

**THE FEDERAL TAX OMBUDSMAN
ISLAMABAD**

COMPLAINT NO. 17532/KHI/ST/2026

Dated: 05/10/2026 - HQ* Islamabad

M/s Al-Husnain Fabrics,
A-15, 2nd Floor, Sector 15-A/5,
Buffer Zone, Karachi.

...Complainant

V e r s u s

The Secretary,
Revenue Division,
Islamabad.

...Respondent

Dealing Officer

: Mr. Khalid Javed, Advisor

Appraised by

: Mr. Muhammad Naseer Butt, Advisor

Authorized Representative

: Nemo

Departmental Representative

: Nemo

Date of hearing

: 20.10.2026

FINDINGS/RECOMMENDATIONS

This complaint was filed under Section 10(1) of the Federal Tax Ombudsman Ordinance, 2000 against delay in releasing a lawful sales tax refund of Rs. 3,082,354/- under Section 66 of the Sales Tax Act, 1990 (the Act). Brief facts of the case are that sales tax audit under Section 72B of the Act was conducted for the Year 2017 (July 2016 to June 2017). The learned DCIR issued a Show Cause Notice dated 07.06.2022 confronting payment verifications under Section 73(3) of the Act in respect of zero-rated/reduced-rate supplies amounting to Rs. 18,096,790/- and finalized assessment vide Order dated 24.06.2022 creating a total sales tax demand of Rs. 3,082,354/-. During the pendency of the matter, the department coercively recovered the entire amount of Rs. 3,082,354/- through attachment of the complainant's business bank account vide CPR No. ST-20231229-0101-1712576 dated 29.12.2023.

2. On appeal, the learned Commissioner Inland Revenue (Appeals-VII), Karachi set aside and remanded back the assessment order vide Appellate Order No. 218 dated 04.04.2024 with directions

*date of registration in FTO Sectt..





to re-adjudicate the matter after verifying the bank statements. In compliance, the complainant produced complete documentary record, bank statements, sales tax invoices, and reconciliation under Section 73(3) of the Act. Upon complete verification and satisfaction, the Assistant Commissioner Inland Revenue, Unit-05, Zone-I, CTO, Karachi passed Order-in-Original No. 019 of 2025 dated 24.03.2025, by vacating the Show Cause Notice and drawing no adverse inference. Consequent upon the deletion of the tax demand, the recovered sum of Rs. 3,082,354/- became refundable under Section 66 of the Act. The complainant submitted formal refund applications on 11.12.2025 (before erstwhile CTO), and subsequently on 11.09.2026 and 15.09.2026 (before CTO-II, Karachi, following jurisdictional restructuring). However, the Respondents failed to process or issue the refund.

3. Notice u/s 10(4) of the FTO Ordinance read with Section 9(1) of the Federal Ombudsmen Institutional Reforms Act, 2013 was issued on 06.10.2026 to the Respondents requiring them to submit parawise comments/reply by 13.10.2026. Despite clear notice and explicit caution that non-submission of comments may entail proceedings under the FTO Ordinance, 2000, no parawise comments or written response was submitted by the department.

4. Hearing in this case was conducted on 20.10.2026. Both the DR & AR did not join the proceedings.

5. Perusal of the record confirms that the original tax demand was completely vacated by the Department's denovo proceedings vide Order-in-Original No. 019 of 2025 dated 24.03.2025. Once, an assessment order under which tax was coercively collected stands set aside and vacated in toto, the department loses all legal authority and jurisdiction to retain the recovered amount and the same immediately becomes refundable. Section 66 of the Sales Tax Act, 1990 casts a

statutory duty upon the sales tax authorities to refund the excess amount within 90 days of filing of refund application. In the instant case, the complainant filed the refund application on 11.12.2025. A huge time period has been elapsed ever since. However, the department did not dispose of the claim of refund of the complainant. It manifests departmental neglect, inaction, delay and ineptitude which is tantamount to maladministration in terms of section 2(3)(ii) of the FTO Ordinance 2000. The Member-IR, FBR is required to take serious notice of the non-submission of parawise comments by the field formation despite issuance of notice to the CTO, Karachi.

RECOMMENDATIONS:

6. FBR to direct:

- (i) the Commissioner-IR, Refund Zone, CTO-II, Karachi to dispose of the claim of refund u/s 66 of the Sales Tax Act, as per law and after providing an opportunity of hearing to the complainant; and
- (ii) report compliance within 30 days.

Dated: 27 OCT 2026

(M. Zafar ul Haq Hijazi)
Federal Tax Ombudsman