

THE FEDERAL TAX OMBUDSMAN ISLAMABAD

COMPLAINT NO.16402/KHI/ST/2026

Dated: 10.09.2026* R.O. Karachi

M/s. Denim Crafts,

... Complainant

NTN 3655362

Plot No 8/12-A, Sector 12/C, Industrial Area,
Karachi Central North Karachi Town

Versus

The Secretary,
Revenue Division,
Islamabad.

... Respondent

Dealing Officer

: Mr. Badruddin Ahmad Quraishi, Advisor

Appraising Officer

: Mr. Muhammad Tanvir Akhtar, Advisor

Authorized Representative

: Mr. Syed Salman, ITP

Departmental Representative

: Mr. Aijaz Ali Channa, SAIR, CTO-II, KHI

Date of hearings

: 28.09.2026 & 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:

- i. deferred sales tax refund claim for the tax periods July 2019 to June 2026 amounting to Rs. 17,467,319; and
- ii. missing refund of Rs. 821,839 for seven tax periods

2. Briefly, M/s. Denim Crafts is engaged in the manufacturing of textile goods and specializes in the end-to-end manufacturing and production of value-added denim and non-denim products, primarily for export and wholesale fulfillment. As per the AR of the complainant, the details of the pending deferred claims for processing are as follows:

Tax Period	Refund Claim	Total Sanction	Deferred	missing
26-Jun	61,975,562	61,934,867	40,695	
26-May	67,896,088	67,299,122	596,966	

* Date of registration in FTO Sectt





26-Apr	60,824,874	60,573,353	251,521	
26-Feb	49,803,686	49,192,277	611,409	
26-Jan	56,535,904	55,757,905	777,999	
25-Dec	62,194,519	62,103,191	91,328	
25-Nov	92,419,966	92,276,212	143,754	
25-Oct	47,679,268	47,268,453	410,815	
25-Sep	22,692,491	22,574,024	118,467	
25-Aug	47,071,378	46,275,416	795,962	
25-Jul	72,147,874	71,541,405	606,469	
25-Jun	35,800,149	35,778,191	21,958	
25-May	75,196,125	74,241,886	954,239	
25-Apr	48,949,263	48,936,193	13,070	
25-Mar	74,476,296	74,456,410	19,886	
25-Feb	60,075,741	60,027,366	48,375	
25-Jan	105,492,499	105,419,678	72,821	
24-Dec	72,763,609	72,669,399	94,210	
24-Nov	70,958,473	69,968,845	989,628	
24-Oct	52,003,075	51,735,604	159,300	108,171
24-Aug	59,559,195	58,425,195	1,134,000	
24-May	51,259,986	51,034,856	225,130	
24-Feb	46,901,590	46,472,628	428,962	
24-Jan	83,633,428	83,417,828	215,600	
23-Nov	35,793,738	35,716,838	76,900	
23-Oct	29,658,970	29,177,834	481,136	
23-Sep	39,326,278	39,134,084	88,398	103,796
23-Aug	43,833,768	43,643,795	6,570	183,403
23-Jul	38,323,291	38,088,013	235,278	
23-Jun	56,528,094	56,116,950	411,144	
23-May	26,733,964	26,385,809	348,155	
23-Apr	39,151,963	38,365,798	786,165	
23-Mar	37,175,338	36,106,306	1,069,032	
23-Feb	34,791,011	34,503,594	287,417	
23-Jan	54,300,358	53,863,142	437,216	
22-Dec	61,681,301	60,744,145	724,887	212,269
22-Nov	26,664,306	26,389,868	274,438	
22-Oct	32,727,119	32,571,404	155,715	
22-Sep	38,492,156	38,408,933	83,223	
22-Aug	42,288,680	42,122,025	166,655	



22-Jul	34,082,132	33,985,560	96,572	
22-Jun	40,609,930	40,454,466	155,464	
22-May	16,354,809	16,081,954	84,325	188,530
22-Mar	30,747,487	30,416,420	331,067	
22-Feb	42,883,260	42,621,623	251,171	10,466
21-Dec	40,932,969	40,613,443	319,526	
21-Nov	22,680,593	22,592,266	88,327	
21-Oct	40,395,854	40,311,947	83,907	
21-Sep	22,030,549	21,938,862	91,687	
21-Aug	26,069,676	25,968,382	101,294	
21-Jul	28,330,596	28,261,377	69,219	
21-Jun	21,341,406	21,237,148	104,258	
21-May	14,148,985	14,031,973	117,012	
21-Apr	14,694,232	14,631,911	62,321	
21-Mar	18,690,747	18,637,978	52,769	
21-Feb	19,221,589	19,176,718	44,871	
21-Jan	30,720,468	30,302,467	418,001	
20-Dec	39,462,275	39,398,726	63,549	
20-Nov	12,946,036	12,895,452	50,584	
20-Oct	21,587,541	21,498,452	89,089	
20-Aug	7,699,621	7,665,893	33,728	
20-Jul	11,887,734	11,839,753	47,981	
20-Jun	14,132,688	14,118,422	3,266	11,000
20-Mar	14,511,290	14,445,543	65,747	
20-Feb	24,450,198	24,444,146	6,052	
20-Jan	23,941,476	23,895,688	45,788	
19-Dec	34,336,538	34,313,065	19,269	4,204
19-Nov	34,290,595	34,272,150	18,445	
19-Oct	2,804,339	2,801,593	2,746	
19-Sep	16,478,267	16,455,998	22,269	
19-Jul	13,736,600	13,664,478	72,122	
TOTAL	2,851,981,854	2,833,692,696	17,467,319	821,839

The complainant filed sales tax refund claims for tax periods Feb 2020 to Jun 2026 through the FASTER Refund system, but an amount of Rs.17,467,319/- remains pending on account of deferred refund claim and Rs. 821,839 on account of missing refund claim



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. However, the DR during hearing has submitted that these claims will be processed after examination on merit.

4. Arguments heard and records perused.

FINDINGS:

5. Admittedly, the complainant, a manufacturer-cum-exporter, specializes in the end-to-end manufacturing and production of value-added denim and non-denim products, primarily for export and wholesale fulfillment; filed sales tax refund claims for tax periods July 2019 to Jun 2026 through the FASTER Refund system amounting to Rs. 2,851,981,854. The FASTER sanctioned Rs. 2,833,692,696 but an amount of Rs.17,467,319/- remains pending on account of deferred refund claim and Rs. 821,839 on account of missing refund claim before CTO-II Karachi for processing. During hearing, the DR states that the claims will be processed on merit in case of deferred claims for issuing amount; no application has been filed by the complainant. 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. The issue of missing amount, this issue has been resolved by FBR under Circular # 3 of 2020 Operations (Sales Tax) dated 07.12.2020 through a Standard Procedure for Sanctioning of Missing Amounts Stuck in FASTER System due to System Glitches. The relevant portion of the said circular is as follows:

"(ii) Process of Past Missing Amounts"

The issue of past missing amounts has been resolved as under:

- (a) That, in all case wherein the missing amounts could be effectively pulled by the system, have already been communicated to taxpayers for refiling after adequate modifications to the refund claims/ sales tax return;*
- (b) That, in all remaining cases, where a taxpayer believes that a material amount of his refund claims have been unaccounted for, he may apply to the deputy Commissioner concerned; &*
- (c) That the Deputy Commissioner will examine the case and after due verifications, will sanction the due amount.*

4. *The Chief Commissioner concerned would keep a complete log of the pending missing amount refund cases in their formations and ensure their disposal and processing in the shortest possible time as per law, and instructions. "*

The complainant is required to file an application against missing amount alongwith the documentary evidences.

7. Non-processing of outstanding sales tax deferred & missing refund claims for tax periods July 2019 to Jun 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:

8. FBR to direct the CIR, Refund Zone, CTO-II Karachi:-
- i) to process deferred outstanding sales tax refund claims for July 2019 to Jun 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;
 - ii) to forward a report to the Chief (CSTRO/Refund) through CCIR, CTO-II Karachi to make available the missing amount of the complainant in the STARR folder of the Processing Officer for further processing on merit as per law; and
 - iii) report compliance within 30 days.

Dated:
Azeem

20 OCT 2026

(M. Zafar ul Haq Hijazi)
Federal Tax Ombudsman