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**Judgment Sheet**

**IN THE LAHORE HIGH COURT,**  
**MULTAN BENCH MULTAN**  
**(JUDICIAL DEPARTMENT)**

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**Tax Reference (PRA) No. 03/2025**

M/s Khawaja Tanneries (Pvt) Limited.

**Versus**

Commissioner Punjab Revenue Authority and others.

**JUDGMENT**

Date of hearing	19.11.2025
For applicant	M/s Waheed Shahzad Butt, Naveed Sikandar and Muhammad Imran Ghazi, Advocates
For respondents	Barrister Malik Sohail Ashiq Shujra, Advocate for respondents – PRA.

**ASIM HAFEEZ, J.** Case of the applicant is that questions variously raised before Appellate Tribunal, Punjab Revenue Authority, Lahore ('Tribunal') were neither appreciated nor decided and order under reference was passed without proper application of judicial mind. Submits that invoking of section 14(3) of the Punjab Sales Tax on Services Act, 2012 (Act) retrospectively, merely to support the claim of the department, is an error apparent. Adds that alleged liability was established in the context of section 52 of the Act but without appreciating that effect of limitation extended subsequently, by virtue of legislative fiat, could not be extended to substantiate proceedings – first and second questions of law reflects aforesaid concerns.

2. After hearing learned counsel, it transpired that in essence the real dispute is whether liability for payment of withholding tax –

proceedings were initiated against applicant, treated as withholding-agent, on the premise of alleged failure of the applicant to collect/deduct and deposit tax on services, accrued and payable under the Act, in lieu of receipt of taxable services. It is not disputed that figures, claimed to be the consideration paid in lieu of the services received by the applicant, were lifted / identified from the audited accounts of the applicant – existence of audited accounts and financial position reflected therein is not disputed but precise objection is that accumulated figures mentioned in the accounts, in respect of the service(s) and alleged to be a taxable service under the Act, need to be reconciled to ascertain that which of the services are covered under the scope of the Act, rates applicable on qualified services and determination of liability upon scrutiny of each and every transaction. Learned counsel for the applicant insists that documents, comprising of pages more than 2000 were provided but not appreciated.

3. Learned counsel for respondent department when confronted could not refute the contents of the show cause notice, wherein composite amounts, with respect to the each of services, were construed as taxable services and tax @ 16% was charged and claimed.

4. There is no cavil that for the purposes of determining the obligation / liability of a withholding agent each and every transaction has to be reconciled – it was not obligatory for the department to identify and segregate each and every incidence of service received by the recipient being liable to be subjected to tax as taxable service under the Act during relevant tax period, which, i.e., the department,

upon gaining information from undisputed source – [audited accounts of the company] – may confront the withholding agent with accumulated / composite amount of consideration paid for the services received and thereafter it is the responsibility of the withholding agent to explain details of each of the transaction(s) and establish that why withholding tax, in the capacity of a withholding agent, was not collected / deducted, from the payment to be made to the service-provider, and whether such amount was accordingly deposited. Withholding agent may otherwise satisfy department that tax was accordingly paid, who otherwise had specific knowledge of each transaction.

5. We do not comment that whether documents were provided to the adjudicating officer, before passing of the order-in-original, or not but if documents were produced before the Tribunal; Tribunal, being a fact-determining forum, after affording opportunity to other side, is obligated to examine each and every transaction and determine element of taxability and amount of tax payable, and once this exercise is conducted, Tribunal [it] shall proceed to determine the liability of the withholding agent. We are afraid that no such reconciliation / rendition of transactions was carried out by the Tribunal.

6. In view of aforesaid narrative, we find this fit case for remand to the Tribunal, which shall decide the appeal of the applicant afresh, accordingly, in light of the concerns recorded. This reference application is allowed in aforesaid terms and order of the Tribunal dated 26.02.2025 is, hereby, annulled.

7. Office to send copy of this order under the seal of the Court to the Appellate Tribunal for information.

**(Abid Hussain Chattha)**  
**Judge**

**(Asim Hafeez)**  
**Judge**

*Approved for reporting.*

**Judge**

**Judge**

*M. Nadeem Saleem/\**