

**THE FEDERAL TAX OMBUDSMAN
ISLAMABAD**

COMPLAINT NO.15518/LHR/ST/2026

Dated: 25.08.2026* RO Lahore

Mr. Basit Saqlain,

M/s Shareef Enterprises,

House No.332-C, Mohallah Phase-IV,
DHA, Lahore Cantt.

...Complainant

Versus

The Secretary,
Revenue Division,
Islamabad

... Respondent

Dealing Officer	: Mr. Asem Iftikhar, Advisor
Appraising Officer	: Mr. Muhammad Tanvir Akhtar, Advisor
Authorized Representative	: Mr. Awais Raza Tahir, Advocate
Departmental Representative	: Ms. Shahida Nazeer, DCIR, LTO, Lahore
Date of hearing	: 07.09.2026, 12.10.2026

FINDINGS/RECOMMENDATIONS

This complaint has filed under Section 10(1) of the Federal Tax Ombudsman Ordinance, 2000 against delay in processing of the sales tax refund claim for the tax period 06/2026.

2. Precisely, facts of the case are that the Complainant is a registered taxpayer (NTN: 3636635) engaged in the business of manufacturing and exporting copper products. For the tax period of June 2026, the Complainant electronically filed its Sales Tax refund claim through the Federal Board of Revenue's automated FASTER system, which subsequently generated a Refund Payment Order (RPO) dated 16.08.2026. Although the RPO acknowledged a validated claim amount, the automated system sanctioned a nominal sum of Rs.1/- for actual payment, while arbitrarily deferring the remaining balance of Rs. 12,685,944/- (inclusive of admissible carry-forwards) under automated system blocks. The Department has failed to issue any formal, specific, or speaking notice outlining legitimate statutory deficiencies or legal objections to justify the continued withholding of deferred funds. Despite

* Date of registration in FTO Sectt.

the lapse of considerable time, coupled with repeated written reminders and follow-ups by the Complainant, the Respondents have entirely failed to process, determine, sanction, or release the balance refund amount. Aggrieved by this persistent inaction and systemic obstruction, which constitutes clear maladministration, the Complainant has constrained to file the instant complaint before this Forum for immediate redressal.

3. The complaint was referred to Secretary, Revenue Division for comments. In response, the CCIR, LTO, Lahore, vide letter dated 15.09.2026, forwarded the parawise comments of CIR, Refund Zone, stating therein that the Complainant's Sales Tax refund claim for the period of 06/2026 was duly processed under Rule 29 of the Sales Tax Rules, 2006, through the automated Risk Management System (RMS). The Department contends that while a nominal amount of Rs. 1/- was cleared and sanctioned through the FASTER system, the remaining balance of Rs.12,685,944/- was automatically deferred for further field verification due to system-generated STARR objections and systemic capping rules governing non-five-export-oriented sectors. Furthermore, the Deptt asserted that under Rules 30 and 38 of the Sales Tax Rules, 2006, read with Sales Tax Circular No. 01 of 2020, the onus lies on the Complainant to furnish requisite supporting documents to the field formation to overrule these automated objections. Lastly, the Department claims that Complainant has instead of furnishing supporting documents necessary to reprocess/overrule STARR objections preferred to file the instant complaint which *is* premature and maintains that it is bound to process refund applications strictly on a First-In, First-Out (FIFO) principle pursuant to FBR Instruction No. 4(10) Rev Bud/2024-25/205490-R dated 17.10.2024, unless explicitly directed otherwise by this Forum.

4. In response to the para-wise comments of the Department, the Complainant submitted a comprehensive rejoinder. The Complainant emphasizes that the Department's broad reliance on automated system



blocks, STARR objections, and capping mechanisms fails to dispense with its statutory obligation to actively process and finalize deferred claims within a reasonable timeframe, especially given that a valid Refund Payment Order (RPO) amounting to Rs. 9,828,874/- was generated as early as 16.08.2026. Citing a landmark precedent by the Honourable President of Pakistan (Representation Nos. 362 to 368/FTO/2025), the Complainant asserts that internal administrative guidelines like the First-In, First-Out (FIFO) principle cannot be utilized as a blanket justification to override statutory timelines or protect institutional inertia. Further, Complainant prayed before this Forum that Deptt may be directed to immediate sanction and release of the withheld refund.

5. **Both the parties heard and record perused.**

6. During hearing, DR informed that the Complainant had not yet approached the department. Furthermore, the DR stated that the formal intimation 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.



FINDINGS:

7. 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 Board 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 7 days from deferred memo, communicated through FASTER to the concerned field office.
- ii) in case of non-compliance/partial compliance in submission of

documents, "**objection memo**" to be communicated by the field office to the refund claimant, maximum granting 21 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.

8. 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 accusing Complainant for non-furnishing of requisite documents without taking any proactive lawful action as per Board's instructions 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.

RECOMMENDATIONS:

9. FBR to :-

- (i) direct the Commissioner-IR, Refund Zone, LTO, Lahore to process the deferred sales tax refund claim for the tax period 06/2026 in accordance with the timeline for processing of FASTER deferred refund claims instructions No.12(04)/CSTRO/FBR/2024-25/95332-R dated 28.08.2026 and read with relevant SOPs, and
- (ii) report compliance within 30 days.

10. the Complainant is required to submit all requisite documentation to the Deptt in response to the issued intimation letter/objection memo and upon submission, the Complainant must obtain an official acknowledgment of receipt from the Department and furnish a copy of the same to this Forum.

(M. Zafar ul Haq Hijazi)
Federal Tax Ombudsman

Dated: 27 OCT 2026

