THE FEDERAL TAX OMBUDSMAN
ISLAMABAD

REVIEW PETITION

Dated: 02.07.2026* R.O. Karachi

IN

COMPLAINT NO. 07799/KHI/ST/2026

Syed Zeeshan Mehdi Rizvi, ...Petitioner
Prop: M/s Ideal Power Engineering Service,
M-1, Al-Burhan Building, Mezzanine Floor,
Plot A-12, Ideal Street, Main Shahrah-e-Faisal,
Karachi.

Versus

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

Dealing Officer	:	Mr. Badruddin Ahmad Quraishi, Advisor
Authorized Representative	:	Mr. Shiraz Khan, AR
Departmental Representative	:	Mr. Abdul Hameed Shaikh, CIR Zone-1, RTO-II, Karachi
Date(s) of Hearing	:	**22.07.2026**

ORDER-IN-REVIEW

This Review Petition, though arising out of an individual taxpayer's grievance, has raised issues extending beyond the rights and liabilities of the parties before this Forum. During the course of these proceedings, subsequent events have presented questions concerning the effectiveness of the statutory protection available to taxpayers under the Federal Tax Ombudsman Ordinance, 2000, particularly where alleged maladministration has the effect of interrupting the continuity of a lawful business. **Article 18 (Freedom of Trade, Business or Profession)** of the Constitution of Islamic Republic of Pakistan guarantees every citizen the right to enter upon any lawful profession or occupation, and to conduct any lawful trade or business. However, the state can regulate businesses through licensing and free competition standards.

2. The complainant had originally approached this Forum challenging the suspension of its Sales Tax Registration. The complaint alleged that

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***Date of registration with FTO Secretariat**

the impugned administrative action had been taken in violation of the procedural safeguards prescribed by law, without due observance of statutory requirements including proper service and in disregard of the principles governing fair administration. It was further asserted that the suspension had resulted in serious commercial and financial consequences, including disruption of normal business activities.

3. The complaint was decided vide Order dated 11.06.2026. Feeling aggrieved, the complainant invoked the review jurisdiction of this Forum, contending that the principal grievance raised in the complaint had inadvertently remained outside the scope of adjudication and, therefore, warranted reconsideration.

4. Before the Review Petition could be finally decided, the complainant filed an application seeking permission to withdraw the proceedings. Since the language employed in the withdrawal application disclosed circumstances of considerable significance, this Forum considered it appropriate to require the personal appearance of the complainant before passing any order thereon. In compliance with the notice issued by this Forum, learned Authorized Representative for the complainant appeared along with the learned Departmental Representative.

5. During the hearing, learned Authorized Representative submitted that the complainant continued to maintain the legal objections raised in the Review Petition and that the payment made by the complainant was under protest and without prejudice to its legal rights. **<u>It was further submitted that, owing to the suspension of the Sales Tax Registration, the complainant's business had suffered severe commercial hardship, customers had withheld payments, business reputation had been adversely affected and, in those circumstances, the complainant had no practical option except to</u>**

secure restoration of the registration in order to preserve the continuity of its business.

6. The withdrawal application, read together with the submissions made during the hearing, reveals a significant feature. The complainant has not stated that the grievance originally brought before this Forum has ceased to exist. Nor has it accepted the legality of the departmental action. On the contrary, it has expressly maintained that the payment was made under protest, that its legal objections continue to subsist and that the withdrawal has been sought because the immediate continuity of its business could no longer await the completion of legal proceedings.

7. This distinction assumes considerable importance. It is one thing for a litigant to withdraw proceedings because the dispute has been satisfactorily resolved. It is altogether another where a litigant, while continuing to dispute the legality of the impugned administrative action, elects to secure immediate commercial relief because business realities leave no practical alternative. **The present case falls in the latter category.**

8. This Forum considers that such a situation calls for examination extending beyond the immediate controversy between the parties. It raises an important question concerning the effectiveness of the statutory remedy entrusted by Parliament to the Federal Tax Ombudsman. Where alleged maladministration results in suspension of business activities, the passage of time itself may substantially diminish the practical value of legal remedies. A remedy which arrives after commercial injury has become irreversible may remain legally correct, yet fail to provide the effective protection which the law intended. The present proceedings have, therefore, afforded this Forum an opportunity to examine not only the legality of the grievance brought before it but also the institutional responsibility resting upon this Forum to ensure that complaints involving

immediate interruption of lawful business receive such priority and attention as may enable meaningful protection to be afforded before commercial necessity overtakes legal process. It is in the above perspective that the Review Petition, the withdrawal application and the original complaint are examined.

9. SCOPE OF REVIEW AND RECONSIDERATION OF THE EARLIER ORDER:

Before examining either, the withdrawal application or the merits of the original complaint, it is necessary to determine whether the Review Petition discloses sufficient grounds for exercise of the limited review jurisdiction vested in this Forum. The jurisdiction of review is neither an appeal in disguise nor an opportunity to re-argue the entire controversy merely because another view may also be possible. At the same time, the power of review exists to ensure that where a material issue arising from the pleadings has inadvertently escaped adjudication, or where sufficient cause is otherwise shown in the interest of justice, the error may be corrected before it results in continuing prejudice.

i. The principal contention raised in the Review Petition is that while the original complaint challenged the legality of the suspension of the complainant's Sales Tax Registration and the administrative process infested with maladministration leading thereto. The Order in question dated 11.06.2026 though addressed the subsequent blacklisting proceedings yet the core grievance (administrative process infested with maladministration) requiring adjudication remained unaddressed. This Forum has, therefore, carefully re-examined the original complaint, the written submissions of the parties, the departmental comments and the Order sought to be reviewed.

ii. Examination of record reveals that the original complaint was primarily directed against the legality of the suspension proceedings. *The complainant had specifically alleged non-observance of mandatory statutory safeguards, defective service of notices, denial of an effective opportunity of hearing, disregard of binding judicial precedents and consequent commercial hardship arising from suspension of its Sales Tax Registration.* Reference to the subsequent blacklisting proceedings was made only as a consequential development flowing from the earlier suspension. The Order under review, however, proceeded substantially on the premise that the complaint principally questioned the show cause proceedings relating to blacklisting and, on that basis, declined interference on the ground that the departmental proceedings had not yet attained finality.

iii. Upon reconsideration of the entire record, this Forum is satisfied that the principal controversy requiring determination was of a different character. The central question requiring adjudication was whether the administrative process culminating in suspension of the complainant's Sales Tax Registration had been undertaken in accordance with the procedural safeguards prescribed by law. Whether those allegations were ultimately to succeed or fail was a matter requiring adjudication; however, they constituted the real controversy brought before this Forum.

iv. This conclusion should not be understood as criticism of the Order under review. The very existence of review jurisdiction recognizes that, despite due diligence, a material aspect of a controversy may occasionally remain outside the focus of the original adjudication. The object of review is not to attribute error but to ensure that justice is ultimately administered upon a complete and correct appreciation of the issues arising from the record. This Forum is, therefore, satisfied that sufficient grounds exist for exercise of its review jurisdiction. The Review Petition is accordingly allowed and the Order dated 11.06.2026 is recalled.

10. Since the entire record is already available before this Forum, the parties have been fully heard and subsequent developments have also become part of the proceedings, no useful purpose would be served by remanding the matter for fresh consideration. The interests of justice would be better served by proceeding to determine the original complaint afresh on its own merits. The original complaint is, therefore, taken up for fresh adjudication.

11. **RE-ADJUDICATION OF THE ORIGINAL COMPLAINT:**

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Having recalled the earlier Order, this Forum now proceeds to examine the original complaint on its own merits in the light of the pleadings, the documentary record, the submissions advanced by the parties and the subsequent developments brought on record during the pendency of these proceedings.

i. At the outset, it is necessary to define the precise limits of the jurisdiction being exercised by this Forum. The Federal Tax Ombudsman does not sit in appeal over proceedings lawfully initiated under the fiscal statutes, nor is it the function of this Forum to determine questions relating to tax liability, tax fraud, blacklisting or other matters entrusted by law to the competent authorities constituted under the respective tax enactments.

ii. The jurisdiction of this Forum is fundamentally different. It is directed not to the correctness of fiscal determinations but to the legality, fairness and propriety of the administrative process by which such determinations are initiated and pursued. Where it is alleged that statutory powers have been exercised without due observance of the safeguards prescribed by law, in disregard of principles of fair administration, or in a manner amounting to maladministration within the meaning of the Federal Tax Ombudsman Ordinance, 2000, the matter falls squarely within the jurisdiction of this Forum. The present complaint is one such case.

iii. The complainant has never sought a declaration from this Forum that no proceedings could lawfully be initiated under the Sales Tax Act, 1990. Nor has it requested this Forum to determine whether the allegations against it are factually or legally sustainable. Those questions remain exclusively within the domain of the authorities constituted under the fiscal laws.

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iv. The grievance brought before this Forum is of a different nature. The complainant has consistently maintained that before its Sales Tax Registration was suspended, the mandatory procedural safeguards prescribed by law were not observed; that effective service of the requisite notices was not established; that an adequate opportunity of hearing was not afforded; that binding judicial precedents and applicable administrative instructions were not followed; and that the resulting suspension immediately disrupted the lawful conduct of its business, causing serious commercial and financial consequences.

v. These allegations, if established, clearly constitute allegations of maladministration and, therefore, required independent examination by this Forum irrespective of the subsequent fiscal proceedings initiated by the Department.

vi. The departmental response principally proceeds upon the assertion that the action was taken in accordance with the provisions of the Sales Tax Act and that the complainant was afforded the opportunities contemplated by law.

12. Those submissions undoubtedly require consideration by the competent authorities while determining the proceedings pending under the Sales Tax Act. They do not, however, by themselves answer the distinct question raised before this Forum, namely whether the administrative process culminating in suspension of the complainant's Sales Tax Registration was conducted with the procedural discipline and fairness expected of public authorities exercising powers carrying immediate and far-reaching commercial consequences.

Administrative law consistently recognizes that the existence of statutory power and the manner of its exercise are separate legal questions. Even where jurisdiction exists, the exercise of that jurisdiction must conform to the requirements of law, fairness, proportionality and procedural regularity. Compliance with statutory safeguards is not a technical formality; it is the very means by which legality of administrative action is ensured and public confidence in public administration is maintained.

Upon careful examination of the material available on record, this Forum is satisfied that the complainant had raised substantial allegations concerning the legality of the suspension process which deserved independent adjudication by this Forum. The pendency of subsequent proceedings under the Sales Tax Act could not, by itself, render those allegations redundant or outside the jurisdiction conferred by the Federal

Tax Ombudsman Ordinance, 2000. This Forum accordingly holds that the complaint disclosed allegations of maladministration requiring adjudication. **To the extent the earlier Order failed to examine those allegations on their own merits, the grievance raised in the Review Petition is well-founded**.

13. However, while these proceedings remained pending before this Forum, subsequent developments materially altered the factual position. The complainant secured restoration of its Sales Tax Registration after making a payment of Rs.300,000/-, which, according to the complainant, was made expressly under protest and without prejudice to its legal rights. These subsequent developments undoubtedly affect the nature of the relief which may now appropriately be granted. They do not, however, diminish the institutional responsibility of this Forum to determine whether the circumstances disclosed by the record reveal broader issues concerning the effectiveness of the statutory protection available to taxpayers where alleged maladministration has the effect of interrupting the continuity of lawful business. **It is to that question that this Forum now turns.**

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14. **BUSINESS CONTINUITY CASES – A MATTER REQUIRING HEIGHTENED INSTITUTIONAL CARE:**

The subsequent restoration of the complainant's Sales Tax Registration has undoubtedly altered the factual position. Equally undisputed is the fact that the complainant secured such restoration only after making a payment of Rs.300,000/-, which, according to the withdrawal application as well as the submissions made during the hearing, was made expressly under protest and without prejudice to its legal rights. The question before this Forum, therefore, is not whether the complainant's immediate business difficulty now stands resolved. **The real question is whether the circumstances disclosed by the record reveal an area**

of tax administration requiring greater institutional attention by both the Federal Board of Revenue and this Forum. This Forum is of the considered view that they do.

15. The present case demonstrates that certain administrative actions possess consequences fundamentally different from ordinary fiscal proceedings. Suspension of Sales Tax Registration, sealing or locking of business premises and other comparable actions capable of bringing a lawful business substantially to a halt immediately affect the taxpayer's commercial existence. Every day during which such action remains operative may result in loss of customers, interruption of contractual obligations, erosion of commercial reputation, financial distress and consequences which may not be fully reversible even if the taxpayer ultimately succeeds in subsequent legal proceedings. Such cases, in the considered opinion of this Forum, deserve recognition as a distinct category of complaints. For the purposes of administration of the jurisdiction vested in this Forum, they shall hereafter be treated as Business Continuity Cases.

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16. The defining characteristic of a Business Continuity Case is not the nature of the tax dispute. It is the nature of the administrative consequence. Where alleged maladministration has resulted in suspension of Sales Tax Registration, sealing or locking of business premises, or any comparable administrative action effectively interrupting the continuity of a lawful business, the complaint assumes a degree of urgency which distinguishes it from ordinary disputes. This classification does not enlarge the jurisdiction of this Forum. Nor does it diminish the statutory authority of the officers administering the fiscal laws. It merely recognizes that where continuation of lawful business itself is placed in jeopardy, delay in administrative redress may substantially diminish the practical value of the statutory remedy created by Parliament. The present case illustrates that reality. The complainant

has not abandoned the legal objections originally raised before this Forum. Those objections have been expressly preserved. What has changed is that commercial necessity compelled the complainant to restore its business before legal proceedings could reach their logical conclusion.

17. This Forum considers it appropriate to observe that no adverse inference should be drawn from such a course of action. A taxpayer who takes lawful steps to preserve the continuity of business while simultaneously maintaining legal objections cannot, merely for that reason, be regarded as having accepted the legality of the administrative action complained of.

18. **FINDINGS:**

i. The facts of the present case have persuaded this Forum to recognize a distinct class of complaints where alleged maladministration has resulted in suspension of Sales Tax Registration, sealing or locking of business premises, or any other comparable administrative action having the effect of bringing a lawful business substantially to a standstill. Such complaints shall be treated as Business Continuity Cases. Complaints falling within the category of Business Continuity Cases shall ordinarily receive the highest degree of institutional urgency. Every endeavor shall be made to ensure their prompt investigation, early hearing and expeditious adjudication, consistent with the requirements of fairness, due process and proper examination of the record.

ii. The Registrar, FTO Secretariat is accordingly directed to place this Order before the Senior Advisor, IT (Appraisement) HQs, within three (03) working days. The Senior Advisor ibid shall, after consultation with all Advisors, prepare and submit, within thirty (30) days, for approval of this Forum, a Business Continuity Cases Protocol providing for immediate identification, priority processing, continuous monitoring and expeditious investigation and adjudication of such complaints so that, wherever legally permissible, meaningful relief may be afforded before commercial injury becomes irreversible. After approval, the Protocol shall be implemented throughout the Secretariat. The Registrar shall also circulate this Order amongst all Advisors for guidance and future compliance.

iii. This Forum is constrained to observe that powers such as suspension of Sales Tax Registration, sealing or locking of business premises and other comparable actions capable of interrupting the continuity of lawful business constitute one of the most serious administrative powers entrusted to the tax administration. The exercise of such powers carries consequences extending far beyond the immediate tax dispute and may affect commercial viability, employment, contractual obligations and business reputation.

iv. Equally, this Forum strongly advocates that the Federal Board of Revenue recognizes Business Continuity Cases as a distinct category of administrative action requiring enhanced procedural discipline. The power to suspend the continuity of a lawful business is among the most serious powers entrusted to the tax administration. The greater the consequences of an administrative action, the greater must be the procedural discipline, fairness and supervisory care preceding its exercise.

v. The instant case amply reflects the incidence of maladministration in terms of section 2(3)(i)(b) and (ii) of FTO Ordinance, 2000.

RECOMMENDATIONS:

19. In view of the findings recorded hereinabove, the following recommendations are accordingly made: -

Federal Tax Ombudsman Secretariat HQs Islamabad FTO

i. **Chairman**, **FBR** to ensures that the Federal Board of Revenue formulate and notify a Special Administrative Protocol governing all administrative actions having the effect of interrupting the continuity of lawful business. Such Protocol should, inter alia, ensure:

(a) strict verification that every statutory precondition has been fulfilled before initiation of such action;

(b) legally verifiable service of every mandatory notice in the manner prescribed by law;

(c) meaningful opportunity of hearing except where immediate action is expressly authorized by law;

(d) recording of reasons demonstrating the legality, necessity and proportionality of the proposed action;

(e) prior scrutiny and approval at an appropriately senior supervisory level before implementation of measures capable of interrupting the continuity of lawful business;

(f) expeditious internal review where interruption of business is alleged to have resulted from factual error, procedural irregularity or other maladministration; and

(g) periodic supervisory review to ensure that such extraordinary measures continue only for so long as is strictly necessary under law.

This Forum further recommends that the proposed Protocol expressly recognize that administrative measures capable of bringing a lawful business substantially to a halt should ordinarily be treated as measures of last resort. Wherever the law permits more than one lawful course of action, preference should ordinarily be given to the course which effectively secures compliance while causing the least avoidable disruption to the continuity of lawful business.

ii) In case the complainant seeks refund, adjustment or any other relief permissible under law in respect of the amount deposited under protest, **the competent authority in FBR** shall examine such request objectively, strictly in accordance with law, by passing a reasoned and speaking order after affording the complainant an adequate opportunity of hearing.

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(M. Zafar ul Haq Hijazi)
Federal Tax Ombudsman

Dated: 22 JUL 2026

Approved for reporting