

THE FEDERAL TAX OMBUDSMAN ISLAMABAD

COMPLAINT NO. 15693/ISB/IT/2026

Dated: 28/08/2026 - HQ* Islamabad

Mr. Shan Hameed,
HSA, Office No. 6, Mezzanine
Floor, Hill View Plaza, Blue
Area, Islamabad.

...Complainant

V e r s u s

The Secretary,
Revenue Division,
Islamabad.

...Respondent

Dealing Officer	: Mr. Shaukat Mahmood, Advisor
Appraised by	: Mr. Muhammad Tanvir Akhtar, Advisor
Authorized Representative	: Malik Muhammad Sarwar Awan, Advocate
Departmental Representative	: Mr. Ali Noor, DCIR, RTO, Sargodha (V/Link)
Date of hearing	: 07.10.2026

FINDINGS/RECOMMENDATIONS

This complaint was filed under Section 10(1) of the Federal Tax Ombudsman Ordinance, 2000 (FTO Ordinance) against the arbitrary, illegal, and out-of-jurisdiction issuance of notices under Section 111(1) of the Income Tax Ordinance, 2001 (the Ordinance) dated 14.05.2026 and subsequent rebuttal/notice dated 24.08.2026 by the Deputy Commissioner Inland Revenue, City Unit, Zone-I, RTO Sargodha for Tax Year 2024. Thus, causing harassment to the complainant and alleged maladministration by the department.

BRIEF FACTS

2. Precisely, brief facts of the case are that the complainant is non-resident individual permanently residing in South Korea since 2004/2005, filed his return of income u/s 114(1)/120 for Tax Year 2024 declaring rental income of Rs.10,488,008/- and capital gain on property sales of Rs.13,145,000/-, paying total tax of Rs.4,648,303/- He claimed an inflow of Rs.138,500,000/- in his declaration of Assets and Liabilities statement representing encashment of US\$

*Date of registration in FTO Sectt..



500,000 (US\$ 100,000 + US\$ 400,000) declared upon arrival at the airport on Currency Declaration Forms (Form CD-1) under Foreign Exchange Regulations Act, 1947, alongside declared cash balances from TY 2023 and property sale proceeds of Rs.90,995,000/-. Despite submitting comprehensive electronic replies on 25.05.2026 and 30.05.2026 along with supporting documentary proofs, the department issued a further notice on 24.08.2026 seeking complete money trail, foreign returns, and bank details. The complainant contended that initiating Section 111/122 proceedings merely on the basis of figures/declarations already reflected in the return and declaration of Assets and Liabilities without any independent "Definite Information" u/s 122(8) constitutes roving inquiries, causes harassment, and is outright violation of FBR binding Circulars No. 2(22)Rev.Bud/2020 dated 25.05.2021 and C.No.1(76)SS(A&A)/2023 dated 13.12.2024.



COMMENTS OF THE DEPARTMENT

3. The complaint was sent for comments to the Secretary, Revenue Division, Islamabad in terms of Section 10(4) of the FTO Ordinance read with Section 9(1) of Federal Ombudsmen Institutional Reforms Act 2013. In response thereto, the Commissioner-IR, Zone-I, RTO, Sargodha submitted parawise comments dated 16.09.2026.

4. Preliminary objection raised by the department is as under:-

Objection	Rebuttal
Jurisdiction of FTO is challenged in the guise of section 9(2)(b) i.e. Matter related to assessment of income wealth or determination of liability of tax----- interpretation of laws, rules and regulations relating to such assessment---in respect of which legal remedies of appeals, reviews are available under the relevant legislation.	-Exclusion u/s 9(2)(b) of FTO Ordinance, 2000 <u>do not embrace mal-administration through delay in payment of refund to a tax payer beyond statutory timelines in terms of section 170(4) of Income Tax Ordinance, 2001.</u>

5. On merits, the department mainly averred that information regarding purchase of substantial immovable properties was available through CPR/Challan data, and the taxpayer failed to produce signed/stamped CD-1 forms or a complete verifiable banking money trail for Tax Year 2024.

The complainant submitted a detailed rejoinder refuting the department's position, asserting that statutory declarations cannot be utilized to pick audit suspicions or construct definite information in violation of FBR directions and further stated that the objections raised in the re-joinder center on the lawfulness and procedural validity of the tax department's actions under the Income Tax Ordinance 2001 and FTO Ordinance 2000. The complainant contends that initiating amendment proceedings under Section 122(5) and issuing Section 111 notices without genuine "definite information" constitutes illegal, unauthorized "fishing and roving inquiries". Furthermore, the complainant asserts that the department cannot treat already declared and reconciled assets from tax returns or declaration of Assets and Liabilities as new information, and that ignoring specific binding FBR directions (Circular No. 2(22) Rev.Bud.2020) violates Section 214 of the Ordinance, amounting to departmental maladministration and unwarranted harassment.

6. Hearing in the case was fixed on 07.10.2026. The A.R of the complainant Mr. Muhammad Sarwar Awan, advocate attended. On behalf of the department Mr. Ali Noor, DCIR, RTO, Sargodha was heard online. Both the A.R & D.R reiterated their respective positions.

7. FINDINGS

- i. There are three material issues in the instant case:





- a. Encashment of US\$ 500,000 (US\$ 100,000 + US\$ 400,000) declared upon arrival at the airport on Currency Declaration Forms (Form CD-1) under Foreign Exchange Regulations Act, 1947. System validation includes **Source Documentation Review**. For large amounts exceeding the legal thresholds (above **US\$10,000 or equivalent**), travelers may be asked to present secondary proof (such as bank withdrawal statements or foreign customs export receipts) to substantiate the veracity of the funds recorded on the form. Provisions of Foreign Exchange Regulations Act, 1947 allow the authorities to verify the legitimate source of funds.

Digital Verification Process: Customs officials use specific electronic protocols to ensure the form is legitimate and has not been altered:

- **QR Code Decoding:** The digital or printed currency declaration form includes a secure **QR code**. Arrival Monitoring Officers scan this QR code directly at the customs counter.
- **Automated Data Cross-Matching:** The CDS automatically decodes the QR code data and auto-populates the traveler's **passport number, flight number, and flight date** into the arrival record system. This cross-references the passenger's entry against live flight manifests and FIA's Integrated Border Management System (IBMS).
- **Pass Track App Logs:** If the passenger completed their declaration digitally using the government's official **Pass Track App** before landing, officers pull up the real-time submission logs matching the passenger's unique digital token.

- b. Declared cash balances from TY 2023; and

- c. property sale proceeds of Rs.90,995,000/-.

- While the first and the foremost segment i.e. Form-CG-1 is concerned the department can verify the veracity of Complainant's version from Custom authorities without trail of the Complainant.
- No adverse inference about cash balance as on 30th June, 2023 is justified as it neither constitutes definite information nor thus far challenged in the relevant TY 2023.
- For sale Proceeds of property, the material document is CPR(s). Property in question, Retention period, sale proceeds, tax deduction and buyer's particulars; all material details are available in the form of CPR read with previous wealth statements.

In view of above of above departmental exercise is completely uncalled for and premature. Instead of applying available verification tools a non resident Pakistani is being chased unnecessarily.

- ii. In addition to the above The FBR vide Circular No. 2(22)Rev.Bud/2020 dated 25.05.2021 explicitly instructed that ***"amendment proceedings u/s 122(5) of the Ordinance, merely on the basis of audit suspicion picked from within the declarations lodged by the taxpayers themselves, is an enforcement travesty and need to abate"***.

In view of the above, the action of the department in issuing notice u/s 111(1) in violation of FBR Circulars without possessing definite information ***is manifestation of Departmental neglect, inattention and ineptitude in discharge of its duties and the same is tantamount to Maladministration in terms of Section 2(3)(ii) of the FTO Ordinance, 2000.***

RECOMMENDATIONS:

8. FBR to direct:
- (i) the Commissioner-IR (CIR), Zone-I, RTO Sargodha to conduct internal verification as detailed at Para 7 above to check the veracity of declared version of the Complainant;
 - (ii) Proceedings being conducted by the Deputy Commissioner-IR, City Unit, Zone-I, RTO Sargodha be held in abeyance during the pendency of aforesaid internal verification; and
 - (iii) report compliance within 45 days.

Dated: 13 OCT 2026

(M. Zafar ul Haq Hijazi)
Federal Tax Ombudsman

