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APPELLATE TRIBUNAL INLAND REVENUE
LAHORE BENCH, LAHORE.

STA No.333/LB/2025
(Period 2023-2024)

M/s. Atlantic Feeds (Pvt.) Ltd., Lahore.
[NTN.7128533-2].

...Appellant

Versus

CIR, LTO, Lahore.

...Respondent

Appellant by : Mr. Farhan Ahmed Jan, Adv.

Respondent by : Miss. Maheen Ali, DR.

Date of hearing : 26.03.2026

Date of order : 01.04.2026

ORDER

MIAN TAUQEER ASLAM (CHAIRMAN):- Titled appeal filed by the appellant / registered person is directed against the assessment order No.08/2024-25 dated 08.04.2025, passed by the assessing officer, Lahore.



2. Brief facts of the case are that the appellant filed its sales tax and federal excise returns for the financial year 2023–2024, which were subsequently subjected to scrutiny by the assessing officer. During the course of examination, it was observed by the assessing officer that the registered person had claimed input tax, which was allegedly not relatable to its taxable supplies. It was further alleged that the registered person failed to apportion its input tax in accordance with the mandatory provisions of section 8(2) of the Sales Tax Act, 1990 read with Rule 25 of the Sales Tax Rules, 2006, despite having both taxable and exempt supplies. Consequently, show cause notice No.11448 was issued to the appellant, wherein it was alleged that the appellant had knowingly and dishonestly avoided apportionment of input tax and had illegally adjusted/carry forwarded input tax. The assessing officer specifically alleged that an amount of Rs.41,342,786/- was wrongly adjusted and carried forward to subsequent tax periods in violation of the law. Thereafter, assessment order No.08/2024-25 dated 08.04.2025 was passed by the assessing officer, whereby the input tax amounting to Rs.41,342,786/- relating to the tax period of May 2024 was disallowed under Section 11E(1) of the Sales Tax Act, 1990. Furthermore, the registered person was directed to deposit the said amount along with default surcharge under Section 34(1)(a) of the Act. In addition, a penalty of Rs.2,067,139/- was imposed under Section 33(5) of the Sales Tax Act, 1990 for the alleged contravention.

3. Being aggrieved by the above said assessment order, the registered person has preferred the instant appeal before the Tribunal on the grounds set-forth in the memo of appeal.

4. The case was fixed for hearing. The AR of the appellant contended that the impugned assessment order passed under Section 11E of the Sales Tax Act, 1990 is illegal, void ab initio, and liable to be set aside as the same was passed ex parte

without affording a fair opportunity of being heard, in violation of the principles of natural justice. On merits, the AR submitted that the entire basis of the demand of Rs.41,342,786/- allegedly on account of inadmissible input tax adjustment relating to exempt supplies is misconceived, as the appellant had already, on its own accord, disallowed the said input tax in its duly filed sales tax returns. It was emphasized that an amount of Rs.41,342,786/- for May 2024 and Rs.19,775,498/- for June 2024, aggregating to Rs.61,118,284/-, was clearly declared under Column 7 titled "Non-creditable inputs (relating to exempt, non-taxed supplies of goods or services etc.)"

in the return filed on 09.08.2024. The AR further argued that these returns were available on the IRIS system prior to issuance of the show cause notice dated 18.12.2024; however, the assessing officer, without examining the same, proceeded in a mechanical and arbitrary manner, thereby creating an unjustified demand. The AR also contended that since the appellant had already disallowed the entire amount of input tax, no loss whatsoever was caused to the national exchequer, and therefore, the impugned demand amounts to double taxation, which is impermissible under law. The DR, on the other hand, strongly opposed the contentions of learned AR and supported the impugned order and the reasons recorded therein.

5. We have given due consideration to the arguments advanced by rival parties and perused the relevant available record. The record reveals that the assessing officer created a sales tax demand of Rs.41,342,786/- on account of alleged inadmissible input tax adjustment pertaining to exempt supplies. At the very outset, it is noted that the impugned order has been passed ex parte without affording the appellant a meaningful and adequate opportunity of being heard, which is in clear violation of the principles of natural justice. The pivotal issue for determination is whether the appellant had already disallowed the impugned input tax prior to initiation of proceedings, thereby negating any alleged loss to the revenue. In this regard, the learned AR placed before us copies of the sales tax returns for the months of May and June 2024 to show that the confronted amount of input tax was disallowed declared under Column 7 titled "Non-creditable inputs (relating to exempt, non-taxed supplies of goods or services etc.)". These returns were admittedly available on the IRIS system prior to issuance of the show cause notice dated 18.12.2024; however, the assessing office failed to take cognizance of this material fact and proceeded to create the impugned demand in a mechanical and arbitrary manner.

6. In view of the above deficiencies, we deem it appropriate to remand the matter back to the assessing officer for de novo adjudication in accordance with law with the directions to afford the appellant a fair and reasonable opportunity of being heard. The assessing officer shall verify from the IRIS system and record whether the appellant has already disallowed the impugned input tax in its filed sales tax

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returns for the relevant periods and then pass a speaking order after due consideration of all material evidence,. The appellant is also directed to extend full cooperation and furnish all relevant record to facilitate proper adjudication.

The appeal is disposed of in the above manner.



Se
(TARIQ IFTIKHAR AHMED)
MEMBER

CO
(MIAN TAUQEER ASLAM)
Chairman

Appeal No. ATA No 333/26
Date of Order. 01-6-26
TRUE COPY OF ORDER FORWARDED TO
1. APPELLANT: "
2. RESPONDENT: La To
[Signature]
ASSISTANT REGISTRAR
Appellate Tribunal Inland Revenue
Lahore
27/06/26