

THE FEDERAL TAX OMBUDSMAN ISLAMABAD

Complaint No.16416/KHI/ST/2026

Dated: 10.09.2026* R.O. Karachi

M/s. Union Textile Industries,

... Complainant

NTN 2918561

Plot No. L-26/A, Block-22, F. B.,

Industrial Area, Karachi Central Gulberg Town

Versus

The Secretary,

Revenue Division,

... Respondent

Islamabad.

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 claim for the tax periods Jan 2021 to Apr 2026.

2. Briefly, M/s. Union Textile Industries is a manufacturing enterprise based in Pakistan, specializing in the production of terry towels, yarn, and related textile products. 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
26-Apr	35,448,431	29,956,421	5,492,010
26-Mar	29,440,655	25,234,847	4,205,808
26-Feb	26,411,344	22,573,799	3,837,545
26-Jan	23,457,059	20,106,051	3,351,008
25-Dec	25,568,285	22,727,364	2,840,921
25-Oct	32,526,294	26,108,062	6,418,232
25-Sep	27,167,392	23,140,859	4,026,533

* Date of registration in FTO Sectt



25-Aug	34,996,891	29,997,335	4,999,556
25-Jul	35,612,405	30,511,561	5,100,844
24-Nov	33,700,789	28,886,391	4,814,398
24-Oct	20,353,811	17,446,123	2,907,688
23-Sep	27,910,910	22,402,895	5,508,015
23-Aug	23,878,382	19,164,062	4,714,320
23-Jul	11,553,866	9,273,105	2,280,761
23-Jun	17,573,637	17,158,593	415,044
23-May	26,650,559	21,389,754	5,260,805
23-Apr	18,398,175	14,765,906	3,632,269
23-Mar	25,655,926	20,593,239	5,062,687
22-Dec	29,110,965	27,036,114	2,074,851
22-Jul	18,014,743	17,359,291	655,452
22-Jun	21,866,785	21,536,541	330,244
21-Jun	11,831,479	11,412,240	419,239
21-Jan	7,442,554	7,337,166	105,388
TOTAL	564,571,337	486,117,719	78,453,618

The complainant filed sales tax refund claims for tax periods Jan 2021 to Apr 2026 through the FASTER Refund system, but an amount of Rs.78,453,618/- remains pending on account of deferred 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 has stated that on receipt of soft data from CTO-I Karachi, the claims will be processed on merit in accordance with the law.

4. Arguments heard and records perused.



5. Admittedly, the complainant, a manufacturing enterprise based in Pakistan, specializing in the production of terry towels, yarn, and related textile products; filed sales tax refund claims of Rs. 564,571,337 for tax periods Jan 2021 to Apr 2026 through the FASTER Refund system. The FASTER sanctioned Rs. 486,117,719/- but an amount of Rs.78,453,618/- remains pending on account of deferred refund claim before CTO-II Karachi for processing. 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. FINDINGS:

i. i. Notwithstanding the above while processing the desired ST refunds the department Apart from above, the it is also required to ascertain whether;

a. M/s. Union Textile Industries has filed audited account for Tax Years 2021 to 2026;



b. this amount of 78.453 million is declared as asset in the 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 Jan 2021 to Apr 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, CTO-II Karachi, to process deferred outstanding sales tax refund claims for Jan 2021 to Apr 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; and
- ii) report compliance within 30 days.

Dated: 21 OCT 2026

(M. Zafar ul Haq Hijazi)
Federal Tax Ombudsman