

'Tax fraud' amounting to over Rs200m detected

KARACHI: Directorate of Intelligence and Investigation (DI&I), Inland Revenue (IR), Karachi has detected a purported tax fraud amounting to over Rs200 million.

According to an FIR lodged by the Directorate against the proprietor of a company who was accused of committing tax fraud by issuing fake flying invoices to other registered persons in order to facilitate them to inflate their input tax and to minimize their net liability of payment of sales tax.

The detection was made on a tip-off, which revealed that some unscrupulous registered persons were involved in issuance of fake invoices to other registered persons and facilitating them in inflating their input tax and to minimize their net liability of payment of sales tax.

In addition, the accused also facilitated importers and local supplier to avoid further tax levied under section 3(1A) of Sales Tax Act, 1990 by declaring paper purchases from them against their flying invoices of goods inconsistent with description of imports or locally purchased goods in supply chain.

The scam is operating through scattered persons registered with various jurisdictions of sales tax authorities without physical movement of goods just as paper transaction and the accused person was found among such registered persons.

Therefore, the Directorate has initiated inquiry and served notice to the accused person, who declared local purchase amounting to Rs1109.91 million with input tax of Rs187.83 million and import of Rs171 million with input tax of Rs26.634 million during the period from July 2016 to October 2019 and cumulatively claimed input tax of Rs214.47 million on total import of Rs1281.45 million.

The accused person had declared the imports of miscellaneous goods including HDPE fishing net, electric motor, home appliances, HDPE rope, and fabrics etc. and local purchases of multiple goods.

On the other hand, he had declared supplies of Rs1237.613 million involving output tax of Rs207.531 million during the period from July 2016 to October 2019.

However, the sales tax returns of respective period showed sales of multiple description of goods including coal and coal products, computer and office equipment, miscellaneous electric machinery and equipment, furniture and its accessories, soaps and waxes, copper and articles, paper and paperboard, electric and electronic goods, fabric, aluminum and article thereof, iron and steel etc, which are irrelevant to items purchased/imported by him.

The Directorate conducted physical verification of existence/taxable activities of the registered person at declared premises but found that the registered person does not exist at the declared address.

The Directorate has thus approached the bank declared in registration profile of the accused person which revealed that transaction of Rs13.984 million were routed from this account whereas the registered person has declared sale of Rs1237.61 million.

In view of the above, the Directorate has reasons to believe that the accused registered person Muhammad Amir, being the proprietor of M/s. S.S.S. Expo, Karachi was knowingly, dishonestly and fraudulently involved in running/operating the fraudulent unit/firm and committed tax fraud as defined under section 2(37) of Sales Tax Act, 1990 by running a fake unit and involved in the scam of issuance of fake and flying invoices through adjustment of bogus input tax or either change of description or value by themselves or through their supply chain.

The accused person by committing this tax fraud has deprived the national exchequer of its legitimate revenue to the tune of Rs207.531 million and has violated the provisions of the Sales Tax Act, 1990. The FIR has been lodged and attempts are being made to arrest the culprit.

Meanwhile, the Directorate, which has expanded the scope of investigation, expected the revenue involved in this scam may be extended up to Rs1.5 billion.