

THE FEDERAL TAX OMBUDSMAN ISLAMABAD

COMPLAINT NO.09893/LHR/ST/2026

Dated: 23.05.2026*RO, Lahore

Mr. Shakeel Haider, House No.
21/1, Muhallah Farooq Road, Ichra,
Lahore.

...Complainant

Versus

The Secretary,
Revenue Division,
Islamabad.

...Respondent

Dealing Officer	:	Mr. Ahmad Shuja Khan, Advisor
Appraised by	:	Mr. Muhammad Tanvir Akhtar, Advisor
Authorized Representative	:	Mr. Muhammad Raza, Advocate
Departmental Representative	:	Ms. Sana Rehman, ACIR
Date of hearings	:	23.05.2026

FINDINGS/RECOMMENDATIONS

This complaint has been filed by Mr. Shakeel Haider, Proprietor, M/s. Hasni Traders (NTN 3520286908041), against illegal and unauthorized filing of Sales Tax Returns for the tax periods 12/2025, 01/2026, 02/2026, 03/2026 and 04/2026 through unlawful access to the complainant's IRIS Portal account. This occurred without his knowledge, consent, or authorization, and due to the department's failure to take corrective or remedial action despite repeated intimation, which amounts to maladministration under Section 2(3) of the Federal Tax Ombudsman Ordinance, 2000. The complaint has been filed under Section 10(1) of the Federal Tax Ombudsman Ordinance, 2000.

2. Briefly stated, the facts are such that the complainant is an individual registered with Sales Tax since 25.03.2009, showing business activity as Manufacturer/Other and is exclusively engaged in commercial import and trading of toiletries and foodstuffs such as shampoo, soap, hair colour, handkerchief, etc. It is alleged that



Sales Tax Returns for the aforesaid tax periods were illegally filed fraudulently and without lawful authority through unauthorized access to the complainant's IRIS Portal, containing fictitious local purchases and input tax adjustments having no nexus with the complainant's actual line of business. It is further alleged that through the same unlawful access, fraudulent taxable supplies were also shown in the name of the complainant's father, whose IRIS Portal was similarly compromised. On gaining knowledge of the unauthorized filings, the complainant approached the concerned officers of FBR through applications, verbal requests and complaints seeking immediate corrective action, but no meaningful action was taken. Aggrieved, the complainant approached this office.



3. A letter was issued to the Chief Commissioner IR, RTO Lahore calling for para-wise comments on the complaint. In response, the department, while treating the allegations regarding the complainant's registration status and the unauthorized filing of the impugned returns as a "matter of record", denied any responsibility for the alleged local purchases of input tax adjustments and locally claimed input tax appearing in the impugned returns. It was submitted that the User ID and password of the IRIS system are confidential and their security is the sole responsibility of the taxpayer and that the department has no access to or control over these credentials. It was further submitted that a letter has been forwarded to Intelligence & Investigation (Inland Revenue) to investigate the matter. The department prayed that the complaint be disposed of, as no maladministration has been committed by it.

4. The AR of the Complainant, on notice from this forum, submitted the following documents on 21.09.2026:

“ With reference to the subject matter and your letter referred to above, we hereby submit the requisite information in compliance with the directions contained therein.

In this regard, the following information is being furnished:

- i. Sales Tax Returns along with Annexures A, B & C for the tax periods from November 2025 to May 2026 are enclosed herewith.
- ii. Nature of Business: M/s Hasni Traders is engaged in the business of Commercial Importer of Toiletries such as shampoo, soap, hair colour handkerchief and food stuff etc.
- iii. Regarding the input tax claimed against imports reflected in Annexure-B, it is submitted that the input tax was claimed on the basis of the relevant Goods Declarations (GDs) and supporting import documents duly available on record. The relevant documents are also being furnished for your kind consideration and verification.
- iv. That no local purchases have been made by the taxpayer and corresponding sales of local supplies have not been made by the taxpayer.
- v. It is respectfully submitted that all the information and documents requested vide the subject letter are being provided herewith for the perusal and record.”

5. The Complaint has been examined and found:

I. **ANALYSIS OF FAKE SALES TAX RETURNS FILED FOR TAX PERIODS DECEMBER 2025 TO APRIL 2026**

Return	Filed on	Input Tax	Output Tax	Accumulated Credit	Accumulated Debit	Sales tax paid
Dec 25	18.02.2026	7,559,310	1,353,672	7,689,091	1,353,672	0
Jan 26	21.02.2026	0	1,422,144	6,335,419	1,422,144	0
Feb 26	01.04.2026	0	1,303,380	0	1,303,380	0
Mar 26	10.04.2026	9,107,807	4,332,618	12,717,702	4,332,618	0
April 26	08.05.2026	2,865,332	3,857,22	11,250,416	3,857,22	0

The analysis of the above-mentioned sales tax returns allegedly filed by the cyber criminals reveals the following basic conclusions:

- a. The filing of sales tax returns has been manipulated in such a way that no sales tax payment is required to be made.
- b. Domestic purchases have been shown as zero in all of the above-mentioned sales tax returns except March 2026. (Annexure A has been declared as zero). However, input tax against the use



of electricity has been claimed. Moreover, Annexure A of the March 2026 sales tax return of the complainant reflects that purchases were made from CNIC 6110119110857 SHAHID HUSSAIN worth Rs. 16,900,000 against Goods @ zero rate.

Mr. Shahid Hussain, with Business Name: Eman Foods, Address: HOUSE 1541, STREET 81, I-10/1, is a taxpayer of RTO ISLAMABAD, Sales Tax: OPERATIVE. Since the complainant has not acknowledged the receipt of goods & any payment in terms of section 73 of the Sales Tax Act 1990, this was fake supplies with no physical movement of goods and payment u/s 73 of the Act; hence, it is required to be treated in terms of the instruction of the Board dated 07.09.2023 in Sales Tax General Order No.12 of 2023 "Standard Operating Procedure (SOPs) to deal with cases involving flying and fake invoices"

- c. Only imports have been declared in the sales tax return against which input tax was consumed.
- d. Total imports of Rs.26,076,209 with input tax of Rs. 7,556,924 have been claimed in December 2025. Similarly, imports worth Rs. 92,556,337 with input tax of Rs. 9,107,093 were claimed in March 2026, and imports worth Rs. 11,218,170 with input tax of Rs. 2,865,332 were claimed in April 2026. These input taxes were used against fake supplies in such a way that no sales tax was paid in any tax period.

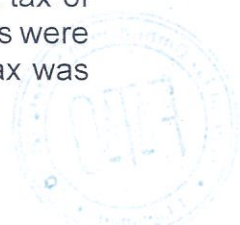
II. PRIMARY BENEFICIARIES AGAINST FAKE SUPPLIES FLOW CHART

December 2025 & January 2026

Mr. Shakeel Haider, Proprietor, M/s. Hasni Traders
CNIC 3520286908041 (The complainant)
Fake supplies Rs.7,520,400 & 7,900,800 with GST
impact of Rs.1,353,672 & 1,422,144

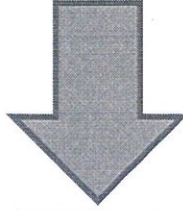


MOHAMMAD TUFAIL CNIC 3520235478443,
RTO-II Lahore
Business name: Diplomat Traders
HOUSE NO 21/1 FAROOQ ROAD, ITCHERA



February 2026

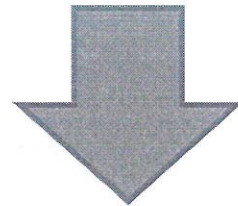
Mr. Shakeel Haider, Proprietor, M/s. Hasni Traders
CNIC 3520286908041 (The complainant)
Fake supplies Rs.7,241,000 with GST impact of
Rs.1,305,000



MUHAMMAD YOUSUF CNIC 3520014983847 RTO-I
Lahore CHOWK OUTSIDE BHATTI GATE, NEAR
SHAHZAD HOTEL Data Gunj Bukhsh Town.

March 2026

Mr. Shakeel Haider, Proprietor, M/s. Hasni Traders
CNIC 3520286908041 (The complainant)
Fake supplies Rs.7,250,000 to Hasan Lateef &
Rs.16,820,100 to Rafay Ahmed, with GST impact of
Rs.1.305.000 & 3.027.618



HASAN LATEEF, CNIC
3520110098395, RTO-I
Lahore Business name:
Misbah Traders; HASAN
MANZIL H.NO.15
ST.NO.7 MOH. DARAS
ROAD BAGHBANPURA

RAFAY AHMED CNIC
3520117178153, RTO-I
Lahore Business name:
Junair Trading Co,
S-25, Bilal Centre, 9
Nicholson Road. Lahore



April 2026

Mr. Shakeel Haider, Proprietor, M/s. Hasni Traders
CNIC 3520286908041 (The complainant)
Fake supplies Rs8,889,000 to Farida Nasreen &
Rs.12,540,000 to Hasan Lateef, with GST impact of
Rs.1,600,020 & 2,257,200



FARIDA NASREEN, CNIC
3520112475448, RTO-I
Lahore Business name:
A.N. Traders; Kareem
Electrical Market, 133-
Circular road, Shahalam
Market, Data Gunj
Bukhsh Town

HASAN LATEEF, CNIC
3520110098395, RTO-I
Lahore Business name:
Misbah Traders;
HASAN MANZIL
H.NO.15 ST.NO.7 MOH.
DARAS ROAD
BAGHBANPURA



III. As can be observed from the above flow chart, the following primary beneficiaries are required to be dealt with in terms of the instruction of the Board dated 07.09.2023 in Sales Tax General Order No.12 of 2023 "Standard Operating Procedure (SOPs) to deal with cases involving flying and fake invoices" read with the Board's letter no. 1(42)SA-M(IR-Ops)/2026/25980-R dated 03.03.2026, a Standard Operating Procedure (SOP) for exercising the powers conferred by Section 37A of the Act:

- MOHAMMAD TUFAIL CNIC 3520235478443, RTO-II Lahore, Business name: Diplomat Trader, House No.21/1 Farooq Road, Itchera, against fake purchases worth Rs.7,520,400 & 7,900,800 with inadmissible input tax of Rs.1,353,672 & 1,422,144.
- MUHAMMAD YOUSUF CNIC 3520014983847 RTO-I Lahore Chowk, outside Bhatti Gate, Near Shahzad Hotel Data Gunj Bukhsh Town, against

fake purchases worth Rs.7,241,000 with inadmissible input tax Rs.1,305,000.

- HASAN LATEEF, CNIC 3520110098395, RTO-I Lahore Business name: Misbah Traders; Hasan Manzil, H.NO.15 ST.NO.7 MOH. Daras Road, BAGHBANPURA, against fake purchases worth Rs.7,250,000 with inadmissible input tax Rs.1,305,000 and fake purchases of Rs. 12,540,000 with inadmissible input tax of Rs. 2,257,200.
- RAFAY AHMED CNIC 3520117178153, RTO-I Lahore Business name: Jurair Trading Co, S-25, Bilal Centre, 9 Nicholson Road, Lahore against fake purchases worth Rs.16,820,100 with inadmissible input tax Rs.3,027,618.
- FARIDA NASREEN, CNIC 3520112475448, RTO-I Lahore Business name: A.N. Traders; Kareem Electrical Market, 133-Circular Road, Shah Alam Market, Data Gunj Bukhsh Town, against fake purchases worth Rs. 8,889,000 with inadmissible input tax Rs.1,600,020.

6. IDENTIFICATION OF CYBER CRIMINALS

- i. To examine & find out the fraudsters' details, the CEO PRAL & General Manager -IR Operations PRAL were asked vide letter dated 10.09.2026 to provide login history related to the change in the registration profile u/s 181 (if any), highlighting IP address, Ports, latitude, longitude, ISP, location, login time, logout time etc. details of Login history related to the filing of sales tax returns, from December 2025 to April 2026 highlighting IP address, Ports, latitude, longitude, ISP, location, login time, logout time etc. summary of sales tax return with Annexure A & C from December 2025 to April 2026 and details of beneficiaries reflecting NTN/CNIC down the line by 21.09.2026. The PRAL, vide letter dated 25.09.2026, submitted a reply, which is reproduced below:

"I am directed to refer to your letter No. FTO-9893/LHR/ST/2026, dated 10.09.2026 regarding the subject.

Please find enclosed following requisite available information of Mr. Shakeel Haider (CNIC: 3520286908041; NTN: 1406658):

1. Sales Tax Return details for the period from December 2025 to April 2026.



2. Annexure-A and Annexure-C details, including beneficiaries' NTN/CNIC particulars.
3. E-Intermediary details and login history.
4. Workflow details of the application submitted under Section 181.
5. Login history details pertaining to Shakeel Haider/M/s. Hasni Traders (CNIC: 3520286908041).

The IP address information may be correlated and cross-verified with the corresponding login timestamps, as well as the activity creation and submission timestamps recorded in the system, for verification and reconciliation purposes.

For ISP/IP verification purposes, the following publicly accessible reference link may be accessed" (Details attached)

- ii. Director I & I-IR, Lahore's prompt response must be appreciated who submitted comprehensive details which are summarized as follows:

- a. The user ID/login/password were misused by some unknown persons, who declared fake supplies of Rs. 68,161,300/- involving sales tax of Rs. 12,269,034/- to M/s. Diplomat Traders Inc., M/s. Haji Muhammad Rafique & Muhammad Yousaf, M/s. Mubah Traders, M/s. Jurair Trading Co. & M/s. A.N Traders, and incorporated the illegal local sales in Annexure-C by misusing the IRIS password. Annexure A of M/s. Diplomat Traders Inc., M/s. Haji Muhammad Rafique & Muhammad Yousaf, M/s. Mubah Traders, M/s. Jurair Trading Co. & M/s. A.N Traders revealed that they had claimed an input tax adjustment of Rs. 12,269,034/- on the strength of invoice(s) issued by M/s. Hasni Traders, Lahore. However, M/s. Hasni Traders, through its complaint dated 14.05.2026, denied any such supply.
- b. The analysis of the Internet Protocol (IP) addresses revealed that the sales tax returns of the registered person for the tax periods December 2025 to March 2026 were filed through a Virtual Private Network (VPN) from foreign locations, whereas the return for the tax period April 2026 was filed through the internet connection of M/s. CM Pak Limited. The details of the locations, tax period-wise, are given below:



<u>Tax Period</u>	<u>Location</u>
Dec 2025	UAE
Jan 2026	Estonia
Feb 2026	UAE
Mar 2026	UAE
Apr 2026	CM Pak Limited, Mamu Kanjan

7. FINDINGS:

- I. In the light of detailed discussions, analysis of records in the instant case and other similar cases (wherein illegal & unauthorized filing of ST returns inserting bogus entries by using the User IDs/Passwords of different taxpayers is alleged or found), post-fraud proceedings in the light of current jurisdiction of IR field formations and FBR's instructions are summarized hereunder:
 - A. RTO/CTO/LTO holding jurisdiction over the **victim** is obligated to identify the **beneficiaries** and their respective jurisdictions, through inhouse Buyer/Seller analysis. While cases pertaining to the same formation may be taken up by concerned CIRs, the information related to other beneficiaries be immediately passed on to the relevant IR formations holding **jurisdiction over the beneficiaries**. Concerned **Director I&I-IR and relevant section of PRAL** need to be kept in the loop simultaneously.
 - B. Once the above information is received, the concerned CIRs of **holding jurisdiction over the beneficiaries** of the first tier as well as others down the supply chain are required to initiate further necessary action in the light of Board's instructions dated 07.09.2023 issued vide **Sales Tax General Order No.12 of 2023 "Standard Operating Procedure (SOPs) read with Board's letter no. 1(42) SA-M(IR-Ops)/2026/25980-R dated 03.03.2026**. The outcome needs to be shared with the sending formation as well as the concerned Director I&I-IR.
 - C. General Manager -IR Operations, PRAL to provide login history related to the change in the registration profile u/s 181 (if any), highlighting IP address, Ports, latitude, longitude, ISP, location, login time, logout time, etc., and share it with the sending formation as well as the concerned Director I&I-IR.
 - D. Concerned Directorate of Directorate General I&I-IR shall conduct an in-depth investigation to identify the cyber criminals behind the tax fraud for prosecution & conviction. Wherever **criminal connivance of beneficiaries** stands



proved, they shall also be arrayed as **partners in crime**.

- II. The pattern of tax fraud in the instant case has some peculiar dimensions which need to be probed by the concerned field formations and I&I-IR:
- The Complainants as well as beneficiaries all are dealing in general merchandise and mostly operating from some residential addresses. How are businesses with huge turnover being conducted from the residences?*
 - In some cases, the Complainants and the beneficiaries are related parties as well, acknowledging occasional transactions with each other.*
 - In a large number of cases, businesses of the Complainants and the beneficiaries are mutually unrelated.*
- III. RTO, Lahore has neither denied nor verified this discrepancy on merits and has confined itself to stating that security of IRIS credentials is the taxpayer's own responsibility. **Such an evasive stance is completely unwarranted because all the beneficiaries (detailed above) all are assessed at the same formation: (then) RTO Lahore.** RTO Lahore's utter failure in taking up cases of beneficiaries/its own assesses is a classic example of inattention, ineptitude and inefficiency.
- IV. The Complainant, Mr. Shakeel Haider, Prop. Hasni Traders, House No. 21/1, Muhallah Farooq Road, Ichra, Lahore, appears as beneficiary of fake & flying invoices in separate but similar Complaint Nos. 14761/LHR/ST/2025 and 10579/LHR/ST/2026, filed by Mr. Rafay Ahmed, Prop. *M/s Jurair Trading Company, Lahore*. Ironically, the opposite situation is reflected in this case wherein Mr. Rafay Ahmed stands arrayed as beneficiary. As both cases fall within the jurisdiction of RTO-I Lahore, the findings and recommendations in both cases need to be read together.
- V. Annexure A of the March 2026 sales tax return of the complainant reflects that purchases were made from CNIC 6110119110857 SHAHID HUSSAIN worth Rs. 16,900,000 against Goods @ zero rate. (Mr. Shahid Hussain, with Business Name: Eman Foods, Address: HOUSE 1541, STREET 81, I-10/1, is a taxpayer of RTO ISLAMABAD, Sales Tax: OPERATIVE.) Since the complainant has not acknowledged the receipt of goods & any payment in terms of section 73 of the Sales Tax Act 1990, this was fake supplies with no physical movement of goods and payment u/s 73 of the Act;



hence, it is required to be treated in terms of the instruction of the Board dated 07.09.2023 in Sales Tax General Order No.12 of 2023 "Standard Operating Procedure (SOPs) to deal with cases involving flying and fake invoices"

Prolonged inaction on a complaint of this nature involving alleged fraudulent use of the IRIS Portal and consequent distortion of the complainant's tax profile without any interim corrective measure or timely conclusion of the inquiry constitutes maladministration within the meaning of Section 2(3)(i)(a)(b)(c) & (ii) of the FTO Ordinance.



RECOMMENDATIONS:

8. FBR is directed to ensure that:
 - i. RTO I, Lahore, which holds jurisdiction over all the beneficiaries (except MOHAMMAD TUFAIL CNIC 3520235478443, RTO-II Lahore, Business name: **Diplomate Traders**, House No.21/1 Farooq Road, Itchera) initiates legal proceedings **against the beneficiaries of tax fraud** immediately as mandated by FBR's relevant STGO and instructions.
 - ii. RTO-II Lahore, to initiate legal proceedings **against the beneficiary M/S Diplomate Traders**, House No.21/1 Farooq Road, Itchera) immediately as mandated by FBR's relevant STGO and instructions.
 - iii. The Director I & I-IR Lahore to identify and conclude criminal proceedings under Section 37A read with Section 2(37) of the Sales Tax Act, 1990 against the actual perpetrators/ fraudsters;
 - iv. report compliance within 60 days.

Dated: 27 OCT 2026

(M. Zafar ul Haq Hijazi)
Federal Tax Ombudsman