

ORDER SHEET
IN THE HIGH COURT OF SINDH AT KARACHI

Suit No.2934 of 2021

Date	Order with signature of Judge(s)
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1. For hearing of CMA No.21894/2024.
2. For orders on CMA No.13134/2024.

18.09.2024

Mr. Sufyan Zaman, advocate for the plaintiff.
Syed Ahsan Ali Shah, advocate for the defendants.
Mr. Aqeel Ahmed Qureshi, advocate for the defendants.
Ms. Alizeh Bashir, Assistant Attorney General.

Agha Faisal, J. This suit essentially seeks to assail selection for audit notice, under section 177 of the Income Tax Ordinance, 2001. The record demonstrates that upon receipt of the relevant notice, the plaintiff sought time specifically for collating the information sought, however, preferred this suit instead. *Ad interim* orders subsist herein from the inception hereof, whereby the notices were suspended.

Learned counsel was confronted with respect to the maintainability hereof yesterday and per request the matter was adjourned till today. The counsel was specifically called upon to address the issue of maintainability in view of the Supreme Court judgment in *Allahdin Steel*¹. Respectfully, he remained unable to do so.

Certainly, this is no case of first impression and the controversy appears to have been comprehensibly determined by the Supreme Court in *Allahdin Steel*², wherein it was held that once a taxpayer was selected for audit and till such audit was completed the taxpayer was provided ample and multiple opportunities at every step to defend his position, support his returns and offer explanations for the information provided and entries made in the tax returns. Even if a discrepancy was discovered taxpayer was provided yet another opportunity to explain his position before his assessment was revised. In summation, the honorable Supreme Court has held that such selection is not *per se* illegal. A Division bench of this Court has earlier dismissed a similar claim in the *Pfizer*³.

In *pari materia* circumstances another Division bench of this Court maintained in *Dr. Seema Irfan*⁴ that a mere notice seeking information is not necessarily adversarial and would not *ipso facto* give rise to an actionable cause⁵. Similar findings were recorded by the august Supreme Court in the judgment in *Jahangir Khan Tareen*⁶, approved recently in Judgment dated 15.09.2022 rendered in *DCIR vs. Digicom Trading (CA*

¹ Per Ijaz Ul Ahsan J in *Commissioner Inland Revenue Sialkot vs. Allah Din Steel & Rolling Mills* reported as 2018 SCMR 1328 / 2018 PTD 1444.

² *Commissioner Inland Revenue Sialkot vs. Allah Din Steel & Rolling Mills* reported as 2018 SCMR 1328 / 2018 PTD 1444.

³ *Pfizer Pakistan Limited vs. Deputy Commissioner & Others* reported as 2016 PTD 1429.

⁴ Per Muhammad Ali Mazhar J in *Dr. Seema Irfan vs. Federation of Pakistan* reported as PLD 2019 Sindh 516.

⁵ Reference is also made to 2018 PTD 2208; 2015 PTD 2572; and 2009 PTD 20 in the specific context of audit notices.

⁶ Per Muhammad Ali Mazhar J in *Commissioner Inland Revenue vs. Jahangir Khan Tareen* reported as 2022 SCMR 92.

2019 of 2016). In consideration of the foregoing, it is observed that the plaintiff has failed to demonstrate an actionable cause of action.

As has been observed in the *Allahdin* case, audit proceedings provided a forum and opportunity for consideration of any reservation of the plaintiffs. If any adverse order was passed in pursuance thereof the same would be appealable. Default by the plaintiff in submitting to the statutory hierarchy could not be demonstrated to denude the statutory forum of its jurisdiction; or confer the same upon this court. Similar views were taken by learned Single judges in order dated 27.09.2022 rendered in Suit 855 of 2015 and the judgments in *Azee Securities*⁷ and *PPL*⁸. Even otherwise, it is not apparent as to how this Court could assume jurisdiction in this matter in view of the binding judgments delineated supra.

In view hereof, and while applying the ratio articulated by the binding edicts delineated supra, the plaint herein is hereby rejected.

Judge

Khuhro/PA

⁷ Per Muhammad Junaid Ghaffar J in *Azee Securities vs. Pakistan* reported as 2019 PTD 903.

⁸ Per Adnan Iqbal Chaudhry J in *PPL vs. Pakistan* reported as 2022 PTD 1742.