

THE FEDERAL TAX OMBUDSMAN ISLAMABAD

COMPLAINT NO.16840/KHI/ST/2026

Dated: 18.09.2026* R.O. Karachi

M/s Falcon Textiles,
Timber Pond Market,
Kemari Karachi West

... *Complainant*

Versus

The Secretary,
Revenue Division,
Islamabad.

... *Respondent*

Dealing Officer	: Mr. Badruddin Ahmad Quraishi, Advisor
Appraising Officer	: Mr. Muhammad Tanvir Akhtar, Advisor
Authorized Representative	: Mr. Aamir Khan, ITP
Departmental Representative	: Syed Sabeh Hussain, DCIR, CTO-II KHI
	: Mr. Aijaz Ali Channa, SAIR, CTO-II, KHI
Date of hearing	: 05.10.2026

FINDINGS/RECOMMENDATIONS

The above-mentioned complaint was filed in terms of Section 10(1) of the Federal Tax Ombudsman Ordinance, 2000 (FTO Ordinance) for non-processing of deferred sales tax refund claims for the tax period March 2023 to June 2024.

2. Briefly, M/s. Falcon Textiles is engaged in the manufacturing of textile goods and is registered with the Department under the Sales Tax Act 1990. As per the AR of the complainant, the details of the pending deferred claims for processing are as follows:

Sr.	Month	Claim No.	File Submission Date in Dept	Total Balance Amount
1	Mar-23	T110323101231	26-Sep-2023	11,306,436
2	Apr-23	T110423101368	04-Jun-2024	9,694,832
3	May-23	T110523100293	04-Jun-2024	16,743,494
4	Jun-23	T110623101525	04-Jun-2024	16,420,875
5	Jul-23	T110723101530	27-Sep-2024	9,319,612
6	Aug-23	T110823101082	27-Sep-2024	9,131,827
7	Sep-23	T110923100835	27-Sep-2024	14,089,275
8	Oct-23	T111023101233	27-Sep-2024	12,284,235

* Date of registration in FTO Sectt



9	Nov-23	T111123100675	27-Sep-2024	16,735,381
10	Dec-23	T111223101442	27-Sep-2024	11,067,972
11	Jan-24	T110124101471	-	22,128,153
12	Feb-24	T110224101228	07-Nov-2024	11,378,265
13	Mar-24	T110324101203	07-Nov-2024	8,167,159
14	Apr-24	T110424100696	07-Nov-2024	5,911,168
15	May-24	T110524100671	-	12,706,253
16	Jun-24	T110624100593	-	20,417,809
		TOTAL		207,502,746

The complainant filed sales tax refund claims for tax periods Mar 2023 to Jun 2024 through the FASTER Refund system, but Rs. 207,502,746/- remains pending before CTO-II, Karachi, due to deferred refund claims for processing. However, after a lapse of considerable time, the Department did not process these refund claims; hence this complaint

3. The complaint was referred to the Secretary, Revenue Division for comments in terms of Section 10(4) of the FTO Ordinance read with Section 9(1) of the Federal Ombudsmen Institutional Reforms Act, 2013. The Deptt failed to file any written comments.

4. Arguments heard and records perused.

5. Admittedly, the complainant, a manufacturer-cum-exporter filed sales tax refund claims for tax periods March 2023 to June 2024 through the FASTER Refund system, but an amount of Rs.207,502,746/- for Mar 2023 to Jun 2024 remains pending on account of deferred refund claims before CTO-II Karachi for processing. These refund claims are required to be processed within forty-five days of the filing of refund claims in terms of Section 10(1) of the Sales Tax Act 1990 (the Act), which states:

“10. Refund of input tax.— (1) If the input tax paid by a registered person on taxable purchases made during a tax period exceeds the output tax on account of zero rated local supplies or export made during that tax period, the excess amount of input tax shall be refunded to the registered person not later than



forty-five days of filing of refund claim in such manner and subject to such conditions as the Board may, by notification in the official Gazette specify: ”

Moreover, in case of processing through the FASTER module, these claims are required to be processed within seventy-two hours of submission of the claim, for onward advice to the respective bank for credit into the notified account of the claimant in terms of Rule 39F of the Sales Tax Rules 2006, read with Section 10 of the Sales Tax Act 1990, which states:

*“39F. Processing in FASTER module.— The claims routed to FASTER module shall be electronically processed. The data in the refund claim shall be scrutinized and verified by the system and the payable refund amount shall be determined on the basis of input consumed in exports or supplies. The refund payment order (RPO) of the amount found admissible shall be generated and the same shall be electronically communicated direct to the State Bank of Pakistan, within seventy-two hours of submission of claim, for onward advice to the respective banks for credit into the notified account of the claimant.”*0

6. FINDINGS:

i. Notwithstanding the above while processing the desired ST refunds the department is required to ascertain whether;

a. M/S Falcon Textiles has filed audited account for Tax Years 2023 and 2024;

b. the amounts of deferred refunds are declared as asset in the relevant balance sheets 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. Non-processing of outstanding sales tax deferred refund claims for tax periods March 2023 to June 2024 within the prescribed period of forty-five days is tantamount to maladministration in terms of section 2(3)(i)(a)(b) & (ii) of the FTO Ordinance.

RECOMMENDATIONS:

7. FBR to direct:-

i) the CIR, Refund Zone, CTO-II Karachi, to process deferred



outstanding sales tax refund claims for Mar 2023 to Jun 2024 in terms of 'Chapter V (REFUND)' of Sales Tax Rules 2006, read with Circular 01 of 2020 dated 03.04.2020 in accordance with law expeditiously; and

ii) report compliance within 30 days.



Dated: **19 OCT 2026**

(M. Zafar ul Haq Hijazi)
Federal Tax Ombudsman