

THE FEDERAL TAX OMBUDSMAN ISLAMABAD

COMPLAINT NO.16581/KHI/ST/2026

Dated: 14.09.2026* R.O. Karachi

Mr. Irfan Iqbal Director of,
M/s. Nova Leathers (Pvt) Ltd
NTN 1000301
Plot No. 30, sector 15,
Korangi industrial Area, Karachi

... *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. Abu Bakar, ITP
Departmental Representative : Mr. Aijaz Ali Channa, SAIR, CTO-II, KHI
Date of hearings : 01.10.2026 & 08.10.2026

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 periods Nov 2019 to July 2026.

2. Briefly, M/s. Nova Leathers (Pvt) Ltd is a premier manufacturer, tanner, exporter, and supplier of finished leather and leather products in Pakistan. As per the AR of the complainant, the details of the pending deferred claims for processing are as follows:

Month	Claim No	Refund Claimed	Refund Sanctioned	Deferred
Jul-26	T710726101310	70,823,614	69,664,410	1,159,204
Jun-26	T710626102045	28,042,976	25,382,290	2,660,686
May-26	T110526101521	49,822,753	47,438,406	2,303,747
Apr-26	T110426101835	41,160,522	40,199,212	961,310
Mar-26	T110326101693	41,150,425	41,056,929	93,496
Feb-26	T110226101468	51,809,563	50,126,995	1,682,568
Jan-26	T110126101306	75,827,413	74,507,052	1,320,361

* Date of registration in FTO Sectt





Dec-25	T111225101517	85,238,718	84,943,217	295,501
Nov-25	T111125101460	54,827,763	49,161,405	5,666,358
Oct-25	T111025101467	75,284,213	74,388,599	895,614
Sep-25	T330925101243	45,282,972	44,911,096	371,876
Aug-25	T330825101625	30,923,756	30,289,378	634,378
Jul-25	T330725100876	60,218,532	59,730,394	488,138
Jun-25	T330625101278	39,287,522	38,580,762	706,760
May-25	T330525101148	34,827,651	34,601,740	225,911
Apr-25	T330425101195	42,987,603	39,800,949	3,186,654
Jan-25	T330125101092	55,028,216	54,968,245	59,971
Dec-24	T331224101433	33,913,155	32,824,920	1,088,235
Nov-24	T331124101964	55,287,136	53,761,089	1,526,047
Oct-24	T331024101080	53,868,782	50,655,380	3,213,402
Aug-24	RST240109576	45,687,292	41,012,359	4,674,933
Jul-24	T330724101201	27,477,195	27,060,573	416,622
May-24	T330524100386	51,217,665	50,647,591	570,074
Apr-24	T330424100835	50,876,165	50,644,108	232,057
Mar-24	T330324101074	6,538,216	6,370,000	168,216
Feb-24	T330224100629	19,288,712	18,840,181	448,531
Jan-24	T330124100519	55,187,529	54,808,330	379,199
Dec-23	T331223100656	64,858,212	62,924,317	1,933,895
Nov-23	T331123100543	60,382,568	59,199,087	1,183,481
Oct-23	RST240276673	74,287,195	72,211,988	2,075,207
Sep-23	T330923100523	84,152,956	77,715,850	6,437,106
Aug-23	T330823100773	88,282,893	81,919,398	6,363,495
Jun-23	T330623101014	47,287,732	46,802,459	485,273
May-23	T330523100536	42,314,968	41,780,590	534,378
Apr-23	T330423101230	38,425,487	37,846,208	579,279
Mar-23	T330323101375	30,298,723	29,785,099	513,624
Feb-23	T330223100625	27,861,773	27,353,244	508,529
Jan-23	T330123101276	45,210,956	44,591,041	619,915
Dec-22	T331222103392	52,102,472	51,643,253	459,219
Nov-22	T331122100877	37,291,295	36,535,277	756,018
Sep-22	T330922100706	34,889,273	34,809,617	79,656
Aug-22	T330822100642	31,128,709	30,947,487	181,222
Jul-22	T330722101079	17,209,832	17,047,031	162,801
Jun-22	T330622101000	16,098,773	16,052,240	46,533
May-22	T330522100828	34,022,826	33,910,762	112,064
Apr-22	T330422100524	18,276,553	18,007,836	268,717
Mar-22	T330322100770	17,502,919	17,401,645	101,274
Feb-22	T330222100894	19,118,723	18,965,671	153,052
Dec-21	T331221100296	23,052,173	22,979,208	72,965



Nov-21	T331121100778	21,726,437	21,610,273	116,164
Apr-21	T330421100522	23,672,623	23,518,206	154,417
Feb-21	T330221100720	11,521,824	11,408,004	113,820
Jan-21	T330121100527	18,751,231	18,179,890	571,341
Dec-20	T331220100682	27,612,933	27,555,901	57,032
Nov-20	T111120100566	8,156,548	8,047,481	109,067
Oct-20	T331020100422	16,432,624	16,219,165	213,459
Aug-20	T330820100540	14,643,937	14,362,560	281,377
Jul-20	T330720101145	18,912,514	18,150,210	762,304
Jun-20	T330620101680	9,876,363	9,808,591	67,772
May-20	T330520101340	15,527,804	15,377,586	150,218
Jan-20	T330120100264	32,522,711	32,338,137	184,574
Dec-19	T331219100232	19,825,238	19,387,058	438,180
Nov-19	T331119100217	22,361,317	21,552,640	808,677

TOTAL-----> 62,862,281

The complainant filed sales tax refund claims for tax periods Nov 2019 to Jul 2026 through the FASTER Refund system, but an amount of Rs.62,862,281/- remains pending on account of deferred refund claims before CTO-II, Karachi, 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. During the hearing, the DR has stated that these refund claims will be processed on merit as per law on receipt of soft data from CTO-1 Karachi.

4. Arguments heard and records perused.

5. Admittedly, the complainant, M/s. Nova Leathers (Pvt) Ltd is a premier manufacturer, tanner, exporter, and supplier of finished leather and leather products in Pakistan who filed sales tax refund claims for tax periods Nov 2019 to Jul 2026 through the FASTER Refund system, but an amount of Rs.62,862,281/- for Nov 2019 to Jul

2026 remains pending on account of deferred refund claims before CTO-II Karachi for processing. During the hearing, the DR states that on receipt of data from CTO-I, Karachi, the claims will be processed on merit as per law. 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."

6. FINDINGS:

i. Notwithstanding the above, while processing the subject ST refunds, the department apart from the above, is also required to ascertain whether;

- a. M/s. Nova Leathers (Pvt) Ltd has filed audited account for Tax Years 2020 to 2026;
- b. Related chunk of this amount of 62.862 million is declared as asset in the relevant 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. Non-processing of outstanding sales tax deferred refund claims for tax periods Nov 2019 to Jul 2026 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 Nov 2019 to Jul 2026 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:

20 OCT 2026

(M. Zafar ul Haq Hijazi)
Federal Tax Ombudsman

