

**THE FEDERAL TAX OMBUDSMAN
ISLAMABAD**

Complaint No.15689/KHI/ST/2026

Dated: 28.08.2026* R.O. Karachi

Mr. Syed Ahmed Ali,
M/s. Silver Textile Factory
NTN 1309515
Plot No St-2, Sector No 18, Korangi,
Township Karachi, Korangi Town

... *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. Muhammad Shabbir, ITP
Departmental Representative	: Mst. Sara Imran, DCIR, LTO Karachi
	: Mr. Raheel Anwar, SAIR, LTO, KHI
	: Mr. S.M Ibrahim, SAIR, LTO, KHI
Date of hearings	: 15.09.2026, 24.09.2026 & 08.10.2026

FINDINGS/RECOMMENDATIONS

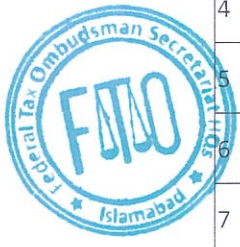
The above-mentioned complaint was filed in terms of Section 10(1) of the Federal Tax Ombudsman Ordinance, 2000 (FTO Ordinance) for non-processing of deferred sales tax refund claim for the tax period Feb 2024 to May 2024, Feb 2025, Nov 2025 to Feb 2026.

2. Briefly, M/s. Silver Textile Factory is engaged in the manufacturing of textile items and garments and is registered with the Department under the Sales Tax Act 1990 the Act. As per the AR of the complainant, the details of the pending deferred claims for processing are as follows:

Sr.	Tax Period	Claim No.	ERPO Date	Refund Claimed	Received through FASTER	Disallowed	Deferred	Balance
1	February 2024	T160224101429	15-04-2024	15,864,979	12,458,010	233,974	3,172,995	3,406,969
2	March 2024	T160324101653	19-05-2024	16,120,439	12,531,461	583,473	3,005,505	3,588,978

* Date of registration in FTO Sectt





Sr.	Tax Period	Claim No.	ERPO Date	Refund Claimed	Received through FASTER	Disallowed	Deferred	Balance
3	April 2024	T160424101382	11-06-2024	23,714,131	17,623,991	1,410,763	4,679,377	6,090,140
4	May 2024	T160524101383	12-07-2024	13,679,362	11,111,858	17,115	2,550,389	2,567,504
5	February 2025	T160225101951	26-04-2025	15,272,158	12,213,998	0	3,058,160	3,058,160
6	November 2025	T161125102946	31-01-2026	14,769,682	12,139,464	0	2,630,216	2,630,218
7	December 2025	T161225103199	10-03-2026	11,562,120	9,406,470	0	2,155,651	2,155,650
8	January 2026	T160126102852	28-03-2026	19,771,210	15,869,868	—	3,901,345	3,901,342
9	February 2026	T160226102856	21-04-2026	17,774,650	14,315,154	—	3,459,500	3,459,496
Total				148,528,731	117,670,274	2,245,325	28,613,138	30,858,457

The complainant filed sales tax refund claims for tax periods Feb 2024 to May 2024, Feb 2025, Nov 2025 to Feb 2026 through the FASTER Refund system, but an amount of Rs.28,613,138/- remains pending on account of deferred refund claim before LTO, 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. In response, the Second Secretary (CSTRO/FTO) vide letter dated 01.10.2026, stated that the refund invoices deferred by the system are made available to the concerned field office through the STARR system for further scrutiny and processing. It was further clarified that no action is pending at the CSTRO level in respect of the deferred refund claims amounting to Rs. 28,613,138/-. The complainant was therefore advised to approach the relevant field office for resolution of the grievance. The DR during hearing has submitted that these refunds have been deferred after sanctioning 12% of export value by the FASTER. The

LTO Karachi will process these deferred refund claims keeping in mind the maximum upper limit of 15% of export value. Accordingly, the requisite records have been sought from the complainant vide letter dated 01.10.2026.

4. Arguments heard and records perused.

5. Admittedly, the complainant, a manufacturer-cum-exporter filed sales tax refund claims for tax periods Feb 2024 to May 2024, Feb 2025, Nov 2025 to Feb 2026 through the FASTER Refund system, but an amount of Rs.28,613,138/- for Feb 2024 to May 2024, Feb 2025, Nov 2025 to Feb 2026 remains pending on account of deferred refund claim before LTO Karachi for processing. Board's Circular No.14(70/Chief(P&R)FBR/2020-21 dated 08.06.2021 has prescribed the upper capping of refund vis-à-vis export value. The relevant Para (ii), (iii) & (vii) of the said circular is reproduced below:

- “(ii) That, refund claims up to 12% export value will be automatically processed by the FASTER system.*
- (iii) That, any amount exceeding 12% will be deferred and marked to the field office concerned for processing & sanctioning.*
- (vii) That, no refund claims beyond 15% of export value would be sanctioned/paid under any circumstances.”*

Moreover, 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:”

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 desired ST refunds the department Apart from above, the it is also required to ascertain whether;
 - M/s. Silver Textile Factory *has filed audited account for Tax Years 2024 to 2026;*
 - *Related chunk of this amount of 28.613 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 Feb 2024 to May 2024, Feb 2025, Nov 2025 to Feb 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, LTO Karachi, to process deferred outstanding sales tax refund claims for Feb 2024 to May 2024, Feb 2025, Nov 2025 to Feb 2026 in terms of 'Chapter V (REFUND)' of Sales Tax Rules 2006, read with Circular 01 of 2020 dated 03.04.2020 & Board's Circular No.14(70/Chief(P&R)FBR/2020-21 dated 08.06.2021, in accordance with law expeditiously; and
- ii) report compliance within 30 days.

(M. Zafar ul Haq Hijazi)
Federal Tax Ombudsman

Dated: 21 OCT 2026