

BALUCHISTAN SALES TAX ON SERVICES

APPELLATE TRIBUNAL, QUETTA

STA 92/2026

M/S Ericsson Pakistan (Private) Limited

Versus

The Commissioner (Operations) & one another, Balochistan Revenue Authority, Quetta

ORDER

Date of hearing: 15.06.2026

Date of order: 18.06.2026

Appellant by:

Mr. Aimal Khan Kakar,
Adv & Others

Respondent by:

Mr. Amin Ullah Khan,
Adv & Others

JUSTICE (R) NAZIR AHMED LANGOVE, CHAIRPERSON:

This is an appeal filed by the Appellant against the order in original dated 19th March, 2025 passed by the Learned Commissioner-II (Operations) Balochistan Revenue Authority (BRA) whereby the Appellant's claim for deducted amount was declined.

2. Facts of the case are that the appellant is a registered person with the principal activity of providing services for contractual execution of work and furnishing supplies under tariff 9809.0000; claimed input tax U/S 16B (1) which was legally not allowed for the reasons that the goods or services used or consumed in a service liable to sales tax ad valorem rate lesser than 15% or at specific rate or fix rate or at such other rates not based on value (16B(J)).

3. Secondly, goods or services as are liable to sales tax, whether a Federal Sales tax or provincial sales tax, at a specific rate or at fixed rate or at such other rates not based on value or at a rate lesser than 15% ad valorem and are used or consumed as inputs in the provision of a taxable service under the Act (16B(K)). Wherein a registered person is not entitled to claim input tax credit.

In addition to above, the amount of sales tax paid on the telecommunication services in excess of 19 and half % ad valorem at the amount of sales tax paid on other taxable goods or services in excess of 15% (16B(L)) of the Act; corresponding Rule 26(2) and 27(8), (9) and (10) of the Balochistan Sales Tax on Services Rules, 2018 mainly with the language determining input tax paid on goods and services used in providing or rendering of non-taxable or exempt services or the services liable to reduce rate of tax or specific rate of tax where incidence of tax is less than the incidence on standard rate or services provided outside Balochistan shall not be admissible.

Connection thereto, Rule 27 deals with the input tax credit not allowed, where the amount of sales tax paid in excess of 15% on the taxable goods as are used or consumed in providing of a taxable service or a service liable to a tax at a reduced rate or to a specific rate of tax where incidence of tax is less than standard rate.

4. On the basis of above the Respondent's department issued a notice U/S 24(2) of the Act for recovery of short-paid Sales Tax amounting RS: 8,753,416/- vide show cause notice dated 18th December, 2024 U/S 24(2) with the directions to make payment of sales tax on services for the tax period from July, 2019 to June, 2020 which reportedly was not replied, followed by reminders dated 2nd January, 2025 and 20th February, 2025 but met with the same fate; hence the initiation of proceedings and the order in original dated 19th March, 2025.

5. Challenged before this Tribunal U/S 67 of the Act with the contention that the order in original passed by the Learned Commissioner-II Balochistan Revenue Authority is against the law and facts; that the Appellant was condemned unheard by violating Sections 24(2), 52, 72 and 80 of the Act wherein it has specifically been mentioned that while initiating process of assessment of tax no

order Under Sub Section (1) shall be passed unless a notice to show cause is given to the person. Similarly, recovery of the tax not levied or short-levied has been mentioned in Section 52 of the Act with the requisite need of service upon the Respondent and affording him a fair opportunity of hearing. Moreover, recovery of arrears of tax provided U/S 72 of the Act has been prescribed with the mandatory provision of Section 80 of the Act with the language that any notice, order or requisition required to be served on the individual for the purposes of this Act shall be properly served with certain conditions.

The Appellant urged that for the first time he learnt of the impugned order when the Respondent approached his bank for attachment U/S 72 of the Act, for recovery of arrears of tax. The Appellant approached the Respondent Authority and requested for the impugned order which finally was provided on 8th April, 2026. Thus, the delay caused was not the Appellant's fault.

6. The appellant added that the impugned order is non-speaking, arbitrary, vague and has been passed without any lawful basis because the respondent disallowed input tax without confronting any specific transactions or providing any reference to specify sales tax invoices in the show cause notice, therefore, the impugned order is not sustainable under the law and is liable to be reversed. He urged that the respondent has disallowed input tax amounting RS: 8,753,416/- based on presumptions that the input tax adjusted in excess of 15% sales tax or reduced rate sales tax without appreciating the factual position that the appellant himself added back input tax amounting to RS: 70,067,332/- under serial number 4 of the Balochistan Sales Tax returns for the period under consideration. He maintained that the question of disallowing input tax of RS: 8,753,416/- does not arise as the appellant claimed input tax only to the extent of RS: 7,527,086/-. Moreover, levying penalty U/S 48 of the Act and default surcharge U/S 49 of the Act without establishing any element of mens rea on the appellant's part was also illegal and without any lawful reason. Lastly, he prayed that the appellant's appeal may be allowed and the order dated 19th March, 2025 rendered by the Learned Commissioner-II Balochistan may be set aside.

7. On the other hand, the Respondent's learned counsel strongly opposed the appeal with the contention that the order impugned passed by the Learned Commissioner-II, Balochistan is based on valid, legal and factual grounds; after thorough probe the appellant was found liable for short payment of the sales tax on services. Therefore, the competent Authority issued him a show cause notice to reply, followed by repeated reminders but with no response. Therefore, the matter was placed before the Learned Commissioner-II, Balochistan and the proceedings commenced, finally culminated into the order dated 19th March, 2025 which is based on real facts and the relevant law provisions, therefore, is not liable to be reversed. He added that despite service of notice which is evident from the record, the appellant intentionally avoided to appear before the Authority and the Learned Commissioner just to gain time and linger on the matter with one pretext or the other with mala fide intention to evade tax; thus caused heavy loss to the exchequer, therefore, the appellant is liable to pay the amount short paid with the penalty and default surcharge as imposed. He prayed for dismissal of the appeal.

8. We have heard the learned counsel for the parties and gone through the record with their assistance reflecting that during the course of assessment the appellant was found liable to pay short-paid sales tax amounting RS: 8,753,416/-.

9. It has been observed that the appellant's case does not cover the definition of adjustment of input tax provided U/S 16 of the Act rather it falls within the ambit of 16B of the Act wherein input tax credit is not allowed in certain cases and situations.

10. However, keeping aside the merits and demerits, during the pendency of appeal, the Learned Counsel for the parties sought time to re-visit the conflicting issues and reconcile the documents placed and relied upon. Opportunity was afforded.

11. On 15-06-2026 the Learned Counsel for the respondent submitted a mutual reconciliation statement with the following language: -

“MUTUAL RECONCILIATION STATEMENT

1. The Honourable Balochistan Sales Tax on Services Appellate Tribunal (“the Honourable Tribunal”), during the

course of hearing on June 8, 2026, directed the Appellant and the Respondent to reconcile the amount of Rs 510,200 on the basis of submissions made by the Appellant before the Honourable Tribunal. In compliance with the said direction, the parties have undertaken a joint reconciliation exercise, the outcome whereof is set out below.

2. The Appellant explained its position to the Respondent with reference to the submission paper book filed before the Honourable Tribunal. Upon perusal by the Respondent of the detailed working placed at Page No. 22 and 23 of the submission paper book, and the underlying sales tax returns enclosed at Page No. 20 and 24–64, the Respondent and the Appellant reconciled that out of the total input tax of Rs 74,404,034 in question, only Rs 4,336,702 was claimed by the Appellant in the Balochistan sales tax return, and the balance of Rs 70,067,332 stood claimed in the sales tax returns of other tax jurisdictions.

3. The Respondent and the Appellant further reconciled that the amount of Rs 4,336,702, having been claimed at the rate of 17% (i.e., in excess of 15%) in Balochistan sales tax return, is subject to the restriction under Section 16B(1)(I) of the Balochistan Sales Tax on Services Act, 2015 ('the Act'). Accordingly, the disallowance under Section 16B(1)(I) works out to Rs 510,200 ($\text{Rs } 4,336,702 \times 2/17$), rather than the disallowance / tax demand of Rs 8,753,416 raised vide Order-in-Original dated March 19, 2025.

4. In view of the foregoing, the Appellant and the Respondent mutually agree and confirm that:

a) the tax demand to the extent of Rs 8,243,216 (i.e., Rs 8,753,416 minus Rs 510,200) is liable to be deleted; and

b) the tax demand to the extent of Rs 510,200 is liable to be confirmed, which has already been deposited by the Appellant vide CPR No. B1-20251205-0104-1179748

dated December 5, 2025 (Rs 875,342 deposited under protest being 10% of the tax demand of Rs 8,753,416 raised vide Order-in-Original dated March 19, 2025).

SD

For and on behalf of the Appellant

SD

For and on behalf of the Respondent”

12. In view of the above referred mutual reconciliation statement, duly signed by the representatives of the parties and verified by the learned counsel for the respondent present in the court, the appeal stands disposed-of.

13. However, in case of non-observance or violation, if any, the aggrieved party can approach the proper forum subject to all Just and Legal exceptions.

Orders accordingly.

SD

Chairman

SD

Member

SD

Member

Dated: 18th June, 2026