

THE FEDERAL TAX OMBUDSMAN ISLAMABAD

COMPLAINT NO.15986/ISB/IT/2026

Dated:03.09.2026* HQ Islamabad

Mr. Bashir Ahmad,

(Registration No: 8120255288781)

House No. D-133, Housing Scheme, Kotli,
Azad Jammu Kashmir.

...Complainant

Versus

The Secretary,
Revenue Division,
Islamabad.

...Respondent

Dealing Officer	:	Mr. Muhammad Naseer Butt, Advisor
Appraised by	:	Mr. Muhammad Tanvir Akhtar, Advisor
Authorized Representative	:	Mr. Muhammad Arif Asim, AR
Departmental Representative	:	Mr. Asad Bilal, CIR, RTO, Rawalpindi
Date of hearing	:	06.10.2026

FINDINGS/RECOMMENDATIONS

The complaint was filed under Section 10(1) of the Federal Tax Ombudsman Ordinance 2000 (FTO Ordinance) against delay in giving appeal effect to the order of CIR(Appeals) and non-issuance of refund for tax year 2025. The case was fixed calling for comments on 18.09.2026. The comments were obtained from the department, which were examined and placed on file. The DR and AR attended. Arguments were heard and record perused and complaint is disposed of on the basis of available record as under.

2. The complainant stated that he is a senior citizen and a lifelong resident of District Kotli, Azad Jammu and Kashmir (AJK). Since September 2000, he has been operating M/s Saad Traders at Parawa Chowk, Tehsil Fatehpur Thakyal (Nakyal), District Kotli, AJK, serving as a local distributor of LPG cylinders for Pakistan Oilfields Limited exclusively within AJK. The complainant further



stated he is a regular tax filer with the Inland Revenue Department (IRD) of AJK.

3. The complainant further stated that the Federal Board of Revenue (FBR) mistakenly created an NTN (7859002-4) for him on October 22, 2017, without his consent or legal justification. Arising from this jurisdictional error, the Assistant Commissioner-IR, Unit-II, Jhelum Zone, RTO Rawalpindi, issued an arbitrary show-cause notice, culminating in an ex-parte order u/s 161(1) of the Income Tax Ordinance, 2001, (the Ordinance) on 08.04.2026 for the Tax Year 2025 and created tax demand of Rs. 45,000/-. Furthermore, to prevent coercive recovery actions by the department, he deposited the disputed Rs. 45,000/- under protest on 28.03.2026 via CPR No. IT2026032801011579572.

4. The complainant further stated that aggrieved by the ex-parte assessment, he filed an appeal before the Commissioner Inland Revenue (Appeals-III), Islamabad on 12.05.2026. Simultaneously, due to his advanced age and painful physical distress, he approached this Forum via Complaint No. 09329/ISB/IT/2026 on 17.05.2026 seeking an early hearing. Through the proactive intervention of the FTO office, the learned CIR (Appeals-III) fixed and decided the appeal on 18.06.2026, completely annulling the assessing officer's ex-parte tax demand. Consequently, the Honorable FTO Secretariat closed the previous complaint on 01.07.2026, noting that the grievance against the assessment stood redressed.

5. The complainant further stated that u/s 124(4) of the ordinance, where direct relief is provided to a taxpayer in an appellate order under section 129, the Commissioner is under a mandatory statutory obligation to issue the corresponding appeal effect order within two months from the date the order is served. The





mandatory two-month period u/s 124(4) expired on 18.08.2026. The complainant further stated that he attempted to electronically file a formal application for the implementation of the appeal effect through Iris. However, due to systemic deficiencies within the FBR's portal, no dedicated application utility exists for section 124. Faced with this electronic limitation, he filed an online application u/s 221(1) for the rectification of a mistake apparent from the record on 20.08.2026. The application detailed that continuing the illegal demand in the electronic system and withholding the refund despite the total appellate annulment constitutes a patent error apparent from the record.

6. The complainant further stated that despite the explicit appellate annulment dated 18.06.2026, the closure findings of this forum dated 01.07.2026, and the electronic filing of the application u/s 221(1), the assessing officer at RTO Rawalpindi has shown complete apathy and persistent inaction. **The complainant prayed** that the FTO may graciously direct the department to issue the appeal effect order immediately u/s 124(4) of the Income Tax Ordinance, 2001, giving full effect to the CIR (Appeals-III) order dated 18.06.2026; direct RTO, Rawalpindi to immediately accept and dispose of the rectification application filed u/s 221(1) to remove the demand from the electronic CPR/ledger profile; release the full refund of Rs. 45,000/- deposited under protest along with additional compensation for the delayed period and delete the FBR NTN (7859002-4) under Rule 82(5) of the Income Tax Rules, 2002, as the sole tax jurisdiction vests with IRD-AJK.

7. The RTO, Rawalpindi filed written comments wherein, they stated that proceedings in the subject mentioned case were initiated u/s 161/205 of the Income Tax Ordinance, 2001, on account of non-deduction of withholding tax under section 236H, wherein the



taxpayer is engaged in the business of distribution of LPG Cylinders. The taxpayer submitted an explanation dated 26.03.2026 and subsequently attended the office of concerned unit on 27.03.2026 and discussed the facts and nature of the case in detail. After due consideration of the circumstances and mechanism of LPG distribution by agency holders, the taxpayer voluntarily agreed to discharge the tax liability and deposited an amount of Rs.45,000/-

8. The RTO, Rawalpindi further stated that after the issuance of order and deposit of tax, the taxpayer filed an appeal before the learned CIR(Appeal) who vide order dated 18.06.2026 annulled the order passed by the assessing officer Unit-2, Gujar Khan Jhelum Zone on point of overlapping jurisdiction of FBR and IRD, AJK. Furthermore, the said appellate order was required to be given effect to in accordance with law; however, the appeal effect could not be issued at the relevant time due to certain miscellaneous administrative/ procedural impediments.

9. The RTO, Rawalpindi further stated that the delay was neither intentional nor mala fide, and there was no deliberate disregard of the appellate order on the part of the undersigned. The matter has now been examined with reference to the available departmental record, and necessary action for giving effect to the order of the learned Commissioner (Appeals) is being taken in accordance with law.

10. The RTO, Rawalpindi further stated that the subsequent to the updating of Iris portal in June 2026, rectification application for recovery proceeding u/s 161/205 cannot be entertained through an order u/s 221. Therefore, disposal of rectification application u/s 221(1) will not be possible, however, to give effect to the order of the CIR(Appeals), an order u/s 124 has been issued on 21.09.2026, after which the refund claim can be exercised.



11. The RTO, Rawalpindi further stated that the request for release of the refund amount of Rs.45,000/- along with any applicable additional payment for delayed refund pertains to the statutory refund mechanism. Under section 170 of the Income Tax Ordinance, 2001, a taxpayer may apply to the Commissioner for refund of tax paid in excess of the amount properly chargeable under the Ordinance, while section 171 provides for additional payment in respect of delayed refunds, subject to the conditions prescribed therein. The taxpayer may, therefore, submit the refund application before the Commissioner (Refund), Refund Zone, RTO Rawalpindi, for examination and disposal in accordance with sections 170 and 171 of the Income Tax Ordinance, 2001. The subject prayer is, therefore, outside the jurisdiction of the undersigned.

12. The RTO, Rawalpindi further stated that regarding deletion/cancellation of NTN, the matter is governed by the provisions relating to taxpayer registration. Under section 181 of the Income Tax Ordinance, 2001, taxpayer registration is regulated in the prescribed manner, while Rule 82 of the Income Tax Rules, 2002 provides for modification or cancellation of registration. Accordingly, their office may not process deletion of the NTN through the present proceedings. The taxpayer may submit an application for deregistration/cancellation of registration through the prescribed Iris procedure, for consideration by the Commissioner under section 181 of the Income Tax Ordinance read with Rule 82 of the Income Tax Rules, 2002.

13. Perusal of complaint and record shows that the department passed order u/s 161(1) on 08.04.2026 for tax year 2025 by creating tax demand of Rs. 45,000/-. Furthermore, to prevent coercive recovery actions by the department, the complainant deposited the

disputed amount of Rs. 45,000/- under protest on 28.03.2026 and filed appeal before the CIR(Appeals). The CIR(Appeals) vide order dated 18.06.2026 annulled the assessing officer's order with the observation that;

"the purchases of LPG cylinder (Gas) from POL Pakistan and supplies to AJ&K is likely to be taxed on sales at AJ&K, therefore imposition of withholding tax under section 236H of the Ordinance is not justified. Therefore, the impugned order stands annulled being not in accordance with law".

14. Record further shows that the complainant was provided direct relief in appeal. In such a situation the department was required to give appeal effect to the appeal order within 2 months in terms of section 124(4) of the Income Tax Ordinance, 2001. Being aggrieved, the complainant approached this forum to seek directions to the department to give appeal effect to the order CIR(Appeals) and issue due refund along with compensation and delete his NTN.

15. It is further noted that the department subsequently passed an appeal-effect order under sections 124/129 of the Income Tax Ordinance, 2001, on 21.09.2026 for tax year 2025, whereby the demand of Rs.45,000/- created through the impugned order under section 161(1) was invalidated in compliance with the appellate order dated 18.06.2026. However, while giving effect to the said appellate order, the department failed to give credit/adjustment for the amount of Rs.45,000/- already deposited by the complainant against the impugned demand.

16. Consequently, although the demand itself stood invalidated, the amount already recovered/deposited by the complainant was not duly accounted for in the appeal-effect order, thereby leaving the



consequential refund/credit position unresolved. Such failure to give effect to the amount actually deposited, while implementing the appellate decision, reflects inattention and failure to properly discharge the statutory obligation of giving complete and effective appeal effect.

17. The complainant, vide email dated 25.09.2026, has informed that he intends to file the refund application; however, while attempting to do so through Iris, the system generated the message: ***“Transaction not allowed, as there is no refundable amount.”***

During hearing on 06.10.2026, the DR promised that he will facilitate the complainant. The concerned Commissioner RTO Rawalpindi, is also directed to facilitate the complainant in filing his refund application under section 170 of the Income Tax Ordinance, 2001 by resolving the reported Iris/system issue and, upon filing of the application, examine and decide the same in accordance with law, without further delay, with consequential payment of refund and any additional amount if admissible under section 171 of the Ordinance.

18. The second grievance of the complainant relates to deregistration/cancellation of his NTN. Under section 181 of the Income Tax Ordinance, 2001, taxpayer registration is regulated in the prescribed manner, while Rule 82 of the Income Tax Rules, 2002 provides for modification or cancellation of registration. Accordingly, the complainant is advised to submit an online application for deregistration/cancellation of registration through the prescribed Iris procedure. Upon receipt of such application, the concerned commissioner is advised to process and decide the same at the earliest, strictly in accordance with law.

19. Record further shows that the complainant filed an application under section 221(1) of the Income Tax Ordinance, 2001, on 20.08.2026 seeking rectification of the outstanding demand, which





continued to appear in the Iris system despite having been invalidated through the appellate order and subsequent appeal-effect order. The said rectification application remains pending in the complainant's Iris Outbox without any action or decision by the department. Consequently, the demand continues to be reflected in the electronic ledger, due to which the complainant is unable to submit his refund application under section 170 for Rs.45,000/-, with the system generating the message: "*Transaction not allowed, as there is no refundable amount.*"

20. Thus, despite invalidation of the underlying demand, the department's failure to dispose of the rectification application and update the electronic record has effectively frustrated the consequential refund claim and rendered the appellate relief ineffective. Such continued inaction and failure to give complete and effective effect to the appellate order reflects inattention, neglect and failure to discharge a statutory duty in accordance with law which constitutes maladministration in term of section 2(3)(ii) of the FTO, Ordinance, 2000.

RECOMMENDATIONS:

21. FBR to:

- (i) direct the Commissioner-IR (Jhelum Zone), RTO, Rawalpindi to dispose of the complainant's pending application filed under section 221(1), and rectify the appeal effect order dated 21.09.2026 by giving credit of the tax already paid on merits in accordance with law within 20 days; and
- (ii) report compliance above within 30 days.


(M. Zafar ul Haq Hijazi)
Federal Tax Ombudsman

Dated: 13 OCT 2026 .