

THE FEDERAL TAX OMBUDSMAN ISLAMABAD

COMPLAINT NO.16406/KHI/ST/2026

Dated: 10.09.2026* R.O. Karachi

M/s. Fine Cotton Textile,

... Complainant

NTN 1753112

B-237, Main Ibrahiim Hydry Road,

Korangi Creek, K Area Korangi, Korangi Korangi 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 deferred sales tax refund claims for the tax periods Oct 2021 to May 2026 amounting to Rs. 36,327,640 and missing refund claim of Rs. 1,346,985 pertaining to tax period of August 2023.

2. Briefly, M/s. Fine Cotton Textile is engaged in the textile manufacturing, processing, and garment production for both local and international markets. 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-May	8,039,272	5,270,912	2,768,360	
26-Apr	11,762,699	7,877,842	3,884,857	
26-Mar	15,856,110	13,181,962	2,674,148	
26-Feb	6,935,478	4,341,143	2,594,335	
26-Jan	2,878,785	1,770,286	1,108,499	



25-Dec	15,172,753	13,922,912	1,249,841	
25-Nov	12,198,002	9,090,450	3,107,552	
25-Oct	12,876,960	12,342,268	534,692	
25-Sep	13,932,256	13,466,646	465,610	
25-Jun	11,707,060	8,765,550	2,941,510	
25-Apr	7,189,480	7,105,537	83,943	
25-Mar	16,840,090	16,776,370	63,720	
25-Feb	7,137,132	6,925,960	211,172	
25-Jan	9,260,576	9,086,547	174,029	
24-Sep	10,414,546	9,348,491	1,066,055	
24-Jun	13,640,204	13,267,491	372,713	
24-Feb	9,368,482	8,877,203	491,279	
24-Jan	27,187,542	26,539,600	647,942	
23-Nov	21,124,071	17,360,696	3,763,375	
23-Oct	17,700,271	15,650,135	2,050,136	
23-Aug	16,018,668	14,035,444	636,239	1,346,985
23-Jul	8,873,558	7,499,007	1,374,551	
23-Jun	7,515,388	5,198,788	2,316,600	
22-Nov	11,553,738	9,880,906	1,672,832	
21-Oct	7,339,711	7,266,061	73,650	
TOTAL	302,522,832	264,848,207	36,327,640	1,346,985

The complainant filed sales tax refund claims for tax periods Oct 2021 to May 2026 through the FASTER Refund system, but an amount of Rs.36,327,640/- remains pending on account of deferred refund claim and Rs. 1,346,985 on account of missing refund claim for August 2023 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 hearing, the DR states that on receipt of data from CTO-I, Karachi; the claims will be processed on merit as per law.

4. Arguments heard and records perused.

FINDINGS:

5. Admittedly, the complainant is engaged in the textile manufacturing, processing, and garment production for both local and international markets. The complainant filed sales tax refund claims of Rs.302,522,832 for tax periods Oct 2021 to May 2026 through the FASTER Refund system. The FASTER sanctioned Rs. 264,848,207 but an amount of Rs.36,327,640/- for Oct 2021 to May 2026 remains pending on account of deferred refund claim before CTO-II Karachi for processing. In addition, an amount of Rs. 1,346,985 remains pending on account of missing refund claim for tax period August 2023. During 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. 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. Non-processing of outstanding sales tax deferred refund claims and missing refund claim 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 the CIR, Refund Zone, CTO-II Karachi:-

- i) to process deferred outstanding sales tax refund claims for October 2021 to May 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 for tax period August 2023 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.

(M. Zafar ul Haq Hijazi)
Federal Tax Ombudsman

Dated: 21 OCT 2026