

**THE FEDERAL TAX OMBUDSMAN
ISLAMABAD**

COMPLAINT NO.16173/LHR/IT/2026

Dated: 07.09.2026 RO Lahore*¹

M/s J.F. Industries (Pvt) Ltd.,
47-B1, Gulberg-III, Lahore.

... Complainant

Versus

The Secretary,
Revenue Division,
Islamabad.

... Respondent

Dealing Officer	:	Mr. Asem Iftikhar, Advisor
Appraised by	:	Mr. Muhammad Tanvir Akhtar, Advisor
Authorized Representative	:	Mr. Pervaiz Meharban, Manager Taxation
Departmental Representative	:	Ms. Zonaira Rana, DCIR, LTO Lahore Rana Sheryar, DCIR, LTO, Lahore
Date of hearing	:	22.09.2026, 01.10.2026

FINDINGS/RECOMMENDATIONS

The above-mentioned complaint was filed under Section 10(1) of the Federal Tax Ombudsman Ordinance, 2000 (FTO Ordinance) against non-issuance of refund for Tax Years 2024 & 2025 respectively.

2. Briefly, Complainant is engaged in the business of sale and distribution of Electrical equipment manufacturing (specializing in power and distribution transformers) is a private limited company, filed income tax returns for Tax Years 2024 & 2025 under Section 114(1) of the Income Tax Ordinance, 2001, claiming refund amounting to Rs.27.230 million and Rs.41.620 million respectively. The refund arose on account of excess tax deductions under different sections of the Income Tax Ordinance, 2001 and withholding taxes claimed as adjustable are of Section 148, 151, 153(1)(a), 231B, 235 & 147 etc. According to the Complainant, refund applications for Tax Years 2024 & 2025 were e-filed on 29.06.2026. Despite repeated efforts of the Complainant, the Department failed to pass orders under Section

¹ Date of Registration in FTO Sectt.

170(4) of the Ordinance, within the stipulated time period, hence these complaints.

3. The complaints were sent for comments to the Secretary, Revenue Division, 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 Commissioner-IR Refund Zone LTO, Lahore submitted parawise comments vide letter dated 15.09.2026. At the outset, preliminary objection of bar of jurisdiction under Section 170(5)(b) of the Ordinance was raised on the ground that FTO does not hold jurisdiction in such matters where legal remedy is provided. Reference was made to the decision of Hon'ble Lahore High Court, Lahore in W.P. No.599/2017. The Deptt contended that there was no maladministration on the part of the department, since the taxpayer failed to comply with the law and rules applicable in its case and failed to file its refund application on the prescribed format.



4. On merits, Deptt submitted that:

- i) the Complainant filed refund applications for Tax Years 2024 & 2025 claimed refund on the basis of tax deductions under various heads is admitted.
- ii) on scrutiny of return for the tax year 2024, it is noticed that due to claim of excess tax depreciation, refund claimed at Rs.27,230,339/-actually arrived at Rs.19,562,835/- (Excess Refund 7,667,503/-).
- iii) as per Board's letter dated 17.10.2024, refund application shall be processed by following FIFO (First in-First out method. The Complainant's applications are in queue and will be processed as per law after due verification of tax payments/deductions.
- iv) As per NOC bearing C.No.LTO/4245 dated.09.09.2026 sales tax demand of Rs.500,000/-is outstanding against the taxpayer. Audit proceedings u/s 177(1) for the Year 2021 are pending.

- v) tax deductions claimed by the Complainant are verifiable from IRIS & ITMS as well as externally required documents from the Complainant.

5. Both the parties heard and available record perused.

6. The preliminary objection of bar raised under Section 170(5)(b) of FTO Ordinance is misconceived as the Hon'ble President vide Orders dated 04.02.2016 and 04.03.2016 in that:

"Notwithstanding Section 170(5) of the Ordinance, delay in disposal of the refund application within the mandatory time limit prescribed under Section 170(4) of the Ordinance is tantamount to maladministration."

Moreover, the findings/recommendations in C.No.329/KHI/IT/2017 were assailed by the Department before the Hon'ble President of Pakistan by placing reliance on the decision of Hon'ble Lahore High Court in Writ Petition 599/2015. While rejecting the representation of the Department vide Order No.165/FTO/2017 dated 29.01.2018, the Hon'ble President has observed that:

"It is as clear as the crystal that FTO has made recommendations which are only to the extent to direct the Commissioner-IR to complete the verification process and settle refund claims for tax years 2014 and 2015, as per law and report compliance within 45 days thereafter. It is just a harmless order and only the Agency has to decide the issue as per law which never denied in its written reply even by the Agency. The Agency has full powers to decide the issue either way, on merits and in accordance with provisions of law. Thus the findings of the learned FTO are quite sustainable and the Agency has unnecessarily filed this representation. In such circumstances, this representation is liable to be rejected having no merits and recommendations of FTO are sustainable and maintainable being unexceptional in nature in the eyes of law".

It is settled by the Hon'ble Superior Courts that money of a Complainant outstanding with the Deptt, is trust money which should be refunded expeditiously, by using good conscience. The preliminary objection regarding bar of jurisdiction having no force is, thus, overruled.

7. Even, the Department's contention regarding non processing of refund claim due to FIFO is misconceived on the grounds that the FBR



has issued clear guidelines/instructions of the Chief Commissioners vide letter dated 17.10.2024 regarding FTO's cases, that in order to process the refund claims explicit approval from the authority must be obtained which means that there is no bar for processing of refund claims against which complaints are pending/decided before the FTO. It may be added here that the taxpayer's legal right given by substantive law/legislature cannot be restricted through administrative circular(s). Board's notification dated 17.10.2024 itself excludes Court/FTO cases from the operations of said circular. Statutory timeline u/s 170(4) cannot be overturned/replaced through administrative instructions. This plea of FBR has already been dismissed by Presidency in a large number of representations filed by FBR on this account. Matter has attained finality.

8. Since the Deptt has stated that the Complainant tax deductions claims are verifiable from IRIS & ITMS, the Deptt is directed to provide a comprehensive statement to the Complainant of all the taxes claimed within seven (07) working days from the receipt of this order to the Deptt. The statement should detail all tax payments that are verifiable from IRIS & ITMS as well as those that are not verifiable from IRIS & ITMS. The Complainant is directed to provide requisite additional documents related to non-verifiable paid taxes accordingly.

9. Perusal of income tax return for TY 2024 reflects withholding u/s 235 at Rs 265,022 whereas for TY 2025 deduction under this head is missing, though manufacturing activity has been shown to be conducted in both years. During hearing, AR of the Complainant furnished copies of electricity bills. However, their non claim or otherwise in its tax returns needs explanation.

10. AR stated that the tax demand may be adjusted against pending for refund for Tax Years 2024 & 2025.



11. The department has unequivocally admitted that the refund applications for Tax Years 2024 & 2025 were e-filed on 29.06.2026. It is further admitted that the statutory period of sixty (60) days, prescribed under Section 170(4) of the Ordinance for passing an order on the refund application, has expired. Notwithstanding the lapse of the prescribed limitation period, no order has been passed in accordance with law. Furthermore, the refund application has neither been duly adjudicated nor has the petitioner been afforded a proper opportunity of hearing as mandated under Section 170 of the Ordinance. Thus, delay in disposing of refund applications for Tax Years 2024 & 2025 is evident and in clear violation of the mandatory statutory provisions governing the adjudication of refund claims.

12. **FINDINGS:**

- i. M/s J.F. Industries (Pvt) Ltd. is primarily a manufacturer, though Lahore Chamber of Commerce and Industry (LCCI) and other Trade & industry directories list it under broader commercial functions like exporter, importer, and trader. GDs need to be carefully examined so as to rule out any commercial imports.
- ii. Departmental view that ***“claim of excess tax depreciation, refund claimed at Rs.27,230,339/- actually arrived at Rs.19,562,835/- (Excess Refund 7,667,503/-)”*** is premature and being audit related falls outside the jurisdiction of CIR(Refund), in the light of jurisdiction assigned to him by FBR.
- iii. Non declaration of tax deduction u/s 235 for TY 2025, classification of this expense in P&L Account vis-à-vis Trading A/C and huge variations of expense under head ***Power*** need analysis by the relevant section of LTO Lahore.
- iv. The non-processing of refund applications in accordance with the provision of Section 170(4) of the Income Tax Ordinance, 2001 within stipulated time for Tax Years 2024 & 2025 is manifestation of 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.

RECOMMENDATIONS:

13. FBR to-

- (i) direct the Commissioner-IR, Refund Zone, LTO Lahore to satisfy himself that taxes in the Tax Years 2024 & 2025 have been overpaid and to apply the excess in reduction of any other tax due from the taxpayer under the Income Tax Ordinance, 2001 or if there is any outstanding liability of the taxpayer to pay other taxes after providing opportunity of being heard to the Complainant and dispose of refund applications for Tax Years 2024 & 2025, as per law; and
- (ii) report compliance within 30 days.

Dated: 21 OCT 2026
Azeem

(M. Zafar ul Haq Hijazi)
Federal Tax Ombudsman