THE FEDERAL TAX OMBUDSMAN
ISLAMABAD

COMPLAINT NO.06981/SKT/IT/2026
Dated: 18.04.2026* RO, Sialkot

Mr. Mujahid Ashraf, ...Complainant
Mohallah Sabir Kot, Lalamusa,
Tehsil Kharian, District Gujrat.

Versus

The Secretary, ...Respondent
Revenue Division,
Islamabad.

Dealing Officer	:	Mr. Hassan Akhtar Khan, Advisor
Appraised by	:	Mr. Muhammad Tanvir Akhtar, Advisor
Authorized Representative	:	Mr. Mubashir Hussain Kazmi, Advocate
Departmental Representative	:	Mr. Muhammad Anadil Khan, DCIR RTO, Sialkot.
Date of Hearing	:	19.05.2026

FINDINGS/RECOMMENDATIONS

The above-mentioned complaint was filed under Section 10(1) of the Federal Tax Ombudsman Ordinance, 2000 (FTO Ordinance) against non-implementing the Hon'ble FTO's Order dated 05.06.2025 and subsequently issuance of notices dated 30.07.2025 and 15.04.2026 under Sections 176(1) and 111(1) of the Income Tax Ordinance, 2001 (the Ordinance) for Tax Year 2024.

2. Precisely, the Complainant earlier filed a complaint bearing C.No.7755/SKT/IT/2025, which was disposed of by the Hon'ble FTO through his Order dated 05.06.2025 with the following recommendations:

"7. FBR to direct-
  (i) the Commissioner-IR, (Refunds), RTO, Sialkot to dispose of Complainant's refund application expeditiously for Tax Year 2024, as per law; and
  (ii) report compliance within 45 days."

*Date of registration in FTO Sectt.

In compliance to the recommendations, the Department (Deptt.) has implemented the Hon'ble FTO's Order dated 05.06.2025 by disposing of refund application in terms of Section 170(4) of the Ordinance for Tax Year 2024 on 21.04.2026 and rejected the refund by recording reasons in writing.

Now, the Complainant has again come up with the contention that instead of implementing the findings and directions contained in the Hon'ble FTO's Order dated 05.06.2025, the Deptt. initiated fresh proceedings against the Complainant through issuance of a notices dated 30.07.2025 and 15.04.2026 under Section 176(1) and notice 111(1) of the Ordinance. The said action appears to be retaliatory and intended to harass and victimize the Complainant for having lawfully sought redressal of his grievance and enforcement of his legitimate refund claim. Notwithstanding the foregoing, the Complainant, through his counsel, duly complied with the said notice vide letter dated 28.03.2026, hence this complaint.

3. In response to the notice issued under Section 10(4) of the FTO Ordinance, read with Section 9(1) of Federal Ombudsmen Institutional Reforms Act, 2013, the Department submitted the parawise comments dated 05.05.2026, wherein it is contended that the refund application has been disposed of as per law vide Order dated 21.04.2026 under Section 170(4) of the Ordinance. The delay in processing of refund was not willful, rather attributable to material discrepancies observed in the Complainant's return for Tax Year 2024;

i. The declared capital of Rs.5.000 million is grossly insufficient to justify/finance business activity involving amount of Rs.310.200 million.

ii. The Complainant failed to declare liabilities/ creditors / payables in the statement of affairs, which is a material omission considering the scale of business operations.

iii. The Complainant filed a revised return on 30.03.2026, however statement of affairs was still not filed and reliance was placed solely on capital declaration, without substantiating sources of funds.

Due to the above inconsistencies, the case involved verification complexities, contributing to delay in refund processing. In essence, the delay in processing the refund was neither arbitrary nor avoidable; rather, it was a procedurally justified measure necessitated by significant discrepancies in the Complainant's declarations, undertaken to ensure accuracy, transparency, and strict compliance with the provisions of the Income Tax Ordinance, 2001. Now the refund application has duly been processed and an order has been passed, the Complainant, if aggrieved by the treatment accorded, may avail the statutory remedy of appeal before the Commissioner Inland Revenue (Appeals), RTO Sialkot, in accordance with the law.

Federal Tax Ombudsman Secretariat HQs FTO Islamabad

4. Both the parties heard on 19.05.2026, and record perused.

FINDINGS:

5.

i. During course of proceedings, it is observed that refund claims have been rejected mainly relying on issues which fall outside the domain of refund authorities. FBR has issued mutually exclusively jurisdiction orders of Audit and Refund authorities. All types of discrepancies infesting declared version of income, Trading & P&L Accounts, balance sheets etc. warranting any audit, amendment assessment is the exclusive domain of audit Zones.

ii. Refund Zone is strictly responsible for implementation of sections 170, 171 and 171A. CIR (Refund) domain is expressly outlined through section 170 which reads as under;

170. Refunds

(1) A taxpayer who has paid tax in excess of the amount which the taxpayer is properly chargeable under this Ordinance may apply to the Commissioner for a refund of the excess.

(1A) Where any advance or loan, to which sub-clause (e) of clause (19) of section 2 applies, is repaid by a taxpayer, he shall be entitled to a refund of the tax, if any, paid by him as a result of such advance or loan having been treated as dividend under the aforesaid provision.

(2) An application for a refund under sub-section (1) shall be –

(a) made in the prescribed form;

(b) verified in the prescribed manner; and

(c) made within three years of the later of –

(i) the date on which the Commissioner has issued the assessment order to the taxpayer for the tax year to which the refund application relates; or (ii) the date on which the tax was paid.

(3) Where the Commissioner is satisfied that tax has been overpaid, the Commissioner shall —

(a) apply the excess in reduction of any other tax due from the taxpayer under this Ordinance;

(b) apply the balance of the excess, if any, in reduction of any outstanding liability of the taxpayer to pay other taxes; and

(c) refund the remainder, if any, to the taxpayer.

(4) The Commissioner shall, within [sixty] days of receipt of a refund application under sub-section (1), serve on the person applying for the refund an order in writing of the decision after providing the taxpayer an opportunity of being heard.

The above section comprehensively provides the basis for refund claim (subsection 1), prescribed procedure (subsection 2), adjustment or issuance of refund when Commissioner (Refund) is satisfied that tax was overpaid (subsection), process & issuance of refund (subsection 4).

iii. Notwithstanding the above ***only respective audit/assessment Zone*** has the powers to examine the returned version, identify discrepancies, confront the taxpayers, select the cases for audit and amend assessments.

iv. At the most, discrepancies relating to declaration or assessment of income or assets of a taxpayer observed during the processing of refund applications can be forwarded by Commissioner-IR (Refund) to the respective zonal Commissioner for appropriate action under the provisions of Income Tax Ordinance, 2001.

v. It has been observed with grave concern that taxpayer's declared version with all the alleged discrepancies remained untouched till the taxpayer filed the Complaint with this forum. The department punished the Complainant through illegal rejection of refund claim as Refund officer trespassed his assigned jurisdiction and stepped into the domain of audit. Compliance of the said recommendations was due within 45 days but the department rejected the refund claim on 21st April, 2026 almost after 11 months and that too in the form of illegal rejection of claim by Refund officer. **Action of Refund officer is patently illegal, vindictive and unfair and a clear manifestation of**

maladministration in terms of section 2(3)(i)(a) & (b) of FTO Ordinance, 2000.

RECOMMENDATIONS:

6. FBR to direct;

   i. Concerned CIR, RTO Gujranwala to revisit the illegally passed order u/s 170(4);

   ii. All ***contentious issues*** *which have been made the basis for rejection of refund claim* may be referred to the concerned CIR (Assessment) for time bound disposal, preferably in 30 days' time; and

   iii. report compliance in 60 days.

(M. Zafar ul Haq Hijazi)
Federal Tax Ombudsman

Dated: 03 JUL 2026

Approved for reporting