THE FEDERAL TAX OMBUDSMAN
ISLAMABAD

REVIEW PETITION

Dated 19.03.2026* HQ, Islamabad

in

Complaint No. 29685/ISB/ST/2025

Mr. Amir Ahmad,
308, Street No. 77, G-9/3,
Islamabad.

...Complainant/Petitioner

Versus

The Secretary
Revenue Division
Islamabad.

... Respondent

Dealing Officer	: Mr. Muhammad Nazim Saleem, Advisor
Appraised by	: Mr. Khalid Javed, Advisor
Authorized Representative	: Complainant in person
Departmental Representative	: Mr. Javed Iqbal, Chief, Sales Tax, FBR
Hearing Date	**: 21.05.2026**

ORDER-IN-REVIEW

The review petition has been filed by the Complainant against the following recommendation dated 20.02.2026:

> *"5. Contents of instant Complaint clearly indicate that the alleged inaction and inattention actually either relate to the matters falling in the ambit of The ISLAMABAD CAPITAL TERRITORY (TAX ON SERVICE) Ordinance, 2001 (ICTO) OR PROVINCIAL SALES TAX REGIME. While assuming jurisdiction for any adjudication it is imperative to see whether the statues in question are covered under Section 2(6) of FTO Ordinance, 2000 that is "Relevant Legislation".*
>
> *Accordingly, perusal of the same reveals that ICTO and Provincial Sales Tax regimes don't CONSTITUTE "**Relevant Legislation**", therefore any inaction or inattention relatable to the said statutes is beyond the jurisdiction of this Forum.*
>
> *6. Investigation is closed and files consigned to record. "*

2. Precisely, facts of the case are that a complaint was filed under Section 10(1) of the Federal Tax Ombudsman Ordinance 2000 (FTO Ordinance) against FBR for its alleged inaction in response to his communiques. As per the contents of the complaint, the Complainant had addressed the Chairman FBR on 18.01.2024 with suggestions for

special steps to commence realization of taxes, not being charged, mainly on the supply of taxable services. He believed that billions of rupees could be added to national revenues by utilizing his information. Since he did not receive any response to his letter dated 18.01.2024, he submitted a written reminder on 27.10.2025 to the current Chairman, again by name. He cautioned him that if no satisfactory response was received, a formal complaint of maladministration against his office would be lodged with FTO. His reminder dated 27.10.2025 remained un-responded. Non-response for about 23 months to his suggestions for broadening the tax base / increasing national revenues was construed to be an act of maladministration. Hence a formal complaint was filed with this office.

3. After perusal of record and examining the respective positions of the parties, it was held that contents of Complaint clearly indicated that the alleged inaction and inattention either related to the matters falling in the ambit of The Islamabad Capital Territory (Tax on Services) Ordinance, 2001(ICTO) Or Provincial Sales Tax Regime. In view of the fact that adjudicatory jurisdiction of FTO office, as regards the "Relevant Legislation" has been illustrated in section 2(6) of FTO Ordinance, 2000, which ousts ICTO and Provincial Sales Tax regimes from the ambit of this Forum, the inaction or inattention relatable to the said statutes was pronounced beyond the jurisdiction of this Office. Hence the Investigation was closed accordingly.

Federal Tax Ombudsman Secretariat HQs FTO Islamabad

4. The Complainant, being aggrieved, has preferred the review petition against the verdict recorded by this Forum. It is averred that the FTO Office has erred in assuming wrongly that all the 19 reported cases of tax evasion relate to sales tax on services, whereas, only 5 cases out of 19 relate to sales tax on services. Rest related to supply on taxable goods. The Complainant has also bifurcated the two categories to substantiate his contention.

5. The matter was referred for comments to the Secretary, Revenue

Division. In response, a detailed reply has been submitted by the department. At the outset objection has been raised and prayed that the Honorable FTO should not exercise jurisdiction in the instant case as advised by the Honorable President of Pakistan vide decision dated 17.12.2025 in multiple representations, it was held as under:

> "Moreover, by virtue of its existence through distinct statute, FTO is neither "a tax collection authority or a revenue maximiser."

Reliance has also been placed in the Islamabad High Court Order dated 07.03. 2022 in Writ Petition No. 2332 of 2021, wherein it was inter alia held as under:

> "Perusal of the above definition(maladministration) clarifies that the Ombudsman is not a corruption watchdog or the maximizer of the revenue."

6. On facts, a detailed reply addressing each item/description of goods/services has been submitted. Some salient points are enumerated below:

I. Issuance of Arms Licenses by Ministry of Interior

NADRA has filed application for appointment of ADRC on the ground that arms license cannot be treated as goods under the Sales Tax Act, 1990. ADRC has been constituted, vide order dated 17.03.2026. Decision of the ADRC is awaited. Otherwise, issuance of arms license is out of the ambit of the Islamabad Capital Territory (Tax on Services) Ordinance, 2001, in terms of section 2B, which is reproduced as under:

> *"(2B) The tax levied under sub-section (1) shall not be applicable to regulatory and licensing services rendered or provided by an organization established by or under a Federal statute."*

II. Issuance of Arms Licenses by Provincial Home Departments:

Action in the instant case will be taken under the Sales Tax Act, 1990 as per the decision of the ADRC in the case of NADRA, if it is held that issuance of arms license is a supply of goods.

III. Issuance of Arms Licenses by NADRA:

Since NADRA is an SOE, the matter has been referred to the forum of ADRC, vide order dated 17.03.2026 u/s section 47A of the Sales Tax Act, 1990. ADRC's decision is awaited.

IV. Issuance of Driving Licenses by Islamabad Police:

Issuance of driving license by Islamabad Police is identical to the issuance of arms license by NADRA. Further action will be taken as per decision of the ADRC in the case of NADRA, if it is held that issuance of arms license is a supply of goods. In other case, issuance of driving license is out of the ambit of the Islamabad Capital Territory (Tax on Services) Ordinance, 2001 in terms of section 2B, which is reproduced as under:

"(2B) The tax levied under sub-section (1) shall not be applicable to regulatory and licensing services rendered or provided by an organization established by or under a Federal statute."

V. Supply of Minerals by ICT/Provincial Industries Departments:

Therefore, all minerals, except mineral oil and natural gas, which have no rightful owner shall, if located in a Province, vest in the Government of that Province, and in every other case, in the Federal Government." In the case of mineral oil and natural gas within a Province or the territorial water adjacent thereto shall vest jointly and equally in that Province and the Federal Government.

A) Minerals Located in the Provinces:

Minerals located in the provinces are the properties of the Provincial Governments.

i. Extraction of Minerais by Other Persons/Entities:

Persons/entities who intend to extract minerals in a Province are granted licenses/leases/concessions by the Government of that Province for which royalty is paid to the Government. The Hon'ble Sindh High Court in its judgment reported as 2022 SHC KHI 406 (CP No. C.P No. D-5381 to D-5384 of 2021) held that royalty is not a tax.

ii. Extraction of minerals directly by the Provincial Governments:

if a Provincial Government has established a corporation, company or other body or institution by or under a provincial law, the Parliament has the power to make a law to provide for the recovery of a tax on the income of that corporation, company or other body or institution. The provinces have established a number of companies/corporations for extraction of minerals, most of which are already registered for sales tax.

VI. Issuance of Machine-readable Seafarers' Identity Document (MRSID) by NADRA:

Issuance of MRSID by NADRA is a regulatory service. It does not involve any supply of goods.

VII. Supply of Souvenirs by the State Bank of Pakistan:

The matter has been referred to the Chief Commissioner-IR, RTO-II, Karachi for necessary action, vide letter dated 27.04.2026.

VIII. Non-withholding of Tax on Unissued Notes by the State Bank of Pakistan:

Money (i.e. currency notes) has been specifically excluded from "goods" in terms of section 2(12) of the Sales Tax Act, 1990,

X. Unissued Prize Bonds by Central Directorate of National Savings:

Like currency notes, they do not fall under the purview of the Sales Tax Act, 1990.

XI. Vehicle Number Plates by District Excise & Taxation Officers:

ETO Islamabad being an SOE, an ADRC was constituted vide order dated 20.03.2025 u/s 47A of the Sales Tax Act, 1990. The ADRC was dissolved as it could not decide the case within 60days. In the case of Provincial ETOs, the issue has been referred to the IR-Policy Wing of FBR, for clarification as to whether sales tax is chargeable on vehicle number plates or otherwise?

XII. Vehicle Registration Cards by District Excise & Taxation Officers:

As above

XIII. Supply of Water by CDA/Metropolitan Corporation of Islamabad:

The ADRC constituted by FBR rendered its decision on 18.10.2024, wherein it was held as under:

(a) FBR may register MCI for the purpose of Income Tax and Sales Tax accordance with law.

(b) The department is advised to ascertain the chargeability of sales tax on the supply of water pursuant to registration of MCI for the purpose of Income Tax and Sales Tax.

(c) For non-compliance of fiscal laws, a token penalty of Rs.500,000/- imposed on CDA, which it can recover from the funds of MCI.

The matter has been referred to the Policy Wing of FBR, vide letter dated 27.04.2026, for clarification as advised by the ADRC.

XIV. Supply of Water by Cantonment Boards all over Pakistan:

3. Action will be taken in pursuance of clarification of Policy Wing, as aforesaid.

FINDINGS:

7. The Review Petition was heard on the scheduled dates. The learned Departmental Representative relied on the Department's comments and supported the earlier order. The Complainant submitted that the original complaint had been decided on the premise that all nineteen reported instances related to sales tax on services, whereas only five concerned services and the remaining instances involved supply of goods and other revenue matters. He argued that this distinction materially affected the assessment of the information provided and warranted reconsideration of the original observations. Having examined the record, the original complaint, the review petition, the departmental comments, and the submissions made during the hearing, this Forum finds merit in the Complainant's contention. The record indicates that the reported instances were not limited to sales tax on services and that the factual position therefore requires clarification. During hearing, the Inland Revenue Reward Rules, 2021 were also considered and discussed. The information provided by the Complainant does not fall squarely within the scope of those Rules, which primarily address tax evasion, concealment, identified through specific actionable information leading to tax recovery. Many of the matters raised instead relate to taxability issues, revenue leakages,

administrative shortcomings, policy implementation, compliance deficiencies, and enforcement gaps requiring institutional review. The Complainant acknowledged that such matters are not presently covered by the Reward Rules, 2021. This Forum nevertheless considers that citizens who, in good faith, provide information capable of expanding the tax base, identifying revenue leakages, or improving tax administration render a valuable public service. Such information warrants structured consideration even when it falls outside the Inland Revenue Reward Rules, 2021. This case highlights a broader systemic gap. While reward mechanisms exist for specified tax evasion cases, there appears to be no structured process for receiving, evaluating, and responding to information concerning revenue leakages, tax-base expansion, administrative deficiencies, or systemic compliance issues. Consequently, potentially valuable public information may not receive adequate institutional attention, resulting in missed opportunities for revenue enhancement and administrative improvement. Accordingly, while clarification of the factual position is necessary, the matter also raises issues of broader public importance that warrant recommendations to the Federal Board of Revenue for consideration at the policy and administrative levels.

RECOMMENDATIONS:

8. It is recommended that the Federal Board of Revenue examine the feasibility of establishing a structured framework for handling information received from citizens/informers regarding revenue leakages, tax-base expansion, and systemic compliance issues. In particular, FBR may consider:

(i) Developing transparent eligibility criteria for recognition or reward where information demonstrably contributes to revenue recovery, prevention of revenue loss, tax-base expansion, or measurable administrative improvement; and

(ii) Issuing the necessary rules, guidelines, or administrative instructions to implement and oversee the framework.

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9. The Review Petition is disposed of in above given terms. The instant order- in- review shall form part of and be read together with this Forum's earlier order dated 20.02.2026.

Dated: 02 JUN 2026

(M. Zafar Ul Haq Hijazi)
Federal Tax Ombudsman

Approved for reporting.