

**THE FEDERAL TAX OMBUDSMAN
ISLAMABAD**

COMPLAINT NO.17069/HYD/IT/2026

Date: 23.09.2026*RO, Hyderabad*

Mr. Muhammad Ishaq s/o Nisar Muhammad.

CNIC: 16101-1976460-1

Address: Tehsil & District, Mardan

...Complainant

Versus

The Secretary,
Revenue Division,
Islamabad.

...Respondent

Dealing Officer	: Mr. Sahibzada Abdul Mateen, Advisor
Appraising Officer	: Mr. Muhammad Tanvir Akhtar, Advisor.
Authorized Representative	: Mr. Saeed Ahmed Solagni, Advocate.
Departmental Representative	: Mr. Ghulam Nabi Shaikh, ACIR RTO Sukkur. Hafiz Tariq A.D I&I Hyderabad
Date of Hearing	: 06.10.2026

FINDINGS / RECOMMENDATIONS

The above-mentioned complaint has been filed under Section 10(1) of the Federal Tax Ombudsman Ordinance, 2000 (FTO Ordinance) against the non-release of vehicle bearing registration No. AACQ-296, model 2026, by the Directorate of Intelligence and Investigation IRS Hyderabad despite the fact that registered owner having no connection with the seized goods.

2. Briefly stated the facts are that Butt Logistics Cargo, is the registered owner of Fuso Truck bearing Registration No. AACQ-296, Model 2026. The Directorate of Intelligence & Investigation (Inland Revenue) on 31.08.2026 seized the above-mentioned vehicle at Nawabshah, along with approximately 200 cartons of cigarettes allegedly being non-duty-paid cigarettes and were found without valid fixation of the mandatory Track & Trace System (TTS) prescribed under the applicable Federal Excise laws. But the Complainant has



* Date of Registration in FTO Sectt:

no ownership, possession, title, claim or concern whatsoever with the seized cigarettes. The Complainant has neither claimed the seized goods nor asserted any proprietary interest therein. The present complaint is confined strictly to the release of the vehicle belonging to the Complainant but given on rent to Muhammad Faisal on 01.07.2026 at a monthly rent of Rs.350,000/- under a written rental agreement.

That the Complainant submitted a formal application for release of the vehicle before the concerned authorities on 18.09.2026, along with the relevant documents, including the rental agreement and ownership documents. However, despite the lapse of time, no effective action has been taken on the application and the vehicle continues to remain withheld.



That the continued non-release of the vehicle, despite submission of the release application and supporting documents, amounts to unreasonable and inordinate delay, causing financial hardship and loss to the registered owner.

That it is further submitted that the authorities have, in similar circumstances, released vehicles where the vehicle owner was not directly connected with the alleged offending goods. The Complainant therefore seeks that its application be considered on its own merits in accordance with law and without discriminatory treatment. Hence this complaint filed.

3. The complaint was referred to the Secretary Revenue Division, Government of Pakistan and Director I & I Hyderabad for comments and hearing by the Departmental Representatives (D.R.), in terms of Section 10(4) of the FTO Ordinance read with section 9(1) of the Federal Tax Ombudsman Institutional Reforms Act, 2013.

4. The Director of I & I submitted comments on 06.10.2026 contending that the goods in question were found to be non-duty-paid/non-duty-discharged goods and were accordingly liable to be confiscated along with the conveyance under Section 26 of the Federal Excise Act, 2005. It is submitted that, for the purpose of initiating confiscation/adjudication proceedings against the offending goods and the conveyance used for their transportation, a contravention report No. 04/cigarette/31.08.2026 was forwarded to the relevant competent authority. The liability of the goods and conveyance is to be determined in accordance with the applicable provisions of law by the competent adjudicating authority.



- i. Section 26 of the Federal Excise Act, 2005 provides the legal authority for detention/seizure of excisable goods, including goods transported in contravention of the provisions of the Act/rules, as well as the conveyance used for carrying such goods. In the instant case, the available record establishes that the subject goods were dispatched without valid ITS stamps, thereby constituting a violation of the applicable legal requirements. Accordingly, the goods along with the conveyance were detained/seized in accordance with law.
- ii. It is further submitted that the release of the detained/seized goods or conveyance, where permissible under law, falls within the statutory jurisdiction of the competent adjudicating authority (CIR Zone-II, RTO, Hyderabad) under the relevant provisions of the Federal Excise Act, 2005, including Sections 28 and 32, as applicable. The Directorate of Intelligence and Investigation-IR, Hyderabad is not vested with the authority to prejudge or substitute the decision of the competent adjudicating authority in matters relating to confiscation or release.
- iii. In accordance with the prescribed SOP and established procedure, after detention of the goods along with the conveyance, the requisite contravention report in respect of the subject vehicle and goods was duly forwarded to the RTO, Hyderabad, for initiation of further proceedings and necessary action by the competent authority. The seized goods are kept under the custody of the

Directorate as per SOP. Thus, the matter was duly referred to the forum competent under law and no adjudicatory function was assumed by this office.

- iv. The subject conveyance was detained strictly in accordance with the applicable provisions of law. Thereafter, the requisite contravention report was forwarded to the Commissioner, Zone-II, RTO Hyderabad, vide this office Letter No. 5082 dated 07.09.2026, for further proceedings in accordance with law. A copy of the said contravention report was also furnished to the Unit Officer/Adjudicating Authority, Unit-X, Sanghar, RTO Hyderabad, being the competent authority for adjudication of the matter. Accordingly, the matter was duly placed before the competent adjudicating authority for determination in accordance with the provisions of law.



5. The Commissioner Inland Revenue Regional Tax Office, Hyderabad being respondent No. 2 vide their para-wise comments dated 05.10.2026 stated that the grievance of the Complainant relates to the release of vehicle bearing Registration No. AACQ-296, which was seized by Respondent No. 1 (Directorate of Intelligence & Investigation, Inland Revenue Hyderabad) and which, till date, is in the custody of Respondent No. 1.

6. Both the AR of the complainant as well as the departmental representatives from RTO Hyderabad and Directorate of Intelligence and Investigation Hyderabad attended the hearing online, their submissions were heard and record perused.

7. FINDINGS:

- i. A vehicle used in the transportation of illicit cigarettes can legally be released before the final adjudication of the case under specific statutory provisions. According to Section 28 of the Federal Excise Act, 2005, the adjudicating authority is empowered to order the provisional release of a seized conveyance (vehicle) pending the final decision. However, this release is

conditional and strictly regulated to safeguard government revenue.

ii. **Legal Prerequisites for Pre-Adjudication Release**

To secure the temporary release of the vehicle, the following legal requirements must be fulfilled:

- a. **Submission of a Bank Guarantee:** The owner of the vehicle must furnish a **valid bank guarantee from a scheduled bank**. The value of this guarantee must be **equal to the total appraised value of the seized conveyance**. The guarantee must generally remain valid for at least one year.
- b. **Prior Court Permission (If Applicable):** If the case has already been forwarded and is actively pending before a **Special Judge (Criminal Court)**, Section 28(2) specifies that the adjudicating authority cannot release the vehicle without obtaining the **prior explicit permission of the Special Judge**.
- c. **Strict Differentiation from Custom Smuggling:** It is important to note that this applies specifically to local illicit trade or domestic tax evasion under the Federal Excise Act. If the vehicle is instead booked under the **Customs Act, 1969** for cross-border smuggling, recent Supreme Court precedents and FBR SROs (such as SRO 499(I)/2009) have strictly barred the summary release of such vehicles, making absolute confiscation mandatory in those contexts.



- iii. **Butt Logistics Cargo**, is the **registered owner** of impugned vehicle, Fuso Truck bearing Registration No. AACQ-296, Model 2026. The Complainant **Mr. Muhammad Ishaq s/o Nisar Muhammad, CNIC: 16101-1976460-1**, Address: Tehsil & District Mardan claims that the vehicle belongs to him and that he had given it on lease/rent to **Muhammad Faisal** on 01.07.2026 at a monthly rent of Rs.350,000/- through a written agreement. Credit worthiness of the Complainant

needs to be checked by RTO Peshawar, the concerned field formation.

- iv. Despite the aforesaid clear & categorical provisions of law E&C Unit X, Sanghar, RTO Hyderabad has already handed over the impugned vehicle to the **owner** (Mr. Muhammad Ishaq s/o Nisar Muhammad, CNIC: 16101-1976460-1, on a simple undertaking. filed by the **driver (Muhammad Faisal)** of said vehicle on 15th October, 2026 and handed over it by imposing penalty of Rs. 50,000.
- v. As per Complaint and other available record the vehicle along with illicit cigarettes was impounded Directorate I&I-IR Hyderabad, whereas release order dated 15th October, 2026 portrays as if the vehicle was detained by RTO Hyderabad. No correspondence with I&I-IR Hyderabad, in connection with the seized vehicle if made, has been referred in the release order. Meaning thereby the impounding agency was not kept in the loop.

In view of above ineptitude, incompetence and inefficiency of E&C, Unit X, Sanghar, RTO Hyderabad in the release of vehicle, allegedly used in illicit transportation of non-tax paid cigarettes tantamount to mal administration under section 2(3)(i)(a) & (ii) of FTO Ordinance 2000.

RECOMMENDATIONS:

8. FBR to direct:
- (i) CCIR, RTO Hyderabad to look into the whole case, especially the legality and prudence of the release of impugned vehicle;
 - (ii) CCIR, RTO Peshawar to look into the tax affairs of Complainant, his creditworthiness and tax liabilities under the relevant laws; and
 - (iii) report compliance within 30 days.

Dated:

22 OCT 2026

Azeem

(M. Zafar ul Haq Hijazi)
Federal Tax Ombudsman

