SUPREME COURT OF PAKISTAN
(Appellate Jurisdiction)

Present:
Mr. Justice Yahya Afridi, CJ
Mr. Justice Muhammad Shafi Siddiqui
Mr. Justice Miangul Hassan Aurangzeb

Civil Petitions No.10-L to 12-L, 16-L to 21-L, 27-L, 28-L, 32-L, 51-L, 84-L, 85-L, 89-L, 64-L, 186-L to 189-L, 195-L, 234-L, 237-L, 244-L, 245-L, 248-L, 259-L, 260-L of 2025, 2496-L of 2024, 427-L, 527-L to 530-L, 433-L, 501-L to 509-L, 560-L, 685-L, 133-L, 146-L, 907-L, 2571-L, 2587-L, and 526-L of 2025

[Against the judgments dated 02.10.2024, 28.11.2024, 18.11.2024, 21.11.2024, 23.12.2024, 23.01.2025, 12.02.2025 and 23.09.2025 of the Lahore High Court, Lahore and Lahore High Court, Multan Bench passed in STR Nos. 10421/22, 76897/19, 66872/19, 37814/21, 05/2022, 41712/2021, 66376/2020, 66378/2020, 13/2021, 24684/2021, 61058/2021, 24/2021, 8/2022, 66005/2020, 73085/2022, 29767/2022, 76943/2021, 55066/2024, 67161/2020, 41731/2021, 67154/2020, 4046/2023, 83539/2023, 41721/2021, 30814/2021, 24216/2021, 77499/2022, 66002/2020, 29773/2022, 7/2022, 78604/2022, 60144/2024, 73089/2022, 78601/2022, 21167/2024, 60133/2024, 73088/2022, 73029/2022, 77147/2022, 73072/2022, 73092/2022, 60733/2023, 79291/2022, 77851/2022, 6308/2023, 17580/2023, 68522/2020, 61061/2021, 12322/2022, 61027/2024, 27/2022, 28/2022 and 83466/2023]

1. **C.P.L.A.10-L/2025** M/s. Yarn Kings Pvt. Limited, Gujranwala through its Director **Vs**. The Commissioner Inland Revenue, Gujranwala and others
2. **C.P.L.A.11-L/2025** M/s. Yarn Kings Pvt. Limited, Gujranwala through its Director **Vs**. The Commissioner Inland Revenue, Gujranwala
3. **C.P.L.A.12-L/2025** M/s. Yarn Kings Pvt. Limited, Gujranwala through its Director **Vs**. The Commissioner Inland Revenue, Gujranwala and others
4. **C.P.L.A.16-L/2025** M/s. Best Fibres (Pvt) Ltd. **Vs**. Commissioner Inland Revenue, Faisalabad
5. **C.P.L.A.17-L/2025** M/s. Crescent Textile Mills Limited, Sargodha Road, Faisalabad **Vs**. Commissioner Inland Revenue, Legal Zone, LTO, Multan
6. **C.P.L.A.18-L/2025** M/s. Khawaja Woolen Mills (Pvt) Ltd. **Vs**. Commissioner Inland Revenue, Zone-I, RTO, Gujranwala
7. **C.P.L.A.19-L/2025** M/s. Oriental Woolen Mills (Pvt) Ltd. **Vs**. Commissioner Inland Revenue, Zone-I, RTO, Gujranwala
8. **C.P.L.A.20-L/2025** M/s. Oriental Woolen Mills (Pvt) Ltd. **Vs**. Commissioner Inland Revenue, Zone-I, RTO, Gujranwala
9. **C.P.L.A.21-L/2025** M/s. Ishaq Textile Mills Ltd. **Vs**. Commissioner Inland Revenue, Legal Zone, LTO, Multan

10.	**C.P.L.A.27-L/2025**	M/s. Arshad Corporation (Pvt) Ltd. **Vs**. Commissioner Inland Revenue, RTO, Faisalabad
11.	**C.P.L.A.28-L/2025**	M/s. Masood Textile Mills Ltd. **Vs**. Commissioner Inland Revenue, RTO, Faisalabad
12.	**C.P.L.A.32-L/2025**	M/s. Nagra Spinning Mills (Pvt) Ltd. **Vs**. Commissioner Inland Revenue, Legal Zone, LTO, Multan
13.	**C.P.L.A.51-L/2025**	M/s. Nagra Spinning Mills (Pvt) Ltd. **Vs**. Commissioner Inland Revenue, Legal Zone, LTO, Multan
14.	**C.P.L.A.84-L/2025**	M/s. Iqra Woolen Mills (Pvt) Ltd. **Vs**. Commissioner Inland Revenue, Zone-I, RTO, Gujranwala
15.	**C.P.L.A.85-L/2025**	M/s. Zeenat Printing & Dyeing Mills (Pvt) Ltd. **Vs**. Commissioner Inland Revenue, Zone-II, RTO, Gujranwala
16.	**C.P.L.A.89-L/2025**	M/s. Waqas Woolen Mills (Pvt) Ltd. **Vs**. Commissioner Inland Revenue, Zone-I, RTO, Gujranwala
17.	**C.P.L.A.64-L/2025**	M/s. Iqra Woolen Mills (Pvt) Ltd. **Vs**. Commissioner Inland Revenue, Zone-I, RTO, Gujranwala
18.	**C.P.L.A.186-L/2025**	M/s. Akhtar Hussain Weaving Factory **Vs**. The Appellate Tribunal Inland Revenue (ATIR) etc.
19.	**C.P.L.A.187-L/2025**	M/s. Lateef Worsted Spinning Mills (Pvt) Ltd. **Vs**. The Commissioner Inland Revenue, Zone-I, RTO, Gujranwala
20.	**C.P.L.A.188-L/2025**	M/s. Saleem Enterprises (Pvt) Ltd. **Vs**. The Commissioner Inland Revenue, Zone-I, RTO, Gujranwala
21.	**C.P.L.A.189-L/2025**	M/s. Lateef Worsted Spinning Mills (Pvt) Ltd. **Vs**. The Commissioner Inland Revenue, Zone-I, RTO, Gujranwala
22.	**C.P.L.A.195-L/2025**	M/s. Lateef Worsted Spinning Mills (Pvt) Ltd. **Vs**. The Commissioner Inland Revenue, Zone-I, RTO, Gujranwala
23.	**C.P.L.A.234-L/2025**	M/s. Javed Weaving Factory, Faisalabad **Vs**. Commissioner Inland Revenue, Lyallpur Zone, RTO, Faisalabad and another
24.	**C.P.L.A.237-L/2025**	M/s. Saleem Enterprises (Pvt) Ltd., Gujranwala **Vs**. The Commissioner Inland Revenue, Zone-I, RTO, Gujranwala
25.	**C.P.L.A.244-L/2025**	M/s. Shoaib Usman Textile (Pvt) Ltd. **Vs**. Commissioner Inland Revenue, RTO, Faisalabad
26.	**C.P.L.A.245-L/2025**	M/s. New Master Industries, Faisalabad **Vs**. Commissioner Inland Revenue, RTO, Faisalabad
27.	**C.P.L.A.248-L/2025**	M/s Javed Enterprises **Vs**. Commissioner Inland Revenue, Gujranwala
28.	**C.P.L.A.259-L/2025**	M/s. Saleem Enterprises (Pvt) Ltd, Gujranwala **Vs**. The Commissioner Inland Revenue, Zone-I, RTO, Gujranwala

29.	**C.P.L.A.260-L/2025**	M/s. Saleem Enterprises (Pvt) Ltd, Gujranwala **Vs**. The Commissioner Inland Revenue, Zone-I, RTO, Gujranwala
30.	**C.P.L.A.2496-L/2024**	Commissioner Inland Revenue, Multan **Vs**. M/s Ittehad (Private) Limited, Faisalabad
31.	**C.P.L.A.427-L/2025**	Ahmed Textile, Faisalabad **Vs**. Commissioner Inland Revenue, Lyallpur Zone, RTO, Faisalabad and another
32.	**C.P.L.A.527-L/2025**	M/s. S. M Textile, Faisalabad **Vs**. Commissioner Inland Revenue, Lyallpur Zone, RTO, Faisalabad and another
33.	**C.P.L.A.528-L/2025**	Mr. Sohail Shahzad, Proprietor of Ansari International, Gujranwala **Vs**. Commissioner Inland Revenue, Zone-II, RTO, Gujranwala
34.	**C.P.L.A.529-L/2025**	M/s. Ali Raza Sizing Industries, Faisalabad **Vs**. Commissioner Inland Revenue, Lyallpur Zone, RTO, Faisalabad
35.	**C.P.L.A.530-L/2025**	M/s. Muhammad Tariq Weaving Factory, Faisalabad **Vs**. Commissioner Inland Revenue, Lyallpur Zone, RTO, Faisalabad and another
36.	**C.P.L.A.433-L/2025**	M/s. Hammad Textile Mills, Faisalabad **Vs**. Commissioner Inland Revenue, Lyallpur Zone, RTO, Faisalabad and another
37.	**C.P.L.A.501-L/2025**	M/s. Zipex Impex, Gujranwala **Vs**. The Commissioner Inland Revenue, Zone-II, RTO, Gujranwala
38.	**C.P.L.A.502-L/2025**	M/s. New Asia Woolen Mills (Pvt) Ltd., Gujranwala **Vs**. The Commissioner Inland Revenue, Zone-II, RTO, Gujranwala
39.	**C.P.L.A.503-L/2025**	Abdul Sattar Impex, Gujranwala **Vs**. The Commissioner Inland Revenue, Unit-7, Zone-II, RTO, Gujranwala
40.	**C.P.L.A.504-L/2025**	M/s. Prime Worsted Spinning Mills (Pvt) Ltd., Gujranwala **Vs**. The Commissioner Inland Revenue, Zone-II, RTO, Gujranwala
41.	**C.P.L.A.505-L/2025**	M/s. VISCO FAB, Gujranwala **Vs**. The Commissioner Inland Revenue, Zone-II, RTO, Gujranwala
42.	**C.P.L.A.506-L/2025**	M/s. Tooba Traders, Gujranwala **Vs**. The Commissioner Inland Revenue, Zone-II, RTO, Gujranwala
43.	**C.P.L.A.507-L/2025**	M/s. MAC Associates, Gujranwala **Vs**. The Commissioner Inland Revenue, Zone-II, RTO, Gujranwala
44.	**C.P.L.A.508-L/2025**	M/s. Master Wool Spinners, Gujranwala **Vs**. The Commissioner Inland Revenue, Zone-II, RTO, Gujranwala
45.	**C.P.L.A.509-L/2025**	M/s. Q. Tex, Gujranwala **Vs**. The Commissioner Inland Revenue, Zone-II, RTO, Gujranwala
46.	**C.P.L.A.560-L/2025**	M/s. Asia Dyeing and Finishing Mills, and another **Vs**. Commissioner Inland Revenue, Zone-II, RTO, Gujranwala

47.	**C.P.L.A.685-L/2025**	M/s. Habib Haseeb Spinning Mills (Pvt) Limited, Faisalabad **Vs**. The Commissioner Inland Revenue, Corporate Zone, RTO, Faisalabad
48.	**C.P.L.A.133-L/2025**	M/s. H.A.R Textile Mills (Pvt) Ltd, Faisalabad **Vs**. Commissioner Inland Revenue, RTO, Faisalabad
49.	**C.P.L.A.146-L/2025**	M/s. Interloop Limited, Faisalabad **Vs**. Commissioner Inland Revenue, RTO, Faisalabad
50.	**C.P.L.A.907-L/2025**	M/S Husnain Zahid Manufacturers (Pvt) Ltd. Faisalabad through its Director **Vs**. The Commissioner Inland Revenue Cooperative Zone, RTO, Faisalabad
51.	**C.P.L.A.2571-L/2025**	Commissioner Inland Revenue, Multan **Vs**. M/s. Chaudhary Industries, Faisalabad
52.	**C.P.L.A.2587-L/2025**	Commissioner Inland Revenue, Multan **Vs**. M/s. Chaudhary Industries, Faisalabad
53.	**C.P.L.A.526-L/2025**	M/s Shoukat Weaving Factory, Faisalabad through its Proprietor Shaukat Ali **Vs**. Commissioner Inland Revenue, Lyallpur Zone, RTO Faisalabad.

For the Petitioner(s): /Commissioner IR

Mr. Haroon Dugal, ASC.
[in CPs.10-L to 12-L and 560-L/25]

Mr. Shahbaz Butt, ASC.
[in CPs.16-L to 21-L, 27-L, 28-L, 32-L, 51-L and 133-L/25]

Mr. Moin Ahmed Siddiqui, AOR.
[in CPs.84-L, 85-L, 89-L, 64-L and 248-L/25] [through video link from Lahore]

Mr. Khadim Hussain Khosa, ASC.
[in CPs.186-L to 189-L, 195-L, 237-L, 259-L and 260-L]

Mr. Hashim Aslam Butt, ASC.
[in CPs.234-L, 244-L, 245-L and 146-L/25 [through video link from Lahore]

Mr. Ahmed Pervaiz, ASC.
[in CP.2496-L/24 through video link from Lahore]

Mr. Ijaz Ahmed Awan, ASC.
Assisted by Mr. Adnan Qamar Malik, Adv.
[in CP.427-L/25]

Nemo.
[in CPs. 526-L to 529-L/25]

Mr. Sarfraz Ali Khan, ASC.
[in CP.528-L/25]

Mr. Zabi Ullah Nagra, ASC.
[in CPs.433-L, 501-L to 509-L/25]
[through video-link from Lahore]

Mr. Khalil-ur-Rehman, ASC.
[in CP.685-L/25]

Sh. Muhammad Akram, ASC.
[in CP.907-L/25]

Mr. Muhammad Yahya, ASC.
[in CPs.2571-L and 2587-L/25]

For the Respondent(s): Mrs. Asma Hamid, ASC.
[Commissioner Inland Revenue]

Mrs. Kausar Parveen, ASC.
[in CPs.10-L to 12-L, 18-L to 20-L, 84-L, 85-L, 89-L, 64-L, 186-L to 189-L, 195-L, 234-L, 237-L, 244-L, 245-L, 259-L, 260-L, 427-, 527-L, 529-L, 530-L, 433-L, 146-L and 907-L/25]

Ch. Muhammad Zafar Iqbal, ASC.
[CPs.16-L, 17-L, 21-L, 27-L, 32-L, 51-L and 133-L/25]

Mr. Muhammad Yahya, ASC.
[in CPs.685-L, 2571-L and 2587-L/25]

Mr. Shahzad Ahmed Cheema, ASC.
[in CP. 506-L/25]

For the Department/FBR: Mr. Muhammad Tahir,
Director-General, Law, FBR.
Mr. Bilal Ahmed, Addl. Commissioner.
Mr. Muhammad Faheem, Addl. Commissioner.
Rao Shahzad Akhtar, Addl. Commissioner.
Mr. Tehseen Sadiq Tarar, Addl. Commissioner.

Date of Hearing: 07.10.2026.

JUDGMENT

Muhammad Shafi Siddiqui, J. This judgment shall dispose of the captioned 53 Civil Petitions, which arise from certain judgments and orders rendered on different dates by the Lahore High Court, Lahore, and its

Multan Bench, in various Sales Tax References and involve common questions of law.

2. We have heard the learned counsel for the parties and perused the material available on record.

Civil Petition No.2496-L/2024, Civil Petitions No.2571-L and 2587-L/2025: To understand and resolve the controversy, we first take up these petitions filed by the Commissioner Inland Revenue/Department as the leading cases.

3. The principal question for determination is whether further tax under section 3(1A) of the Sales Tax Act, 1990 (hereinafter referred to as the **'Act'**), was chargeable, for the tax periods from July 2017 to June 2019, on supplies made by the five export-oriented sectors (textile, carpets, leather, sports and surgical goods) to persons who had not obtained a registration number, notwithstanding the zero-rating regime prescribed under S.R.O. 1125(I)/2011, dated 31.12.2011 (hereinafter referred to as **'S.R.O. 1125'**), as amended by S.R.O. 491(I)/2016, dated 30.06.2016 (hereinafter referred to as **'S.R.O. 491'**). A related question is whether a special procedure prescribed under section 71 of the Act can prevail over the substantive provisions governing the levy of further tax.

4. Section 3(1A) of the Act provides for the levy of further tax on taxable supplies made to persons who have not obtained a registration number, whereas section 4 provides for the zero-rating of specified goods. The former provision also empowers the Federal Government, by notification, to specify taxable supplies in respect of which further tax shall not be charged, levied or paid. The controversy, therefore, requires consideration not only of the relationship between further tax and zero-rating, but also of the statutory

basis on which a supply may be excluded from the levy of further tax and whether, and to what extent, a special procedure prescribed under section 71 may affect the operation of the substantive charging provisions.

5. The statutory framework governing the controversy underwent a material change through the Finance Act, 2017. Prior to the amendment, section 3(1A) of the Act provided for the levy of further tax on taxable supplies made to persons who had not obtained a registration number, but did not expressly include supplies falling under section 4. At the same time, section 4 commenced with a non-obstante clause giving it an overriding effect over section 3, without expressly excepting sub-section (1A) from that overriding effect. It was against this statutory background that the Lahore High Court, in *MKB Spinning Mills (Pvt.) Ltd.*[1], held that further tax was not payable on the zero-rated supplies in question under S.R.O.1125, as amended by S.R.O.491. The Supreme Court subsequently considered the earlier statutory position in *Acro Spinning and Weaving Mills Ltd.*[2], holding that, under the provisions then applicable, section 4 prevailed over section 3(1A), while expressly noting that the amendments introduced through the Finance Act, 2017, had no bearing on the matters before it. The Court also explained that the Act establishes a single, integrated value-added tax regime and clarified the observations made in paragraphs 5 and 10 of the High Court's judgment in *MKB Spinning Mills* (*supra*) concerning the existence of separate tax regimes and the purpose of zero-rating under section 4.

6. The Finance Act, 2017, amended both provisions. Section 3(1A) was amended to expressly include section 4 among the provisions referred to

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[1] MKB Spinning Mills (Pvt.) Ltd. v. Federation of Pakistan (2018 PTD 2364).
[2] Commissioner Inland Revenue, Multan v. Acro Spinning and Weaving Mills Ltd. (2021 SCMR 1308 and 2021 PTD 1355).

therein, while the opening words of section 4 were correspondingly qualified by the insertion of the words “except those of sub-section (1A)”. The significance of these amendments must be assessed by reading the two provisions together, rather than by considering either amendment in isolation. Whereas the earlier wording of section 4 gave it an overriding effect over section 3 without exception, the amended wording expressly excludes sub-section (1A) from that overriding effect. Accordingly, the inclusion of section 4 in the provisions referred to in section 3(1A) brings taxable supplies falling under section 4 within the scope of the provision governing the levy of further tax, subject to its statutory requirements and exceptions.

7. In *T.U. Plastic Industry Co. (Pvt.) Ltd.*[3], the Lahore High Court examined the constitutional validity of the amendment to section 4(c) introduced by the Finance Act, 2017, whereby the words “Federal Government” were substituted with “Board with the approval of the Federal Minister-in-charge”, as well as S.R.O. 584(I)/2017 dated 01.07.2017, issued in purported exercise of the powers conferred thereunder, which introduced further tax on supplies made to unregistered persons. The Court declared the said amendment and notification to be *ultra vires* the Constitution and of no legal effect. However, the judgment did not examine or invalidate the separate amendment made to section 3(1A) by the Finance Act, 2017, nor did it invalidate the amendment to the opening words of section 4, whereby the provisions of section 3(1A) were expressly excepted from its non-obstante clause. The controversy before us, therefore, requires examination of the effect of the amended statutory provisions and the scope and legal effect of the relevant notifications in determining whether zero-

[3] T.U. Plastic Industry Co. (Pvt.) Ltd. v. Federation of Pakistan (2019 PTD 1542).

rated supplies to unregistered persons remain liable to further tax under section 3(1A) of the Act.

8. In order to appreciate the controversy, it is necessary to examine the notifications governing the supplies relating to the five export-oriented sectors and the nature of the concession extended thereunder. S.R.O.1125 was issued in respect of the textile, carpets, leather, sports and surgical goods sectors. The notification prescribed the applicable sales tax treatment for specified goods and supplies falling within its scope, subject to the conditions set out therein. It was issued in exercise of the powers conferred by clause (c) of section 4, read with clause (b) of sub-section (2) of section 3, sub-section (6) of section 3, clause (b) of sub-section (1) of section 8 and section 71 of the Act.

9. S.R.O. 491 subsequently amended S.R.O. 1125 and substituted Table II thereof with effect from 1 July 2016. Under the substituted table, certain specified supplies made by the five export-oriented sectors were prescribed to be chargeable to sales tax at the rate of zero per cent, including supplies to *registered* and *unregistered* persons, subject to the terms and conditions of the notification. The effect of the amendment was that supplies falling within the relevant entries were chargeable to sales tax at the rate of zero per cent. The question, however, is whether the prescription of a zero rate under the notification also excluded the levy of further tax under section 3(1A), or whether the two levies operated independently under the statutory framework then in force.

10. The distinction between the rate of sales tax prescribed under section 4 and the further tax contemplated by section 3(1A) assumes particular significance following the amendments introduced by the Finance Act, 2017. While S.R.O. 491 prescribed the rate applicable to the specified

supplies, section 3(1A) separately provided for further tax on taxable supplies made to persons who had not obtained a registration number, subject to the exceptions permitted by that provision. Accordingly, the determination of liability to further tax requires consideration of whether the supplies zero-rated under S.R.O. 491 were also excluded from further tax through an exercise of the power conferred by the proviso to section 3(1A), or whether the levy remained applicable notwithstanding the zero rate prescribed for the supplies in question.

11. In *Hajvairy Steel Industries (Pvt.) Ltd.*[4], this Court considered the effect of a special procedure prescribed under section 71 of the Act upon the liability to pay further tax under section 3(1A). The relevant procedure, contained in Rule 58H of the Sales Tax Special Procedures Rules, 2007, required steel melters, steel re-rollers and composite units having a single electricity meter to pay sales tax at a fixed rate per unit of electricity consumed and expressly stipulated that such payment would constitute their final discharge of sales tax liability. This Court held that the overriding effect accorded to the special procedure under section 71 had to be given effect, and declined leave to appeal against the concurrent decisions in favour of the taxpayers. The judgment, however, arose from tax periods between July 2013 and June 2016 and turned upon the express terms of the special procedure applicable to steel melters, steel re-rollers and composite units having a single electricity meter. Although this Court considered the Department's contention that the subsequent amendment to section 3(1A) should prevail over the special procedure prescribed under section 71, it did not undertake an examination of the amendments introduced by the Finance Act, 2017, to sections 3(1A) and 4, read together,

[4] Commissioner Inland Revenue, Zone-I, Regional Tax Office, Quetta v. Hajvairy Steel Industries (Pvt.) Ltd. (2023 SCMR 681).

in the context of zero-rated supplies under section 4. Nor did the case concern a notification prescribing a zero rate of sales tax under section 4. This Court also observed that, to constitute a precedent, the law interpreted must be the same or similar to that in the case under consideration. The principle emerging from *Hajvairy Steel Industries* (*supra*) must, therefore, be applied with due regard to the statutory provisions and the instrument under consideration in that case.

12. The significance of the amendments must be assessed in the context of the integrated value-added tax framework established by the Act. In *Acro Spinning* (*supra*), this Court clarified that the Act does not create separate and independent tax regimes, but operates as an integrated value-added tax system. Zero-rating does not, in itself, remove a supply from the category of taxable supplies; rather, it prescribes a rate of zero per cent for the supplies falling within the relevant provision. This distinction is important in considering the relationship between sections 3(1A) and 4. Further tax under section 3(1A) is a distinct levy imposed, subject to the statutory conditions, on taxable supplies made to persons who have not obtained a registration number. The question is not, therefore, simply whether sales tax is payable at the rate of zero per cent, but whether the amended language of section 3(1A), read with section 4, permits further tax to be charged on supplies which remain taxable notwithstanding their zero-rated status. It is pertinent that, in *Acro Spinning*, this Court expressly noted the amendments introduced by the Finance Act, 2017, to sections 3(1A) and 4, but observed that they had no bearing on the matters before it. The decision, therefore, does not determine the question arising under the amended provisions, having proceeded on the basis of the statutory framework applicable to the matters before the Court.

13. The effect of section 71 must likewise be considered in the context of the substantive provisions of the Act. In *Superior Textile Mills Ltd.*[5], this Court examined the limits of the power to prescribe a special procedure under section 71 and held that a special procedure could not be given effect to insofar as it conflicted with the substantive provisions of the Act governing the liability to pay tax. In that case, Rule 6 of the Special Procedure for Ginning Industry Rules, 1996, was held to be inapplicable because it shifted the liability to pay sales tax from the person making the supply to the person receiving it, contrary to section 3(3) of the Act. That principle does not, however, dispense with the need to examine the terms and statutory basis of the particular notification in question. In the present case, the issue is whether S.R.O. 491, which prescribed a zero rate for specified supplies, can be construed as excluding those supplies from further tax after the Finance Act, 2017, expressly brought section 4 within the provisions enumerated in section 3(1A) and qualified the overriding effect of section 4 accordingly. The answer must be found in the amended statutory language, read together with the notification and the proviso to section 3(1A), rather than in the mere fact that the supplies were chargeable to sales tax at the rate of zero per cent.

14. The question, therefore, is whether S.R.O. 491 can be construed as excluding the supplies covered by it from the levy of further tax under section 3(1A) of the Act. The notification amended the rate of sales tax applicable to specified supplies under S.R.O. 1125. Its preamble refers to sections 3, 4, 8 and 71 of the Act, but not to section 3(1A) or the proviso thereto. More importantly, the notification does not expressly exercise the power conferred by the proviso to section 3(1A) to exclude the specified

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[5] Collector of Sales Tax v. Superior Textile Mills Ltd. (PLD 2001 Supreme Court 600 and 2001 PTD 1486).

supplies from further tax. In contrast, S.R.O. 648(I)/2013 and S.R.O. 585(I)/2017 were issued under the proviso to section 3(1A) for excluding specified supplies from further tax. The distinction is material. In the absence of such an exclusion, the prescription of a zero rate under S.R.O. 491 cannot, merely by virtue of that rate, displace the operation of section 3(1A), as amended by the Finance Act, 2017. The notification must accordingly be read in a manner consistent with the amended statutory scheme.

15. We are, therefore, of the view that, for the tax periods commencing on 1 July 2017, the zero-rating of supplies under S.R.O.1125, as amended by S.R.O.491, did not, in itself, exclude the levy of further tax under section 3(1A) of the Act. Such further tax would, however, be chargeable only where the requirements of section 3(1A) were satisfied and the supplies were not covered by a valid exclusion under the proviso thereto. The conclusion follows from the combined effect of the amendments made by the Finance Act, 2017, and does not depend upon treating zero-rated supplies as exempt supplies or upon extending the decisions concerning the distinct special procedure considered in *Hajvairy Steel Industries* (*supra*) beyond their proper scope.

16. For the foregoing reasons, we are of the considered view that the judgments/orders of the High Court cannot be sustained. Therefore, Civil Petition No.2496-L of 2024 and Civil Petitions No.2571-L and 2587-L of 2025 are converted into appeals, and the same are allowed. The impugned judgments/orders dated 02.10.2024 and 23.09.2025 passed in Sales Tax Reference Nos.7, 27 and 28 of 2022 are set aside, respectively.

Civil Petitions No.10-L to 12-L, 16-L to 21-L, 27-L, 28-L, 32-L, 51-L, 84-L, 85-L, 89-L, 64-L, 186-L to 189-L, 195-L, 234-L, 237-L, 244-L,

245-L, 248-L, 259-L, 260-L, 427-L, 527-L to 530-L, 433-L, 501-L to 509-L, 560-L, 685-L, 133-L, 146-L, 907-L and 526-L of 2025: These petitions for leave to appeal have been filed by the private parties/tax-payers and arise out of certain judgments and orders of the Lahore High Court passed in different sales tax references involving identical questions, as discussed above. In view of the reasoning assigned and conclusion drawn in the connected petitions (as enumerated in paragraph 2 of this judgment), these petitions are dismissed and leave to appeal is refused.

Chief Justice

Judge

Judge

Announced in open Court on 11.11.26 at Islamabad.

Judge

Approved for Reporting
[Simra Sohail, L.C]