

# THE HIGH COURT OF SINDH KARACHI

Spl. Cr. Bail Application No. 03 of 2025

Applicant/ Accused: Muhammad Naveed Khan son of Daud Khan through M/s. Liaquat Ali Awan and Imran Hussain, Advocates.

The State : Mr. Rana Sakhawat Ali, Advocate for the Customs along with I.O. Muhammad Haider.

Date of hearing : 06-02-2025

Date of order : 06-02-2025

*FIR No. 02/Z-II/CTO/KHI/24  
U/s: 2(9), 2(37), 3, 6, 7, 8, 8A, 11, 22, 23, 26 & 73  
of the Sales Tax Act, 1990 punishable u/s 33(11) and  
33(13) of the Act ibid.  
P.S. AC-IR, Range-A, Zone-II, CTO, Karachi*

## **ORDER**

**Adnan Iqbal Chaudhry J.** - The Applicant seeks post-arrest bail in the aforesaid crime after the same has been declined by the Special Judge (Customs Taxation and Anti-Smuggling-I), Karachi by order dated 06.01.2025.

2. The Applicant is registered for sales tax as sole proprietor of M/s. Blue Sky Traders. The FIR was that during tax periods from September 2022 to December 2023 the Applicant in connivance with the co-accused persons committed tax fraud as defined in section 2(37) of the Sales Tax Act, 1990 which constitute offences punishable under clause (11) and (13) of section 33 of the Sales Tax Act.

3. Learned counsel for the Applicant submits that though Order-in-Original has been passed against the Applicant in adjudication proceedings, same is in appeal before the Appellate Tribunal Inland Revenue where the question of tax fraud on the basis of same documents has yet to be adjudicated; that before such liability is determined in civil proceedings, the FIR against him is an abuse of the process of law. On the other hand, learned counsel for the

Department submits that there is ample evidence to show that for a share in the proceeds of tax fraud the Applicant had allowed the co-accused Ihsan Ullah to use the former's sales tax registration and bank account; and since the amount of tax fraud is over Rupees One Billion, the offence attracts punishment of imprisonment up-to ten years which falls within the prohibitory clause of section 497 Cr.P.C.

4. Heard learned counsel and perused the record.

5. As per the prosecution, the following facts have come to light upon scrutiny of sales tax returns filed by the Applicant:

- (i) the Applicant claims to have purchased specific goods from suppliers whose returns in turn do not reflect that they had purchased such goods;
- (ii) the Applicant issued invoices for types of goods he did not purchase;
- (iii) the Applicant issued invoices for quantity of goods he had not purchased;

From the above facts it is being inferred by the prosecution that the Applicant was using fake/flying sales tax invoices. But then, the allegation that input tax was claimed on fake/flying invoices necessarily requires an investigation into the suppliers who have allegedly issued them. Admittedly, as per the challan, the role of such suppliers is still under scrutiny and is likely to take considerable time. Therefore, the case against the Applicant is of further inquiry falling within the ambit of sub-section (2) of section 497 Cr.P.C.

6. The custody of the Applicant is no longer required for investigation. The entire evidence is documentary and in possession of the prosecution and thus there is no likelihood of its tampering by the Applicant if released on bail. It is also not alleged that the Applicant is a flight risk.

7. For the foregoing reasons, the Applicant is granted bail in the aforesaid FIR subject to furnishing solvent surety in the sum of

**Rs.1,000,000/- [Rupees One Million Only]** alongwith P.R. Bond in like amount to the satisfaction of the trial Court.

Needless to state that observations herein are tentative and nothing herein shall be construed to prejudice the case of either side at trial.

\*PA/SADAM\*

**JUDGE**