

TRIBUNAL INLAND REVENUE, DIVISION BENCH-I,
ISLAMABAD

ITA No.1421/IB/2024
MA(AG) No.70/IB/2025
(Tax year, 2022)

M/s Karakoram Security Services (Pvt)
Limited: 2nd& 3rd Floor, Anas Plaza,
Main Airport Road, Jhanda Chowk,
Opposite Askari 10, Rawalpindi.
NTN:2877560

Applicant

Vs

The Deputy Commissioner Inland
Revenue, Range-1, Zone-1, CTO,
Islamabad.

Respondent

Appellant By:
Respondent BY:

Mr. M. Waheed Iqbal, FCA
Mr. Shahyar Akram, DR

Date of Hearing:
Date of Order:

06.05.2025
06.05.2025

ORDER

M. M. AKRAM (Judicial Member): The titled appeal was transferred to this Tribunal by the learned Commissioner Inland Revenue (Appeals-I), Islamabad, on August 29, 2024, in accordance with the provisions of Section 126A(4) of the Income Tax Ordinance, 2001 ("**the Ordinance**"), due to the fact that the assessed tax amount in the present matter exceeds twenty million rupees. As a result, the jurisdiction to adjudicate upon the appeal now rests with this Tribunal. The instant appeal seeks to challenge the impugned order dated December 20, 2023, passed by the Additional Commissioner Inland Revenue (Addl. CIR), Range-I, Corporate Tax Office, Islamabad, for the tax year 2022. The appellant has contested the said order on various grounds as detailed in the memorandum of appeal, along with a miscellaneous application seeking permission to raise additional grounds.

2. The brief factual background of the case is that the appellant filed its return of income for the tax year 2022 under Section 114 of the Ordinance, declaring an income of Rs. 40,791,003. Upon examination of the return, it was concluded that the deemed assessment order passed under Section 120 was erroneous in so far as it was prejudicial to the interest of revenue. Consequently, the case was selected for amendment under Section 122(5A) of the Ordinance. Accordingly, a show-cause notice under Section 122(9) read with Section 122(5A) of the Ordinance was issued to the taxpayer on November 20, 2023, requiring compliance by November 29, 2023. The notice alleged suppression of revenue receipts under Section 153(1)(a), suppression of contractual receipts under Section 153(1)(c), excessive claim of tax deduction under Section 153(1)(b), and discrepancies in declared salary expenses.

3. In response, the appellant taxpayer submitted a written explanation along with relevant documentation on December 7, 2023. However, the Additional Commissioner IR proceeded to amend the assessment under Section 122(5A) of the Ordinance and passed the impugned order dated December 20, 2023, creating a substantial tax demand amounting to **Rs. 43,977,137**. Aggrieved by this order, the appellant preferred an appeal before the Commissioner Inland Revenue (Appeals). In light of the quantum of tax involved, the appeal was subsequently transferred to this Tribunal for adjudication. The appellant has raised multiple grounds in support of the appeal, including additional grounds submitted through a separate application, contesting the legality and merits of the impugned order.

4. The appeal was fixed and heard on multiple dates, with the final hearing taking place on May 6, 2025. During the course of proceedings, the learned Authorized Representative (AR) for the appellant presented detailed submissions, contesting the legality and factual basis of the impugned assessment order. The

AR forcefully argued that the entire relevant record had been duly furnished to the assessing officer during the assessment proceedings. He maintained that all alleged discrepancies—pertaining to revenue receipts under Section 153(1)(a), contractual receipts under Section 153(1)(c), excess claim of tax deductions under Section 153(1)(b), and declared salary expenses—had been duly reconciled and substantiated through documentary evidence. Despite the appellant's compliance and explanations, the assessing officer allegedly failed to properly consider the evidence and proceeded to create an arbitrary and exaggerated tax demand without providing cogent reasons or justification. To substantiate the appellant's claims, the AR submitted a complete set of supporting documents, which were provided to the learned Departmental Representative (DR) with instructions from the bench to verify the records and submit a reconciliation report by the next hearing date. Furthermore, the AR was directed to cooperate with the assessing officer to facilitate the review process.

5. Notably, despite repeated opportunities, the department failed to submit the reconciliation report. It is of particular concern that the learned DR, who appeared on behalf of the department, is also the same officer who has reviewed the record. When queried by the bench during the final hearing, the learned DR candidly admitted, in open court, that he had thoroughly reviewed the documents provided by the appellant and found them to be in order. He confirmed that no discrepancies remained and that the tax demand created was not supported by any substantive evidence. This candid admission was recorded in the court proceedings. However, the DR showed reluctance to sign the court order sheet that documented his admission. Nevertheless, he verbally acknowledged that the demand raised in this case is legally untenable and cannot be sustained.

6. This conduct of the department, especially in its treatment of a compliant taxpayer, is highly regrettable. The arbitrary and unjustified creation of tax demand, followed by the department's failure to substantiate it even after several opportunities, not only reflects a lack of due diligence but also brings disrepute to the revenue authorities. Such actions are detrimental to taxpayer confidence and counterproductive to the overall economic environment.

7. In light of the above facts, the categorical statement made by the learned DR, and the unrefuted documentary evidence produced by the appellant, this Tribunal finds that the assessment order dated December 20, 2023, passed under Section 122(5A) of the Income Tax Ordinance, 2001, is devoid of legal merit and factual justification. The record clearly indicates that the additions and disallowances made were arbitrary and unsupported by any material evidence. Accordingly, the impugned order is hereby annulled in its entirety, and the tax demand of Rs. 43,977,137 is deleted. A copy of this order shall be forwarded to the Director General (Legal), Federal Board of Revenue, for information and necessary corrective action to ensure that such instances of high-handedness and procedural lapses are not repeated in the future.



(IMRAN LATIF MINHAS)
ACCOUNTANT MEMBER



(M. M. AKRAM)
JUDICIAL MEMBER