78/06

APPELLATE TRIBUNAL INLAND REVENUE OF PAKISTAN
DIVISION BENCH, MULTAN

ITA No. 92/MB/2026
Tax Year: 2016

Chaudhry Raheel Akram,
Chak No. 261/EB, P/O Same, Vehari, Burewala
Reg No: 3660168656283 ...Appellant

Versus

The CIR, RTO, Sahiwal ...Respondent

Appellant by: Mr. Muhammad Imran Ghazi, Adv
Respondent by: Syed Azhar Hussain Shah, DR

Date of Hearing: 22.06.2026
Date of Order: 22.06.2026

ORDER

APPELLATE TRIBUNAL INLAND REVENUE GOVT. OF PAKISTAN MULTAN

KHURRAM SHAHBAZ BUTT (MEMBER): The titled appeal has been filed at the instance of the taxpayer assailing appellate order dated 26.01.2026 passed by the Commissioner Inland Revenue (Appeals), Sahiwal **[CIR(A)]**, whereby appeal filed the taxpayer against amendment order dated 24.06.2025 passed by the Additional Commissioner Inland Revenue, Sahiwal-Zone, RTO, Sahiwal **[Addl.CIR]** in terms of section 122(5A) of the Income Tax Ordinance, 2001 **[Ordinance]** was confirmed.

2. Brief facts giving rise to the instant appeal as gathered from the appellate record are that the taxpayer, being an individual, furnished his return of income for Tax Year 2016 which was accompanied by a wealth statement and wealth reconciliation statement for the year ended 30.06.2016. The Commissioner Inland Revenue **[CIR]** was taken to have made assessment of taxable income for the aforesaid tax year and tax due thereon and the return was taken for all purposes of the Ordinance to be assessment order issued to the taxpayer on the day the return was furnished keeping in view the provision of section 120(1) of the Ordinance

[original assessment]. Subsequently, on scrutiny of taxpayer's assessment record and wealth statement accompanying the return of income for the year, it revealed to the Addl. CIR that the original assessment which came into existence by fiction of law was erroneous insofar as prejudicial to the interest of revenue on the pretext that the appellant furnished his wealth statement for the year under appeal for the first time declaring closing net wealth at Rs. 121,819,932/-, however, the same was not accompanied by year-wise reconciliation as required as per Note No. 9 of the instructions issued by the Board, where wealth statement is furnished for the first time. In the absence of requisite reconciliation and evidence, addition under section 111(1)(b) of the Ordinance on account of opening assets was confronted to the appellant vide show cause notice issued in exercise of powers conferred under section 122(5A) of the Ordinance. Admittedly, the appellant filed a detailed reply explaining that the immovable properties recorded in the wealth statement were inherited by him which were inadvertently disclosed at their present market value, while the said error was corrected in the subsequent tax years. It was explained by the the same manner, jewellery was gifted to him at the time of marriage as per local traditions which was also declared at the present market value and the said error was also cured in the subsequent year(s). The reply furnished by the appellant did not completely find favor of the Addl. CIR who proceeded to amend the original assessment by making an addition to the extent of value of equipment, animals and jewellery at Rs. 3,500,000/- under section 111(1)(b) of the Ordinance vide amendment order dated 14.06.2022 **[first amendment order]**. Being aggrieved with the first amendment order, the taxpayer filed an appeal before the CIR(A) who vide appellate order dated 19.12.2022 **[first appellate order]** remanded the matter back to the Addl. CIR with directions to provide reasonable opportunity of heard to the taxpayer and to obtain the

APPELLATE TRIBUNAL INLAND REVENUE GOVT. OF PAKISTAN MULTAN explanation and documents with respect to equipment, animals and precious possession declared in the wealth statement as on 30.06.2016. Pursuant to remand of the matter by the CIR(A), the Addl. CIR initiated remand proceedings against the taxpayer by way of issuance of a notice under section 111 of the Ordinance dated 05.05.2025 for compliance on 12.05.2025. In response to the said notice, the taxpayer again furnished an elaborate reply along with necessary documentary evidence to establish the claim of brought forward assets along with wealth statements for the years ending 30.06.2014 and 30.06.2015 furnished on 14.06.2023, manually revised wealth statement for the current year ending 30.06.2016 and wealth statements for the subsequent years ending on 30.06.2017, 30.06.2018 and 30.06.2019 and reconciliation of assets beginning from Tax Year 2009. The submissions made by the taxpayer did not find favor of the Addl. CIR who proceeded to amend the assessment vide amendment order dated 24.06.2025 **[second amendment order]**, thereby repeating the addition made earlier. The taxpayer being dissatisfied with the treatment accorded by the Addl. CIR filed an appeal before the CIR(A) who vide appellate order dated 26.01.2026 **[impugned order]** upheld the treatment accorded through second amendment order. The taxpayer has now filed second appeal before this Tribunal against the impugned order on the following grounds:

1. *That order of the learned CIR(Appeals) is bad in law and contrary to the facts of the case.*
2. *That the learned Addl. CIR has erred both in law and on facts in initiating proceedings under section 122(5A) of the Income Tax Ordinance, 2001 without first establishing that the deemed assessment order was "erroneous in so far as it is prejudicial to the interest of revenue", which is a mandatory twin condition for assumption of jurisdiction under section 122(5A).*
3. *That the learned Addl. CIR has failed to identify any specific defect, misstatement or legal infirmity in the return of income or wealth statement so as to attract the provisions of section 122(5A), hence the very assumption of jurisdiction is void ab initio and liable to be quashed.*

4. *That the learned Addl. CIR has erred in law in invoking section 111(1)(b) while exercising jurisdiction under section 122(5A), as both provisions operate in distinct and independent fields and cannot be blended in a mechanical manner without following the specific preconditions attached to each section.*

5. *That the proceedings initiated under section 122(5A) and the addition made under section 111 are alien to each other and the learned officer has unlawfully converted revisionary jurisdiction into an assessment under section 111, which is legally unsustainable and contrary to settled principles laid down by the superior courts.*

6. *That the learned Addl. CIR has erred in law in failing to appreciate that section 122(5A) does not confer unlimited power to conduct fishing and roving inquiries; rather such jurisdiction is circumscribed by the requirement of pointing out a specific error apparent on record. Reliance is placed on the judgment of Hon'ble Lahore High Court reported as 2022 PTD 1411, wherein fishing inquiries have been deprecated.*

7. *That the learned Addl. CIR has erred in disregarding the documentary evidences furnished by the appellant explaining the source of acquisition of equipment, animals and precious possessions amounting to Rs. 3,500,000/-, and has rejected the same in a whimsical and arbitrary manner without assigning cogent reasons.*

8. *That the learned Addl. CIR has erred in law in ignoring the consistent tax history of the appellant who has been regularly filing income tax returns since Tax Year 2009, declaring salary income from PSO and agricultural income, which sufficiently explains his financial capacity to acquire the alleged assets.*

9. *That the learned Addl. CIR has failed to appreciate that the alleged amount of Rs. 3,500,000/- stood duly reconciled through wealth reconciliation statements of Tax Year 2014 and Tax Year 2015 and past savings; however, the same was rejected merely on the ground which was against the facts that wealth statement was first filed in Tax Year 2016, which is not a lawful ground for invoking section 111.*

10. *That the mandatory twin conditions, namely (i) the order being erroneous, and (ii) prejudicial to the interest of revenue, have not been independently established by the learned Addl. CIR; hence proceedings under section 122(5A) are without lawful authority and liable to be annulled.*

11. *That the learned Addl. CIR has transgressed his jurisdiction by concluding proceedings in a manner which effectively falls within the scope of section 122(5) rather than section 122(5A), as held in recent judgments of the Hon'ble Lahore High Court, and therefore the impugned order is coram non judice.*

12. *That the learned CIR(A) has erred in law in confirming the impugned order through a non-speaking order dated 26.01.2026 without adjudicating the specific legal and factual grounds raised in appeal, which amounts to violation of section 129 and principles of natural justice.*

13. *That the learned CIR(A) has failed to give independent findings on jurisdictional defects, thereby rendering the appellate order legally unsustainable.*

14. *That the appellant craves leave to add, alter, amend or withdraw any ground(s) of appeal at the time of hearing.*

15. That the impugned orders are based on conjectures, surmises and assumptions rather than concrete evidence, hence liable to be vacated.

3. On the due date, Mr. Muhammad Imran Ghazi, Advocate the learned authorized representative **[AR]** attended the proceedings on behalf of the appellant/taxpayer while Syed Azhar Hussain Shah, the learned departmental representative **[DR]** appeared on behalf of the revenue.

4. The learned AR for the appellant vehemently contended that the impugned order is bad in law and against the facts of the case, hence not sustainable in the eye of law. It was argued by the learned AR that during the course of remand proceedings, the appellant duly produced reconciliation of the assets beginning from Tax Year 2009, while the basis evolved for initiation of amendment proceedings against the appellant was neutralized by furnishing wealth statements on 14.06.2023, including wealth statement for the years ending 30.06.2014 and 30.06.2015 which were duly placed on record before the Addl. CIR during the course of remand proceedings. It was therefore pleaded that in the presence of reconciliation beginning from Tax Year 2009 and wealth statements for the immediate two preceding tax years, it is crystal clear that the assets including equipment, animals and jewellery in accumulation valuing Rs. 3,500,000/- recorded in wealth statement for the year ended 30.06.2016 were brought forward assets which cannot be added in the hands of the appellant in the current tax year keeping in view the provision of section 111(2)(a) of the Ordinance. The learned AR forcefully contended that even otherwise assumption of jurisdiction by the Addl. CIR under section 122(5A) of the Ordinance is not tenable for want of curing any deficiency in the declaration furnished by the taxpayer or requisition of documentary evidence. He finally prayed for allowing the instant appeal by

APPELLATE TRIBUNAL INLAND REVENUE
GOVT. OF PAKISTAN
MULTAN

way of declaring orders passed by both the authorities below illegal and without jurisdiction and consequently prayed for deleting the impugned addition.

5. The learned DR on the other hand supported the orders passed by both the authorities below. It was contended by the learned DR that amendment proceedings in the case of the appellant were earlier concluded vide amendment order dated 14.06.2022. Despite confrontation of an addition under section 111(1)(b) of the Ordinance at Rs. 121,819,932/- upon explanation tendered by the appellant, addition was restricted to unexplained assets worth Rs. 3,500,000/- which reflects judicious application of mind by the Addl. CIR to the explanation tendered by the appellant. Upon filing of an appeal before the CIR(A), the matter was remanded back to the Addl. CIR requiring explanation with respect to sources of investment in equipment, animals and jewellery declared in wealth statement for the year ended 30.06.2016. During remand proceedings except reconciliation of assets beginning from Tax Year 2009 and wealth statement from prior and succeeding tax years, sources for investment in the unexplained assets was not provided, which compelled the Addl. CIR to repeat the addition. He maintained that in the second round of litigation also before the CIR(A), no documentary evidence was produced to establish investiture in the unexplained assets, resulting into dismissal of taxpayer's appeal which is completely in accordance with law. He therefore prayed for dismissal of the instant appeal, thereby upholding the actions of both the authorities below.

6. Arguments advanced by the rival parties have been heard at considerable length, while the appellate record, as well as the documentary evidence produced during the course of appellate hearing, has been

consciously kept into consideration. It is borne from the record that proceedings against the appellant were initiated by the Addl. CIR in exercise of powers conferred in terms of section 122(5A) of the Ordinance on the sole ground that the appellant furnished his wealth statement for the first time for the year ended 30.06.2016, however reconciliation of assets as required by instruction No. 9 issued by the Board was not complied with did not accompany the wealth statement. Initially the Addl. CIR confronted a total addition of Rs. 121,819,932/- representing closing net wealth for the year ended 30.06.2016. Admittedly, in response to the SCN, the appellant submitted his explanation which satisfied the Addl. CIR with respect to major portion of the assets disclosed, therefore first amendment order was framed restricting the addition to Rs. 3,500,000/- which represented accumulated value of the following unexplained assets:

APPELLATE TRIBUNAL INLAND REVENUE GOVT. OF PAKISTAN MULTAN

S.No.	Nature of Asset	Code No.	(Rs.)
1.	Equipment	7004	200,000
2.	Animals	7005	300,000
3.	Jewellery	7013	3,300,000

Being dissatisfied with the treatment accorded in the first amendment order, the appellant filed an appeal before the first appellate authority who vide first appellate order remanded the matter back to the Addl. CIR owing to the fact that proper opportunity of being heard was not granted while the submissions made by the appellant with respect to the assets added to the declared income was not properly appreciated. In the meantime, the appellant furnished his wealth statements for the years ending 30.06.2014 and 30.06.2015 on 14.06.2023. Remand proceedings were initiated against the appellant by way of issuance of a notice under section 111 of the Ordinance on 05.05.2025 seeking explanation to the extent of unexplained assets. In response to the said notice, the appellant filed another reply, which was accompanied by a reconciliation of assets ever since Tax Year 2009, wealth statements for the prior and subsequent tax years explaining that the assets have been created either out of the funds already tax or were brought forwarded from the previous tax years, therefore the same cannot be added in the hands of the appellant under section 111 of the ordinance while proceedings in respect of Tax Year 2016. The submissions of the appellant did not find favor of the Addl. CIR, who proceeded to conclude the remand proceedings through second amendment order repeating the earlier addition. An appeal against the aforesaid order was filed before the CIR(A) who upheld and confirmed the treatment accorded to the appellant on the pretext that the appellant has failed to furnish necessary documentary evidence to establish investiture in the assets. The fundamental issues which arise in the context of the arguments advanced by the appellant are

APPELLATE TRIBUNAL INLAND REVENUE GOVT. OF PAKISTAN MULTAN SEAL

(i) Whether after submission of wealth statement for the prior tax year viz; Tax Year 2015, when the local assets sought to be explained by the appellant formed part and parcel of wealth statement for the previous tax year and were only brought forward in the tax year under appeal could be added in the hands of the appellant under section 111(1) of the Ordinance in Tax Year 2016? and

(ii) Where source of creation of assets reflected in the Inflows of the wealth statements for the respective years has already been offered for taxation or exemption had been claimed, can creature of such income in the form of an asset can be taxed as being unexplained when no question relating to any short payment of tax on such income is raised?

It has been observed that after remand of the matter by the CIR(A), the appellant prior to initiation of remand proceedings furnished his wealth statements for the prior years ending on 30.06.2014 and 30.06.2015, copies whereof have been placed on record. Perusal of wealth statements shows reflection of the assets in the following manner:

S.No.	Nature of Asset	Code No.	Year Ending		
			30.06.2014	30.06.2015	30.06.2016
1.	Business Capital - Agricultural	7003	2,000,000	3,000,000	5,100,000
2.	Equipment	7004	-	-	200,000
3.	Animals (Non-Business)	7005	1,200,000	1,400,000	300,000
4.	Household Effects	7010	350,000	350,000	125,000
5.	Personal items	7011	150,000	150,000	150,000
6.	Cash (Non-Business)	7012	310,542	367,509	233,644
7.	Jewellery	7013	3,300,000	3,300,000	3,000,000
	Total Assets	**7019**	**7,310,642**	**8,567,509**	**9,108,644**
8.	14-CDE Loan – For MGMT		375,499	294,525	380,068
9.	14-CDE Loan – CAT-A		420,000	300,000	-
	Total liabilities	**7029**	**795,499**	**594,525**	**380,068**
	Net Wealth	**703001**	**6,515,143**	**7,972,984**	**8,728,576**

As per the wealth reconciliation statements for the respective years net wealth has been reconciled in the following manner:

Description	Code No.	Amount (Rs.)		
		30.06.2014	30.06.2015	30.06.2016
Net Assets Current Year	703001	5,303,342	7,972,984	8,728,576
Net Assets Previous Year	703002	6,515,143	6,515,143	7,972,984
Increase/Decrease in Assets	703003	1,211,801	1,457,841	755,592
Inflows	**7049**	**1,889,801**	**2,310,841**	**2,518,865**
Income Declared as per return for the year subject to normal tax	7031	1,809,801	2,230,841	2,438,865
Income Declared as per return for the year Exempt from tax	7032	80,000	80,000	80,000
Outflows	**7099**	**678,000**	**853,000**	**1,843,273**
Personal Expenses	7089	678,000	853,000	1,843,273
Unreconciled Amount	703000	0	0	0

Comparative position of current year net wealth with net wealth for the immediately preceding tax year shows the following position:

Nature of Asset	30.06.2015	30.06.2016	Increase/ (Decrease)	Remarks
Equipment	0	200,000	200,000	Equipment has been purchased during the year, therefore the same is not a

				brought forward asset.
Animals	1,200,000	300,000	(900,000)	Animals worth Rs. 900,000 have been disposed-off during the year and no new asset has been created, while the leftover asset is a brought forward asset.
Jewellery	3,000,000	3,300,000	300,000	Jewellery worth Rs. 300,000 has been purchased during the year while the residual is a brought forward asset.

It is evident from the record that despite submission and production of wealth statement for the prior tax year, no question was ever raised by the Addl. CIR with respect to any incremental income arising out of disposal of animals during the year, however the Addl. CIR continued to question the source of acquisition of assets, which were appearing in the net wealth of the taxpayer for the year the year under appeal, while subsequent development which took place in the form of furnishing of wealth statements for the prior tax years on 14.06.2023 has completely been ignored by the Addl. CIR. Furthermore, reconciliation produced by the appellant during the course of remand proceeding beginning from tax year 2019 was also completely ignored by the Addl. CIR.

7. We now take privilege to answer the questions formulated in the former paragraph keeping in view factual matrix of the case:

Question No (i): The provision of section 111(2) of the Ordinance reads as under:

> ***"(2) The amount referred to in sub-section (1) shall be included in the person's income chargeable to tax:***
>
> ***(i) in the tax year to which such amount relates <u>if the amount representing investment, money, valuable article or</u>***

> ***<u>expenditure is situated or incurred in Pakistan or concealed income is Pakistan-source;</u> and***
>
> ***(ii) in the tax year immediately preceding the tax year in which the investment, money, valuable article or expenditure is discovered by the Commissioner and is situated or incurred outside Pakistan or concealed income is foreign-source.***
>
> ***Explanation.- For the removal of doubt, it is clarified that where the investment, money, valuable article or expenditure is acquired or incurred outside Pakistan in a prior tax year and is liable to be included in the income of tax year 2018 and onwards on the basis of discovery made by the Commissioner during tax year 2019 and onwards and the person explains the acquisition of such asset or expenditure from sources relating to tax year in which such asset was acquired or expenditure was incurred, such explanation shall not be rejected on the basis that the source does not relate to the tax year in which the amount chargeable to tax is to be included."***

It is evident from bare reading of above reproduced provision of law that where a taxpayer fails to offer satisfactory explanation with respect to any local asset the unexplained value of such asset can only be included in the tax year to which it relates. It is evident from comparative chart of net wealth reproduced in the foregoing paragraph that either **the assets were created during the year out of sources available with appellant which amounts to conversion of one asset into another or were brought forwarded from the previous tax year.** Insofar as the brought forwarded assets are concerned, there is no cavil to the preposition that they were local assets, hence addition in terms of section 111(2)(i) of the Ordinance could only be made in the tax year to which the local asset relates.

Question No (ii): It is evident from the assessment record that the appellant ever since Tax Year 2009 was deriving salary income [assessable under the head 'income from salary'] and agricultural income [exempt from tax under section 41 of the Ordinance]. As adumbrated in the foregoing paragraphs, the appellant produced a reconciliation of assets beginning from Tax Year 2009 reconciling his wealth to establish holding of assets as on 30.06.2016, however, the second assessment order reveals that the Addl. CIR has completely lost sight of such reconciliation. It is an obvious fact that income pertaining to a particular tax year is to be taxed in the tax year to which it relates and accordingly, the taxpayer has already declared the incomes in the respective tax years which have already undergone taxation. **Assets are no doubt creature of incomes which are either taxable under the Ordinance or are otherwise exempt from tax and taxpayers, while furnishing their wealth statements are required to reconcile their net wealth by reporting different cadre of incomes either offered to tax or on which exemption has been claimed. In such circumstances, where no question regarding taxability of such incomes in the prior or current tax years has ever been raised, the obvious conclusion is that no question regarding creature of such assets can be raised by the revenue.**

APPELLATE TRIBUNAL INLAND REVENUE
GOVT. OF PAKISTAN
MULTAN

8. Perusal of the impugned order reveals that the CIR(A) has passed a completely non-speaking order without appreciating the submissions made by the appellant merely on the ground that the appellant failed to produce necessary documentary evidence or explanation regarding the impugned addition before the Addl. CIR. These observations are completely against the assessment record as well as the factual position of the case.

9. For the reasons discussed and findings recorded in the foregoing paragraphs, we are persuaded to hold that the impugned addition made under section 111(1)(b) of the Ordinance is devoid of lawful basis and is not sustainable in the eyes of law. The material available on record does not support the conclusions drawn by the CIR(A) nor does it justify the action of the Addl. CIR. The addition, therefore, suffers from legal as well as factual infirmities and cannot be allowed to hold the field. Accordingly,

the impugned addition is hereby **deleted**. As a consequence, the orders of the authorities below are **annulled**.

10. The appellant, therefore, succeeds in the manner indicated above.

11. This order consists of thirteen (13) pages, and I have affixed my signatures on each page.

APPELLATE TRIBUNAL INLAND REVENUE GOVT. OF PAKISTAN MULTAN

Sd
MIAN ABDUL BASIT
Member

Sd
KHURRAM SHAHBAZ BUTT
Member

Appeal No. ITA No. 92/MB/26
Date of Order. 22-06-2026
TRUE COPY OF ORDER FOR THE
1. APPELLANT. Chaudhry Raheel Akram
2. RESPONDENT. " "

07-07-26
ASSISTANT REGISTRAR
APPELLATE TRIBUNAL INLAND REVENUE
MULTAN