely binding upon this bench, therefore, in *mutatis mutandis* application thereof the question be answered in favour of the applicant department and against the respondent. Order accordingly.

A copy of this decision may be sent under seal of this Court and the signature of the Registration to the learned Customs Appellate Tribunal, as required per section 196(10) of the Customs Act, 1969.

Learned counsel states that in view of the forgoing, question may be answered in favour of the applicant and against the respondent. Order accordingly.

A copy of this decision may also be sent under the seal of this Court and signature of the Registrar to the learned Customs Appellate Tribunal, as required per section 196(10) of the Customs Act, 1969.

Judge

Judge

Sajid