

**ORDER SHEET**  
**IN THE HIGH COURT OF SINDH AT KARACHI**

**C.P No. D-7255, 4535, 5886, 8451& 8669 of 2017**

**CP No.D- 1288, 2281, 2282, 2283, 6641, 6642, 7107, 7126, 7127, 7128, 7129, 7130, 7162, 7163, 7164, 7165, 7166, 7167, 7168, 7169, 6194, 7195, 7196, 7474, 7475, 7578, 7990, 8101, 8177, 8216, 8269, 8270, 8885, 1477, 1476, 1253, 1251, 1158, 7726, 738, 144, 782, 7804, 7803, 7727, 175, 1157, 1289 of 2018**

**CP No.D-169, 1857, 1858, 2176, 2508, 2509, 2799, 3237, 3303, 3338, 3339, 3590, 4410, 5666, 5690, 6277, 6476, 6821, 7025, 7196, 7237, 757, 7583, 7708, 780, 8115, 8138, 8149, 8150, 8151, 8152, 8153 & 8435 of 2019**

**CP No.D-123, 1078, 2462, 3557, 3558, 3685, 3759, 378, 3957, 4222, 4481, 4678, 4737 of 2020**

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Date	Order with signature of Judge(s)
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1. For hearing of Stay Applications.
2. For hearing of main case.

**16.10.2020**

M/s. Munawwar Hussain, Ahmed Hussain, Hyder Ali Khan, Naeem Suleman, Faheem Bhayo, Aitzaz Manzoor Memon, Arshad Hussain, Ghulamullah Shaikh, Aqeel Ahmed, Ch. Bilal Lutufullah. Rana Sakhawat Ali, Ms. Sehrish Wasif, Mohsin Imam Wasti on behalf of Syed Riaz, Imran Ali Abro, Jawaid Farooqi, Yousuf Ali, Gohar Mehmood, Iftikhar Hussain, Mr. Fazal Mehmood Sherwani, Shahid Ali Qureshi, Muhammad Adil Saeed holding brief for Mr. Rashid Anwar, M. Taseer Khan Advocates for the petitioner.

Mr. Muhammad Ahmer, Assistant Attorney General.

M/s. Dr. Shah Nawaz Memon, Ameer Bakhsh Metlo, Khalid Rajpar, Muhammad Aqeel Qureshi, Khalil Ahmed Dogar, Ms. Masooda Siraj, Shakeel Ahmed, Naveed ul Haq, Pervez Ahmed Memon, Zuber Hashmi, Malik Altaf Javed, Aamir Ali on behalf of Mr. Kashif Nazeer Advocates for Respondents.

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All these connected Petitions as listed above involve a common ground on the basis of which the Petitioners have directly impugned the respective Show Cause Notices issued to them.

2. It has been contended jointly by all the learned Counsel for the Petitioners namely M/s. Ovais Ali Shah, Faheem Bhayo, Aqeel Ahmed Khan, Arshad Hussain (adopted by other learned Counsel) that the Show Cause Notices issued are not sustainable in law as no audit has been conducted; that until and unless an audit is conducted under Section 25 of the Sales Tax Act 1990 (“Act”) no Show Cause Notice can be issued under Section 11(2) of the Act; that the scheme of the Act is a self-assessment scheme and if a Show Cause Notice issued directly without audit is sustained, then the provisions of Section 25 ibid would be redundant; that the very issuance of a Show Cause Notice for alleged recovery of the amount itself requires a thorough probe which can only be done by a

detailed audit and not merely on the basis of examination of a Sales Tax Return; that without a proper audit the Petitioners have been deprived of a beneficial provision contained in Section 25(5) of the Act whereby, the Petitioners / Tax Payers can deposit the amount voluntarily without penal consequences. Some of the learned Counsel in the connected Petitions have though made certain other submissions but that are related to individual facts of their case; hence, need not be discussed.

3. On the other hand, learned Counsel appearing for the Department have jointly argued that no audit is mandatory before issuance of a Show Cause Notice; that the return itself reflects the entire details and if on the basis of examination of such return, the officer concerned, is of the view that there is short payment of the tax, a Show Cause Notice can be issued; that the Petitioners have been provided an opportunity as mandated in law hence, no case is made out.

4. We have heard all the learned Counsel and have perused the record. At the very outset, we may observe that none of the Counsel appearing on behalf of the Petitioners have assisted us as to invoking the constitutional jurisdiction in respect of a Show Cause Notice and have merely taken us to the facts involved and the question that no Show Cause Notice can be issued under Section 11(2) *ibid* until and unless an audit is conducted under Section 25 of the Act. Section 11 of the Act reads as under:-

1[11. Assessment of Tax & Recovery of Tax not levied or short levied or erroneously refunded] .- (1) Where a person who is required to file a tax return fails to file the return for a tax period by the due date or pays an amount which, for some miscalculation is less than the amount of tax actually payable, an officer of Inland Revenue shall, after a notice to show cause to such person, make an order for assessment of tax, including imposition of penalty and default surcharge in accordance with sections 33 and 34:

Provided that where a person required to file a tax return files the return after the due date and pays the amount of tax payable in accordance with the tax return along with default surcharge and penalty, the notice to show cause and the order of assessment shall abate.

(2) Where a person has not paid the tax due on supplies made by him or has made short payment or has claimed input tax credit or refund which is not admissible under this Act for reasons other than those specified in subsection (1), an officer of Inland Revenue shall after a notice to show cause to such person, make an order for assessment of tax actually payable by that person or determine the amount of tax credit or tax refund which he has unlawfully claimed and shall impose a penalty and charge default surcharge in accordance with sections 33 and 34.

(3) Where by reason of some collusion or deliberate Act any tax or charge has not been levied or made or has been short levied or has been erroneously refunded, the person liable to pay any amount of tax or charge or the amount of fund erroneously made shall be served with the notice requiring him to show cause for payment of the amount specified in the notice.

- (4) .....
- (4A).....
- (5).....
- (6).....
- (7).....

5. The impugned Show Cause Notices in majority of the petitions have been issued in terms of Sub-Section (2) (barring a few) together with Sub-Section (3), and on perusal of the same, we do not see as to how an interpretation has been sought by the Petitioners that before an audit is conducted no Show Cause Notice can be issued. There is no such linkage or prerequisite, so to say, of an audit mandatorily before issuance of a Show Cause Notice in each and every case. It is settled law that nothing could be read into the statute and impliedly it cannot be read that an audit under Section 25 is mandatory before issuance of a Show Cause Notice. In our view both provisions are available to the officers of the Inland Revenue Department and if need arises, they can resort to a complete audit under Section 25 of the Act before issuance of a Show Cause Notice; however, at the same time they can also issue a Show Cause Notice without conducting audit on perusal of a Sales Tax Return. In fact, to us it appears that audit being an extensive exercise to be carried out on production of the entire record, resort to a direct show cause notice by the respondents is beneficial to the interest of the Petitioners, relieving them from a cumbersome exercise and apparently listed petitions have been filed without accrual of any cause of action to that extent. Show Cause Notice(s) has been issued and it is settled law that no order could be passed beyond the scope of the same, whereas, an audit may entail additional discrepancies; hence, on that account as well no grievance has accrued. Accordingly, we do not find any merits in the contention so raised on behalf of the Petitioners.

6. Moreover, we may also observe that tendency of impugning Show Cause Notices directly in constitutional jurisdiction is on an increase without any justifiable cause and instead of responding to

the Show Cause Notice, constitutional jurisdiction of this Court is being invoked under Article 199 of the Constitution. We have also come across cases wherein, even after responding to the Show Cause Notices and joining of proceedings before the Department, petitions have been filed and the Show Cause Notices have been challenged. Neither a question of jurisdiction has been raised before us in these Petitions nor any assistance has been provided to us as to the Show Cause Notices have contravened any of provision of law and the Constitution. If it is not so, then we are afraid the Constitutional jurisdiction of this Court cannot be invoked.

7. The question that whether a Show Cause Notice could be challenged directly before a Court of law has been dealt with in a number of Judgments by the High Courts as well as the Hon'ble Supreme Court and it has been a consistent view that such tendency to impugn a Show Cause Notice issued under a taxing law and to casually bye-pass the remedy as provided under a Special Law is to be discouraged as it amounts to ruining the statutory norms as meaningless, more so, when the proceedings initiated by the Department does not suffer for want of jurisdiction and malafides. In addition, the very Special Law provides a complete mechanism of Appeals up to the level of Special Tribunals and then by way of a reference before the High Courts, and therefore, ultimately such question of law has to come before the High Court for its final adjudication. For these reasons, time and again the Courts have held that ordinarily a tax payer must respond to such Show Cause Notice and contest the matter before the Departmental hierarchy inasmuch firstly, the Department being a specialized forum has been conferred with such powers; and secondly, until a determination (adverse or otherwise) is made; mere issuance of such a notice by the department cannot be looked into on mere suspicion and apprehension of a tax-payer. The tendency to impugn the show-cause notices issued by the Public Functionaries under taxing statutes, before this Court under Article 199 of the Constitution, and to casually bye-pass the remedy as may be provided under a Special Statute is to be discouraged as it tends to render the statutory forums as

nugatory<sup>1</sup>. In the matters of show cause, this court cannot assume a supervisory role in every situation to pass an interim order with the directions to the authority concerned to proceed but no final order should be passed till decision of the constitution petition or to suspend the operation of show-cause notice for an unlimited period of time or keep the matters pending for an indefinite period. By saying so, we do not mean that the show cause notice cannot be challenged in any situation but its challenge must be sparing and cautious<sup>2</sup>. Ordinarily, the jurisdiction of the High Courts under Article 199 of the Constitution should not be invoked where alternative forum under a special law, duly empowered to decide the controversy is available and functioning. Where a special law provides legal remedy for the resolution of a dispute, the intention of the legislature in creating such remedy is that the disputes falling within the ambit of such forum be taken only before it for resolution. The very purpose of creating a special forum is that disputes should reach expeditious resolution headed by quasi judicial or judicial officers who with their specific knowledge, expertise and experience are well equipped to decide controversies relating to a particular subject in a shortest possible time<sup>3</sup>.

8. Therefore, in view of the law settled and being binding in nature, there is hardly any other ground in the given facts of the case which can justify maintainability of the petitions before this Court directly. Accordingly, we are of the considered opinion that no case for indulgence is made out to exercise our Constitutional jurisdiction in these matters and accordingly all listed petitions are dismissed with pending applications if any.

**J U D G E**

**J U D G E**

Arshad/

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<sup>1</sup> Speaking through Aqeel Ahmed Abbasi, J, Maritime Agencies (Pvt.) Ltd. through Company Secretary, V. Assistant Commissioner-II of SRB and 2 others (2015 P T D 160)

<sup>2</sup> Speaking through Muhammad Ali Mazhar, J.Dr. Seema Irfan and 5 others V. Federation of Pakistan through Secretary and 2 others (2019 P T D 1678)

<sup>3</sup> Speaking through Faisal Arab, J. Indus Trading and Contracting Company V. Collector of Customs (Preventive) Karachi and others (2016 S C M R 842)