

THE FEDERAL TAX OMBUDSMAN ISLAMABAD

COMPLAINT NO.15994/LHR/ST/2026

Dated: 03.09.2026 * RO Lahore

M/s Cannon Metal Works,

Sheikhupura road, Khiali Shahpur,
Gujranwala

... Complainant

Versus

The Secretary,
Revenue Division,
Islamabad

... Respondent

Dealing Officer

: Mr. Asem Iftikhar, Advisor

Appraising Officer

: Mr. Muhammad Tanvir Akhtar, Advisor

Authorized Representative

: Mr. Tabarak Hussain, Advocate

Departmental Representative

: Mr. Awais Shafqat, DCIR RTO Gujranwala

Date of hearing

: 14.09.2026, 08.10.2026

FINDINGS/RECOMMENDATIONS

This complaint was filed against the Commissioner-IR, Refund Zone, RTO Gujranwala, in terms of Section 10(1) of the Federal Tax Ombudsman Ordinance, 2000 (FTO Ordinance), for delay in processing of the deferred sales tax refund claim amounting to Rs.172.888 million for the tax period 04/2025.

2. Precisely, facts of the case are that the Complainant, an AOP and engaged in the business of Manufacturing/Casting of metals/Casting of nonferrous metals, registered with the FBR under NTN No.0311979-3. The Complainant submissions & grievance are as under:

- i) As per Complainant, he had a legitimate Deferred Sales Tax Refund Claim amounting to Rs.172.888 million, against Sales Tax Refund Claim No.T090425104132. for the Tax Period April 2025. The said claim was duly processed through the FASTER System and was "Marked to Field" on 10.02.2026 for further necessary action.
- ii) The refund claim was fully substantiated and duly supported by the relevant documentary evidence, including Annexure-H, Import Goods Declarations



(GDs), and the Consumption Analysis, all of which were duly available on the MIS Portal. Furthermore, it was submitted that the Complainant had duly claimed the admissible Sales Tax Refund pertaining to HS Code 7403.1900, within the prescribed cap limit of 12%, strictly in accordance with Notification F.No.1(156)ST-L&P/2025/31762-R dated 15.10.2025.

- iii) The Complainant submitted complete requisite documentary record before the Commissioner Inland Revenue, Refund Zone, RTO, Gujranwala, on 28.08.2026 but the Deptt failed to process, adjudicate, finalize and release the admissible refund within a reasonable time period. The Complainant prayed that the Department be directed to process, sanction, and release the admissible Sales Tax refund amounting to Rs.172.888 million, pertaining to Tax Period April-2025.

3. The complaint was referred to Secretary, Revenue Division for comments. In response, the CCIR, RTO Gujranwala, vide letter dated 16.09.2026, forwarded the parawise comments of CIR, Refund Zone, stating therein that is submitted that the Complainant filed a complaint before the FTO for issuance of deferred sales tax refund aggregating to Rs.172.888 million for the tax period of April 2025 under Section 10 of the Sales Tax Act, 1990. After filing of Annex-H, the Complainant was already sanctioned an amount of Rs.34.577 million, out of total sales tax refund claim amounting to Rs.207.465 million whereas, an amount of Rs.172.888 million was deferred for further scrutiny to ascertain the admissibility of sales tax refund. Detail of sales tax refund is as under:



Sr. No.	Month	Claim No.	Claim Date	Export value	Refund claimed	%age of export	Amount being sanctioned	%age of sanctioned amount	Deferred amount	FIFO List No.
1	04/25	1090425104132	10.02.2026	1,728,880,268	207,465,632	12.0%	34,577,605	2.00%	172888027	9867

It was submitted that an amount of Rs.172.888 million was deferred for further processing by field formation after detailed scrutiny of the sales tax records required to be maintained under Section 22 of the Sales Tax Act, 1990 and in the light of Board's latest instructions issued vide F.No.1(156)ST-L&P/2025/131762-R dated 15.10.2025

for processing of refund upto 12% of FOB Value of shipping bills under Rule 39 of Sales Tax Rules, 2006 for exporters related to non-zero rated sector. The refund process was governed by Rule 39F of the Sales Tax Rules, 2006 while the FASTER system aimed for 72-hours processing time, this was strictly "subject to automated validations for unverified amount every week spanning over eight weeks." The Chief CSTRO had already issued the sanctioned refund amount upto 2% to the Complainant. The Complainant had not yet submitted the requisite sales tax records required to be maintained under Section 22 of the Sales Tax Act, 1990 read with Rules 36 & 38 of the Sales Tax Rules, 2006 for the purpose of processing of deferred amount Rs.172.888 million. In case of refunds, related to Non Zero Rated sector, the system sanctioned 2% admissible amount through FASTER system and deferred amount beyond 2% for scrutiny of RTO level. Once the claim was deferred the transitioned to the STARR/manual channel requiring physical verification of record. The Complainant failed to submit the requisite sales tax records of Form "E" and bank statement showing exports realization amount. The Complainant intimated in this regard that sales tax records had already been submitted on 28.08.2026, however, the perusal of record revealed that Complainant had not submitted Form-E in respect of GD (Exports) amounting to Rs.1.728 billion & bank statement showing exports realization amount. Hence, the Complainant was requested to submit the complete requisite record for scrutiny vide this letter C.No.554 dated 11.09.2026. It was further submitted that RTO was processing all deferred claims on a First-In-First-Out (FIFO) basis to ensure equity as per Board's instructions vide letter No. 4(10)RevBud/2024-25/205490-R dated 17.10.2024. The refund claims stood in FIFO positions No.986 out of 1198 cases in Refund



Unit and would be disposed of on its turn. The Department prayed for rejection of the Complaint.

4. Both the AR/DR attended the hearing on 14.09.2026 and reiterated what had been mentioned in the written complaint and parawise comments. The AR was asked to submit the requisite record as requisitioned by the Department through letter dated 11.09.2026. The AR vide letter dated 16.09.2026 provided the requisite documents to the Department and produced copy of acknowledgement receipt. The DR also acknowledged the receipt of requisite documents and assured to process the refund claim as per law.

5. Arguments of both sides have been considered and available record perused.

6. The Department's contention regarding non processing of refund claim due to FIFO is misconceived on the grounds that the FBR has issued clear guidelines/instructions of the Chief Commissioners vide letter dated 17.10.2024 regarding FTO's cases, that in order to process the refund claims explicit approval from the authority must be obtained which means that there is no bar for processing of refund claims against which complaints are pending/decided before the FTO. It may be added here that the taxpayer's legal right given by substantive law/legislature cannot be restricted through administrative circular(s). Board's notification dated 17.10.2024 itself excludes Court/FTO cases from the operations of said circular. This plea of FBR has already been dismissed by Presidency in a large number of representations filed by FBR on this account. Matter has attained finality.



7. FINDINGS:

- i. While processing the desired ST refunds the department may like to ascertain whether;
 - a. *M/S Canon Enterprises has filed audited account for Tax Years 2025 and 2026;*
 - b. *the Business Balance Sheet reflects the claimed refund of Sales Tax or not i.e. whether this amount is declared as asset in the business balance sheet or not. In case it is declared the stance of the Complainant would be vindicated otherwise it only indicates that the incidence of taxation had been passed on through inflating expenses. Hence, the refund claim needs to be examined in terms of section 3B read with last proviso to section 66 of the Sales Tax Act, 1990.*
- ii. As per Complainant's own website (<http://cannon.com.pk/>) it is **engaged in purchase and sale of scrap**. It buys Aluminum scrap, Compressor Scrap and Motor Scrap and sells copper, lead, brass and stainless steel scrap.
- iii. As regards, Department's objection regarding non-provision of requisite documents on behalf of the Complainant, it is observed that the AR vide letter dated 16.09.2026 furnished the requisite documents to the Department, as asked by the Department through letter dated 11.09.2026. The Complainant's AR provided a copy of the response to the departmental notice, duly verified by the official acknowledgment stamp No. TFC-01 dated 16.09.2026. Submission of documents requisition by the Deptt is, therefore, established.
- iv. Delay in processing of deferred refund tantamount to maladministration in terms of section 2(3)(ii) of FTO Ordinance, 2000.



RECOMMENDATIONS:

8. FBR to:-

- (i) direct the Commissioner-IR, Refund Zone, RTO Gujranwala to process the deferred sales tax refund claim for the tax period 04/2025 in terms of 'Chapter V (REFUND)' of Sales Tax Rules 2006 read with Circular 01 of 2020 in accordance with the law and findings as above; and
- (ii) report compliance within 30 days.



Dated: **14 OCT 2026**

(M. Zafar ul Haq Hijazi)
Federal Tax Ombudsman