

THE FEDERAL TAX OMBUDSMAN ISLAMABAD

COMPLAINT NO.16363/LHR/ST/2026

Dated: 10.09.2026 * RO Lahore

M/s Firhaj Footwear (Pvt) Ltd.,
2-KM, Off Lahore Road, 158-Dayara,
Drain Road, Lahore.

... Complainant

Versus

The Secretary,
Revenue Division,
Islamabad

... Respondent

Dealing Officer	:	Mr. Asem Iftikhar, Advisor
Appraising Officer	:	Mr. Muhammad Tanvir Akhtar, Advisor
Authorized Representative	:	Mr. Mahmud Ahmad, Advocate
Departmental Representative	:	Rana Sheryar, DCIR, LTO, Lahore
Date of hearing	:	05.10.2026, 08.10.2026, 15.10.2026

FINDINGS/RECOMMENDATIONS

This complaint was filed against the Commissioner-IR, Refund Zone, LTO Lahore, in terms of Section 10(1) of the Federal Tax Ombudsman Ordinance, 2000 (FTO Ordinance), for delay in processing of the deferred sales tax refund claims cumulatively amounting to Rs.134.699 million for various tax periods i.e. from 06/2002 to 03/2025.

2. Precisely, the Complainant, a registered manufacturer-cum-exporter of footwears, filed sales tax refund claims for the tax periods from June 2002 to March 2025. While more than 82% of the total claimed amount was sanctioned and cleared via the automated system (FASTER/STARR/RMS), certain substantial cumulatively amounting to Rs.134.699 million were marked as "deferred" for manual verification or field scrutiny. The Complainant submitted multiple written requests dated 08.07.2026, 06.08.2026, and 01.09.2026 seeking the final processing and sanctioning of the deferred balance. Despite of repeated efforts, the Department failed



to process the deferred sales tax refund claims till date. Hence, filing of the instant complaint.

3. The complaint was 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, the CCIR, LTO, Lahore, vide letter dated 29.09.2026, forwarded the parawise comments of CIR, Refund Zone, LTO, Lahore. On merits, Deptt submitted that:

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- i) The complainant filed sales tax refund claims for the tax period starting from June 2002 to March 2025 which were duly processed by the computerized systems of the FBR i.e. FASTER/ERS/STARR (where applicable) and as a result of this, admissible amounts of sales tax refunds were sanctioned to the complainant and amount/refund not validated by the automated systems were deferred for further verification/scrutiny of record to be done by the field formations.
 - ii) The Complainant failed to furnish obligatory supporting documents required to overrule FASTER/STARR/ERS objections as per Sales Tax Circular No. 01 of 2020 dated 04.08.2020.
 - iii) Processing is bound by internal FBR instructions regarding First-In, First-Out (FIFO) processing queues issued via Letter No. 4(10)Rev Bud/2024-25/205490-R dated 17.10.2024.
 - iv) An outstanding Income Tax demand of Rs.13,624,698/- is recoverable against the Complainant under Section 124/132/161 of the Income Tax Ordinance, 2001.

4. Both the parties heard and record perused.

5. During hearing, the Authorized Representative (AR) of the Complainant submitted a rejoinder reiterating the arguments previously stated in the initial complaint. On the other, Departmental Representative (DR) stated that the Complainant had not yet approached the department. Furthermore, the DR noted that the

formal notification requesting the required documentation pursuant to the Board's instructions dated 28 August 2026 had not been issued yet due to the pending First-In, First-Out (FIFO) processing queue.

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;

a. M/s Firhaj Footwear (Pvt) Ltd. has filed audited accounts for Tax Years 2002 to 2025;

b. In the relevant TYs related chunk of this amount of Rs. 134. 699 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 claims needs to be examined in terms of section 3B read with last proviso to section 66 of the Sales Tax Act, 1990.



ii. Scrutiny of the record reveals that the Department has failed to fulfill its statutory and procedural obligations. As per the Federal Board of Revenue's (FBR) binding Instructions No.12(04)/CSTRO /FBR/2024-25/95332-R dated 28.08.2026, when a refund claim is routed for manual processing due to system disqualification to the concerned field office, the department is strictly mandated to adhere to the following sequence:

- (i). issue a formal **"intimation letter"** to the Registered Person (RP) explicitly for submission of the requisite record/documents within 20 days from communication of deferred memo.
- (ii). in case of non-compliance/partial compliance in submission of documents, **"objection memo"** to be communicated to the refund claimant, one week after expiry of submission time granting 14 days from

communication of first objection memo.

- (iii). in case of non-compliance is made, issue a proper **“show-cause notice”** before passing any adverse order or keeping the claim stalled.

iii. During the proceedings, the DR could not produce any documentary evidence demonstrating that an intimation letter, objection memo, or show-cause notice was ever issued or served to the Complainant. Keeping a refund claim unattended on the pretext of system disqualification without taking any proactive lawful action to call for records violates the principles of natural justice and falls squarely under the definition of maladministration under Section 2(3)(ii) of the FTO Ordinance, 2000. As regards outstanding tax demand, the Department has the right to adjust verified refunds against valid outstanding demands under the law, it must first finalize the verification and quantify the admissible sales tax refund before applying any legal adjustments.



RECOMMENDATIONS:

7. FBR to :-

- (i) direct the Commissioner-IR, Refund Zone, CTO, Lahore to process the deferred sales tax refund claims for the tax periods start from June 2002 to March 2025 in accordance with the law and the prescribed SOP, within 30 days from the date of receipt of the requisite documents from the Complainant; and
- (ii) report compliance within 30 days.

8. the Authorized Representative (AR) of the Complainant is advised to furnish the requisite documents addressing the objections raised by the Department, and to provide a copy/intimation of the same to this Forum.

Dated: **27 OCT 2026**


(M. Zafar ul Haq Hijazi)
Federal Tax Ombudsman