

**BEFORE  
THE FEDERAL TAX OMBUDSMAN  
ISLAMABAD**

**COMPLAINT NOS. 0040 TO 0045/KHI/IT/2022**

Dated: 07.01.2022 R.O. Karachi

**M/s. Din Textile Mills Ltd.,**  
35-A/1, Lalazar Area,  
Moulvi Tamizuddin Khan Road,  
Karachi.

*...Complainant*

***Versus***

The Secretary,  
Revenue Division,  
Islamabad.

*...Respondent*

Dealing Officer : Ms. Seema Shakil, Advisor  
Appraisal by : Mr. Muhammad Tanvir Akhtar, Advisor  
Authorized Representative : Mr. AshfaqTola, AR  
Departmental Representative : Mr. Haroon Islam, DCIR, LTO, Karachi

**FINDINGS / RECOMMENDATIONS**

The above mentioned complaints were filed against the Commissioner-IR, Enforcement-II, LTO, Karachi in terms of Section 10(1) of the Federal Tax Ombudsman Ordinance, 2000 (FTO Ordinance). As facts of the case are identical for all the six years, the complaints are disposed off through a single consolidated order.

2. The Complainant is a company registered as manufacturer of textile and have e-filed returns of income for the years 2013 to 2018, claiming refund of tax paid in excess of tax liability. The position of year wise refund applied, received and still pending is tabulated below:

Year	Refund claim	Refund issued	Balance/outstanding
2013	58,427,361/-	34,672,476/-	23,754,885/-
2014	91,272,041/-	49,339,851/-	41,932,190/-
2015	66,708,860/-	49,863,037/-	16,845,823/-
2016	41,756,692/-	35,524,464/-	6,232,774/-
2017	53,890,454/-	44,282,114/-	9,062,340/-
2018	80,052,128/-	48,928,612/-	31,123,516/-

3. The complaint has been filed for non-sanctioning of pending balance claims in spite of several applications. The Complainant also applied for adjustment of income tax refund against the sales tax demand in terms with Sales Tax General Order C.No. 3(6)ST-L&P/2002 dated 24<sup>th</sup> April, 2007. However, the Chief Commissioner declined the request on the plea that there is no systemic arrangement to inter adjust income tax refund with sales tax, hence this complaint.

4. The complaint was referred to the Secretary, Revenue Division for comments in terms of the FTO Ordinance read with Section 9(1) of the Federal Ombudsmen Institutional Reforms Act, 2013. In response, the Chief Commissioner-IR, LTO, Karachi submitted reply of CIR Enforcement-II, Karachi vide letter dated 21.01.2022. It is contended that verified refund has already been issued to the complainant. However, the balance amount required physical record of the taxpayer and subsequent third party verification. A fresh letter u/s 176 of the Income Tax Ordinance, 2001 has already been issued to the complainant for providing the requisite details, refund claim will be processed as soon as the details are provided.

5. During hearing, the counsel of the Complainant agreed to provide the documents for verification and showed his satisfaction and agreement with the departmental representative. Regarding

adjustment of income tax refund against sales tax liability, response was sought from Member-IR (Operations) FBR. Reply was received vide Second Secretary (ST-L&P) letter dated 2<sup>nd</sup> February 2022. Through the letter under reference, FBR asked the concerned officer to submit taxpayer's proposal for inter adjustment to Board in terms of Sales Tax General Order, dated 24.04.2007. Copy of this letter was also sent to Member (IT) FBR with the request to develop an automated system of inter tax adjustment as provided under the said STGO.

**FINDINGS:**

- (i) Partial verified refund of the Complainant has already been issued and the balance is also being processed after intervention of FTO.
- (ii) Unexplainable delay in development of system for **inter tax adjustment for implementation of Sales Tax General Order No.3(6)ST-L&P/2002 dated 24.04.2007** tantamounts to maladministration in terms of Section 2(3)(i)(a)(b)&(ii) of the FTO Ordinance.

**RECOMMENDATIONS:**

6. FBR to:-

- (i) direct Commissioner-IR, LTO, Karachi to complete the dispose of the claim of outstanding refunds;
- (ii) Members-IR (Operations) and IT, FBR to develop the system for inter tax adjustment in terms of STGO dated 24.04.2007; and
- (iii) report compliance within 60 days.

**(Dr. Asif Mahmood Jah)**  
(Hilal-i-Imtiaz)(Sitara-i-Imtiaz)  
Federal Tax Ombudsman

Dated: 21 - 02 - 2022  
U.f

Certified to be True Copy

Registrar  
FTO Secretariat  
Islamabad

