

THE FEDERAL TAX OMBUDSMAN ISLAMABAD

COMPLAINT NO. 15997/ISB/IT/2026

Dated: 03.09.2026 *R.O. Peshawar

M/s Premier Sugar Mills Limited,
Employees Provident Fund, Nowshera
Road Mardan.

... Complainant

V e r s u s

The Secretary
Revenue Division
Islamabad.

... Respondent

Dealing Officer	:	Mr. Sardar Ali Khawaja, Advisor
Appraising Officer	:	Mr. Muhammad Tanvir Akhtar, Advisor
Authorized Representative	:	Ms. Huma Amin, Legal Manager
Departmental Representative	:	Ms. Shaista, DCIR, RTO, Peshawar
Date of Hearing	:	22.09.2026

FINDINGS/RECOMMENDATIONS

This complaint was filed under Section 10(1) of the Federal Tax Ombudsman Ordinance, 2000 (FTO Ordinance) against the RTO, Peshawar regarding inaction and delay in issuance of Income Tax exemption certificate u/s 159(I) of the Income Tax Ordinance on account dividend income being exempt under clause 47B, Part-IV of the 2nd Schedule to the Income Tax Ordinance, 2001.

2. The Complaint was referred to the Secretary Revenue Division for departmental reply/comments in terms of Section 10 (4) of the FTO Ordinance read with Section 9 (1) of the Federal Ombudsmen Institutional Reforms Act, 2013. In response thereto, the CCIR, submitted report which is reproduced below:-

S. No.	Allegations leveled/Taxpayer Plea	Reply/ Comments

1	Ground I: That the Complainant receives dividend income from investments made in Alfalah Asset Management Limited, which is ordinarily subject to withholding of tax under Section 150 of the Income Tax Ordinance, 2001. However, Clause 47B of Part IV of the Second Schedule to the Ordinance specifically provides that the provisions of Section 150, inter alia, shall not apply to any person making payment to a recognized provident fund, and dividend payments made to the Complainant are accordingly statutorily excluded from the withholding provisions of Section 150.	Ground I. The legal provisions contained in Section 150 and Clause 47B of Part IV of the Second Schedule to the Income Tax Ordinance, 2001, are matters of statutory law. However, the applicability of the said provisions to the Complainant is subject to verification of the relevant statutory requirements, including the recognition/status of the provident fund and the supporting record furnished by the Complainant. Accordingly, the matter requires examination and verification by the competent tax authorities before issuance of any certificate under Section 159 of the Ordinance.
2	Ground II That, in order to enable withholding agents to make dividend payments to the Complainant without deduction of tax under Section 150, the Complainant filed an online application dated 24.06.2026 (Registration No. 8185518) before the Respondent under Section 159(1)/150 of the Ordinance, seeking issuance of an Exemption Certificate under Section 159 for Tax Year 2027 (Period: 01.10.2025 to 30.09.2026), duly supported by (a) a copy of the Recognition Certificate of the Recognized Provident Fund, (b) the latest audited financial statements of the Complainant, and (c) details of the Complainant's dividend-yielding investment portfolio. (Copy of the said application is attached as Annex-A)	Ground II. It is a matter of record that the Complainant filed an online application bearing Registration No. 8185518 dated 24.06.2026 under Section 159(1) read with Section 150 of the Income Tax Ordinance, 2001, seeking issuance of an Exemption Certificate for Tax Year 2027, covering the period from 01.10.2025 to 30.09.2026. The application and documents furnished therewith are under examination by the competent authority.
3	Ground III - That the due date reflected against the said application was itself 24.06.2026, being the date of filing. However, till date, neither has any Exemption Certificate been issued, nor has any deficiency notice,	Ground III - The date of filing reflected in the online application is acknowledged. It is submitted, however, that the application and its supporting documents require examination and





	query, or order of rejection been communicated to the Complainant.	verification in accordance with the applicable statutory framework before a certificate under Section 159 can be issued. The matter remained under administrative scrutiny and processing, and no final decision had been communicated at that stage.
4	Ground IV – That, despite the lapse of more than two months and in the absence of any response whatsoever from the Respondent, the Complainant addressed a written reminder to the Commissioner Inland Revenue in the latter part of August 2026, requesting expeditious processing and issuance of the Exemption Certificate.	Ground IV. The receipt of the written reminder submitted by the Complainant to the Commissioner Inland Revenue in the latter part of August 2026 is acknowledged. The matter was thereafter taken up for expeditious processing at the departmental level.
5	Ground V - That, despite the said written reminder, no action whatsoever has been taken by the Respondent till the filing of the instant complaint.	Ground V - The allegation that no action whatsoever was taken by the Respondent is denied. The application remained under examination and administrative processing. Following receipt of the reminder, the matter was further taken up on priority for completion of the requisite scrutiny and processing in accordance with law.
6	Ground VI –That, in consequence of the Respondent's continued inaction, withholding agents continue to deduct tax under Section 150 on dividend payments made to the Complainant, contrary to the express statutory exemption available under Clause 47B of Part IV of the Second Schedule to the Ordinance, thereby causing continuing financial loss and blockage of funds belonging to the employees/beneficiaries of the Complainant, who are the ultimate beneficial owners of the provident fund corpus.	Ground VI. The contention regarding continuing deduction of tax on dividend payments and alleged financial loss is not admitted in the manner stated. It is submitted that, pending issuance of a valid Exemption Certificate under Section 159, the withholding obligations applicable to the withholding agents are required to be considered in accordance with the provisions of the Income Tax Ordinance, 2001. The application of the Complainant is presently



		under process and is being dealt with in accordance with the applicable statutory provisions.
7	Ground VII-I. That the Respondent is duty-bound to process and decide a complete, document-supported application within a reasonable time, and cannot withhold a statutorily due exemption certificate without lawful justification.	Ground VII. Denied. The assertion that the Respondent has unlawfully withheld a statutorily due Exemption Certificate is misconceived. The issuance of a certificate under Section 159(1) is subject to examination of the application, supporting documents and the relevant statutory requirements by the competent authority. The Complainant's application is under active consideration and the requisite process is being undertaken in accordance with law.
8	Ground VIII - That the Complainant cannot be prejudiced or kept out of a lawfully due exemption on account of the Respondent's own inaction.	Ground VIII. Denied. The Complainant has not been deliberately or unlawfully deprived of any statutory benefit. The application is being processed by the competent authority after examination of the relevant record and supporting documents. Any time consumed in such examination cannot, by itself, be construed as an unlawful denial or deliberate exclusion of the Complainant from any benefit available under the law.
9	Ground IX -That continued withholding of tax on dividend income which is expressly exempt under Clause 47B of Part IV of the Second Schedule to the Ordinance is arbitrary and against the principles of fairness and good governance.	Ground IX. Denied. The allegation that the Respondent's conduct is arbitrary or contrary to the principles of fairness and good governance is without substance. The matter is being processed within the framework of the applicable provisions of the Income Tax Ordinance, 2001, and the

		competent authority is examining the application for an appropriate decision in accordance with law.
10	Ground X - That such inaction defeats the purpose of tax administration and causes undue financial hardship to the Complainant and the underlying employee-beneficiaries of the Fund.	Ground X. Denied. The allegation that the Respondent's action or inaction has defeated the purpose of tax administration or caused undue financial hardship is not admitted. The processing of the application under Section 159 is subject to the prescribed statutory examination, while the withholding of tax, where otherwise applicable, is governed by the provisions of the Income Tax Ordinance, 2001. The matter is presently under process and appropriate action shall be taken by the competent authority in accordance with law.



3. The case was fixed for hearing. The A/R of the complainant Ms. Huma Amin & the D/R Ms. Shaista, Deputy Commissioner, RTO, Peshawar were heard online and the case was discussed as per written submissions. The A/R stated that the complainant has filed its application as on 24.06.2026 for exemption/reduced rate certificate under section 159 of the Income Tax Ordinance, 2001. Under the 1st proviso to section 159(1) of the Ordinance, the Commissioner-IR was bound to have issued the exemption certificate within 15 days, nevertheless more than 3 months have been elapsed, but the application for exemption has not been disposed of as yet.

The D/R rebutted claim of the A/R stating that the matter remained under administrative scrutiny and processing as the application and its supporting documents require examination and verification in accordance with the applicable statutory frame work,

thus, no final decision about the exemption can be communicated to the complainant at this stage.

FINDINGS:

4. The A/R & the D/R was heard. Record perused. Plea of the A/R carries weight, as the application filed for issuance of exemption u/s 159 was required to be disposed of within 15 days, which has not been done. Though the department has to ascertain status of the taxpayer and verification of the documents filed, nevertheless, delay in processing of disposal of the application filed for exemption within the stipulated time is manifestation of the departmental neglect, inattention and ineptitude in discharge of its duties and the same tantamount to "Maladministration" in terms of Section 2(3)(ii) of the FTO Ordinance, 2000.

RECOMMENDATION:

5. FBR to:-

- (i) direct the Commissioner-IR (Large Taxpayer zone) RTO, Peshawar, to dispose of the application filed by the complainant for exemption u/s 159 as per law after affording proper opportunity of being heard; and
- (ii) report compliance within 15 days.

Dated: **19 OCT 2026**


(M. Zafar ul Haq Hijazi)
Federal Tax Ombudsman

