

**THE FEDERAL TAX OMBUDSMAN
ISLAMABAD**

COMPLAINT NO.16185/ISB/IT/2026

Dated:07.09.2026* HQ Islamabad

M/s Frontier Petroleum Pvt Ltd, ...Complainant
(Registration No: F621509)
Office No. 04, First Floor, Margalla View Plaza,
Islamabad.

Versus

The Secretary,
Revenue Division,
Islamabad. ...Respondent

Dealing Officer	: Mr. Muhammad Naseer Butt,
Appraised by	: Advisor
Authorized Representative	: Khawaja Muhammad Adnan, AHC
Departmental Representative	: Mr. Inayat Ullah Khattak, AD
	(Audit) RTO, Islamabad
Date of hearing	: 07.10.2026

FINDINGS/RECOMMENDATIONS

The complaint was filed under Section 10(1) of the Federal Tax Ombudsman Ordinance 2000 (FTO Ordinance) against delay for giving appeal effect to the order of CIR(Appeals) and non-issuance of consequential refund for tax year 2025. The case was fixed for calling comments on 21.09.2026. The comments were obtained from the department, which were examined and placed on file. The AR and DR attended. Arguments were heard and record perused and complaint is disposed of on the basis of available record as under.

2. The complainant Company is OGRA approved entity with Construction Licence (dated September 24, 2025 with September 23, 2026 as date of expiry) for Independent Storage Facilities. The company filed the Income Tax Return u/s 114(1) of the Income Tax

* Date of registration with FTO Secretariat



Ordinance, 2001 (the Ordinance) for the tax year 2025 on 02.10.2025; claiming refundable income tax of Rs. 15,518,988/-. The complainant stated that an application for issuance of refund u/s 170 of the Ordinance was filed on 24.11.2025, claiming the aforesaid refundable amount. Despite several follow-ups and requests, the refund application remained pending and no refund order was passed by the concerned office till date.

3. The complainant further stated that due to the inordinate delay in processing the legitimate refund claim, he approached before this forum vide Complaint No. 03210/ISB/IT/2026, which was decided on 30.03.2026 by directing the department to process pending refund application and issue refund. The complainant further stated that instead of processing the refund claim, the concerned refund commissioner and the assessing officer failed to discharge their statutory obligations and unnecessarily delayed the processing and issuance of the refund, despite repeated follow-ups.

4. The complainant further stated the assessing officer, instead of finalizing the refund claim, passed an illegal order without observing the directions of Federal Board of Revenue vide circular dated 13.12.2024, u/s 122(1) of the Ordinance on 16.06.2026, for the tax year 2025, whereby a tax demand of Rs. 33,316,284/- was unlawfully created against the complainant.

5. Being aggrieved by the said order, the complainant challenged the same before the Commissioner Inland Revenue (Appeals) who vide order dated 06.07.2026, allowed the appeal and deleted the addition of Rs. 175,591,275/-. Consequently, the tax demand of Rs. 33,316,284/- created through the impugned order was annulled. Furthermore, despite the annulment of the impugned order and deletion of the basis on which the demand was created,



the complainant filed fresh refund application u/s 170 of the Ordinance, which is still pending before the concerned office. Neither has any refund order been passed nor has the refund application been rejected through a speaking and lawful order.

6. The complainant further stated that, despite the annulment of the impugned order and deletion of the basis on which the demand was created, the appeal effect under section 124(4) of the Ordinance is still pending despite the request for the same was made vide letter dated 18.08.2026. **The complainant prayed** to direct the department to issue the refund without any further delay.

7. Perusal of complaint and record shows that the complainant came up before this forum to seek directions to the department to give appeal effect to the order of CIR(Appeals) and process his pending refund application for tax year 2025 amounting to Rs.15,518,988/-.

8. The RTO, Islamabad filed written comments, which holds current jurisdiction over the case, wherein, they, responded the queries as under;

Sr.	Queries	Remarks
1	When was the proper refund application, as prescribed under the relevant rules has been filed by the Complainant?	Refund applications filed u/s 170 of the Income Tax Ordinance, 2001 (the Ordinance) amounting to Rs.15,518,988/- for the Tax Year 2025 has been filed on 24.11.2025.
2	Had the limitation of 60 days from the filing of refund application expired?	Yes
3	Whether there is any outstanding current/arrear tax demand (Income Tax/Sales Tax/FED/Custom	An order under Section 122(1) was passed on 16.06.2026 for Tax Year 2025, creating a demand of Rs. 33,316,284/-.



	Duty), recoverable in the case of Complainant?	The taxpayer filed an appeal before the CIR(A), who, vide order dated 06.07.2026, annulled the order of the Assessing Officer. As per the ACIR Unit-I, Range-B, Corporate Zone-I report, office intends to file a second appeal before the ATIR against the said appellate order.
4	Whether any tax demand created has been stayed by apex Tribunals / Courts in the case of Complainant?	Tax demand of Rs. 33,316,284/- Has been annulled by the CIR(A). As per the Unit Officer's report, the relevant Unit Officer intends to propose filing a second appeal before the ATIR against the said order.
5	Whether for any Tax year wherein refund is being claimed, by the Complainant, any audit, rectification or revision proceedings are pending with the department?	An order under Section 122(1) was passed on 16.06.2026 for Tax Year 2025, creating a demand of Rs. 33,316,284/-. The taxpayer filed an appeal before the CIR(A), who, vide order dated 06.07.2026, annulled the order of the Assessing Officer. As per the ACIR Unit-I, Range-B, Corporate Zone-I report, office intends to file a second appeal before the ATIR against the said appellate order.
6	What is the nature of tax deductions which constitute the basis for refund claims, fully adjustable, final discharge, minimum tax or adjustable subject to certain preconditions?	Under Section 236 A of the Income Tax Ordinance, 2001
7	Tax Deductions / CPRs claimed against refund are verifiable from FBR's internal portal or external verification is required?	external verification is required



8	Whether refund claim involves any contentious legal issue which is pending at apex courts, involving multiple taxpayers?	No
9	Whether refund claims with identical facts and pattern of deductions have already been accepted & processed by the department for the previous years of Complainant or some other Tax year(s)?	No
10	Whether claimed refund or portion of it has already been adjusted by the department?	No
11	Whether the refund claim is based on an appeal effect or rectification order and whether the same has already been given within legal timelines or not?	Refund is based on the claim u/s 236A
12	Whether refund claim has already been adjudicated or it is pending?	Pending
13	Whether the taxpayer has been given proper hearing in terms of section 170(4) before adjudication?	Notice under Section 170(4) of the Income Tax Ordinance, 2001, has been issued for furnishing of the record.

9. The information provided above shows that the tax office admitted that refund application was e-filed by the complainant on 24.11.2025 for tax year 2025, which is still pending with the department despite a lapse of statutory period of 60 days. It is further admitted by the department that the assessment order passed under section 122(1) dated 16.06.2026 creating demand of Rs.33,316,284/- has been annulled by the CIR(A) vide order dated 06.07.2026 and they intend to file a second appeal before the ATIR against the said appellate order. However, no evidence for filing of the second appeal has been brought up on record by the



department. It may be mentioned is required to be filed within 30 days of the receipt of the appeal order u/s 130.

10. During the hearing held on 07.10.2026, the AR also confirmed that the department has not filed any second appeal against the appellate order dated 06.07.2026. The DR, however, informed that a notice under section 170(4) of the Income Tax Ordinance, 2001 was issued on 18.09.2026 for furnishing the requisite record/documents, and the complainant's response thereto is still awaited.

11. It is further admitted that the pending refund claim does not involve any contentious legal issue pending before any court and that the claimed refund has not been adjusted against any other demand. Therefore, there appears no valid justification for delaying processing of pending refund claim.

12. It is further noted that the complainant filed an online refund application u/s 170 of the Ordinance on 24.11.2025 for tax year 2025, which remained unprocessed by the department despite the lapse of the prescribed period of 60 days. Being aggrieved, the complainant approached this Forum vide complaint No. 03210/ISB/IT/2026, which was decided on 30.03.2026, directing the concerned Commissioner to dispose of the pending refund application after providing a proper opportunity of hearing. It is further observed that, meanwhile, the department-initiated proceedings u/s 111(1) of the Ordinance and issued notice dated 04.05.2026. Consequently, the department passed an order u/s 122(1) on 16.06.2026, creating a tax demand of Rs.33,316,284/- against the complainant.



13. Being aggrieved, the complainant filed an appeal before the Commissioner (Appeals), who, vide order dated 06.07.2026, annulled the order passed by the assessing officer with the following observation;

*"7. In view of the foregoing discussion, I am of the considered opinion that the assumption of jurisdiction u/s 122(5) of the Ordinance and the consequential addition made u/s 111(1) of the Ordinance are not sustainable in law. The impugned order dated 16.06.2026 is, therefore, held to have been passed without lawful authority and cannot be sustained. **Accordingly, the assessment order passed under sections 122(1) read with 122(5) of the Income Tax Ordinance, 2001 is annulled, the addition of Rs. 175,591,275/- is deleted, and the consequential tax demand of Rs. 33,316,284/- is hereby annulled.**"*

14. 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. The appeal effect has not been given to date by the department which is violation of the said statutory provision. Thus, there is no justification for delaying appeal effect in terms of section 124(4) when the demand has been deleted by the appellate authority.

15. **FINDINGS:**

- i. The department while filing comments has stated that "Refund is based on the claim u/s 236A". It is yet to be seen as how an OGRA licensed petroleum company has claimed an auction related tax deduction. Nature of business must be adjudicated.
- ii. The delay in giving appeal effect to the order of CIR(Appeals) for tax year 2025 and delay in disposal of refund claim 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.

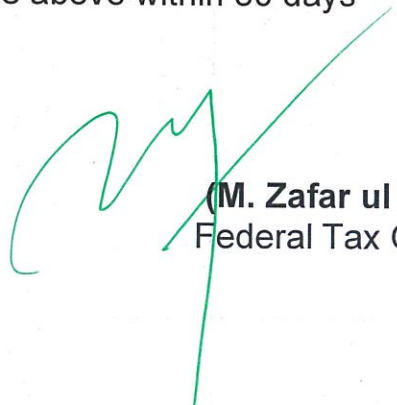
RECOMMENDATIONS:

16. FBR to:

- (i) direct the concerned CIR (Withholding, Zone), RTO, Islamabad to give appeal effect to the order of CIR(Appeals) for tax year 2025 within 15 days;
- (ii) direct the CIR (Refund Zone), RTO, Islamabad to dispose of pending refund application of the taxpayer for tax year 2025 in accordance with law and after giving proper hearing; and
- (iii) report compliance above within 30 days



Dated: **14 OCT 2026**


(M. Zafar ul Haq Hijazi)
Federal Tax Ombudsman