

**THE FEDERAL TAX OMBUDSMAN
ISLAMABAD**

COMPLAINT NO.16123/LHR/ST/2026

Dated: 05.09.2026*RO, Lahore

Mr. Muhammad Siddique Butt,
Zafar Wal Road, Near Marhaba School,
Mohallah Hayatpura, Sialkot.

...Complainant

Versus

The Secretary,
Revenue Division,
Islamabad.

...Respondent

Dealing Officer	:	Mr. Asem Iftikhar, Advisor
Appraised by	:	Mr. Badruddin Ahmad Quraishi, Advisor
Authorized Representative	:	Mr. M. Adil Khan, Advocate
Departmental Representative	:	Mr. Anadil Khan, DCIR, RTO, Sialkot
Date of hearing	:	07.09.2026, 12.10.2026

FINDINGS/RECOMMENDATIONS

The above-mentioned complaint was filed against the Commissioner-IR, RTO, Sialkot under section 10(1) of the Federal Tax Ombudsman Ordinance, 2000 (FTO Ordinance) against failure to remove a statutory system bar on input tax adjustment despite the Complainant's complete compliance with Point of Sale (POS) integration requirements.

2. Briefly, the Complainant is a registered taxpayer carrying on business as a distributor-cum-retailer of batteries in Sialkot. The Complainant's submissions are as under:

- i) Due to being a Tier-1 retailer, the Complainant faced an automatic system bar rendering input tax partially inadmissible on account of non-integration. To fulfill his legal requirements, the Complainant installed and successfully integrated his POS system with the FBR online portal on 23-10-2024.

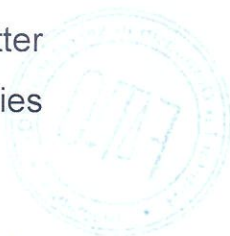


- ii) After integration, an online application under Section 8B(6) of the Sales Tax Act, 1990, was submitted on 26-10-2024 requesting the removal of the input tax disallowance bar. When no action was taken for nearly two years, a comprehensive application was submitted through his counsel on 05-09-2026.
- iii) The Complainant asserts that during Tax Year 2026 alone, input tax totaling Rs.12,387,653/- was blocked and rendered inadmissible solely due to the Department's failure to update his system profile. This prolonged failure has disabled him from filing accurate, reconciled Sales Tax and Income Tax returns, resulting in severe compliance deadlock and financial distress.

Being aggrieved, Complainant filed this complaint.

3. The complaint was referred to the Respondent Agency for comments under Section 10(4) of the FTO Ordinance, 2000, read with Section 9(1) of the Federal Ombudsmen Institutional Reforms Act, 2013. In response, the Commissioner Inland Revenue, Sialkot Zone, Regional Tax Office, Sialkot, submitted para-wise comments vide letter dated 14.09.2026. The Department's defense rests on technicalities arising from Sales Tax General Order (STGO) No. 17 of 2022:

- i) The Department stated that the Complainant integrated with the POS system on 23-10-2024. However, they argue that his first application dated 26-10-2024 erroneously sought relief for the tax period of September 2024, a period during which he remained unintegrated and was thus legally inadmissible for restoration under Paragraph II(A) of STGO 17 of 2022.
- ii) The Department further claims that the reminder dated 05.09.2026 was limited to the single tax period of September 2026. Deptt contends that the taxpayer should have applied for a



comprehensive, blanket removal spanning from November 2024 to September 2026.

iii) The Department presented two online system-generated systemic rejection orders dated 14-09-2026 (issued for the tax periods of Sept-2024 and Sept-2026) rejecting the claims as being devoid of merit due to incorrect period selection.

4. Both the parties heard, and record perused.

5. During the hearing, the Departmental Representative (DR) conceded that from the date of Point of Sale (POS) integration on 23.10.2024 through to 13.10.2026, the Complainant's lawful input tax adjustments remained blocked by the automated system and administrative inaction, despite the Complainant's undisputed status as an eligible Tier-1 retailer. The DR defended this prolonged disallowance by arguing that the Complainant's initial application, filed on 26.10.2024, was legally defective under Paragraph 1 of Sales Tax General Order (STGO) No. 17 of 2022 because it mistakenly sought the removal of the input tax bar for the tax period of September 2024, a period before physical integration. According to the DR, because this specific period was legally inadmissible for restoration, the system automatically maintained a blanket bar on all subsequent adjustments. However, when pointedly questioned by this Forum as to why the Department failed to facilitate or allow legitimate input tax adjustments from 23.10.2024 onwards, and why the application for the restoration of the 60% input tax remained un-disposed of for over two years in flagrant disregard of statutory timelines, the DR failed to produce any formal online or manual rejection orders, or provide any legally sustainable justification for this institutional lethargy.

This Forum further observes that:



- i. The system-generated rejection orders are dated 14-09-2026, which coincidentally matches the exact date the Department submitted its parawise comments to this office. This clearly demonstrates that the Department slept over the taxpayer's files for 23 months and only rushed to issue mechanical rejections after this Forum took regulatory cognizance of the matter.
- ii. The penalizing mechanism of an input tax bar is intended to enforce POS integration. Once compliance is achieved and verified, continuously blocking a compliant taxpayer's input tax due to procedural formatting errors in an application perverts the law.



FINDINGS:

6. The passive withholding of a taxpayer's legitimate right to adjust input tax, the failure to decide on an application for over two years, and the subsequent issuance of hasty, reactionary rejections to cover administrative delays constitute classic indicators of high-handedness and institutional neglect. The arbitrary inaction and total lack of facilitation by the Respondent Zone clearly amount to Maladministration under Section 2(3)(ii) of the Federal Tax Ombudsman Ordinance, 2000.

RECOMMENDATIONS:

7. FBR to direct:
 - i) the CIR, Sialkot Zone, RTO Sialkot to forward recommendation for the reversal of the disallowed input tax u/s 8B(6) of the Sales Tax Act 1990 from the date of integration with the POS to the Director, Directorate of Digital Initiatives, FBR through CCIR, RTO Sialkot in accordance with law;

- ii) the Director, Directorate of Digital Initiatives, FBR, on receipt of recommendation from field office, ensure restoration/reversal of legitimate input tax by CEO PRAL for all eligible tax periods commencing from 23.10.2024 onwards as per law; and
- iii) report compliance within (thirty) 30 days.



Dated: 27 OCT 2026

(M. Zafar ul Haq Hijazi)
Federal Tax Ombudsman