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THE FEDERAL TAX OMBUDSMAN ISLAMABAD

Complaint No.16649/KHI/Cust/2026

Dated: 15/09/2026 *R.O. Karachi

M/s NH Industries,

I.I. Chundrigarh Road, Karachi.

... Complainant

Versus

The Secretary,
Revenue Division,
Islamabad.

... Respondent

Dealing Officer

Authorized Representative

Departmental Representative

Date of hearing(s)

: Mr. Gul Rehman, Advisor

: Mr. Amjed Ali Khan Ruk, Advocate

: Mr. M. Ahmed Zaheer, DC Customs
CoC, Appraisement (West), Karachi

: 29.09.2026 & 05.10.2026

FINDINGS

The above mentioned complaint was filed on 15.09.2026 against the Collector, Collectorate of Customs, Appraisement (West), Karachi under Section 10(1) of the Federal Tax Ombudsman Ordinance, 2000 (FTO Ordinance) regarding incorrect valuation/assessment of goods imported through GD No.KAPW-HC-31358-21-08-2026.

2. In summary, the Complainant has agitated that they imported a consignment comprising Polyester Kitted Pile fabric, all the declaration were made as per import documents received from foreign supplier. On arrival, complainant duly filed the GD No.KAPW-HC-31358-21-08-2026., for the lawful clearance through Collectorate of Customs, Appraisement (West), Karachi, and declared all the material particulars i.e., Quantity, Value, Description etc., as per the accompanying import documents, complying with the dictates of Section 79 of the Customs Act, 1969. Accordingly, the

* Date of Registration with FTO Secretariat



consignment was marked for examination as per procedure under Section 80 of the Customs Act, 1969, whereby, examiner whimsically reported the subject goods as "Polyester Knitted Short Dense Pile Furnishing Fabric in Rolls" and further extracted the representative samples of the subject goods for forwarding them to Customs House Laboratory for further confirmation of description and composition. Despite that the so-called description was purportedly confirmed as per the examiner, the examiner further remarked in the examination report that, "Group is requested to check all legal aspects i.e. importability of goods, description, classification, specification, and valuation of goods in light of examination report, and images attached before finalizing the assessment". This clearly shows that by any stretch of imagination, the findings of examination report could not be relied upon as the same are self-contradictory: on the one hand, the examiner has forwarded the goods for confirmation by "Custom House Laboratory", nevertheless, on the other hand, the examiner has requested the group to finalize assessment after checking description in the light of examination report, and images (and not lab report); hence, the instructions/remarks mentioned by the examiner are a clear misuse of authority; clearly constitute maladministration; hence, any assessment Order on the basis thereof shall be nullity in the eyes of law. In contrast to the examiner's "administrative excess" and mutually contradictory stance altogether, the laboratory confirmed the nature and description of the goods, reporting the same as "soft surface dyed knitted short pile fabric composed of polyester" having a weight of 168 GSM and a pile length of less than 5mm. As such, the laboratory neither confirmed the pile to be dense, nor the element of "furnishing" was reported by it. Despite that the findings of the





Custom House Laboratory were unambiguous, and had laid to rest the "administrative excesses" as well as naked eye whimsical observations of the examiner, the Assessment Officer (AO) / AC/DC of the MCC-Appraisement-West, Karachi, illegally assessed the subject goods through application of customs values @ US\$ 3.75/Kg (Sr. No. 8 of VR # 1829/2023 dated 01.12.2023) by passing totally ambiguous, erroneous, and non-speaking assessment which is not the spirit of section 80, further read with Rule 109(3) of the Customs Rules, 2001. The complainant has accordingly availed the remedy under Section 193 of the Customs Act, 1969, through filing of Appeal against such illegal assessment Order which is presently sub judice before the competent authority. The present complaint is directed against the maladministration of the examiner as factually detailed inter alia above, as well as the Assistant Collector (Group IV), MCC-Appraisement (West), Karachi. Meanwhile, the Complainant also submitted a request dated 28.08.2026 before the Additional Collector of Customs, Appraisement (West), Karachi, for re-assessment of subject goods in accordance with law. Nevertheless, after the request for reconsideration was duly allowed, the Assistant Collector (Group-IV), Collectorate of Customs, Appraisement (West), upended following autographic remarks upon Complainant's letter: "it is submitted that ER confirms item as furnishing fabric. Lab reports GSM at the pile less than 5mm. In the light of TR and ER images, instant item "seems to be furnishing" fabric. Re-assessment is not warranted." The expression seems to be furnishing fabric itself demonstrates that the conclusion is perverse, arbitrary, whimsical and inferential at the best; the same constitutes neglect, inattention, delay, incompetence, and inefficiency on the part of the AC (Group-IV), Appraisement (West), Karachi. Such inconclusiveness on the part of the said officer has



adversely affected the legitimate business of the complainant. The conduct on the part of the said officer is also contrary to the established departmental practice of dealing with the subject goods. Being aggrieved with the actions of the field formation of the Collector of Customs, Appraisement (West), Karachi, the complainant filed a letter dated 02.09.2026 and made verbal representation before the said officer for seeking expert opinion / clarification of Custom House Laboratory and argued the matter in length through legal Counsel whereby Complainant's legal counsel requested for seeking clarification in writing by Custom House Laboratory to make it part of record; nevertheless, request was not acceded to, nor the Appellant, or its duly authorized legal counsel was made part of any purported discussion with lab Expert, nor any written submissions of laboratory Expert were brought on record. Nevertheless, as the ends of justice were not met, and Complainant's application dated 02.09.2026 was decided (if at all) in a slipshod manner, the complainant lifted the consignment under protest after submitting a letter in writing dated 02.09.2026. The Department was under a positive obligation, before departing from the declaration filed by the Complainant, to confront the Complainant with the material relied upon and to afford a meaningful opportunity of being heard, and the failure to do so has denuded the assessment of any lawful foundation and has rendered it violative of the settled principles of natural justice, which principles are deemed to be embedded in every fiscal statute even where not expressly provided. Further, the examiner's abdication of his own function by remitting the very questions entrusted to him – importability, description, classification, specification and valuation – back to the group, and the group's reciprocal reliance upon the examination report which had itself left those questions open, discloses a



circularity in which no officer has in fact applied his independent mind to the record; such conduct squarely attracts every limb of Section 2(3) of the FTO Ordinance, 2000, being (i) contrary to law and a departure from established practice and procedure without any bona fide or valid reason; (ii) perverse, arbitrary, unreasonable, unjust and oppressive; (iii) based on irrelevant grounds, namely images, to the exclusion of the relevant and legally mandated ground, namely the laboratory report; and (iv) reflective of neglect, inattention, incompetence and ineptitude in the discharge of duties, the consequence whereof has been visited upon the Complainant alone in the shape of prolonged detention of the consignment, accrual of demurrage and detention charges, and deprivation of the lawful use of its imported goods. Before adverting further to the grounds of the case, it is crucial to submit that it has remained the established criterion of the Collectorate (as in the case of other fabrics) that, even where the Examiner, in the Examination Report, describes the goods as dense pile or furnishing fabric, the goods are still referred for laboratory determination for confirmation of description, specifications, composition, and other material aspects before the assessment of such goods can be made. The only recognised exception is where identical goods are imported from the same supplier whose earlier consignment was already subjected to laboratory determination, and the Examiner entertains no doubt as to the applicability of those earlier laboratory findings to the goods in hand; in such a case the present consignment is not referred afresh to the laboratory, and the earlier laboratory findings continue to govern the assessment. In the matter relating to import of pile fabric, and the valuation dispute vis-à-vis "Polyester Knitted Pile Fabric" simpliciter, and "Polyester Knitted Short Dense Pile Fabric in Rolls", the same is finally decided at the level of findings of



laboratory report notwithstanding that the examiner (through naked eye) might describe the goods as "Polyester Knitted Short Dense Pile Furnishing Fabric in Rolls". As such, where the laboratory reports the goods as "...soft surface dyed knitted short pile fabric composed of polyester" i.e. the pile is not reported to be dense, the same are reckoned as suiting fabric assessable at US 3.00/Kg through application of Sr. No.13 of VR No.1788/2023 dated 19.06.2023. Conversely, where the Laboratory Report determines the composition and characteristics of the fabric as "short dense pile fabric", the same is reckoned as furnishing fabric, assessable at US\$ 3.75/Kg, through application of Sr. No.8 of VR No.1829/2023 dated 01.12.2023. Thus, the assessment approach consistently followed by the Collectorate has been to determine the applicable customs value primarily on the basis of the Laboratory findings, which technically confirm/report the goods as "short dense pile" or short pile simpliciter, rather than merely on the basis of the Examiner's report. In a nutshell, the legal and technical approach of the Respondents in case of dispute is that the naked eye observations of the examiner in the examination report, that the goods are for "furnishing", are insignificant for assessment of goods as pile fabric for suiting, or as pile fabric for furnishing.

3. The complaint was forwarded to the Secretary, Revenue Division for comments under Section 10(4) of the FTO Ordinance and Section 9(1) of the Federal Ombudsmen Institutional Reforms Act, 2013. In response thereto, the Collectorate of Customs, Appraisement (West), Karachi submitted comments, wherein it was stated that the Complainant filed Good Declaration No.KAPW-HC-31358-21-08-2026 and declared to contain "Polyester Knitted Pile Fabric" under PCT Heading 6001.9900, at a declared invoice value US\$ 2.80/Kg. The importer determined his liability of applicable



duties & taxes in terms of Section 79(1) of the Customs Act, 1969. In order to check as to whether the importer has correctly paid the legitimate amount of duties and taxes, the under reference GD was selected for scrutiny in terms of Section 80 of the Customs Act, 1969 and was referred to Examination for confirmation of description, quantity and other physical attribute of the goods. Subsequently, the representative sample was forwarded to Custom House Lab for confirmation / test purpose and the same has been got tested by the Custom Housel Lab as per following Test Report:-

"Receipt No: 207379

state: brown color one side lacquered soft surface cut piece of stretchable fabric

Construction: dyed knitted short pile fabric

Composition: polyester

Grammage: 168gm at RTH

Length of pile (from one side) = less than 5mm

In view of above test results sample is found to consist one side lacquered soft surface dyed knitted short pile fabric composed of polyester

Note: use may be ascertained from appraisement end by its end use, please

Report pertains only to the sample forwarded and tested in the lab."

In view of the above test results, the Laboratory has concluded that the sample consists of "one side lacquered soft surface dyed knitted short pile fabric composed of polyester." The subject goods fall under Valuation Ruling No.1788/2023, Serial No.13, wherein the relevant description of the goods is "Dyed Knitted Pile/Fleece Fabric." The said Valuation Ruling provides a specific valuation treatment for the relevant category. Nevertheless, the subject goods have been assessed by applying a customs value of US\$ 3.75/KG applicable to "Sofa/Curtain Fabric." The said valuation does not correspond with the actual nature, description and characteristics of the imported goods as established by the Laboratory Test Report.



The Laboratory Test Report clearly identifies the goods as “Dyed Knitted Short Pile Fabric”, composed of polyester, having a pile length of less than 5 mm. The report does not describe the goods as sofa or curtain fabric. Therefore, the goods should be assessed on the basis of their actual composition, construction, physical characteristics and correct description, rather than being treated as sofa/curtain furnishing fabric. In view of the foregoing, the assessment of the subject GD may be re-examined and reassessed under the appropriate provision/category of Valuation Ruling No.1788/2023, Serial No.13, keeping in view the findings of the Laboratory Test Report and the actual description and characteristics of the imported goods. The value of US\$ 3.75/KG applied under the description “Sofa/Curtain Fabric” may be withdrawn/reconsidered, and the subject goods may be assessed under the correct valuation category applicable to “Dyed Knitted Short Pile Fabric”, in accordance with the applicable Valuation Ruling. The case is presently pending before the Collector of Customs (Appeals), where the appellant has already challenged the assessment/valuation. The matter is, therefore, under consideration before the competent appellate authority. It is accordingly submitted that the complainant has an adequate statutory appellate remedy, which has already been invoked by filing an appeal before the Collector of Customs (Appeals). The matter may therefore appropriately be decided by the competent appellate authority on its merits. In view of the above, the complaint may be considered in light of the fact that the matter is sub judice before the Collector of Customs (Appeals) and the complainant has already availed the statutory remedy available under the law.

4. During the hearing on 05.10.2026, Mr. Amjed Ali Khan, Advocate (AR) while reiterating the arguments advanced in their



written complaint pressed to direct the Deptt. to obtain the opinion of the Custom House Lab in writing over the subject matter, and decide the matter of assessment of the subject goods afresh in the light of previous established departmental practice involving subject goods, after affording opportunity of hearing to the complainant. Mr. Muhammad Ahmed Zaheer, Deputy Collector (DR), on the other hand argued that the complaint relates to valuation/assessment of impugned imported goods and is hit by bar of jurisdiction in terms of Section 9(2)(b) of the FTO Ordinance. DR further elaborated that the Complainant has already availed legal remedy of filing appeal under Section 193 of the Customs Act, 1969 and the case is presently subjudice before the Collector of Customs (Appeals), hence on this account alone the instant complaint is not maintainable.

5. In view of the above, since the jurisdiction of this Forum is barred in terms of Section 9(2)(a) & (b) of the FTO Ordinance, therefore, the proceedings are dropped. File consigned to record.

Dated: 20 OCT 2026


(M. Zafar ul Haq Hijazi)
Federal Tax Ombudsman