

IN THE APPELLATE TRIBUNAL INLAND REVENUE, LAHORE
BENCH, LAHORE

STA No.487/LB/2020

The CIR Zone-II, LTU, Lahore.

Appellant

Versus

M/s. AB Mauri Pakistan (Pvt) Ltd, Lahore.
STRN:0302210200164

Respondent

Appellant by : Ms. Sehar Aftab, DR
Respondent by : Mr. Shabbir Ahmed, FCA
Date of hearing : 01.04.2026
Date of order : 22.04.2026

ORDER

SHAFQAT ALI (Member): This appeal has been filed by the department against the impugned order dated 24.03.2020 recorded by the Learned CIR (Appeals-Zone-I), Lahore.

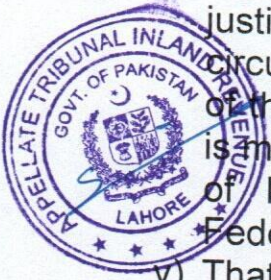


Succinctly facts of the case are that taxpayer claimed inadmissible input tax amounting to Rs.12,084,815/- in Sales Tax & Federal Excise Returns in violation of sections 2, 7 & 8 of the Sales Tax Act, 1990 read with SRO 490(1)/2004 dated 12.06.2004. The learned DCIR, therefore, issued show cause notice conveying the issues for explanation and in response thereto, the AR of the registered person filed reply which was considered by the OIR and reconciled tax was deleted. The OIR after going through the details and evidence finalized the proceedings through the impugned order and raised sales tax demand of Rs.12,084,815/-. In appeal, the Learned CIR (Appeals) deleted the certain additions for the reasons and factors as embodied in the impugned order. This has brought the revenue in appeal before this forum.

3. Case was fixed for hearing by issuing notice in response to which the learned DR represented the Department and the learned AR represented the taxpayer. The learned DR made the following pleadings:-

- i) That the Appellate order No.11 dated 24-03-2020 of the learned and against the facts of the case. Commissioner Inland Revenue (Appeals-1), Lahore, is bad in law and against the facts of the case.

- ii) That the learned Commissioner Inland Revenue (Appeals-1) was not justified in deleting the demand created for time limitation when the department initiated the proceedings against the R.P as on 15-01-2018 before time limitation hit i.e. September, 2018 (seven months before the matter could be time barred).
- iii) That the learned Commissioner Inland Revenue (Appeals-1) Lahore was not justified to allow input tax on different supplier's invoices which has no connection with taxable supply of Registered person M/s. AB Mauri Pakistan (Pvt) Ltd. in contravention of section 8(1)(a), 8(1)(f), and 8(1)(g) of the Sales Tax Act, 1990.
- iv) That the learned Commissioner (Appeals-1) was not justified to delete the penalty ignoring the facts and circumstances of the case that penalty under section 33 of the sales tax act 1990 is mandatory in nature, reliance is made on the judgment of the Honorable Supreme Court of Pakistan in the case of DG Khan Cement Vs Federation of Pakistan (2004 PTD 1179).
- v) That the appellant may be allowed to add, alter and amend any one or more grounds of appeal, at the time of hearing.



4. We have considered the arguments and perused the record. We decide the appeal as under:-

TIME LIMITATION

5. The Learned Assessing Officer issued show cause notice on 17.01.2019 for the tax periods September 2013 to October 2017. The AR stated that the impugned show cause notice issued by the learned DCIR for the tax periods September 2013 to October 2017 is either barred by time limitation or is a misapplication of section 7, E(1)(a) B(1)(b), 8(1)(d) 8(1)(t) B(1)(h) 8(1)(i) of the Act read with SRO 490(1)/2004 dated 12.06.2004 without appreciating the facts brought to his knowledge during the hearing of the case that most of the figures in the impugned show cause notice and the impugned Assessment Order are either misreported or nonexistent. Hence the order passed by the Learned Assessing Officer is arbitrary and against the facts of the case.

6. We observed that as per first proviso of sub-section (5) of section 11 of the Sales Tax Act, 1990 show cause notice can only be issued within five years of the relevant date. Therefore,

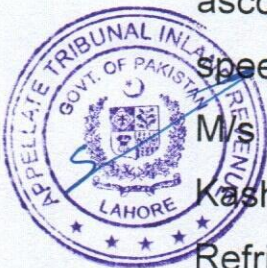
disallowance of input tax before 17.01.2014 is hit by time limitation. Therefore, the Learned CIR (Appeals) rightly deleted the same being limini. We uphold the same.

Disallowance of Input Tax

7. The Learned Assessing Officer disallowed the input tax u/s (1)(a) to 8(1)(i), 8(1)(3) & 8(1)(5) of the Sales Tax Act, 1990 read with SRO 490(1)/2004 dated 12.06.2004 (as amended from time to time). The learned AR stated that registered person, is engaged in the manufacturing of yeast which is used bakery products. The registered person purchased different raw materials like chemical propylene glycol, urea LNG, potassium hydroxide, phosphoric acid, caustic soda, bleaching and soda ash, sulphuric acid, pantopan mono BG, guizyme mono BG, fungamyl BG, lippan FBG, dust collectors, chillers, glycerin, ascorbic acid, sodium acid, ekomul SL 70, ekomul MG 95, high-speed diesel, lab equipments etc. from M/s Chemical Traders. M/s Fatimafert Ltd, Hamayun Chemicals, Karam Kamia, M/s Kashif Abbas Bio Gold International, M/s Kold Kraft Refrigeration (Pvt.) Ltd., M/s Brothers Enterprises (Pvt.) Ltd. M/s Maira Enterprises, M/s New Chemical Centre.

8. We have considered the arguments of the learned AR of the registered person and perused the case record Arguments of AR carry weight and provided documents also support his contentions. The above mentioned materials were used in furtherance of taxable supplies. Hence, disallowance of input tax on the above mentioned goods/suppliers is rightly deleted by the Learned CIR (Appeals). The action of the Learned CIR (Appeals) is based on sound footing and does not call for any interference at our level. We uphold the same.

9. The departmental appeal fails.



(TARIQ IFTIKHAR AHMAD)
Member

April.26/279-281

(SHAFIQA TAL)
Member