

RECORDER REPORT

**Mastermind of sales tax fraud, FBR fails to implement FTO recommendations**

ISLAMABAD: Despite confirmation by the Lahore High Court (LHC), key recommendations issued by Federal Tax Ombudsman (FTO) remains unimplemented by the Federal Board of Revenue wherein FTO ordered to launch an investigation why Directorate of Investigation & Intelligence did not file an appeal against light sentence awarded to mastermind of big sales tax fraud scam.

According to a tax expert, there is no restraining order from the Supreme Court in this specific case.

It is reliably learnt that aggrieved taxpayer preferred a constitutional petition through Waheed Shahzad Butt, Advocate, challenging the action of FBR wing “I&I” to file representation before the President against the order passed by FTO. The order passed by President in favour of the FBR and against FTO was reversed by the LHC while deciding petition against President of Pakistan, now the matter is pending before Supreme Court of Pakistan.

Sources told this correspondent that following recommendations were issued by the FTO to FBR to (i) direct the Chief CIR to refund the amount deposited by complainant, in protest (ii) direct the CIR to cancel the Order (iii) conduct an enquiry to identify if any PRAL officials were involved in the scheme and to proceed against the defaulters (iv) to launch an investigation into the circumstances why the officials of the Directorate of I&I did not file an appeal against the apparently light sentences awarded to those who seemingly masterminded the scam.

The LHC order states “A notice was issued by the respondent (Intelligence & Investigation) by which the petitioner was confronted with certain amounts. The said amounts were deposited under protest by the petitioner. During December, a news story was published in the daily Business Recorder which reported that a tax fraud scam had been busted by the I&I and in which the officials of CREST were involved. Be that as it may, the petitioner requested for the return of amounts deposited under protest. However, the respondents set in motion another proceeding against the petitioner and a show cause notice was issued for the payment of an alleged penalty in respect of the amount of sales tax which had already been deposited by the petitioner. From a perusal of the order passed by the FTO as well as the findings rendered by the President on representation filed by the respondents, it is clear that the recommendations made by the FTO was done after due regard for the entire facts and circumstances as well as by taking into account the legal proposition that no recovery of tax could be made otherwise by due process of law and by following procedural formalities.

It is indeed highhandedness on the part of the respondents to have transgressed the petitioner into submissions and to have compelled him to reimburse a substantial amount purportedly by way of sales tax due from the petitioner. In view of the above, this petition is allowed and the order passed by the President is set aside with the result of the findings rendered by the FTO, shall stand revived, the LHC ordered.